UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
June 11, 2020

UTIMCO
210 West 7th Street, Suite 1700
Austin, Texas 78701

Time Begin	End	Item #	Agenda Item
			OPEN MEETING:
9:00 a.m.	9:05 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of March 24, 2020 Meeting*
9:05 a.m.	9:10 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolution: - Election of Corporate Officers*
9:10 a.m.	9:30 a.m.	3	UTIMCO Performance and Market Update
9:30 a.m.	9:50 a.m.	4	The Future after COVID-19 Presentation
9:50 a.m.	10:10 a.m.	5	Real Return Presentation
10:10 a.m.	10:30 a.m.	6	Private Equity Presentation
10:30 a.m.	11:00 a.m.	7	Board Fiduciary Education
11:00 a.m.	11:05 a.m.	8	Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Engaging Corporate External Auditor*
11:05 a.m.	11:10 a.m.	9	Report from Risk Committee
11:10 a.m.	11:25 a.m.	10	Report from Policy Committee - Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements*,**
11:25 a.m.	11:30 a.m.	11	Report from Cyber Risk Committee
11:30 a.m.	11:45 a.m.	12	**Executive Session** Pursuant to Section 551.074 *Texas Government Code*, the Board of Directors may convene in Executive Session to deliberate individual personnel compensation matters, including the CEO and Chief Investment Officer. **Reconvene into Open Session** Report from Compensation Committee - Discussion and Appropriate Action Related to the CEO's Base Salary for 2020-2021 Fiscal Year* - Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2021* - Discussion and Appropriate Action Related to the Amendment and Restatement of the UTIMCO Compensation Program, effective July 1, 2020*,**
11:45 a.m.	12:00 p.m.	13	Discussion and Appropriate Action Related to UTIMCO 2020-2021 Budget*,**
12:00 p.m.			**Adjourn**

* Action by resolution required
** Resolution requires further approval from the Board of Regents of The University of Texas System

Next Regularly Scheduled Meeting: September 10, 2020

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **March 24, 2020,** 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 **March 24, 2020,** by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation 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; Susan Chen, Managing Director; Amanda Hopper, Senior Director; Ryan Ruebsahm, Managing Director; and other team members. Other attendees were Chancellor James B. Milliken of The University of Texas System; Keith Brown of the McCombs School of Business at UT Austin; Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Stacy Napier of The University of Texas System ("UT System"); Kevin Jacobs and Chris Brown of Ernst and Young LLP; and Mark Houser of UT System University Lands. Chairman Hildebrand called the meeting to order at 9:01 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Chairman Hildebrand began the meeting by stating that Britt Harris wanted to provide an update on the current economic and pandemic situation and its effect on the Corporation and the investments under management. Mr. Harris mentioned that we were experiencing the fastest fall in the stock market but that the portfolio had been positioned to be prepared, contingency plans were in place, and as a result, the portfolio was only down 10%. He noted that the team remains in close communication with each other and with our clients and all operations are well controlled. He thanked the team for stepping up and functioning as professionals.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on December 5, 2019. Director Handley recommended a correction to the minutes. Subject to the correction to the minutes requested, upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the minutes of the Meeting of the Board of Directors held on December 5, 2019, be, and are hereby, approved.

Corporate Resolutions

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

> RESOLVED, that the Annual Meeting of the Board of Directors will be held on June 11, 2020, in Austin, Texas.

Consideration of Renaming Cybersecurity Committee
Chairman Hildebrand presented a recommendation for the renaming of the Cybersecurity Committee to the Cyber Risk Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the Directors of the Corporation hereby rename the Cybersecurity Committee to the Cyber Risk Committee.

Election of Corporate Officer
Chairman Hildebrand recommended that Michael Sjolander be appointed as an officer of the Corporation. Managing Directors are considered officers of the Corporation and Mr. Sjolander was appointed Managing Director – Chief Technology Officer, effective March 2, 2020. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that Michael Sjolander 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.

Recommendation Regarding Employee Authorization
Chairman Hildebrand asked Mr. Harris to provide his recommendation that the Board authorize Rich Hall and Joan Moeller to act in his absence in the event of an extended leave of absence, incapacity, or an unforeseeable emergency for so long as the global COVID-19 pandemic is ongoing. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that subject to the control of the Board of Directors of the Corporation, Richard Hall, Deputy Chief Investment Officer, and/or Joan Moeller, Secretary, Treasurer, Senior Managing Director and Chief Operating Officer, shall have all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation, including the powers and duties of President of the Corporation set forth in Article V, Section 7 of the Corporation's

Bylaws and such additional powers and duties as have been or may hereafter be assigned to him or her in those capacities by the Board of Directors of the Corporation, and shall be authorized to act for Mr. Harris when he is absent due to an extended leave of absence, incapacity or an unforeseeable emergency as determined by the Chairman of the Board of Directors of the Corporation, in his sole discretion, for such time as the global COVID-19 pandemic is ongoing.

Performance Report and Market Update

Chairman Hildebrand asked Mr. Hall to present the Fund's performance report and market update. Mr. Hall began with a review of 2019, including 2019 benchmark performance, and an overview of funds. He then presented the Fund's assets under management and performance results as of December 31, 2019. Mr. Hall reported a total of $50.5 billion of assets under management: $23.8 billion in the Permanent University Fund ("PUF"), $14.0 billion in the General Endowment Fund ("GEF"), $9.3 billion in the Intermediate Term Fund ("ITF"), and $2.7 billion in the Short Term Fund ("STF"). Mr. Hall also compared performance and risk adjusted returns relative to other foundations and endowments. The PUF one-year alpha was 2.2% and the three-year annualized alpha was 0.9%. Mr. Hall concluded with a review of valuations, debt levels, and debt service. Britt Harris added a brief summary of the markets and addressed the state of economic affairs. Mr. Hall and Mr. Harris then answered questions from the Directors.

Review and Primer of Relationship between UTIMCO and University Lands

Chairman Hildebrand asked Mr. Harris to present on the relationship between UTIMCO and University Lands. Mr. Harris introduced Mr. Mark Houser, CEO of University Lands, and gave a brief overview of each entities' operational structure. Mr. Harris discussed the contributions from PUF Lands, the UTIMCO Strategic Plan, Energy Markets, and UTIMCO Private Equity Exposure. Mr. Harris then turned the presentation over to Mr. Houser who began by sharing the University Lands governance structure and overview of University Lands and the PUF Lands. Mr. Houser discussed strategic priorities, revenue, production vs. WTI Oil Prices, and capital projections. He concluded that the demand for oil will increase over the long term and University Lands is fortunate to be sitting on such a valuable resource. Mr. Harris and Mr. Houser answered the Directors' questions. Chairman Hildebrand thanked Mr. Harris and Mr. Houser for their presentation.

Chancellor James B. Milliken of The University of Texas System gave a brief update on the state of the UT System and continuity of operations. He discussed the UT System plan to successfully maneuver through the COVID-19 pandemic, which included performing all activities at the 14 institutions remotely to the extent possible, transferring course instruction online for all enrolled students, postponing commencement ceremonies, and limiting access to dormitories and dining programs to individuals with no suitable alternative. In addition, an emergency fund was put in place to assist campuses in need and communication with the Board of Regents of the UT System has been constant. The Chancellor discussed his prediction for significant movement to expand online education. Chancellor Milliken answered the Directors' questions.

Public Equity Presentation

Chairman Hildebrand invited Susan Chen and Amanda Hopper to present an update on Public Equity. Ms. Chen reported on the role of Public Equity in the Endowments. She reported that Public Equity is approximately $14 billion of the total portfolio, roughly 50% of global equity regime assets and about 30% of the total Endowment and ITF assets as of December 2019. Ms. Chen briefly addressed the team structure, market returns, performance, portfolio and manager framework, and top priorities for calendar year 2020.

Next Ms. Hopper discussed performance attribution and reviewed the premier list breakdown of the Public Equity portfolio. She also discussed results of the 2019 action plan for the Public Equity Team and further detailed the top priorities for the Team in 2020. Ms. Chen, Ms. Hopper, and Mr. Harris answered the Directors' questions.

Hedge Funds Presentation

Chairman Hildebrand asked Ryan Ruebsahm to present the Hedge Funds Review. Mr. Ruebsahm highlighted the following three key points for the Hedge Fund Team. First, the Hedge Fund portfolio was split in two parts with distinct roles; both portfolios are preserving capital and playing their roles in the fund as expected. Second, directional Hedge Funds performed well and exceeded expectations last year. Finally, the stable value portfolio, started two years ago, is still in transition, but meeting expectations. At year end the stable value portfolio was 85% built out and is expected to be 100% built out this year. Mr. Ruebsahm introduced the Hedge Fund Team and recognized Tony Caruso and Courtney Powers for their efforts. He noted that Hedge Funds are 20% of the Endowment. Mr. Ruebsahm highlighted that risk is being monitored and managed well and the Team is executing on their action plan. Mr. Hall finished with a quick note on Hedge Fund performance.

Executive Session

Prior to going into executive session, Chairman Hildebrand announced that, "The Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to receive an update on computer security assessments related to information resources technology pursuant to *Texas Government Code* Sections 551.076 and 551.089, to deliberate the purchase, exchange, lease, or value of real property pursuant to Section 551.072, and to deliberate individual personnel compensation matters pursuant to Section 551.074. The date is March 24, 2020, and the time is now 11:14 a.m."

Reconvene in Open Session

The Board reconvened in open session and Chairman Hildebrand announced that, "The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is March 24, 2020, and the time is now 11:36 a.m. During the Executive Session, the Board received an update on computer security assessments related to information resources technology, deliberated the purchase, exchange, lease, or value of real property, and deliberated individual personnel compensation matters, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Office Lease and Capital Budget

Chairman Hildebrand asked Mr. Harris to discuss the proposed amendment to the lease agreement with the Board of Regents of The University of Texas System ("Regents") for additional office space and extension in the term of the current lease, and the proposed capital budget related to the build out of the additional office space. Pursuant to the Delegation of Authority Policy and Master Investment Management Services Agreement, respectively, because the proposed office lease imposes a total obligation on the Corporation in excess of $1 million and the Regents approve the Corporation's annual budget, which includes office space lease expenses, the Board must approve the contract or provide specific delegated authority to the CEO to negotiate the lease on behalf of the Corporation. Mr. Harris presented the proposed lease agreement in executive session. After presentation of the proposed capital budget, upon motion duly made and seconded, the following resolutions were unanimously adopted:

> WHEREAS, The University of Texas/Texas A&M Investment Management Company (the "Corporation") currently leases office space for its executive and administrative offices in The University of Texas System ("UTS") building in Austin, Texas pursuant to an Office Lease with the Board of Regents of UTS ("Lease Agreement"); and
>
> WHEREAS, the Corporation wishes to enter into an amended Lease Agreement to secure additional office space in the UTS building and extend its current lease term for its executive and administrative offices.
>
> NOW, THEREFORE, BE IT:
>
> RESOLVED, that the CEO of the Corporation is authorized and directed by the Board of Directors of the Corporation to negotiate and enter into an amended Lease Agreement ("Amended Lease Agreement") on behalf of the Corporation and any documents ancillary to the Lease Agreement on such terms as may be necessary or in the best interests of the Corporation and to take whatever action as such officer of the Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of this Resolution and to perform the obligations of the Corporation under the Amended Lease Agreement and any instruments referred to therein and/or executed in connection therewith.

And

> RESOLVED, that the Capital Budget of $2.5 Million related to the Corporation's office space located in The University of Texas System building, be, and is hereby, approved.

Report from Cyber Risk Committee

Chairman Hildebrand asked Director Rothrock to provide a report on behalf of the Cyber Risk Committee. Director Rothrock reported that the Committee met via teleconference on March 5, 2020. At the meeting, the Committee considered one action item: the approval of the Charter of the Cybersecurity Committee with the expectation that the name of the Committee would be changed to Cyber Risk. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology, including security assessments. Director Rothrock made a recommendation for the

Board's approval of the Committee's Charter. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

Report from Audit and Ethics Committee

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on March 5, 2020. At the meeting, the Committee considered two action items: the minutes of its November 21, 2019 meeting were approved as drafted; and Deloitte & Touche LLP's Audit Results and Communications for the Corporation for the fiscal year ended August 31, 2019, were approved, subject to approval by the Board. Routine matters of the Committee included a report on fund Compliance matters for the three months ended November 30, 2019, a quarterly report on the Institutional Compliance Program, and an update on the fiscal year 2020 Action Plan. The Committee also received a report on new contracts and the annual report of all contracts over $250,000 and the results of the Committee's self-assessment. The Committee received a presentation on the unaudited financial statements without footnotes for the Funds and the unaudited financial statements with footnotes for the Corporation for the three months ended November 30, 2019. Director Handley discussed the Deloitte & Touche LLP report by Robert Crowley, engagement partner, on the audit of the Corporation, noting that a clean, unqualified opinion was issued on January 24, 2020, and reported that Eric Polonski, Director of Audits of the UT System Audit Office, reviewed the UTIMCO Risk Management Consulting Report. Director Handley requested approval, on behalf of the Audit and Ethics Committee, of the resolutions related to the audit of the Corporation for the fiscal year ended August 31, 2019. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

> RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation 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 annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2019 and August 31, 2018, be, and are hereby approved in the form as presented to the Board.

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 March 5, 2020. The Committee approved the minutes of its November 21, 2019 meeting and discussed proposed amendments to the Charter of the Committee, subject to approval by the Board. The Committee also reviewed reports on compliance matters for the quarter ended November 30, 2019, including the risk dashboard as well as the quarterly report on the Institutional Compliance Program. The Committee also reviewed an update on the fiscal year 2020 Action Plan. The Committee received a market and portfolio risk update and reported on the results of the Committee's self-assessment. Director Gauntt requested approval, on behalf of the Risk Committee, of a resolution related to proposed changes to the Charter. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

Report from Compensation Committee

Chairman Hildebrand asked Director Rothrock to provide a report from the Compensation Committee. Director Rothrock stated that the Compensation Committee met via teleconference on March 5, 2020. The Committee's meeting agenda included approval of minutes of the December 5, 2019 meeting and a discussion on the results of the Committee's self-assessment. The Compensation Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Report from Policy Committee

Chairman Hildebrand asked Director Hicks to provide a report from the Policy Committee. Director Hicks reported that the Policy Committee met via teleconference on March 5, 2020. The Committee's meeting agenda included approval of minutes of the November 21, 2019 meeting and a brief report of the results of the Committee's self-assessment.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:52 a.m.

Secretary: ___________________________
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item:	Discussion and Appropriate Action Related to Corporate Resolution: - Election of Corporate Officers
Developed By:	Harris, Gonzalez, Moeller
Presented By:	Hildebrand
Type of Item:	Action required by UTIMCO Board
Description:	Chairman Hildebrand will present a recommendation for the election of Corporate Officers. As stated in the Bylaws, a purpose of the Annual Meeting is to elect Officers for the ensuing year. Employees that are designated as Officers by the UTIMCO Board meet the definition of Key Employees in the Corporation's Code of Ethics.
Recommendation:	Chairman Hildebrand will recommend approval of the election of Corporate Officers.
Reference:	UTIMCO Board of Directors Terms and Committees

RESOLUTION RELATED TO CORPORATION OFFICERS

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

Name	Office or Offices
________________	Chairman
________________	Vice Chairman
________________	Vice Chairman for Policy
Britt Harris	Chief Executive Officer, Chief Investment Officer and President
Rich Hall	Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director, COO, Treasurer and Secretary
Susan Chen	Managing Director
Russ Kampfe	Managing Director
Edward Lewis	Managing Director
Pat Pace	Managing Director
Ryan Ruebsahm	Managing Director
Mike Sjolander	Managing Director
Scott Slayton	Managing Director
Uzi Yoeli	Managing Director

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item:	UTIMCO Performance and Market Update
Developed By:	Hall
Presented By:	Hall
Type of Item:	Information Item
Description:	Rich Hall will review UTIMCO's performance and provide an update on the financial markets.
Reference:	*Market Update* presentation

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

Market Update

June 2020

Rich Hall

Deputy Chief Investment Officer

The Market Roller Coaster

2020 Market Ride

As of May 15, 2020

Rates

	Year End 12/31/2019	Market Peak 2/19/2020	Market Low 3/23/2020	Today 5/29/2020	Change
Fed Funds	**1.75**	**1.75**	**0.25**	**0.25**	**-1.50**
2-yr Treasury	1.57	1.42	0.31	0.16	-1.41
10-yr Treasury	**1.92**	**1.57**	**0.79**	**0.65**	**-1.26**
30-yr Treasury	2.39	2.01	1.35	1.41	-0.98
US Investment Grade Bonds	2.92	2.66	4.07	2.67	-0.25
Global Investment Grade Bonds	**1.45**	**1.27**	**1.42**	**1.01**	**-0.44**
High Yield	5.81	5.65	14.84	7.71	1.90

Equities

	12/31/2019	2/19/2020	3/23/2020	5/29/2020	Change
S&P 500	3,231	3,386	2,237	3,044	-6%
Forward P/E	18.3x	19.1x	13.4x	21.6x	3.3x
Trailing P/E	21.2x	22.2x	14.7x	21.2x	.0x
Shiller P/E	27.6x	28.7x	19.0x	25.8x	-1.7x
Forward Earnings Yield	5.5%	5.2%	7.5%	4.6%	-0.8%
Europe	416	434	280	350	-16%
Japan	1,721	1,672	1,292	1,564	-9%
China (Onshore)	3,050	2,975	2,660	2,852	-6%

Inflation

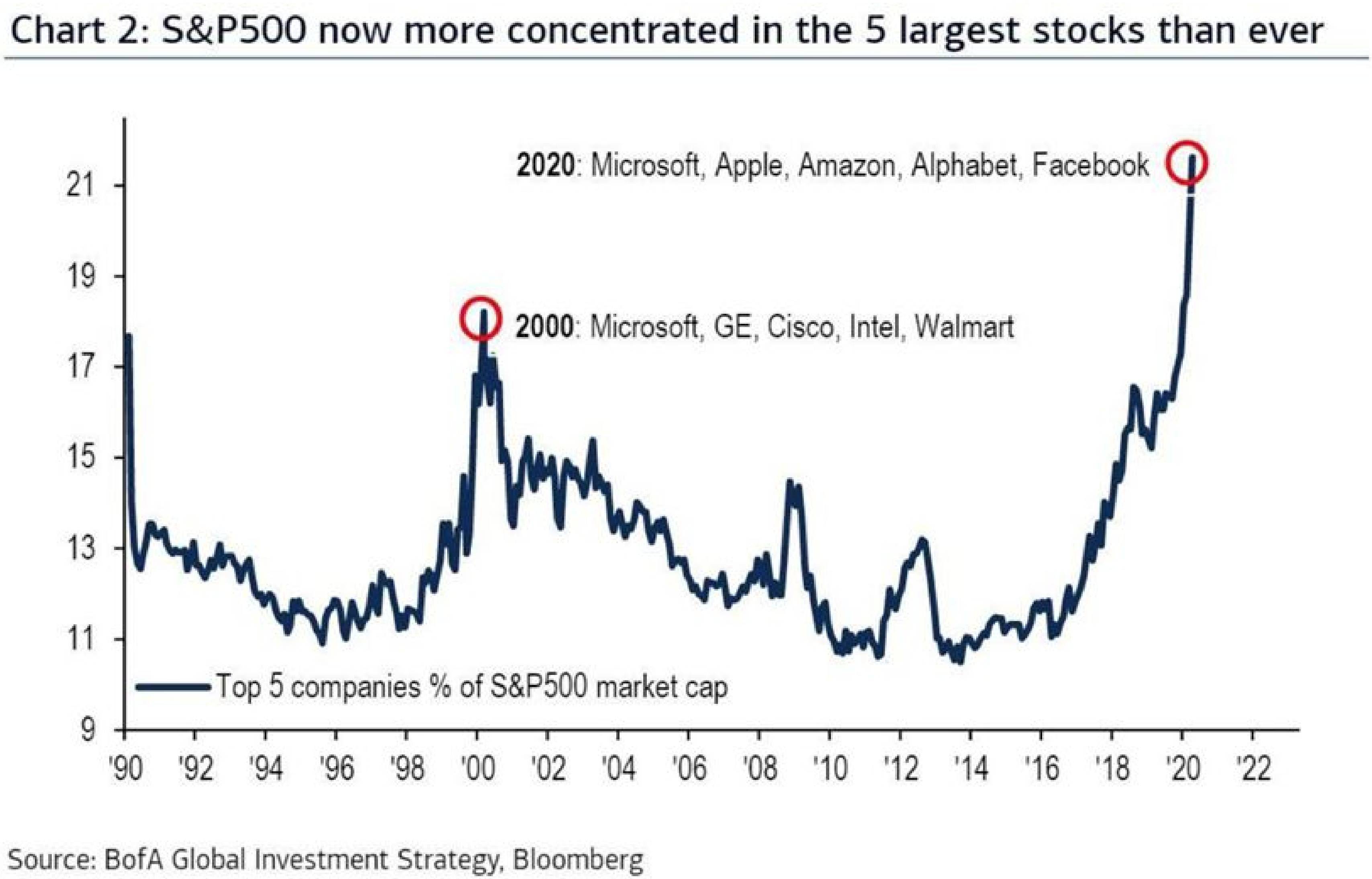
	12/31/2019	2/19/2020	3/23/2020	5/29/2020	Change
5-yr TIPS	**-0.02**	**-0.26**	**0.03**	**-0.54**	**-0.53**
5-yr TIPS Breakeven	1.7	1.7	0.4	0.8	-0.9
10-yr TIPS	0.13	-0.09	-0.03	-0.51	-0.64
10-yr TIPS Breakeven	1.8	1.7	0.8	1.2	-0.6

Commodities

	12/31/2019	2/19/2020	3/23/2020	5/29/2020	Change
Gold	**1,517**	**1,612**	**1,553**	**1,730**	**14%**
Oil	**61**	**53**	**23**	**35**	**-42%**
Copper	280	261	212	243	-13%
Bloomberg Commodities Index	172	163	132	136	-21%

Source: Bloomberg

S&P 500 Concentration



S&P 500 Market Map

Source: Finviz, as of 6/1/20

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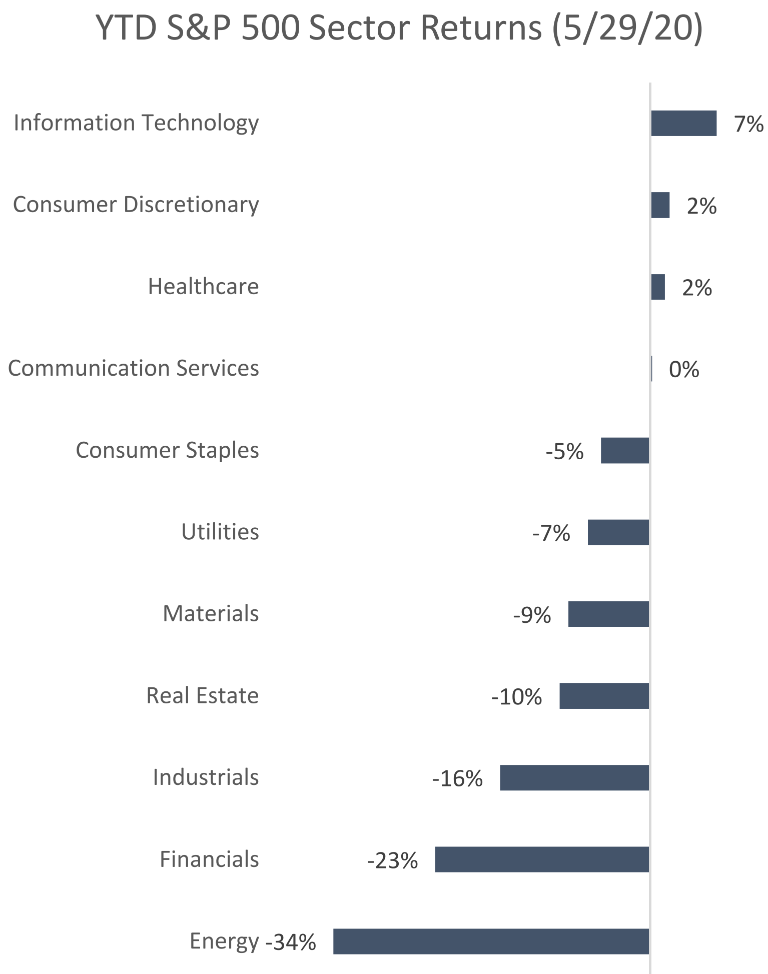
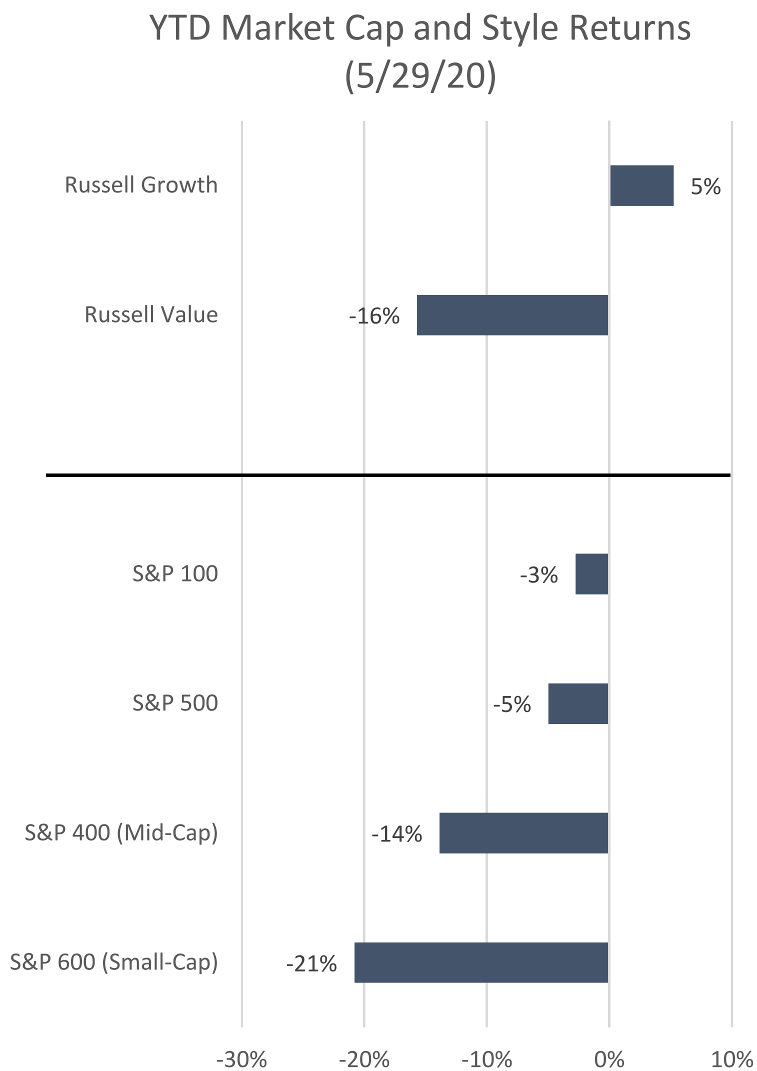
Sector Return Dispersion



As of 5/29/2020	Forward P/E	Trailing P/E	Fwd. Earnings Growth
Information Technology	23x	27x	16%
Consumer Discretionary	36x	31x	-14%
Healthcare	17x	21x	25%
Communuation Services	20x	22x	9%
Consumer Staples	20x	20x	0%
Utilities	18x	16x	-12%
Materials	21x	21x	-2%
Real Estate	44x	44x	0%
Industrials	24x	17x	-27%
Financials	15x	12x	-17%
Energy	-	20x	-92%

Source: Bloomberg

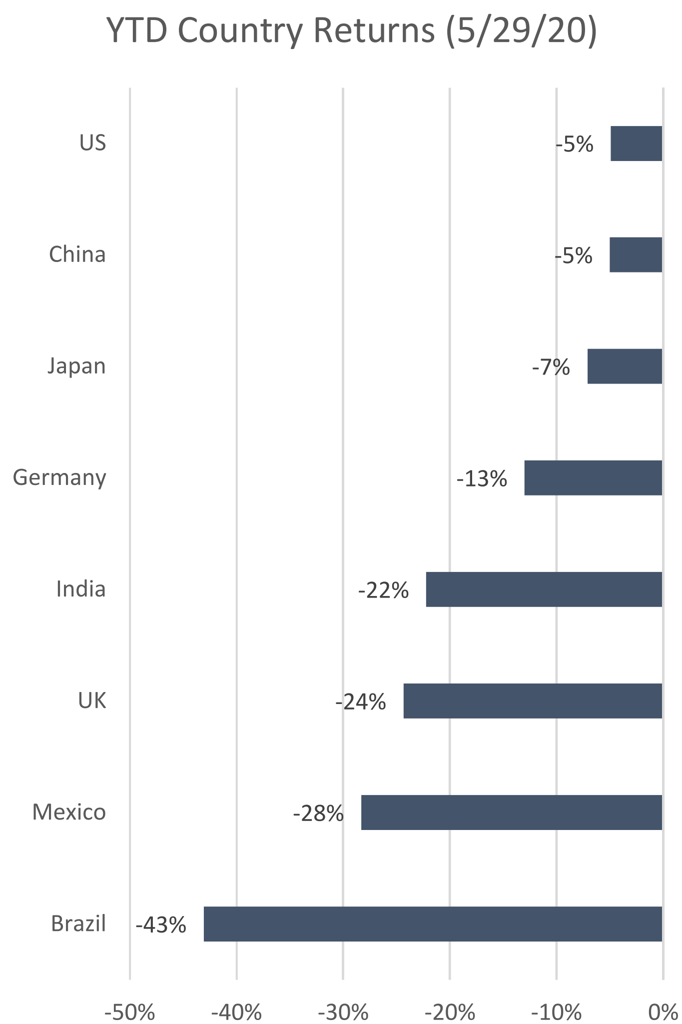
Market Cap & Style Return Dispersion



As of 5/29/2020	Forward P/E	Trailing P/E	Fwd. Earnings Growth
Russell Growth	27x	30x	13%
Russell Value	18x	16x	-10%
S&P 100	21x	21x	-1%
S&P 500	22x	21x	-2%
S&P 400 (Mid-Cap)	23x	20x	-12%
S&P 600 (Small-Cap)	28x	26x	-4%

Source: Bloomberg

Country Return Dispersion

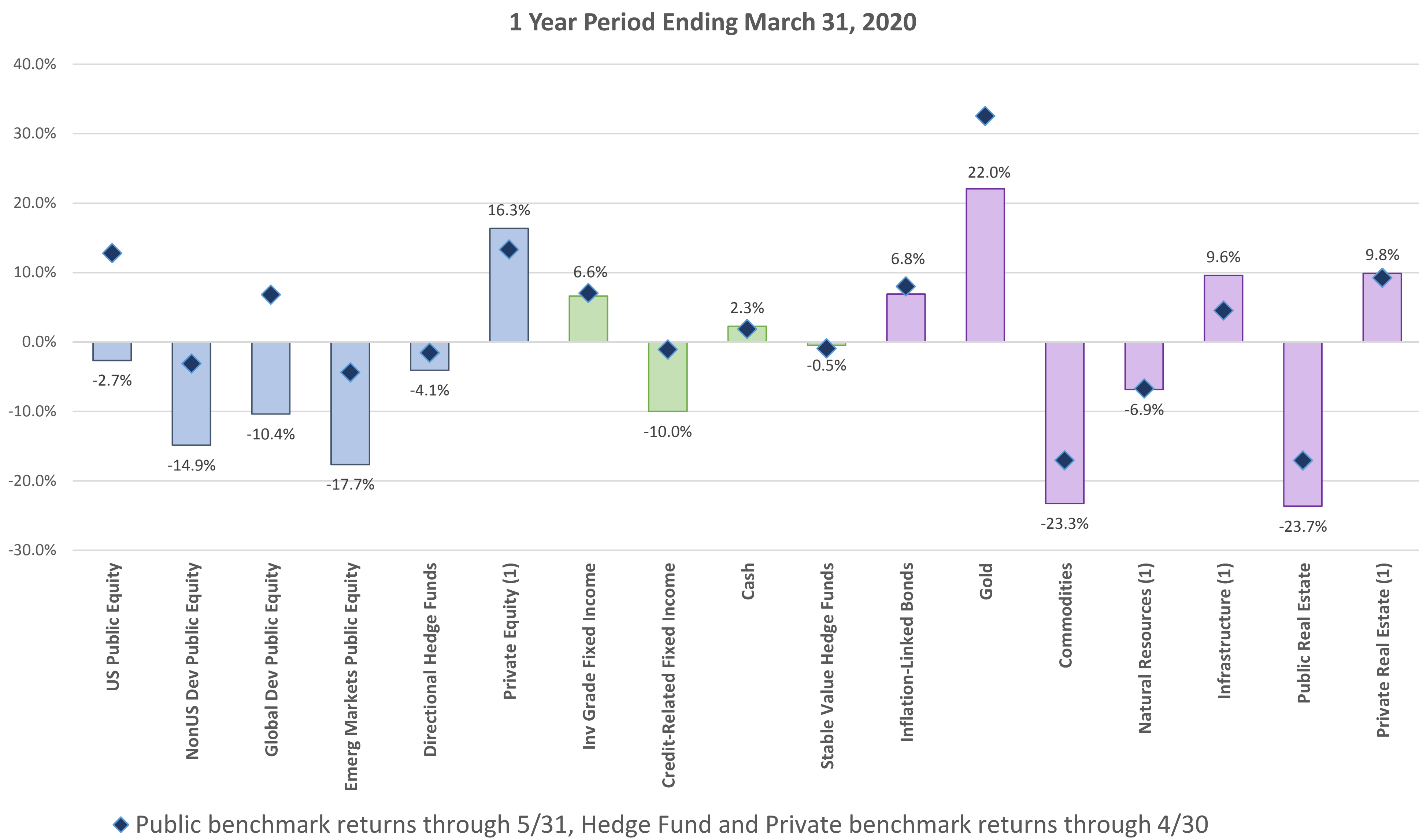


As of 5/29/2020	Forward P/E	Trailing P/E	Fwd. Earnings Growth
US (Russell 1000)	22x	22x	0%
China	13x	14x	11%
Japan	16x	19x	22%
Germany	16x	21x	32%
India	18x	21x	22%
UK	15x	22x	41%
Mexico	15x	17x	15%
Brazil	16x	21x	33%

Source: Bloomberg

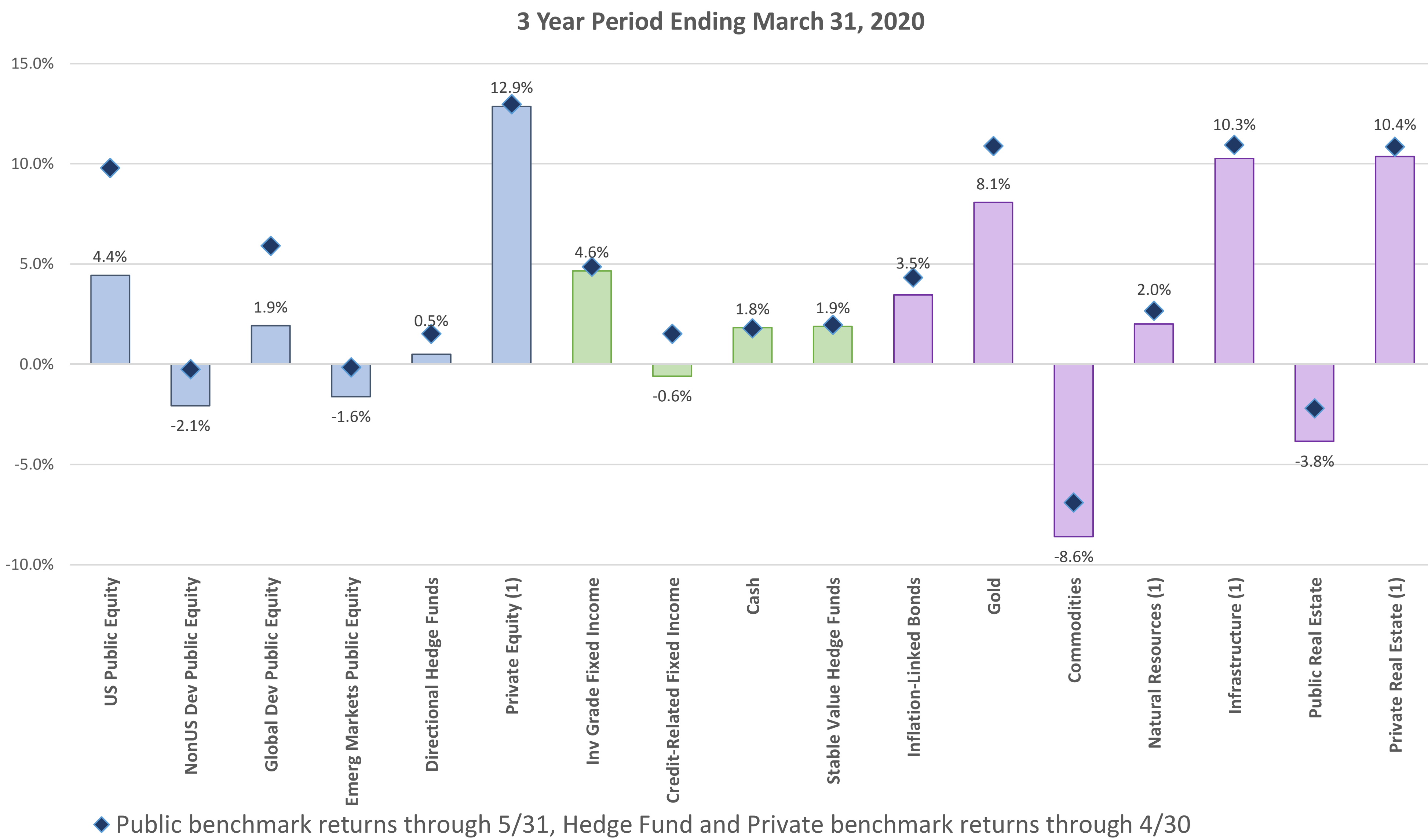
Benchmark Performance

Year Ending March 31, 2020



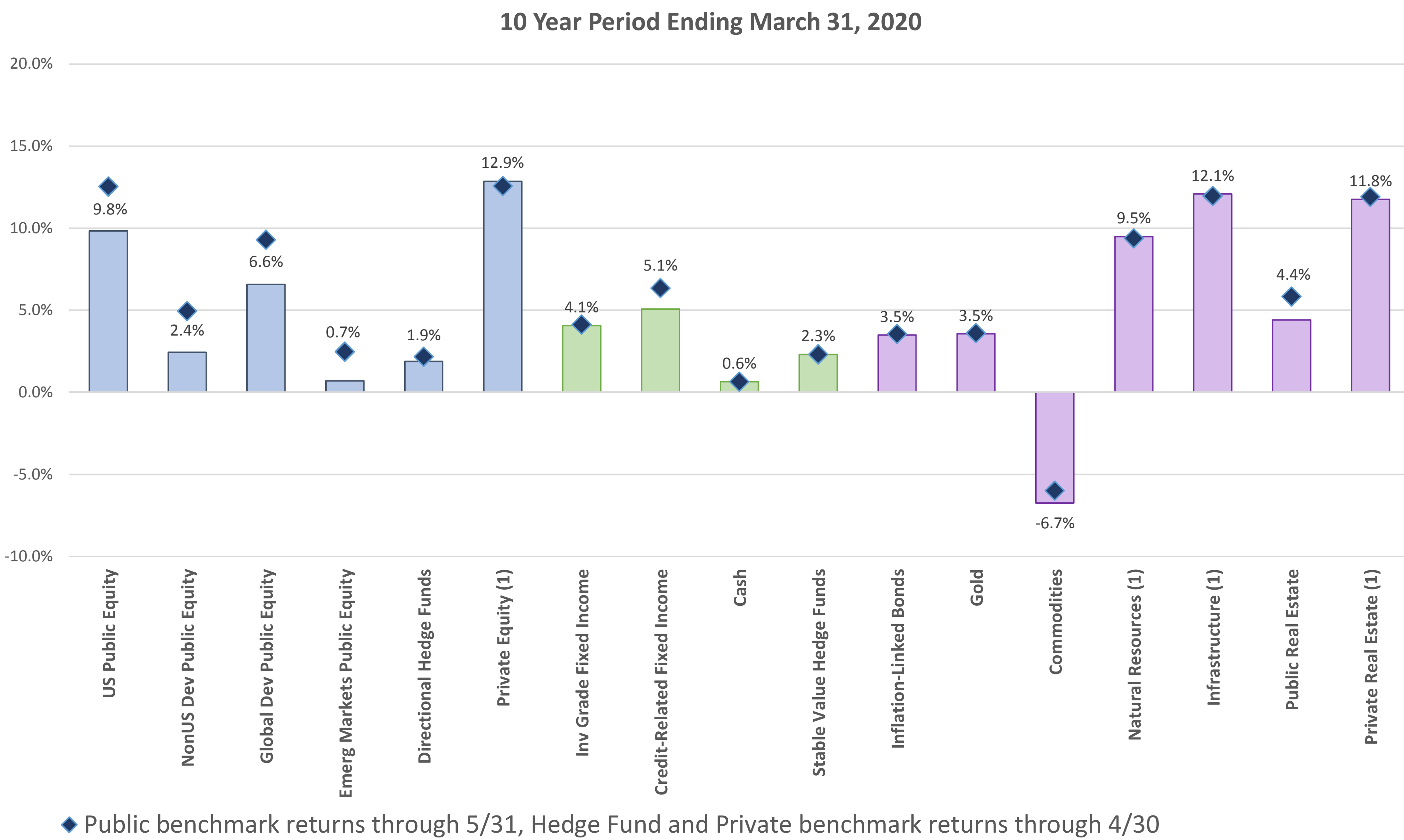
Benchmark Performance

Three Years Ending March 31, 2020

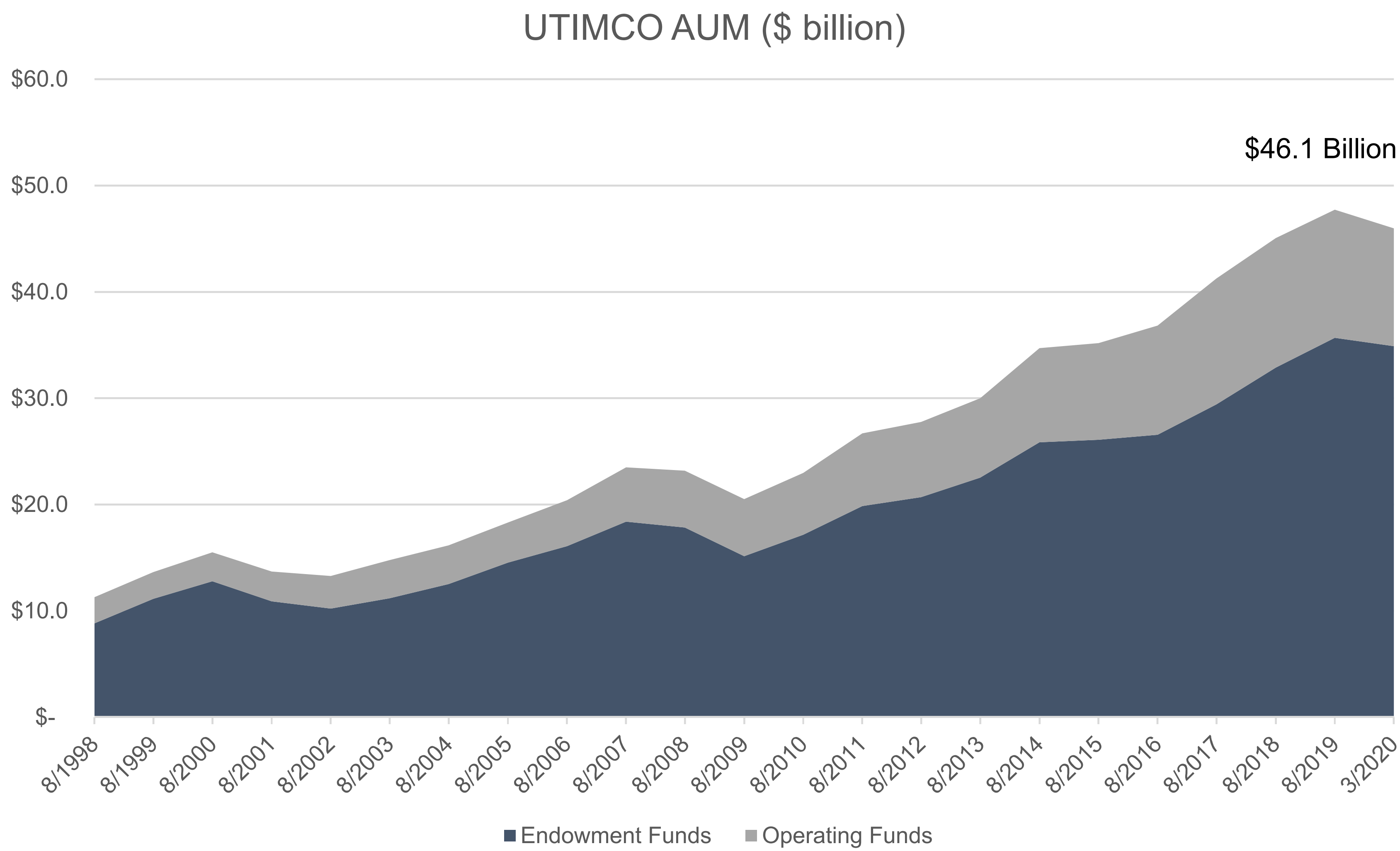


Benchmark Performance

Ten Years Ending March 31, 2020



Overview of Funds
Period Ending March 31, 2020



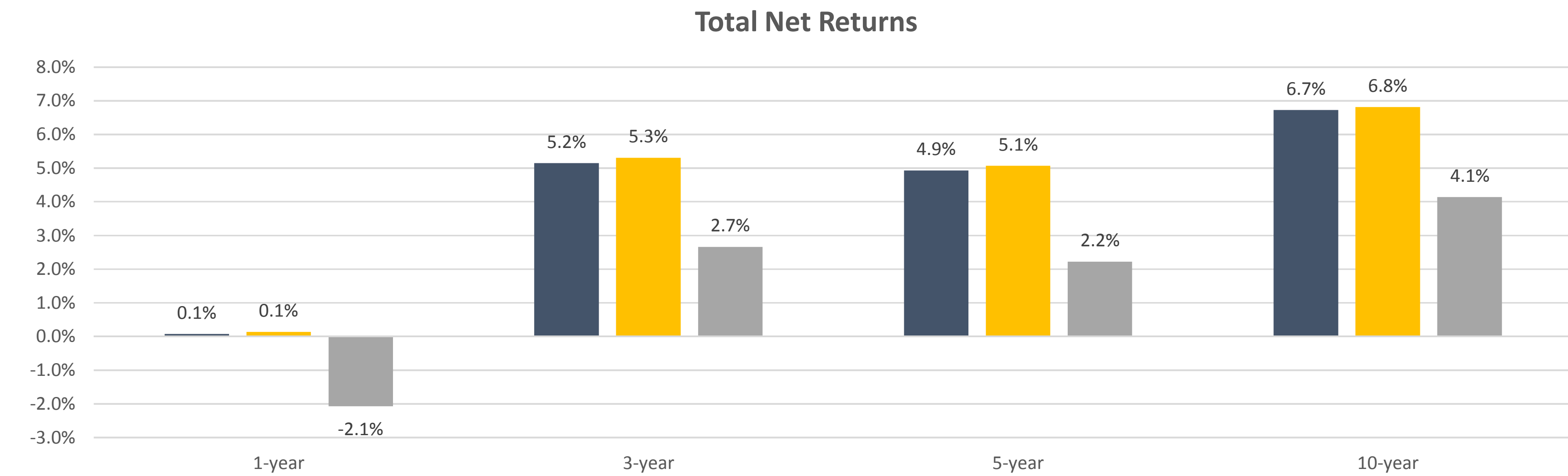
Overview of Funds

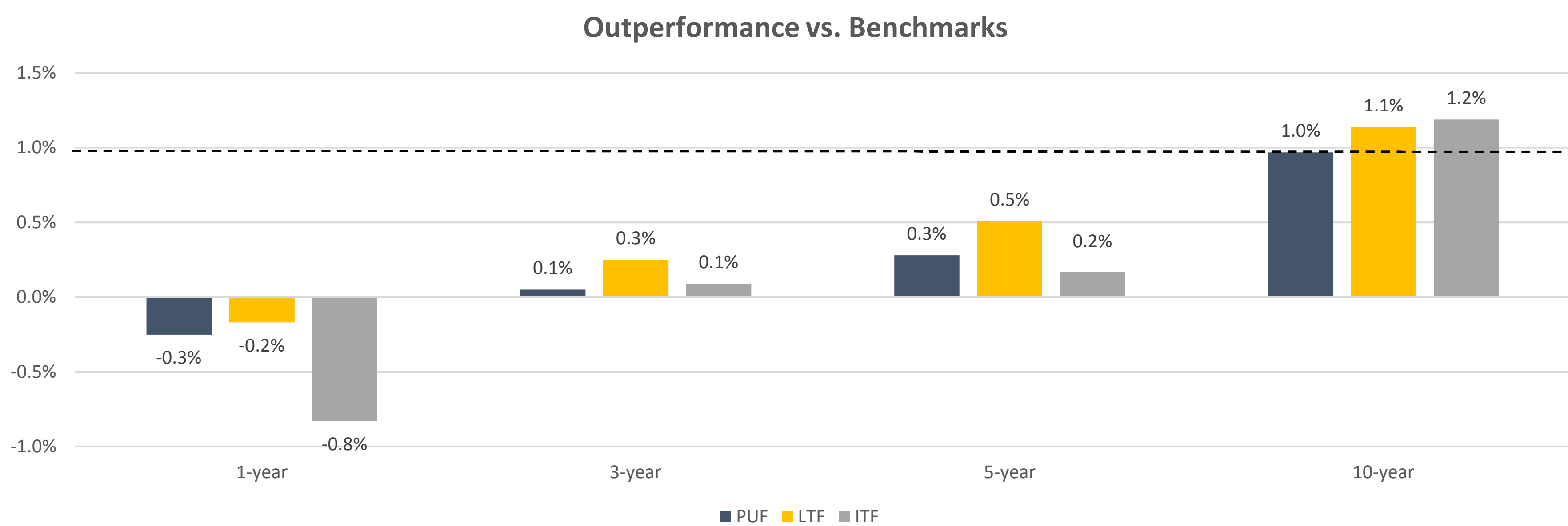
Period Ending March 31, 2020

		% of Fund	Over / (Under)
Public Equity	Public Equity	28.4%	(1.5%)
	Directional Hedge Funds	10.8%	(0.8%)
	Total Private Equity	23.6%	2.3%
	Total Global Equity	**62.7%**	**0.0%**
Stable Value	Investment Grade Fixed Income	8.7%	0.7%
	Credit Related Fixed Income	0.1%	0.1%
	Cash	0.1%	(0.9%)
	Stable Value Hedge Funds	9.4%	0.7%
	Total Stable Value	**18.3%**	**0.5%**
Real Return	Inflation Linked Bonds	0.2%	(0.6%)
	Gold	0.5%	(0.1%)
	Natural Resources	6.9%	-0.3%
	Infrastructure	3.0%	0.5%
	Real Estate - Public	0.1%	0.1%
	Total Private Real Estate	8.3%	0.2%
	Total Real Return	**18.9%**	**-0.3%**
Strategic Partnerships	**Total Strategic Partnerships**	**0.0%**	**-0.3%**
TAA		0.1%	0.1%
Total Fund		**100.0%**	**0.0%**

Overview of Funds

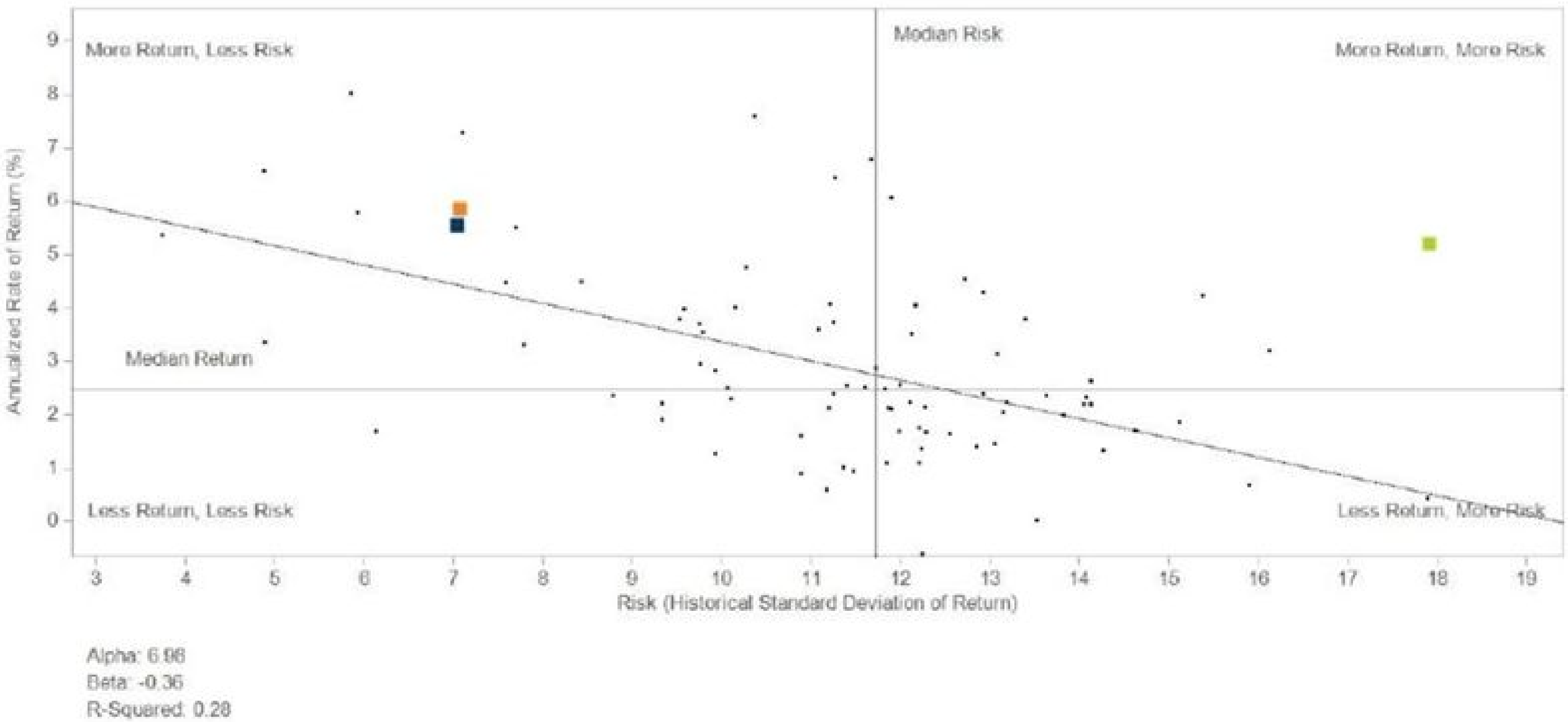
Period Ending March 31, 2020





Risk/Return

Three Year Risk vs Total Returns of Master Trusts – Foundation & Endowment (3/31/20)

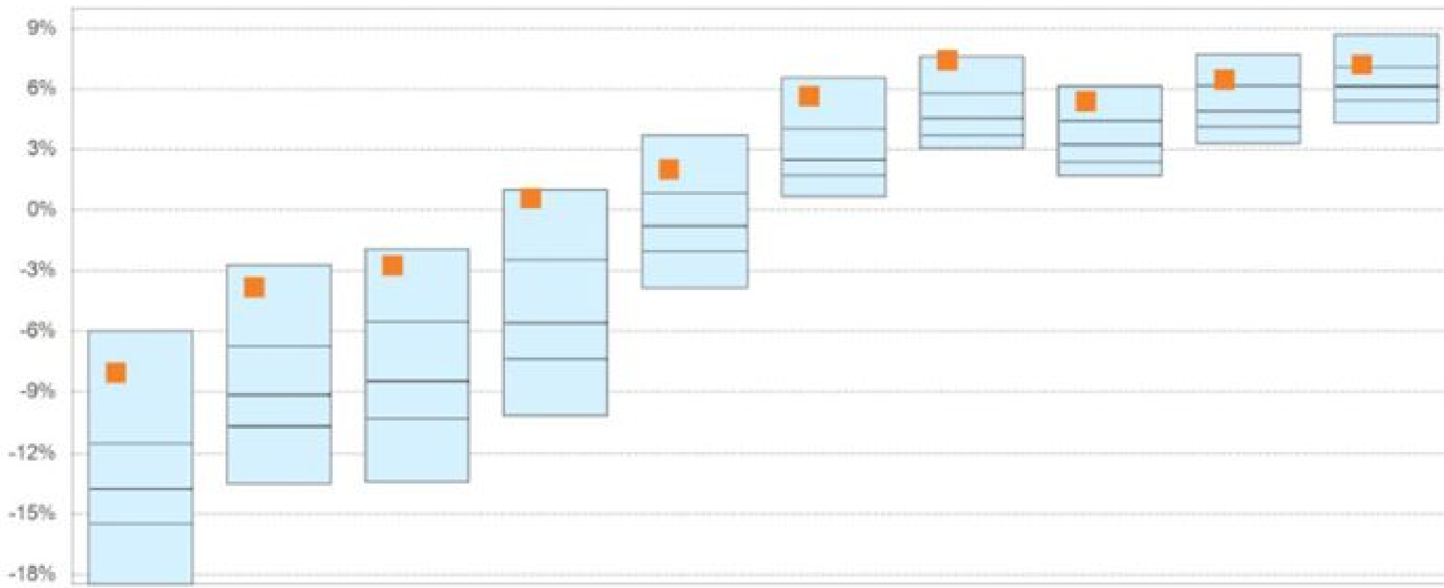


	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	7.13	90	5.76	10
PUF TOTAL FUND	7.10	93	5.47	13
S&P 500	17.97	1	5.11	14
Median	11.72		2.49	

Source: Wilshire Trust Universe Comparison Service® (TUCS®)

Performance Comparison

Total Returns of Master Trusts – Foundation & Endowment (3/31/20)



Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	-6.02	-2.74	-1.92	1.00	3.72	6.57	7.61	6.14	7.74	8.72
25th	-11.50	-6.76	-5.56	-2.45	0.83	4.02	5.77	4.43	6.17	7.10
50th	-13.75	-9.18	-8.48	-5.60	-0.79	2.49	4.54	3.24	4.92	6.14
75th	-15.44	-10.70	-10.32	-7.38	-2.05	1.71	3.71	2.36	4.11	5.43
95th	-18.49	-13.50	-13.39	-10.22	-3.87	0.68	3.07	1.68	3.30	4.34
No. Of Obs	94	92	92	91	90	84	84	84	83	70
PUF TOTAL FUND	-8.26 (11)	-4.03 (9)	-2.95 (8)	0.41 (8)	1.83 (16)	5.47 (13)	7.23 (10)	5.23 (14)	6.29 (20)	7.02 (26)

Source: Wilshire Trust Universe Comparison Service® (TUCS®)

UTIMCO Performance versus Peers

Five Years Ending March 31, 2020

	UTIMCO Performance	Percentile Rank
Private Real Estate Portfolios	14.77	1st
Venture Capital	14.75	5th
US Private Equity Portfolios	11.02	29th
Private Natural Resources	3.77	N/A
Emerging Markets	2.89	16th
Global Fixed Income (Unhedged)	2.89	38th
Global Equity Portfolios	2.61	48th
Hedge Fund Portfolios	2.18	39th
US Equity Portfolios	0.87	76th
NonUS Equity Portfolios	0.64	46th

Note: Peer universe is approximately 250 institutions.

Source: Wilshire Trust Universe Comparison Service® (TUCS®)

Mind the Gap: Economy vs. Markets

Economic Forecasts

	2020		2021
	12/31/2019	Current	Current
GDP	1.8%	-6.0%	5.3%
CPI	2.3%	0.8%	1.8%
Budget Deficit	-4.7%	-15.0%	-10.0%
Unemployment	3.4%	10.9%	7.9%
10-Year YTM	2.0%	0.9%	1.3%
S&P 500 Earnings	$173	$125	$153
Implied Earnings Growth	5%	-24%	22%

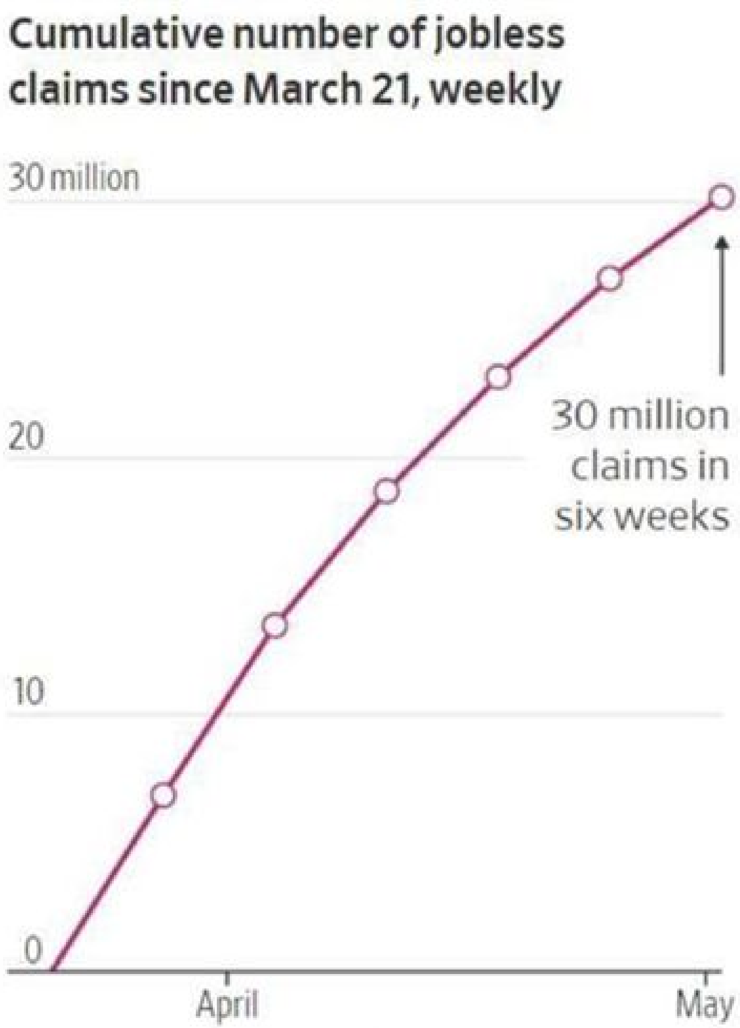
Source: Bloomberg

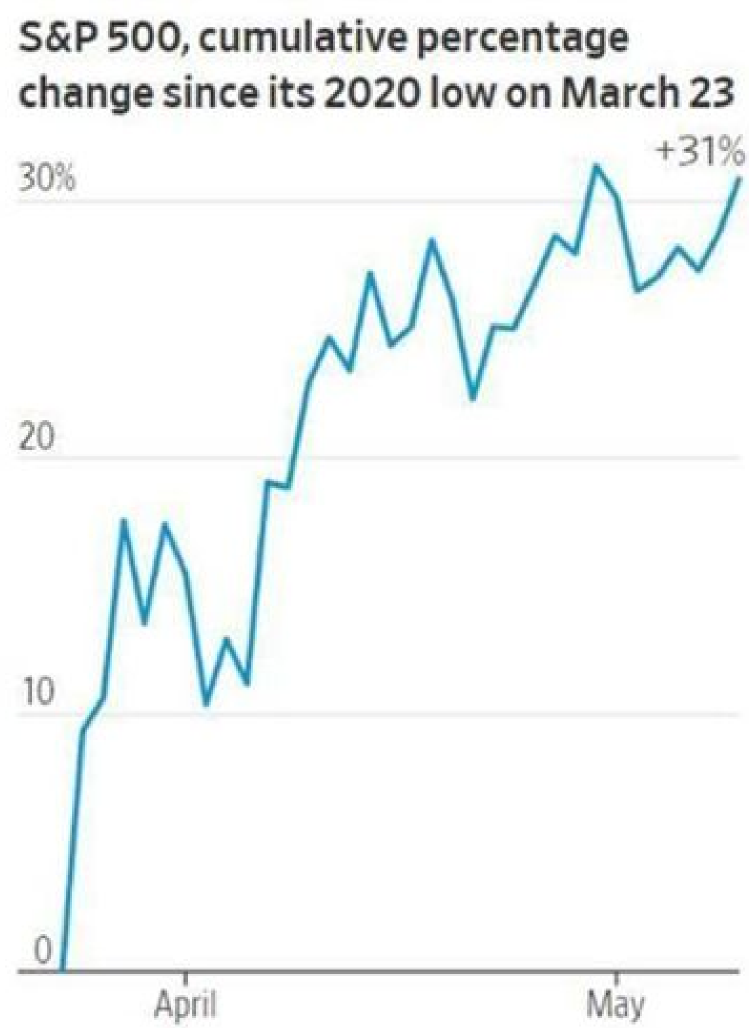
GDP and Earnings Forecasts

Estimates as of 5/29/20

	2020 GDP				GDP		S&P 500 EPS	
	Q1A	Q2	Q3	Q4	2020	2021	2020	2021
AGMR		-34%	27%	17%	-2.8%	5.8%		
Barclays		-40%	25%	8%	-6.5%	3.6%	$119	$145
BofA		-40%	7%	12%	-8.1%	4.0%	$115	$150
Citi		-28%	23%	10%	-3.4%		$125	$150
Credit Suisse		-33%	15%	7%	-5.6%	3.5%	$125	$150
Goldman		-39%	29%	11%	-6.3%	6.1%	$110	$170
ISI		-40%	20%	20%	-4.8%	5.0%	$110	$145
JP Morgan		-40%	23%	10%	-6.6%	3.7%	$150	$172.5
Morgan Stanley		-38%	21%	16%	-4.6%	4.8%	$130	$156
UBS		-40%	8%	6%	-10.1%	6.9%	$140	
Median	-5%	-39%	22%	11%	-6.0%	4.8%	$125	$150
Average	-5%	-37%	20%	12%	-5.9%	4.8%	$125	$155

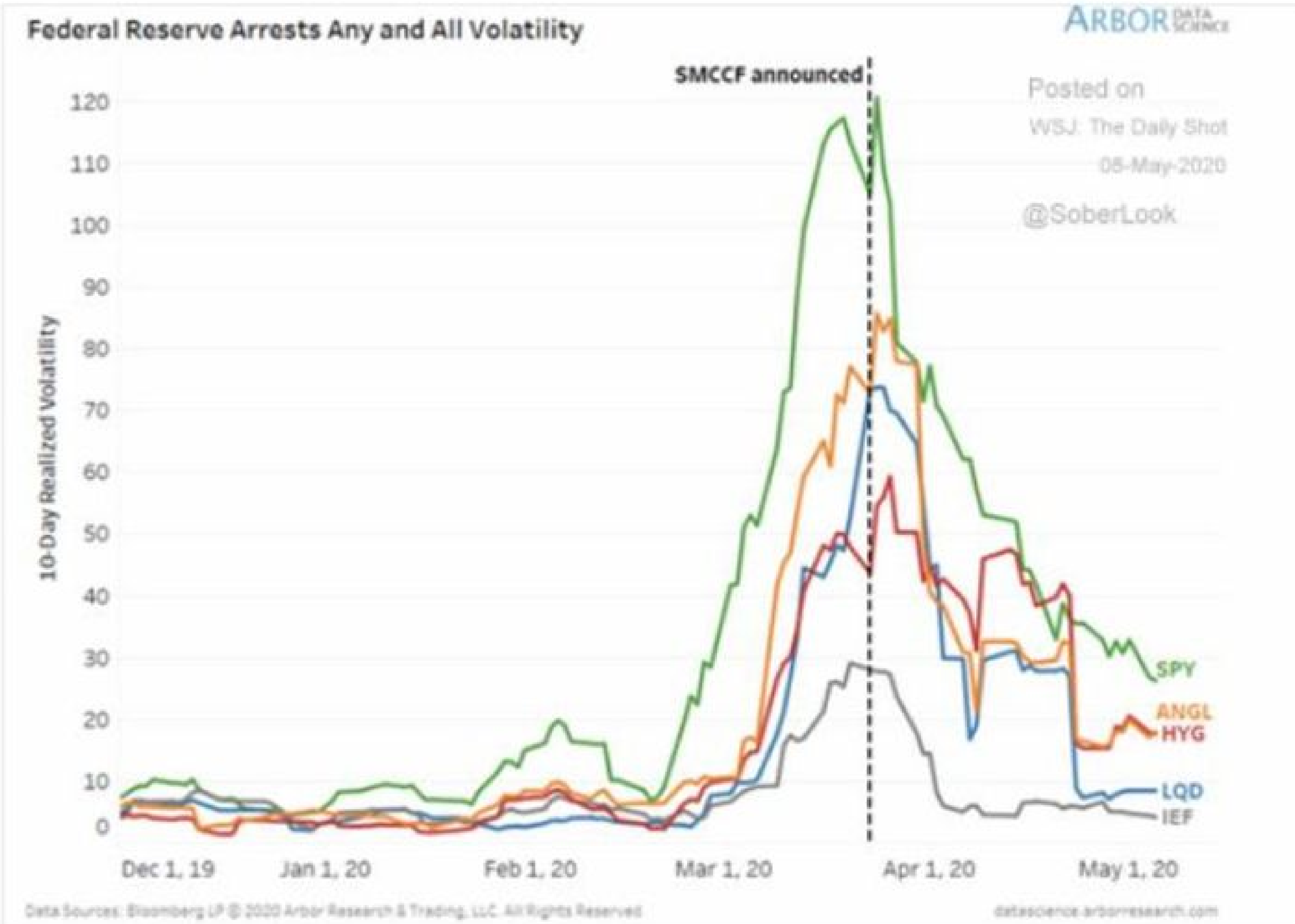
Unemployment Claims vs. S&P 500





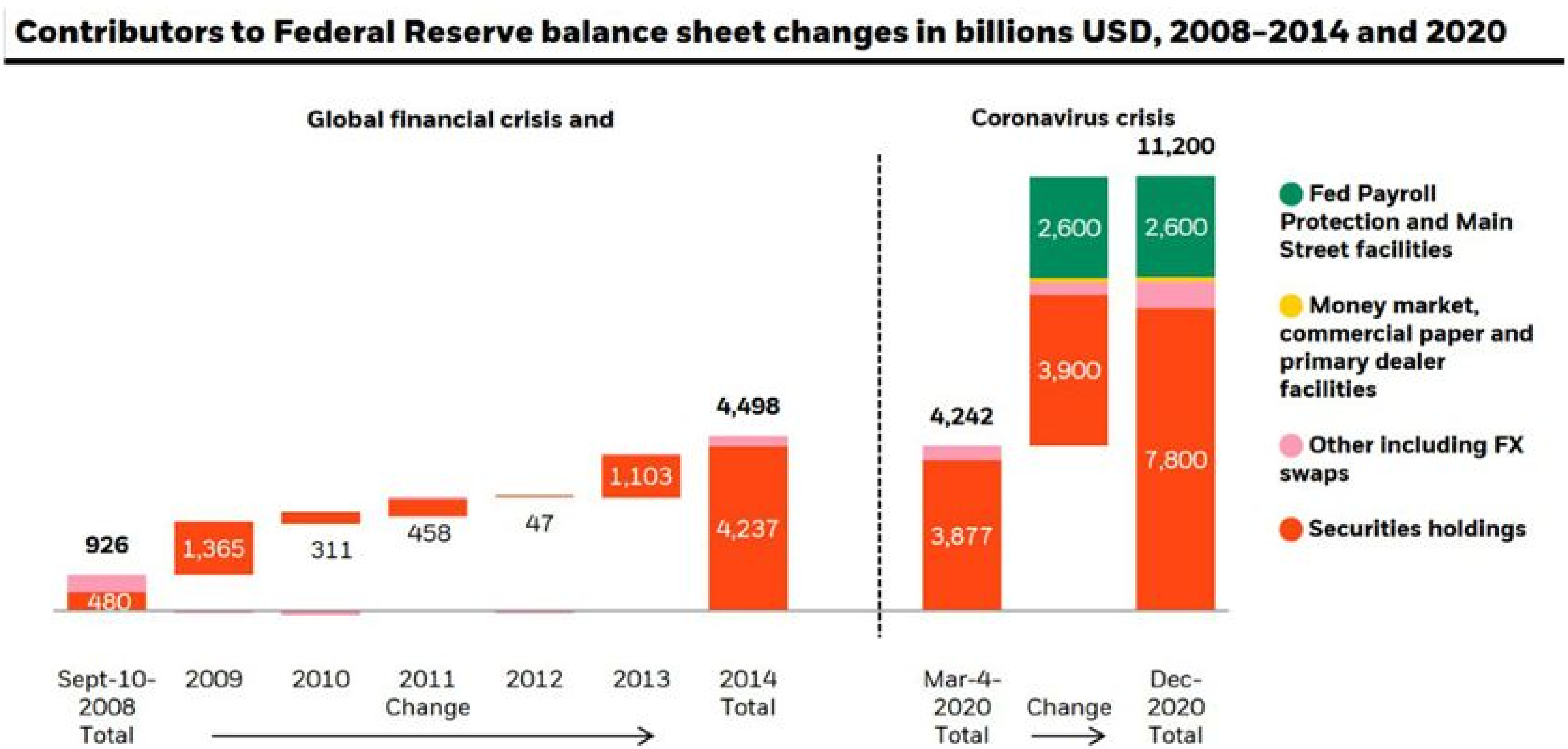
Source: Wall Street Journal

Federal Reserve Arrests Any and All Volatility



Source: Bloomberg, Arbor Data Science

Federal Reserve Balance Projected to be $11 Trillion



Source: Blackrock

US Spending Close to 40% of GDP on Stimulus

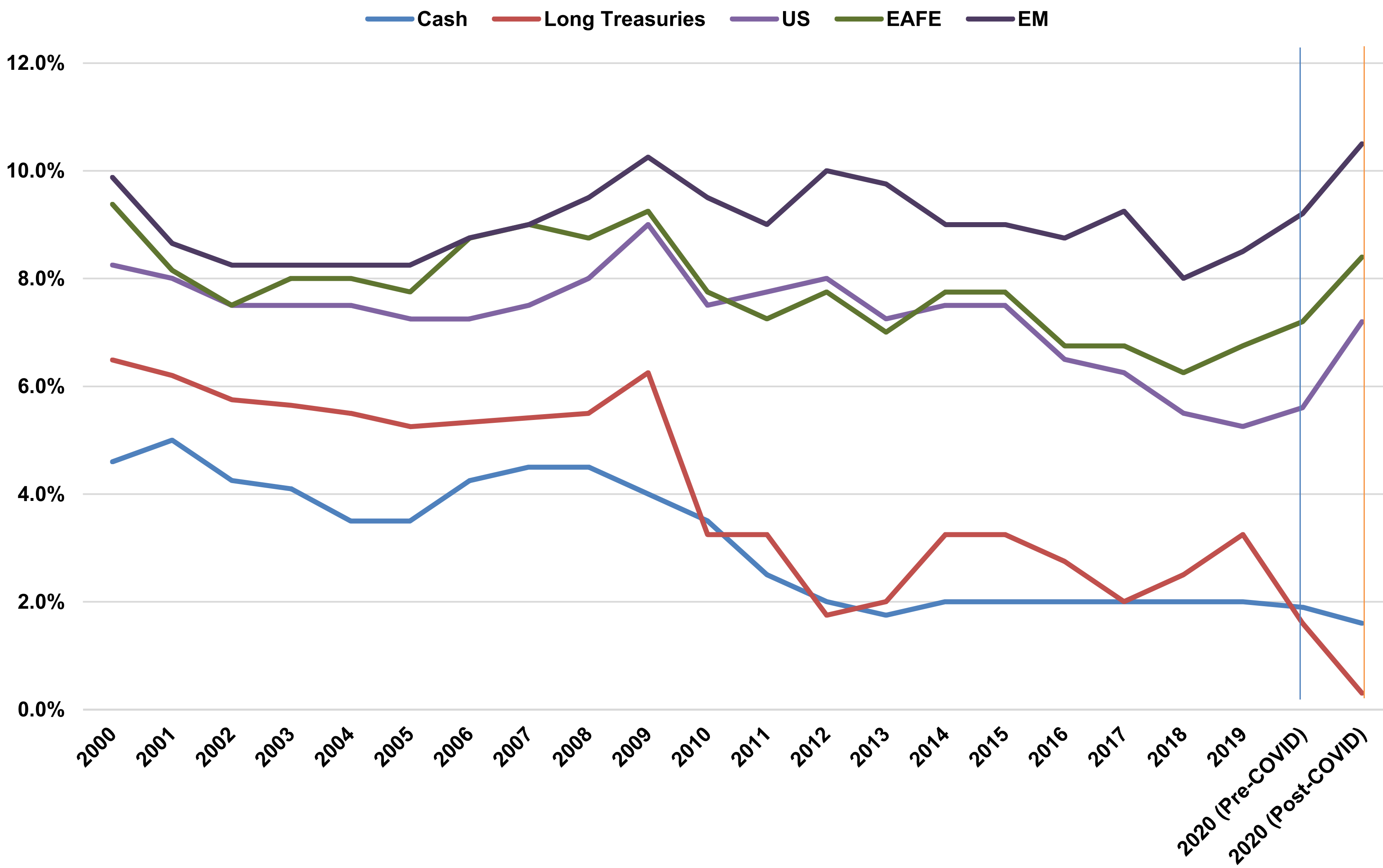
Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact
2020 Feb to Apr (CSM)

	Central Bank Liquidity Injection		Govt Fiscal Stimulus		Central Bank Liquidity Injection and Govt Fiscal Stimulus	
	$ Tln	% GDP	$ Tln	% GDP	$ Tln	% GDP
U.S.	$4.80	22.4%	$3.30	15.4%	$8.10	37.8%
Eurozone	$1.10	8.3%	$2.83	21.2%	$3.93	29.5%
Japan**	$0.75	14.6%	$0.99	19.2%	$1.74	33.7%
U.K.	$0.25	9.0%	$0.14	5.1%	$0.39	14.1%
China	$1.44	10.0%	$0.54	3.8%	$1.98	13.8%
Others*	$0.68		$2.09		$2.76	
Total	**$9.01**	**10.4%**	**$9.88**	**11.4%**	**$18.90**	**21.8%**

*incl RoW and ADB, IMF, WB

Source: Cornerstone Macro

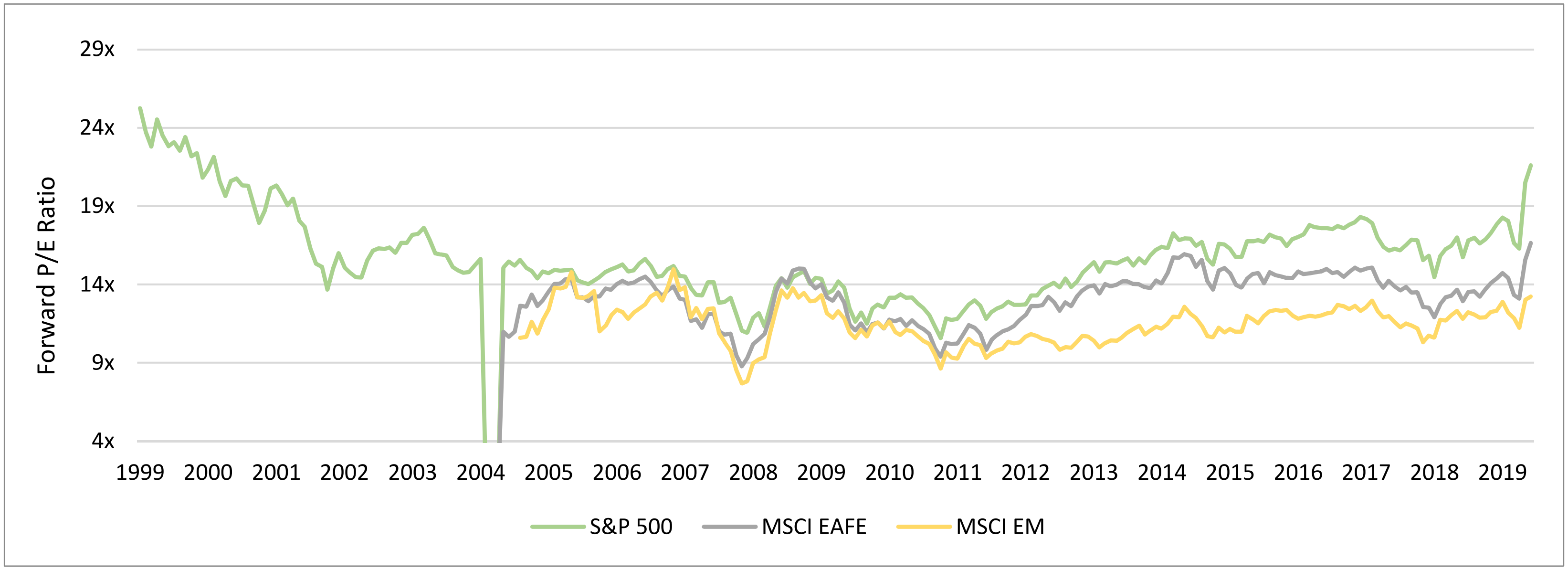
Long Term Capital Markets Assumptions

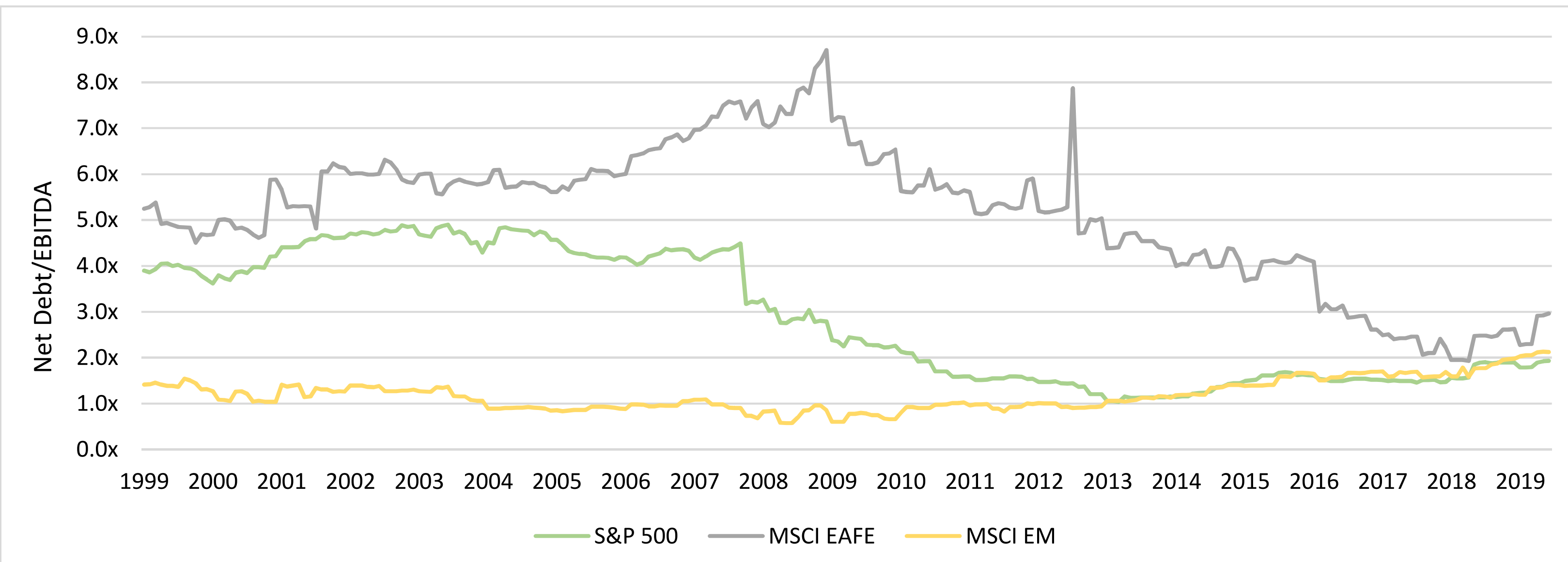


Appendix

Valuation: Equities

As of May 29, 2020

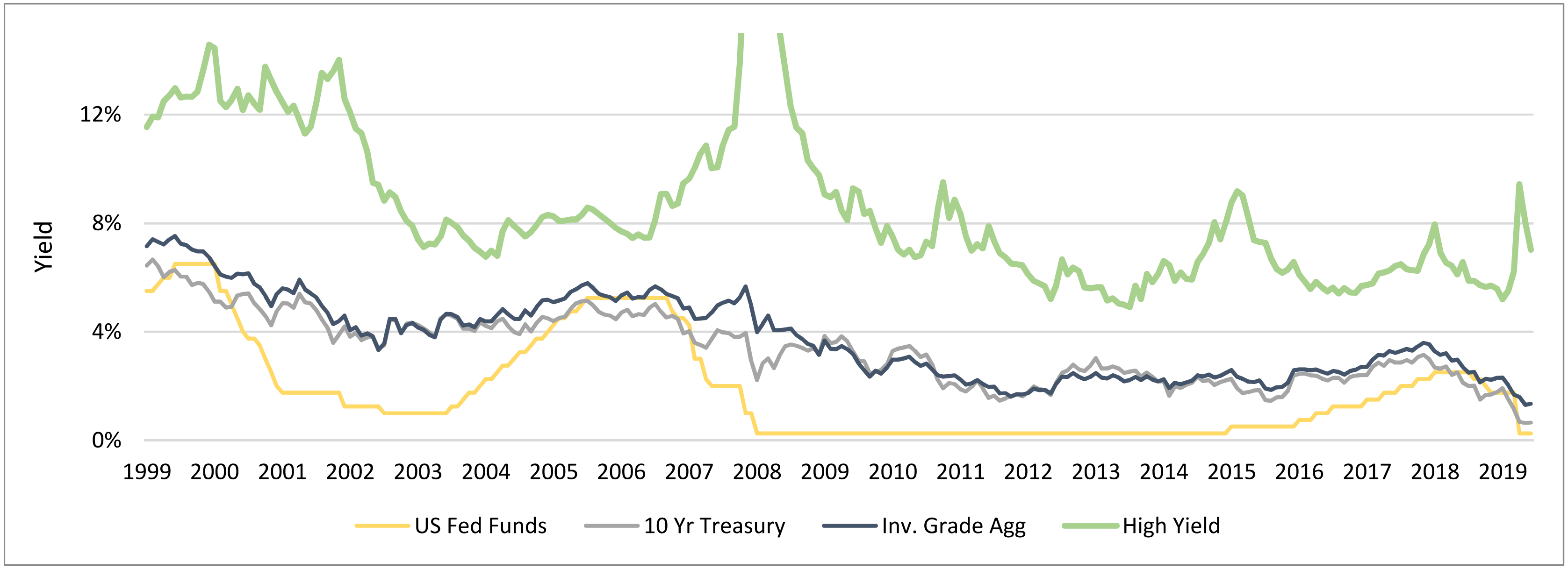


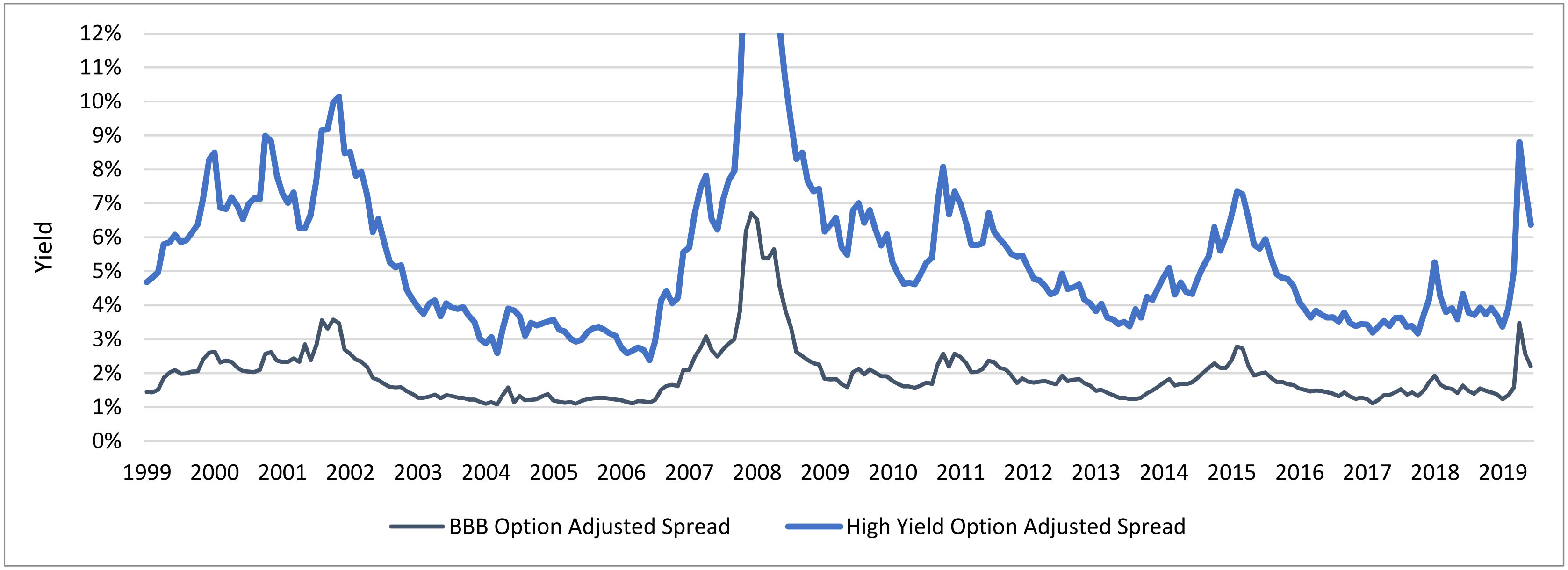


Data Source(s): Bloomberg, S&P LCD LBO Q4 2019 Report

Valuation: Fixed Income

As of May 29, 2020

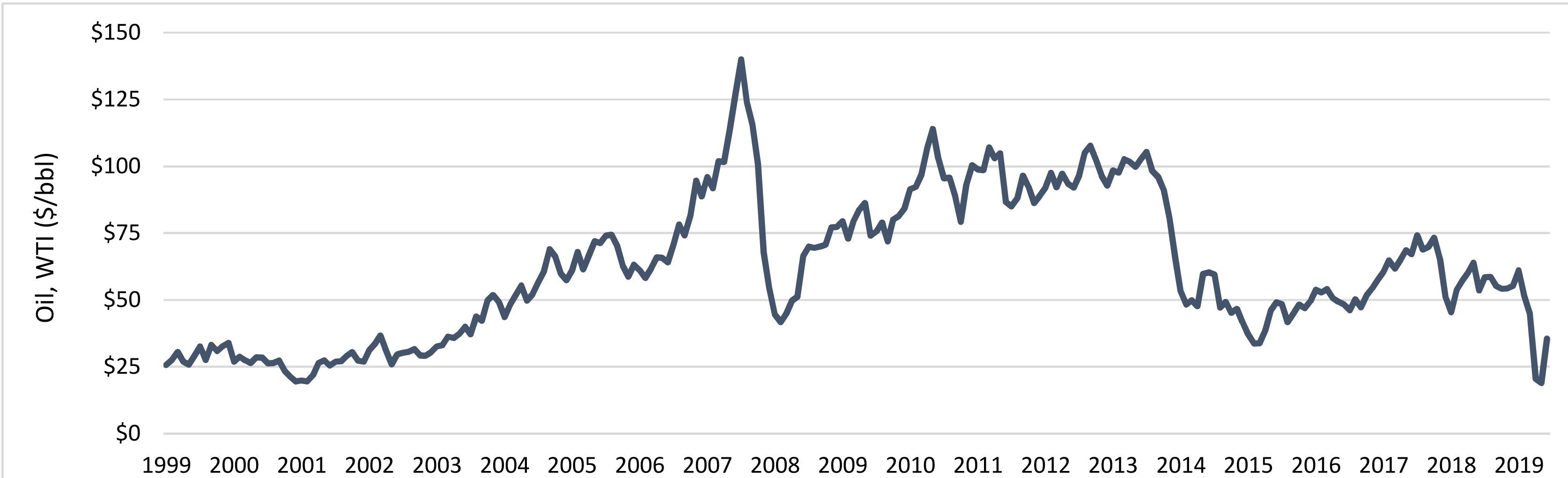


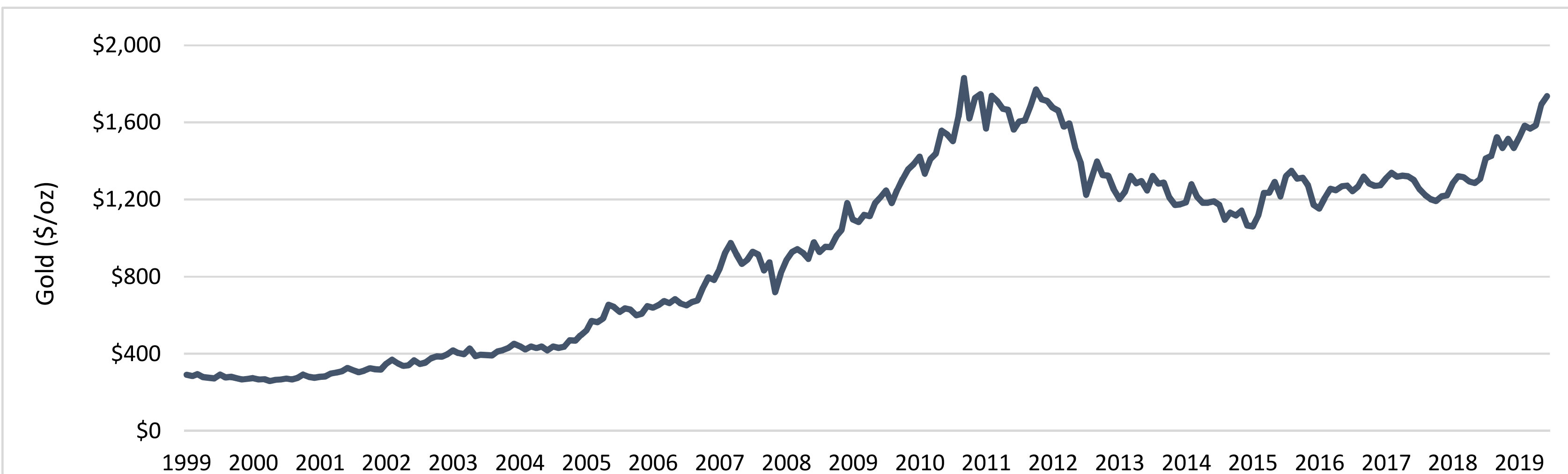


Data Source(s): Bloomberg

Valuation: Commodities

As of May 29, 2020





Data Source(s): Bloomberg

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item:	The Future after COVID-19 Presentation
Developed By:	Harris
Presented By:	Harris
Type of Item:	Information Item
Description:	Mr. Harris will present on potential ways that society will change as a result of the broad disruption from COVID-19.
Reference:	*The Future after COVID-19* presentation

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

The Future after COVID-19

Britt Harris

June, 2020

Starting Point

"Every economic shock produces profound and permanent change. A new "common sense" emerges."

"The pandemic is telescoping the future. Trends that would have played out in five years are playing out in weeks"

"Deglobalization was already slowing global economic growth, and its acceleration will slow growth further—possibly moderated by rising productivity in the virtual economy"

Looking Into the Future

"It's difficult enough trying to understand what's happened in the past, let alone predict the future."

- Warren Buffett

"People overestimate what can happen in 1 year and underestimate what can happen in 10."

- Jeff Bezos

A Time For Everything

There is a time for everything and a season for every activity under heaven

- A time to be born and a time to die
- A time to kill and a time to heal
- A time to tear down and a time to build up
- A time to cry and a time to laugh
- A time to grieve and a time to dance
- **A time to embrace and a time to turn away**
- A time to tear and a time to mend
- A time to love and a time to hate
- A time for war and a time for peace

I know that there is nothing better for people than to be happy and to do good as long as they live.

Ecclesiastes 3:1-12

Ten Themes to Watch

- **Work From Home**: You Say You Want a Revolution
- **Entertainment**: Now Streaming
- **Education**: Rise of Remote Learning
- **Travel**: Are You Sure?
- **Societal Changes**: Let's Get (Less) Physical
- **Healthcare**: Call the Doctor!
- **Privacy**: It's a Right…..Right?
- **Supply Chains**: Made in the USA
- **Retail & Services**: "E-Everything"
- **Family and Community**: Back to the Basics

Work From Home: You Say You Want a Revolution

We are all currently part of one of the largest workplace experiments in history. In the span of a few months hundreds of millions of workers went from commuting into the office to working from home.

Predictions

- De-urbanization as we see an exodus from cities and back to the suburbs - home prices in city centers will fall and prices in suburbs will rise
- Companies will embrace the trend due to the substantial cost savings
- Commercial real estate is in trouble and will be significantly disrupted by the de-urbanization trend
- Increased investment in homes with people buying larger homes with (much) nicer home offices

Surprising Changes

- Rise of the digital nomad – when WFH, why does it matter if you're 1 mile or 1,000 miles away
- Car insurance rates fall – fewer drivers on the road means fewer accidents
- Who needs infrastructure – cities cancel investments in highways and public transit
- Less formal dress and appearance – as personal and professional life merge, dress codes are relaxed

Challenges

- Isolation and loneliness – humans need connection with others and workplace connection will need to be replicated or replaced
- Increased competition for jobs - you will now compete against the rest of the country (or world!)
- Broadband becomes a public utility (cheap and reliable) + we need a lot more of it
- How do you maintain a cohesive company culture with a large remote workforce

Entertainment: Now Streaming

Entertainment industry will undergo a historic shock over the next 1-2 years. Responders were split on whether the industry will bounce back to normal or be permanently changed.

Movie Theaters

- Studios begin skipping the theater and sending films direct to streaming
- New business model emerges with premium prices to stream at release which decline over time
- Profitability for studios increases as "middle-man" is cut out
- And who wants to crowd into dark and dirty room with 100 people you don't know anyway?
- One type of theater will thrive….drive-ins

Sports

- Professional and college sports will return, but will the fans?
- Half empty stadiums change the environment – less enjoyable for fans & players
- Colleges, professional leagues and broadcasters suffer as advertising revenue declines
- Increased interest in e-sports & gaming (you can be a fan and a competitor!)

Concerts

- Long term discomfort with large crowds with lead to the decline of live concerts
- One of the last revenue generators for artists will disappear or decline substantially
- Huge industry restructuring as superstar mega-tours decline or disappear
- Rise of the (less-profitable), but more accessible live-streamed online concert
- Levels the playing field for smaller independent artists

Education: Rise of Remote Learning

Millions of students have suddenly been sent home from their dorms and classrooms and are completing this semester (and maybe next?) online.

With the cost of higher education having outpaced inflation for decades and leaving students with tens of thousands in debt, higher education is ripe for disruption and consolidation

Predictions

- Stigma related to online degrees and classes will disappear
- Prices for classes and degrees will drop dramatically (50-75%+) as need for physical infrastructure declines
- Top universities lean into the changing environment, driving for-profit universities out of business and putting substantial pressure on second-tier universities and small liberal arts colleges that can't compete
- Higher education becomes much more accessible as it begins to meet students where they work and live and is available at a cost they can afford

Surprising Changes

- Decreased time to earn a degree – four years feels arbitrary when everything is online
- Increased evening and part-time programs as classes become more accessible
- Students enroll in multiple programs or even multiple schools when classes are no longer tied to physical campuses
- Shift away from standardized tests (SAT, GMAT, MCAT, LSAT) or they go online

Challenges

- Campuses are unique environments for collaboration, idea generation, relationship building and for developing and forming personal identities. Can you replicate this environment on Zoom?

Travel: Are You Sure?

Business and personal travel has dramatically declined and has a long road to recovery (if it ever recovers to prior levels at all!)

Business Travel

- Less business travel and more virtual meetings (very disruptive for airlines and hotels)
- Consumers will require more personal space when traveling, shifting cost model and prices higher
- Sanitation improves dramatically at airports, hotels
- With less demand, airlines fly fewer routes, making it harder and less convenient to fly, driving a self-reinforcing cycle
- Industry conference industry permanently disrupted

Personal Travel

- More local / regional vacations replace vacations to glamorous international locale
- Willingness to pay premium to stay at less crowded hotels
- Staple family destination vacations like going to Disneyworld will decline
- Who will ever get on a cruise again?
- Countries and locales dependent on tourism dollars will fall into economic depressions / chaos

Surprising Changes

- Temperature screening to board planes, stay at a hotel
- Wearing a masks will be a requirement to travel
- “Health passport” is created and required for any domestic or international travel
- Decreased travel leads to higher levels of nationalism as exposure to other cultures declines

Societal Changes: Let's Get (Less) Physical

The SARS outbreak in 2003 created permanent cultural changes in East Asia around hand-washing, physical contact and wearing masks. Will the coronavirus have the same impact?

Predictions

- Hand sanitizer at the entrance of every restaurant, store, stadium
- Will become common place to see people wearing masks in public
- Hugging anyone other than close family will become less common
- No more handshakes
- Improved personal hygiene, including increased handwashing
- Feeling of collective responsibility that everyone must do their part to prevent spread of disease
- Plastic shields between cashiers, retail works and customers
- Shift away from cubicles / open floor plans back to offices
- Revamping of public transit systems (New York subway, London Tube) to allow more space between individuals
- Decreased usage of Uber / Lyft – who wants to pile into a car with a stranger now?

Surprising Changes

- Public spaces re-designed to have fewer buttons – more motion sensors, scanners, etc.
- Acceleration of automation / delivery drones / driverless cars to reduce physical contact
- Increased use of contactless payment systems (plastic credit cards were so 2019…)
- Cash will be completely replaced
- Decline in buffets, cafeterias as consumers steer away from food served communally
- Permanent decline in deaths from influenza as above measures decrease transmission

Healthcare: Call the Doctor!

Two main trends emerged from the responses related to healthcare – how healthcare is delivered and the possibility of increased federal government involvement in the healthcare sector

Healthcare Delivery

- Why sit in a Doctor's office or urgent care where everyone is sick?
- Huge increase in tele-medicine – easier and cheaper to access care
- Increased demand for at home doctor visits and concierge services…if you can afford it

Healthcare System

- Pandemic has exposed inefficiencies in our fragmented healthcare system (issues with testing, procurement of critical supplies)
- Increased demand for coordinated national healthcare system
- Could see massive reforms similar to what banks went through after GFC
- Healthcare system could even become a strategic asset / national security issue
- Push to de-link health insurance from employers as unemployment spikes to historic levels
- Push for companies to implement more generous sick leave policies
- Streamlining of FDA and CDC to enable faster disease testing and vaccine creation
- Push for national licensing boards so that doctors & nurses can move easily between states
- Will remain a polarizing political issue with significant disagreement on approach between parties

Privacy: It's a Right…..Right?

In an effort to prevent a future pandemic, governments around the world will invest in infrastructure to monitor citizens and individuals will be willing to give up privacy in exchange for safety

Predictions

- Location tracking through cell phones to enable fast and reliable contact tracing (already gaining traction in Asia)
- Mandatory healthcare screening for routine activities – attending a public event, travel, going to work
- Thermal cameras to quickly and easily monitor temperatures of all individuals moving through public spaces
- Increase tracking of domestic travel, potentially through expanded use of facial recognition cameras and license plate cameras
- Health "passports" that are required to be carried at all times and presented on demand

Supply Chains: Made in the USA

The current crises has exposed the United State's dependence on global supply chains for critical supplies (e.g. personal protective equipment, ventilators, medicine)

Predictions

- Less reliance on China as the world's manufacturing center
- Developed nations will onshore production of critical supplies as supply chains become a matter of national security
- Initial focus will be on healthcare, pharmaceutical and technology industries
- Trade-off is that costs will rise for consumers
- Politically popular move as it is seen as improving national security + bringing back jobs to the US manufacturing sector
- Companies and governments will build up inventories of critical supplies rather than relying on "just in time" production or delivery

Retail & Services: "E-Everything"

Sheltering in place at home has accelerated online shopping activity and activities at homes, particularly in sectors where there remained low online penetration like restaurants, groceries and gyms

Predictions

- We will all buy more online as going out to crowded stores and malls becomes less appealing
- Sellers and service providers must come to us!
- Many people are being exposed to the simplicity of grocery delivery and curbside pick-up and will never go back to shopping for groceries in a store again
- Eating out will decline as consumers also realize the ease that they can have food from their favorite restaurant delivered to their door
- Accelerated adoption of personalized at home workout services enabled by technology (Peloton, Mirror) begin to replace gyms and group classes

Surprising Changes

- Retail and grocery square footage will shrink as they receive less foot traffic and more online orders
- Reconfiguration of existing retail space into warehouse space

Family and Community: Back to the Basics

"I hope that the virus puts life into perspective for people. More people are spending time with their spouses and kids, spending time outside, and possibly reconnecting with their faith. People are also realizing that the things they take for granted (sports, restaurants, gathering with friends) can be taken from them in an instant. I hope that values will shift to refocus on healthy living, family, and being thankful for the great things that we get to enjoy in life on a daily basis"

Predictions

- More intentional time spent with family
- A revival of family dinners
- Increase in mindfulness as we pay attention to what we have that we are grateful for
- Increased connection with a wider range of friends and family as we all become more at ease using video conferencing
- Increase in personal gardens and community gardens

Challenges

- Increased physical separation from others and isolation at home could lead to increased rates of domestic violence, child abuse, alcohol abuse, anxiety, depression, suicide, divorce and loneliness

Optimistic Perspective

- Higher education more accessible and cheaper!
- If you work remotely, no more commute and work from anywhere
- As personal and professional lives merge, more relaxed dress codes
- Increased convenience online and everything will come to you – movies, sports, concerts, gym classes, your doctor, groceries, food from your favorite restaurant
- Increased focus on personal health and fitness and decrease in deaths from other communicable diseases like the flu as we all become more aware
- More intentional time spent with family, revival of the family dinner, increased mindfulness and gratefulness
- Rediscovery of the staycation, the local campground, nature and all of the great opportunities for relaxing that are close by
- Revival of the US manufacturing sector and increase in blue collar jobs as supply chains for critical goods are brough back onshore

Pessimistic Perspective

- Huge disruption coming in commercial real estate – how to work through oversupply
- Disruption is coming to other major industries as well – movie theaters, airlines, hotels, restaurants, grocers, healthcare
- Increased unemployment, and it won't just be short term spike – we will have to reskill and retrain a large portion of the workforce as industries permanently change
- Increased competition for jobs - you will now compete against the rest of the country (or world!)
- Increased isolation, loneliness, reduced physical contact, fewer opportunities to socialize
- Higher rates of domestic violence, child abuse, alcohol abuse, anxiety, depression, suicide and divorce
- Decrease in privacy – temperature monitoring, health passports, tracking of movements
- We pay more for less as prices rise due to supply chains becoming more diversified and being brought back to the US
- De-globalization will create power vacuums around the world – do we see a rise in autocrats and dictators and a less safe world as US and Western influence wanes

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Real Return Presentation

Developed By: Real Return Team

Presented By: Lewis, Joshi

Type of Item: Information Item

Description: Mr. Lewis and Mr. Joshi will lead the presentation on Real Return investments.

Recommendation: None

Reference: *Real Return Board Presentation*

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

Real Return Board Presentation

Edward Lewis & Mukund Joshi – June 2020

Executive Summary

Role in Endowment

- Real Return NAV is $6.4 billion as of March 31, 2020
  - Real Estate is $2.9 billion, Natural Resources is $2.4 billion, and Infrastructure is $1.0 billion
  - Inclusive of Gold and TIPS, Real Return is ~18.9% of total Endowment assets as of March 2020; long-term Strategic Asset Allocation ("SAA") target of 19%

Market Conditions

- All traditional real estate sectors were impacted negatively with Hospitality and Retail bearing the largest impact and Multifamily, Office, and Industrial faring relatively better; Office could face future headwinds from behavioral changes as a result of the pandemic
- Demand destruction for crude is expected to cause a lasting impact on the sector with US production dropping to an average of 9.2 MMb/d in 2021 (vs. a peak of 12.8 MMb/d reached in Feb 2020)

Performance Summary

- For 2019, Real Return generated a one-year, 5.3% point-to-point Internal Rate of Return ("IRR") and 5.4% time-weighted return ("TWR"), contributing 200 basis points of alpha when compared to a NAV-weighted benchmark across Real Estate, Natural Resources, and Infrastructure
- Over the past five years, Real Return generated a 9.6% IRR and 9.5% TWR, contributing 370 basis points of alpha

Top Portfolio Priorities

- Restructure Natural Resources portfolio by reducing exposure to emerging markets, selectively re-investing with best-in-class domestic partners, and limiting overweight to Metals & Mining, and Agriculture
- Identify best-in-class Premier List partners to facilitate the growth of the Infrastructure and Real Estate portfolios

Real Return Team

- The team has an average of 10 years of experience and 6 years at UTIMCO

Edward Lewis
Managing Director
MBA, U. of Chicago

Mukund Joshi, CFA
Senior Director
MBA, UT Austin

Spencer Branch
Associate Director
BBA, UT Austin

Mallory Glusband, CFA
Associate Director
BSBA, Wash U. St. Louis

Henry Glenn
Associate Director
MBA, UT Austin

Adam Harrison
Senior Analyst
BBA, UT Austin

Steve Muenzen
Senior Analyst
BE, Dartmouth

Cam Powell
Analyst
MSc, London School of Economics

Tyler Sevcik
Analyst (July 1, 2020)
MSF, Texas A&M

Tara Hamilton
Investment Team Coordinator
BA, Eastern Washington University

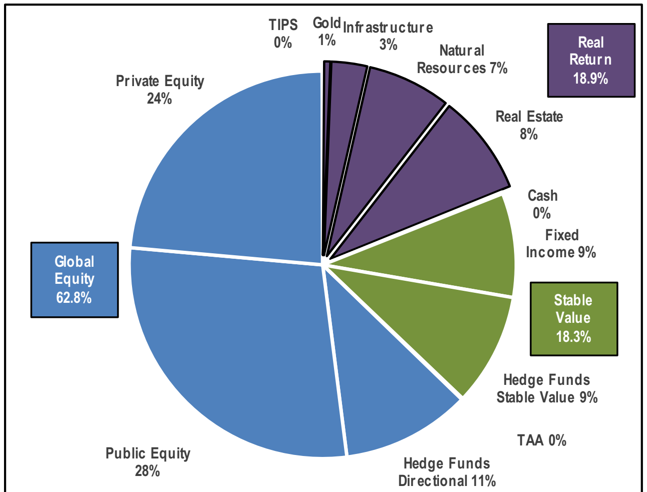
Christine Torres
Investment Team Coordinator
ACC

Role in Endowments

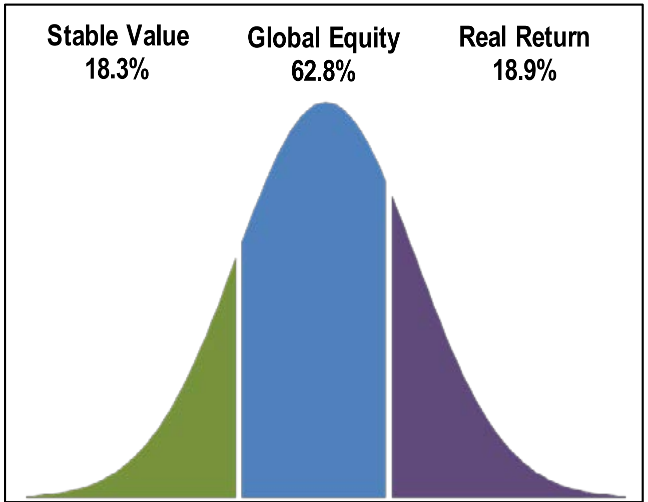
Investment Results and Exposure as of March 31, 2020 (combination of cash flow adjusted 9/30/19 and 12/31/19 valuations); ($ millions)

	Investment Results (TWR)				Exposure			
Real Return Portfolio	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**NAV**	**% of RR Portfolio**	**% of Endowments**	**Target Weighting**
Real Estate	8.8%	15.0%	14.8%	12.6%	$2,898	45.6%	8.3%	10.0%
Natural Resources	1.2%	1.7%	3.8%	9.0%	$2,417	38.0%	6.9%	5.0%
Infrastructure	5.9%	12.6%	11.4%	16.5%	$1,041	16.4%	3.0%	4.0%
Total	5.4%	8.6%	9.5%	12.3%	$6,356	100.0%	18.2%	19.0%
RR Policy Benchmark (TWR)	3.7%	6.5%	5.8%	6.7%	--	--	--	--
Alpha	1.7%	2.1%	3.7%	5.6%	--	--	--	--

Role in Endowment



Role in Strategic Asset Allocation



Risk / Diversification

Correlations[1]	Private Real Return
Global Equity	0.43
Stable Value	0.08
Drawdown (5 yr)	
S&P 500	33.9%
US Treasuries	8.7%
Real Return	6.3%

Source: Burgiss, Mellon; Real Return portfolio does not include Gold or TIPS
(1) Correlations take into account the lagged nature of private investments and reflect quarterly returns from 2009 to 2019

Performance and Key Highlights

Investment Results (IRR) and Cambridge Associates Indices as of December 31, 2019

	Investment Results (IRR)				Existing Managers — 35 Premier List Partners				
Sector Portfolio	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Platinum**	**Gold**	**Silver**	**Bronze**	**Other**
Real Estate	9.2%	15.3%	14.4%	14.4%	2	5	7	3	8
CA RE Benchmark (Pooled IRR)	*8.7%*	*10.1%*	*9.5%*	*9.2%*					
Alpha	*0.5%*	*5.2%*	*4.9%*	*5.2%*					
Natural Resources	0.6%	1.7%	4.3%	6.4%	0	2	6	4	8
CA NR Benchmark (Pooled IRR)	*-5.8%*	*0.2%*	*-0.3%*	*4.7%*					
Alpha	*6.4%*	*1.6%*	*4.6%*	*1.7%*					
Infrastructure	7.5%	14.0%	12.3%	17.1%	2	1	1	2	4
CA Infra Benchmark (Pooled IRR)	*10.3%*	*12.3%*	*11.3%*	*7.1%*					
Alpha	*-2.9%*	*1.7%*	*0.9%*	*10.0%*					
Total	5.3%	8.9%	9.6%	11.7%	4	8	14	9	20
Wtd. Avg. Asset Class Benchmark	*3.3%*	*6.6%*	*6.0%*	*7.2%*					
Alpha	*2.0%*	*2.2%*	*3.7%*	*4.5%*					

Real Estate

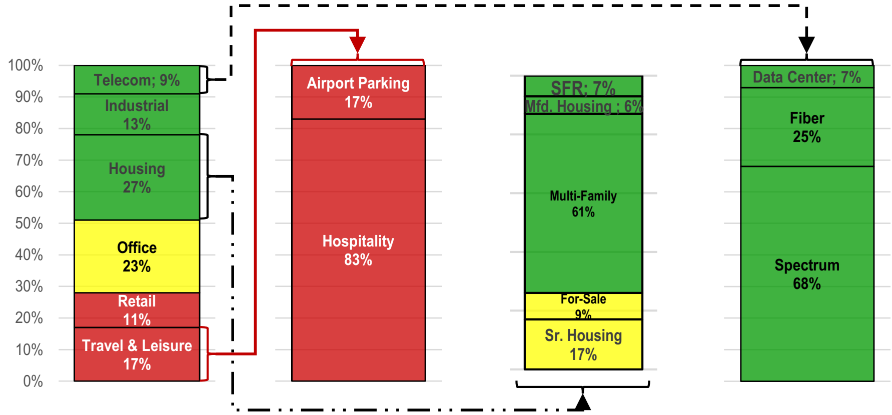
- Real Estate generated positive alpha against the Cambridge Associates Real Estate benchmark in all time periods
- UTIMCO's Real Estate portfolio is in the top quartile of all real estate portfolios in the TUCS universe for all time periods surveyed
- Outperformance over the past year due to strong performance in Latin America and select industrial and multifamily assets in the United States
- Underperformance in the past year primarily in the European portfolio which suffers from a low growth environment impacting rent growth and leasing take-up

Natural Resources / Infrastructure

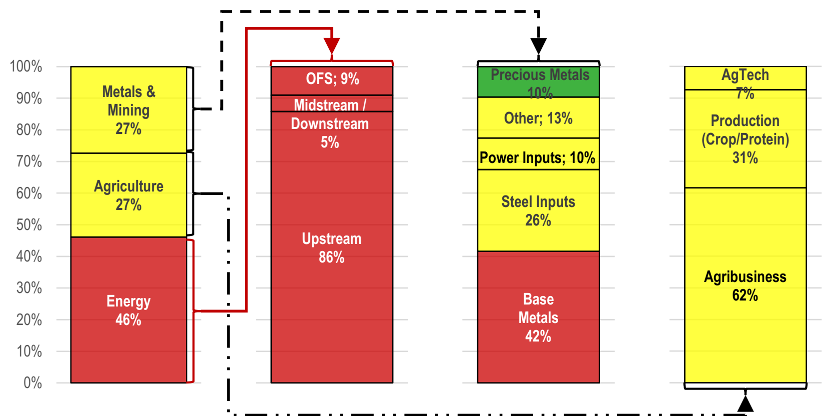
- Natural Resources generated positive alpha against the Cambridge Associates Natural Resources benchmark in all observed time horizons
- All sub-sectors of Natural Resources including energy, mining, and agriculture outperformed the benchmark in the past year with exceptionally strong realized returns in the mining portfolio
- Infrastructure portfolio is underperforming the benchmark over the past year but outperforming other periods
- Infrastructure underperformance in the past year due to write-downs in a solar tracking investment and subpar returns across diversified infrastructure managers

Q1 2020 Valuation Impact

- Real Return anticipates up to a 15% decline in total portfolio value after receipt of the Q1 2020 financial statements
- Infrastructure value declines of 6% to 8% expected; most impacted industries include power, energy midstream, and transport of which the portfolio is 50% exposed
- Real Estate value decline of ~8% as 28% of the portfolio is exposed to retail and travel and leisure assets, which are most negatively impacted by the recession; 7 investment vehicles (of 78 in the portfolio) within these sectors being monitored closely



- Natural Resources value decline of ~25% as 57% of the portfolio is exposed to energy and base metals which are most negatively impacted by demand collapse in oil markets and commodities



Real Estate Markets

The impact of COVID-19 on the real estate markets has been especially negative due to precipitous declines in travel, mandatory retail store closures, and rising unemployment

- Hospitality
  - The U.S. hotel industry experienced an occupancy low of 21% during the week of April 5th, 2020 and has modestly improved to ~39% for the week of May 25th, 2020
  - Despite recent month-over-month improvements, airline passenger volume for May 2020 remained ~91% below May 2019
- Retail
  - Retail sales plunged in April 2020; sales excluding motor vehicles and gas were down 16% year-over-year (motor vehicles down more than 30% and gas sales down more than 40%, respectively), and the consumer sentiment index is down ~10% year-over-year
  - Through May 2020, the U.S. has seen 39mm+ jobless claims and the adjusted unemployment rate has reached ~23% from a low of 3.5% in February 2020; therefore, retail sales are likely to be negatively impacted for the foreseeable future
  - Trailing 12-month e-commerce market share is approaching 30%, which is nearly double the penetration from a decade ago
- Multifamily
  - The National Multifamily Housing Council (NMHC) reported that over 93% of apartment households made a full or partial rent payment in May 2020 (survey of 11.4 million apartment units), which is up ~150 bps from April 2020 and only down ~150 bps from May 2019
- Office
  - Near-term risk to office markets remains low; however, a prolonged recession and/or change of tenant behavior may result in long-term demand destruction for office buildings
- Real Estate Public Markets
  - Commercial real estate pricing is down ~10% on average vs. pre-COVID levels – less impacted industries include manufactured housing, industrial, and storage while retail and hospitality have been most negatively impacted
  - Manufactured Housing (-4%); Industrial (-5%); Storage (-5%); Office (-9%); Apartments (-10%); Retail (-15% to -20%); Hospitality (-25%)

Energy Markets

- Global demand destruction for crude oil due to the COVID-19 pandemic was estimated to be over 28MMb/d during April 2020, representing a 28%+ decline year-over-year; preliminary figures indicate oil demand improved by 7MMb/d in May compared to April
- On April 20th, the NYMEX WTI front-month May contract closed with negative pricing (-$37.63/bbl), an unprecedented price meltdown
  - Waiting until the penultimate day to roll the May delivery contract, "paper traders" with open long positions faced the prospect of taking physical delivery at Cushing, OK; which had no available storage capacity for the May delivery window
  - Traders have since traded later-dated deliveries, which made the most recent contract roll (the June delivery contract) relatively uneventful. Even though net length continues to increase, traders are being more cautious, and Cushing's physical supply constraints appear to have eased—the facility recently experienced its largest weekly inventory depletion on record
- Given the extreme demand destruction, the supply-side responded with both government-mandated cuts (i.e., OPEC+ policy) and economic-based cuts (i.e., US producer shut-ins)
  - The announced OPEC+ supply cut of more than 9.7MMb/d (beginning in May) was not enough to avoid record-low prices in April. In May, Saudi Arabia—along with the UAE and Kuwait—cut an additional 1.18MMb/d to expedite the rebalancing process. Compliance by the cartel's members has been remarkably successful
  - Between mid-March and the end of May 2020, US operators have dropped over 485 rigs (a ~64% decline), with more than half of that decline in the Permian Basin, where the rig count has fallen by 255 over the same period
- The production curtailments have exceeded expectations, and—coupled with recovering demand—have stabilized prices at $35-40/bbl

2020 Action Plan

Deliver Results

Action	Metric	Timing
Deliver positive alpha over Real Return benchmarks over rolling 3-yr period	0 to 250 bps of alpha	Dec-20
Meet commitment targets across Real Return investments to achieve SAA plan	Approx. RE: $1,025M NR: $425M I: $400M	Dec-20
Sell down remaining physical Gold position	8 monthly sales	Aug-20
Achieve full compliance with firmwide OFAC regulations	100% reporting compliance	Dec-20
Continuous improvement of critical processes	15% increased productivity	Dec-20

Generate attractive risk-adjusted returns while meeting allocation and regime targets

Talent Management

Action	Metric	Timing
Hire a new Performance Analytics professional with Private Equity	Hire new professional	Aug-20
Onboard three new hires: two Analysts and one Sr. Analyst	Create & complete Onboarding Plan	Dec-20
Develop "bench" strength by investing in current / next generation leadership	Complete Executive Training Modules	Dec-20
100% team success rate for annual learning institute initiative	50 hours completed per professional	Dec-20
Completion of Individual Development Plans	Reflected in year-end Manager Scorecard	Dec-20

Hire the best candidates and invest in our team through leadership and development

Firmwide Collaboration

Action	Metric	Timing
Active participants in Private Strategic Partner selection process	Private Strategic Partner resolution	Dec-20
Submission and selection of Real Return intern projects	Two Real Return intern projects selected	Jun-20
Active participant to help select Risk Analytics Tool and Portfolio Construction Task Force	Select Risk Analytics Tool / Delivered Task Force Goals	Dec-20
Collaborate with University Lands to continue strengthening relationship	Attend Quarterly Board Meetings	Dec-20
Collaborate on the potential secondary sale with Private Equity	Potential secondary sale	Jun-20

Share best ideas and expertise across the organization

Portfolio Initiatives

Action	Metric	Timing
Complete Semi-Annual Review and Business Plan with buy-in from Leadership Team	Semi-Annual / Business Plan	Jun-20 / Dec-20
Approval of any additions, removals, or reclassification of Premier List	Premier List Review	Jun-20 / Dec-20
Restructure Natural Resources portfolio	At least 50% of new commitments in domestic energy strategies	Jun-20 / Dec-20
Reclassification of managers to correct portfolios	Approvals at Semi-Annual and finalize with accounting	Jun-20
Continue to source and execute high-quality co-investment opportunities	15% of total Real Return commitments	Dec-20

Provide clarity on investment strategies and partner with best-in-class investment firms

Completed Initiatives **Initiatives In-Progress** **At-Risk Initiatives**

2020 Action Plan Highlights

Delivering Results

- Real Return generated 200 basis points of alpha over the benchmark in 2019 and is on track to deliver positive relative performance for the endowments after enduring a difficult 2018 performance year

Firmwide Collaboration

- Strengthened the bond with University Lands through regular interaction and collaboration on the energy markets, attendance at advisory board meetings, and consistent dialogue

Talent Management

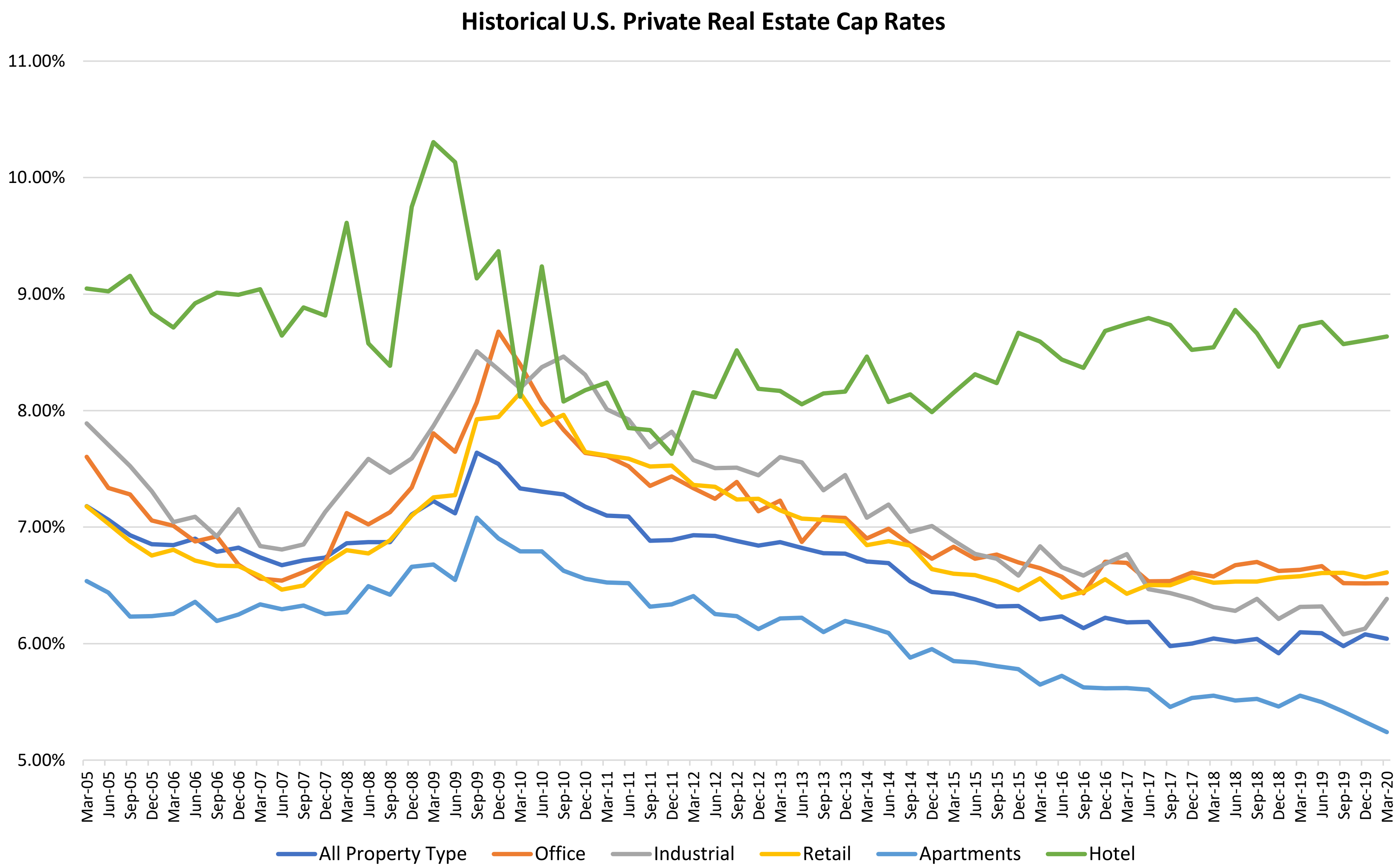
- Two new hires, Cam Powell started in February 2020 and Tyler Sevcik will start in July 2020
- 2019 promotions included Spencer Branch, Henry Glenn and Adam Harrison

Portfolio Initiatives

- Restructuring the Natural Resources portfolio by reducing exposure to emerging markets, selectively re-investing with best-in-class domestic partners, and limiting overweight to metals and mining and agriculture

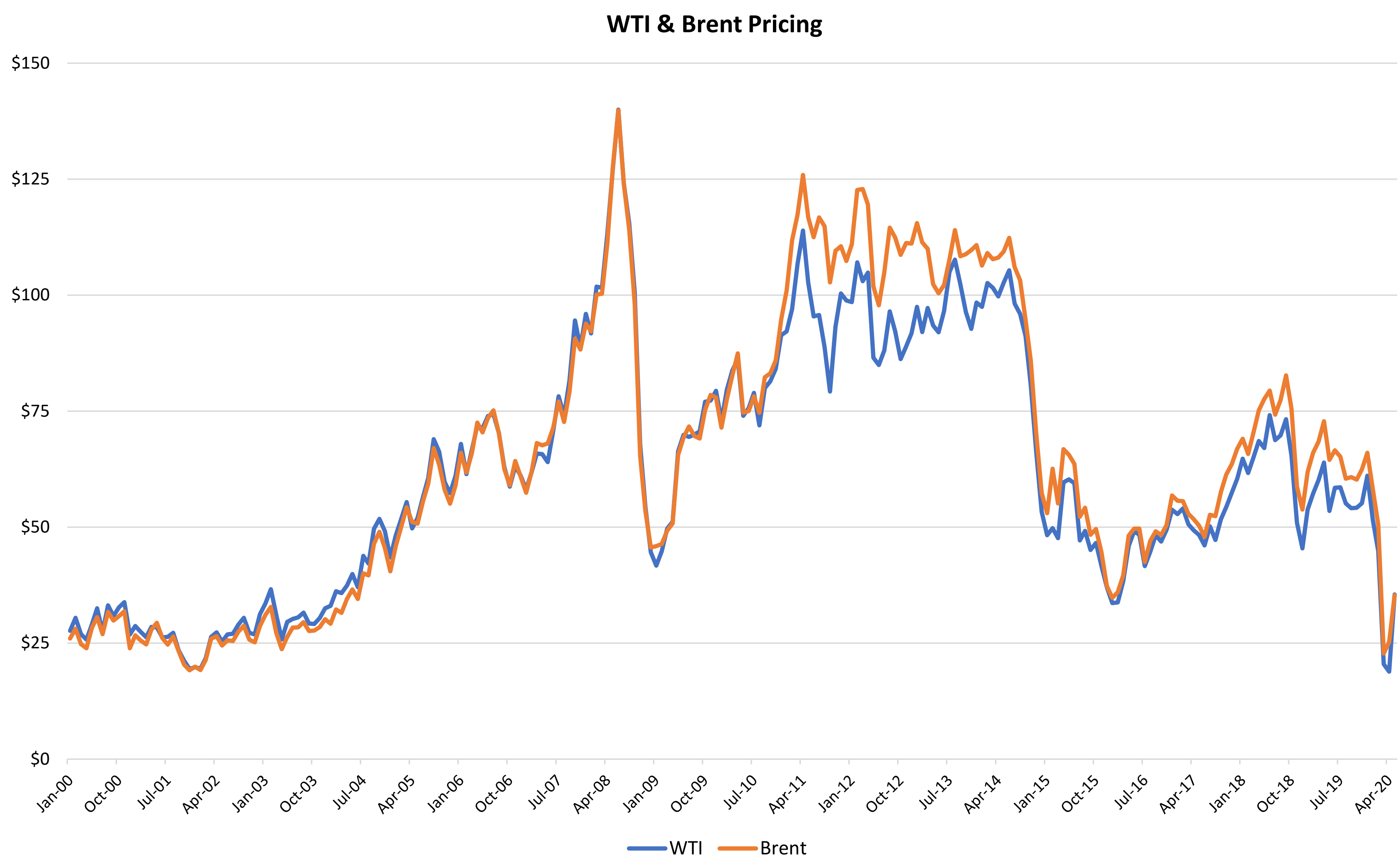
Appendix

Cap Rates



Source: Real Capital Analytics; property or portfolio sales $2.5 million or greater

WTI and Brent



Source: Bloomberg; monthly pricing data

13

Gold

Source: Bloomberg; monthly pricing data

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item:	Private Equity Presentation
Developed By:	Private Equity Team
Presented By:	Pace, Thawley, Mirshak
Type of Item:	Information Item
Description:	Dr. Pace will lead the presentation on Private Equity investments, with Mr. Thawley and Mr. Mirshak also participating.
Recommendation:	None
Reference:	*Private Equity Board* presentation

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

Private Equity Board Presentation

Patrick Pace, Brad Thawley, & Will Mirshak – June 2020

Executive Summary

Role in Endowment and Team

- Private Equity NAV is $8.2 billion as of March 31, 2020
  - $2.9 billion in Venture Capital, $2.7 billion in Private Equity, $1.8 billion in Emerging Markets, and $0.7 billion in Private Credit
  - ~23.5% of total Endowment assets as of March 2020; long-term Strategic Asset Allocation (“SAA”) target of 25%
- Managed by eleven-person investment team, with average of eleven years of experience and three years at UTIMCO

Market Conditions

- Before COVID-19, the Private Equity market remained competitive, marked by all-time high purchase price multiples and dry powder as a percentage of GDP
- After COVID-19, deal volumes slowed considerably due to a gap in buyer and seller price expectations; managers have put intense focus on triaging portfolios; and opportunistic credit capital calls happened rapidly but ended quickly

Performance Summary

- Private Equity generated a 15.6% point-to-point Internal Rate of Return (“IRR”) over the past 12 months, contributing 25 basis points of alpha when compared to a NAV-weighted benchmark across Private Equity, Venture Capital, Emerging Markets, and Private Credit
- Private Equity generated a 12.2% IRR contributing 210 basis points of alpha over the past 5 years
- In a PME analysis beginning in 1982, the portfolio generated a since inception IRR of 11.3% and generated 457 basis points of alpha vs the MSCI World Index as of December 31, 2019

Top Priorities

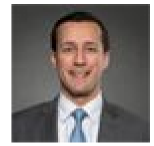
- Drive continued repositioning of the portfolio to achieve long-term, stable outperformance
- Continue to revamp and upgrade critical processes to sharpen decision-making and improve efficiency

Private Equity Team

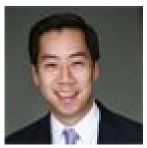
Patrick Pace, MD
Managing Director
MD, University of Texas Medical School at Houston

Brad Thawley
Senior Director
BA, Bucknell University

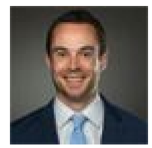
Will Mirshak
Senior Director
MBA, University of Chicago



Richard Rincon
Senior Director
MBA, Northwestern



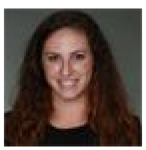
Conrad Shang
Director
MBA, University of Pennsylvania



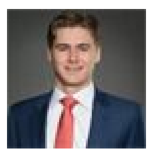
Patrick Curby-Lucier, CFA
Associate Director
BBA, Texas A&M University

Jim Pappas, CFA
Associate
BBA, University of Notre Dame

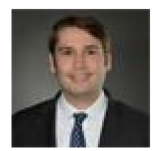
Nicole Wang
Associate
MBA, The University of Texas at Austin



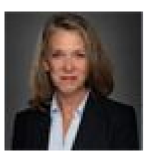
Tori Lee
Senior Analyst
BBA, The University of Texas at Austin



Ryan Moores
Analyst
MSF, The University of Texas at Austin



Ross Crutchfield
Senior Analyst
BBA, The University of Texas at Austin



Tracy Stewart
Investment Team Coordinator
MA, University of South Florida

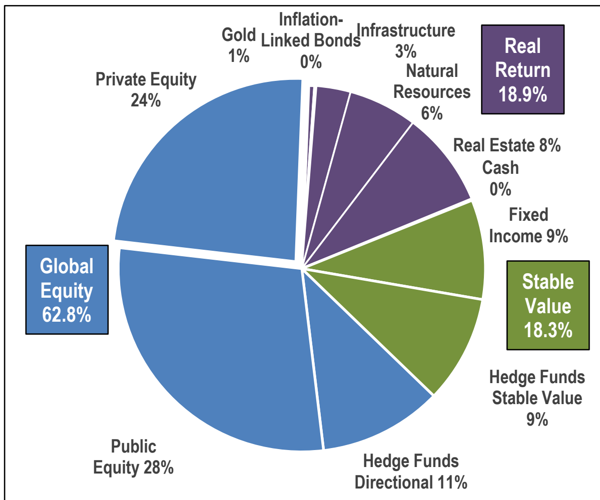
Jenna Hudson
Investment Team Coordinator
BA, The University of Texas at Austin

Role in Endowments

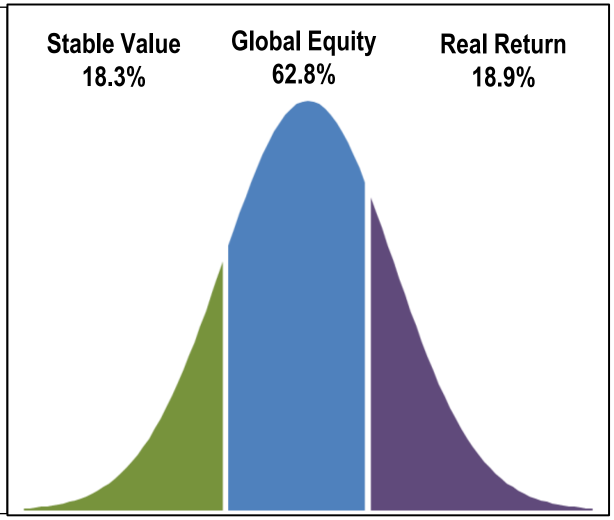
Investment Results and Exposure as of March 31, 2020 (combination of cash flow adjusted 9/30/19 and 12/31/19 valuations); ($ millions)

	Investment Results (TWR)				Exposure			
Private Equity Portfolio	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**NAV**	**Exposure**	**NAV % of PE Portfolio**	**NAV % of Endowments**
Private Equity	15.2%	10.1%	13.9%	13.4%	$2,728	$5,536	33.2%	7.8%
Venture Capital	20.0%	20.1%	14.8%	19.1%	$2,856	$3,815	34.8%	8.2%
Emerging Markets	14.2%	13.2%	10.6%	7.3%	$1,847	$2,207	22.5%	5.3%
Private Credit	6.0%	7.8%	7.8%	9.9%	$787	$1,544	9.6%	2.3%
Total	14.9%	13.1%	12.1%	12.9%	$8,218	$13,103	100.0%	23.5%
PE Policy Benchmark (TWR)	16.3%	12.9%	11.3%	14.1%	--	--	--	--
Alpha	-1.4%	0.2%	0.7%	-1.1%	--	--	--	--

Role in Endowment



Role in Strategic Asset Allocation



Risk / Diversification

Correlations[1]	Private Equity
Global Equity	0.13
Stable Value	-0.14
Drawdown (5 yr)	
S&P 500	33.9%
US Treasuries	8.7%
Private Equity	1.6%
Real Return	6.3%

Source: Burgiss, BNY Mellon

(1) Correlations take into account the lagged nature of private investments and reflect quarterly returns from 2009 to 2019

Performance and Key Highlights

Investment Results (IRR) and Cambridge Associates Indices as of December 31, 2019

Private Equity Portfolio	Investment Results (IRR) 1-Year	3-Year	5-Year	10-Year	Existing Managers — 41 Premier List Partners Platinum	Gold	Silver	Bronze	Other
Private Equity	15.8%	8.4%	11.8%	12.4%	0	6	12	3	31
CA FoF / Buyouts Benchmark (Pooled IRR) [1]	*17.0%*	*13.2%*	*10.5%*	*11.6%*					
Alpha	*-1.2%*	*-4.8%*	*1.2%*	*0.8%*					
Venture Capital	19.4%	20.6%	15.7%	19.5%	0	2	4	7	29
CA FoF / Venture Capital Benchmark (Pooled IRR) [1]	*18.6%*	*14.8%*	*11.5%*	*12.1%*					
Alpha	*0.8%*	*5.8%*	*4.2%*	*7.5%*					
Emerging Markets	13.7%	13.3%	10.5%	8.3%	0	1	0	1	21
CA FoF / Emerging Markets PE & VC (Pooled IRR) [1]	*11.8%*	*11.5%*	*9.5%*	*11.1%*					
Alpha	*2.0%*	*1.7%*	*0.9%*	*-2.8%*					
Private Credit	3.8%	8.1%	8.3%	11.2%	0	0	5	0	10
CA FoF / Credit Opportunities (Pooled IRR) [1]	*4.8%*	*8.5%*	*7.7%*	*10.2%*					
Alpha	*-1.0%*	*-0.4%*	*0.6%*	*1.0%*					
Total	15.6%	13.1%	12.2%	13.1%	0	9	21	11	91
Weighted Avg. Asset Class Policy Benchmark [1]	*15.3%*	*12.5%*	*10.1%*	*11.1%*					
Alpha	*0.3%*	*0.5%*	*2.1%*	*2.0%*					

Private Equity

- The Private Equity portfolio had challenging 1 and 3-year returns due to energy services exposure and a decline in a large, profitable co-investment coming off its peak valuation

Venture Capital

- The Venture Capital portfolio is in the top 1% of all venture capital portfolios in the TUCS universe for the 7- and 10-year time periods

Emerging Markets

- The Emerging Markets portfolio performance has improved, generating alpha in recent time periods particularly in the Asia EM region

Private Credit

- The Private Credit portfolio generated alpha over the last 5 and 10-years, but has lagged recently as the portfolio was reduced for Private Equity and Venture Capital

(1) Fund-of-funds benchmark through August 2018 and then strategy-specific benchmarks. Benchmark returns for each strategy are calculated by linking (and annualizing) pooled quarterly IRRs for all funds in the strategy. Total benchmark return is the weighted average of the sub-asset class specific benchmarks using UTIMCO beginning NAV.

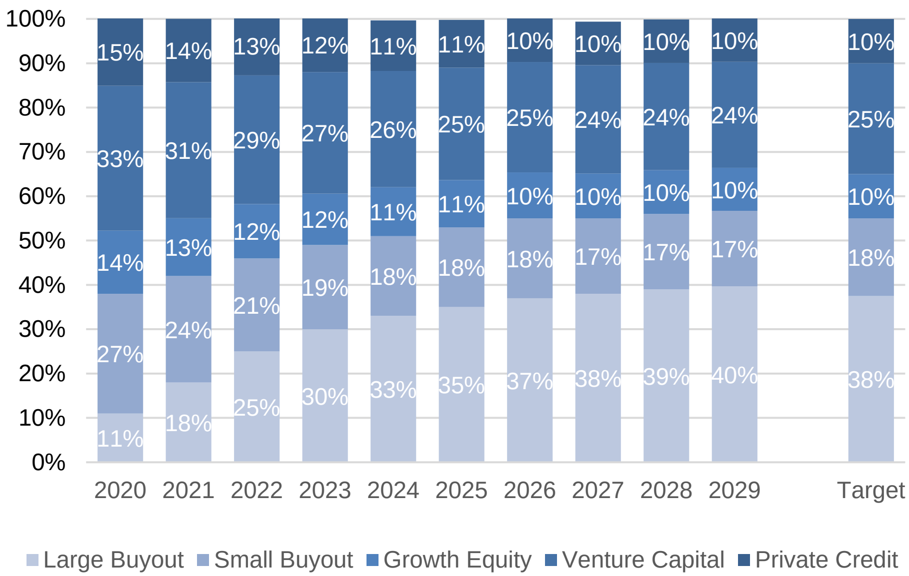
Q1 2020 Activity and Expectations

- Expect Q1 Private Equity mark-down of 7.5%-10% followed by an additional modest mark-down in Q2
  - Large, public Private Equity firms have reported mark-downs of 15-20%
  - The UTIMCO portfolio should see a lag in mark-downs due to an overweight in Small Buyouts and Venture Capital, two areas that typically lag in valuation changes
  - Exceptions within Private Equity are Energy Services, which will likely see very heavy downward marks, and Private Credit, which has more market-based exposure
- Activity Highlights from Q1 and early-Q2
  - Private Credit calls accelerated during the market dislocation, including $125 million or 28% of patient capital commitments
  - Managers across the portfolio have shifted focus to portfolio company triage, assessing liquidity needs due to demand shock and protecting talent
  - Our managers also seek opportunity in the disruption, however, with widened buyer and seller price expectations, deal activity has dropped precipitously. Life Science represented the only insulated area to see largely consistent activity through April
- Current Portfolio Concerns
  - Energy Services: Expect heavy mark-downs as public Oilfield Services Index -69%
  - Small Buyouts: Small business was hit hard by shutdowns; monitoring directly and through partners within lower middle market PE and Private Credit; expect high dispersion of impacts with some potentially large negative impacts across portfolio
  - Consumer: Consumer-related industries (travel, restaurants, sports, consumer health) were hardest hit by COVID lockdowns, monitoring for liquidity and recovery plans

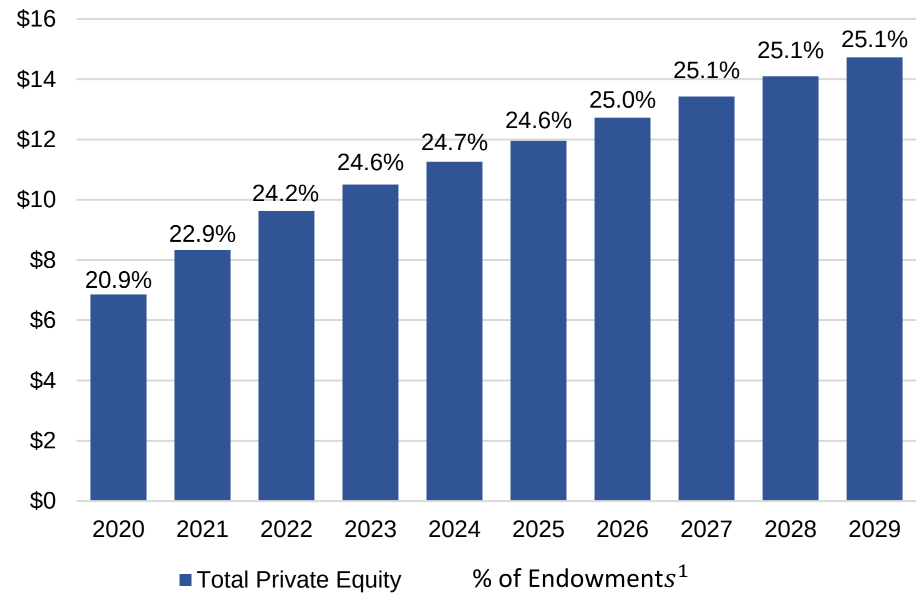
Commitment Plan

- UTIMCO is shifting the Private Equity portfolio gradually to:
  - Achieve scalability as the Endowments grow
  - Reduce return dispersion; increase stability
  - Remain committed to well-established, alpha-generating strategies

Sub-Strategy Glidepath to Target



Portfolio Glidepath to SAA Target



(1) Percent of Endowments projected as of calendar year end

2020 Action Plan

Complete

In Process

Partnerships		
Action	**Metric**	**Timing**
Finalize Premier List to reach commitment target for 2020 and plan for 2021	CIO Approval	Q1
Complete market mapping where new Premier List partners are needed	Market Map Completion	Q1
Drive Strategic Partner process to select best multi-asset class partners	IIC Approval	Q4
Identify Co-investment Partner to drive increased co-investment penetration and provide extension of team	IIC Approval	Q2

Portfolio Construction & Alignment		
Action	**Metric**	**Timing**
Improve Perfromance	Generate 100 bps of alpha in the Private Equity Portfolio and improve Buyout Portfolio by 100 bps YoY	Q4
Improve Portfolio Management	Conclude Secondary Sale / J-Curve Mitigants: Lower fees on committed capital, increase secondary purchases or increase co-invest commitments	Q1 (Secondary Sale) Q4 (Implement J-Curve Mitigants)
Review portfolio in-depth twice during year	Manager Tearsheet Completion	Q2 & Q4
Complete implementation of eFront and integrate into portfolio analytics / monitoring	eFront Completion	Q2

Processes		
Action	**Metric**	**Timing**
Apply PE Premier List Scorecard (fka PATS) to Premier List Managers and Contenders	Inclusion in Portfolio Review	Q2 & Q4
Improve market conditions model for each of LBO, SBO, GE, VC, PC	Inclusion in Semi-Annual	Q2
Implement improved background check process with new vendor	Adoption	Q1
Evolve into highly effective team by executing effectively and efficiently together	15% Improved Productivity	Q4

Human Capital		
Action	**Metric**	**Timing**
Complete Individual Development Plans	100% Completion	Q4
Define proper succession planning	CIO / HR Approval	Q2
Develop and support PE intern projects	100% Completion of Projects	Q3
Hire Performance Analytics professional with Real Returns Team	Successful Hire	Q2

2020 Action Plan Highlights

Implementation of Critical Processes

- Developed and refined a standardized manager assessment methodology
- Constructed market maps to drive proactive sourcing efforts
- Evaluated and improved co-investment sourcing and execution

Continued Repositioning of the Portfolio

- Began shifting the portfolio toward long-term targets with $2.9 billion in commitments and 8 new relationships
- Maintained and leaned into key relationships in Venture Capital
- Identified slots for 58 best-in-class partners across the investable private equity universe

Current Focus

- Evaluating economic shock on the portfolio, including commitment pacing adjustments
- Building long-term relationships with access-constrained managers
- Continuous process improvement

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Board Fiduciary Education

Developed By: Kyle

Presented By: Kyle

Type of Item: Information item

Description: The Investment Management Services Agreement between the Board of Regents of The University of Texas System ("Board of Regents") and UTIMCO requires that UTIMCO provide training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U.T. System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and that matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Board training is provided through an orientation session when new members of the Board are selected by the Board of Regents. This agenda item serves as an update for current Board members.

Discussion: Jerry Kyle of Orrick, Herrington & Sutcliffe LLP, fiduciary counsel of UTIMCO, will present the "Overview of Fiduciary Duties of Directors."

Recommendation: None

Reference: *Overview of Fiduciary Duties of Directors* presentation

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

Overview of Fiduciary Duties of Directors

June 11, 2020

UTIMCO 1996

orrick

Topics Covered

- Fiducary Duties
  - Obedience, Loyalty and Care
- Appendix
  - Texas Education Code § 66.08
  - Special Responsibilities of UTIMCO Directors
  - Certain Relevant State and Federal Laws

Overview of Fiduciary Duties

- Fiduciary duties of corporate directors are largely matters of evolving common law.
  - Based upon concepts originating in English common law over 200 years ago
  - Largely defined by courts through damage and injunctive actions against directors
- *Gearhart Industries, Inc. v. Smith International, Inc.*, 741 F.2d 707 (5th Cir. 1984) - seminal case considers corporate directors' fiduciary duties under Texas law

Overview of Fiduciary Duties

- Consistent with the Gearhart decision, UTIMCO Directors have the following "three broad duties" stemming from their fiduciary status:
  - Duty of **Obedience**
  - Duty of **Loyalty**
  - Duty of **Care**
- Failure to comply with applicable standards of conduct and fiduciary duties can result in Director liability

Fiduciary Duty of Obedience

- Duty of Obedience
  - Directors must avoid committing ultra vires acts, meaning acts beyond the scope of the powers of the corporation
    - Directors must act in accordance with corporation's rules and policies
    - Directors must act in furtherance of corporation's central goals and objectives as expressed in governing documents and agreements
  - In general, courts appear reluctant to hold directors liable for ultra vires acts
    - While an ultra vires act may be voidable under Texas law, directors should not be held personally liable for such act unless the act is unlawful or against public policy *(Resolution Trust Corp. v. Norris,* 830 F.Supp. 351, 357 (S.D. Tex. 1993))

Fiduciary Duty of Obedience

Duties and responsibilities under Texas Education Code § 66.08

- Creates a framework of duties and responsibilities of UTIMCO Directors
- Directors are accountable to the UT Board of Regents
- Imposes certain ethical constraints on Directors
- Per investment policies approved by UT Board of Regents, UTIMCO Board shall discharge its fiduciary duties solely in the interest of the UT System and the A&M System and shall not invest funds to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes

Fiduciary Duty of Obedience

Duties and responsibilities are also imposed by and arise under the following:

- Investment Management Services Agreement (IMSA)
- Investment Policy Statements for UT Funds
- UTIMCO Bylaws
- UTIMCO Committee Charters
- UTIMCO Code of Ethics
- UTIMCO Delegation of Authority
- UTIMCO Liquidity Policy
- UTIMCO Derivative Investment Policy

Fiduciary Duty of Loyalty

- Duty of Loyalty
  - Directors must act in good faith and not allow director's personal interest to prevail over the interests of the corporation
  - To avoid self-dealing in violation of this duty, when confronted with a potential conflict directors should
    - Provide Full Disclosure
    - Not attempt to unduly influence other directors
    - Recuse themselves from discussion and vote
  - "Good faith" is an essential element of the Duty of Loyalty
    - Absence of good faith may be found when there is a severe failure of director oversight

Fiduciary Duty of Care

- Duty of Care
  - Directors should discharge their duties with such care as ordinarily prudent person under similar circumstances
    - Directors should keep themselves informed about the affairs of the corporation and seek out and use reasonably available information when making decisions
    - Directors may, in good faith and with ordinary care, rely on reports of other persons as to matters the director reasonably believes are within the person's professional or expert competence
    - Directors should prepare for and participate in board and committee meetings

Fiduciary Duty under Texas Corporate Law

- Section 22.221, Texas Business Organizations Code, provides

  "(a) A director shall discharge the director's duties, including duties as a committee member, in **good faith,** with **ordinary care,** and in a manner the director **reasonably believes** to be in the **best interest** of the corporation.

  (b) A director is not liable to the corporation, a member, or another person for an action taken or not taken as a director if the director acted in compliance with [(a) above]. A person seeking to establish liability of a director must prove that the director did not act:

  1. in good faith;
  2. with ordinary care; and
  3. in a manner the director reasonably believed to be in the best interest of the corporation."

Overview of Fiduciary Duties of Directors

APPENDIX

Texas Education Code § 66.08

- Does *not* create UTIMCO
  - *The UT Board of Regents may enter into a contract with a nonprofit corporation for the corporation to invest funds under the control and management of the UT Board, as designated by the UT Board.*
- Creates a framework of duties and responsibilities of UTIMCO Directors
- Directors are accountable to the UT Board of Regents
- Imposes certain ethical constraints on Directors

Texas Education Code § 66.08

The UT Board of Regents must approve the following:

- UTIMCO articles of incorporation
- UTIMCO bylaws
- UTIMCO investment policies
- UTIMCO audit and ethics committee
- UTIMCO code of ethics

Texas Education Code § 66.08

UTIMCO Board shall have 9 members:

- 7 members appointed by UT Board
  - 3 Regental
  - 3 with substantial background and expertise in investments
  - 1 other qualified individual as determined by the UT Board, which may include the UT Chancellor
- 2 members appointed by A&M Board of Regents
  - 1 with substantial background and expertise in investments

Each appointed member of the UTIMCO Board is subject to removal and replacement at the pleasure of the appointing entity.

Texas Education Code § 66.08

UTIMCO may not enter into an agreement or transaction with:

- a UTIMCO director, officer, or employee acting in other than an official capacity on behalf of UTIMCO
- a business entity in which a UTIMCO director, officer, or employee has an “interest”

An agreement or transaction entered into in violation of the foregoing is void.

Texas Education Code § 66.08

A person has an "interest" in a business entity if:

- the person owns 5% or more of the voting stock or shares of the business entity;
- the person owns 5% or more of the fair market value of the business entity; or
- money received by the person from the business entity exceeds 5% of the person's gross income for the preceding calendar year.

Texas Education Code § 66.08

- A former UTIMCO director may not make any communication to or appearance before a UTIMCO director, officer, or employee before the 2nd anniversary of the date an individual ceased to be a UTIMCO director if the communication or appearance is made:
  - with the intent to influence; and
  - on behalf of any person in connection with any matter on which the person seeks action by UTIMCO

Texas Education Code § 66.08

- A former UTIMCO officer or employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or employee participated during the period of UTIMCO service or employment, either through personal involvement or because the particular matter was within the officer's or employee's responsibility.

Special Responsibilities of UTIMCO Directors

Special responsibilities are imposed by and arise under the following:

- Investment Management Services Agreement (IMSA)
- Investment Policy Statements for UT Funds
- UTIMCO Bylaws
- UTIMCO Committee Charters
- UTIMCO Code of Ethics
- UTIMCO Delegation of Authority
- UTIMCO Liquidity Policy
- UTIMCO Derivative Investment Policy

Investment Management Services Agreement

- UTIMCO appointed as Investment Manager for UT Board of Regents
  - UTIMCO has "complete authority" to manage UT Funds, subject to Investment Policy Statements
  - UTIMCO recognizes that it acts as fiduciary in the management and investment of UT Funds
  - UT Board of Regents is ultimate fiduciary and retains policy setting authority
- UTIMCO's annual budget and maintenance fee must be approved by UT Board of Regents
- UTIMCO Director training and education required

Investment Policy Statements for UT Funds

- Separate Investment Policy Statements for the following UT Funds

  - Permanent University Fund
  - Permanent Health Fund
  - Long Term Fund
  - General Endowment Fund
  - Separately Invested Funds
  - Short Term Fund
  - Intermediate Term Fund

- Each Investment Policy Statement adopts the "*prudent investor standard*" of Article VII, Section 11b of the Texas Constitution that otherwise relates only to management of the Permanent University Fund
- The Board shall discharge its fiduciary duties solely in the interest of the UT System and the A&M System and shall not invest funds to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

UTIMCO Bylaws

- Directors are ultimately responsible for ensuring that UTIMCO fulfills its purpose
- UT Regental Directors serve two-year terms – all other Directors serve three-year terms; provided that the appointing entity may alter the terms of Directors appointed by it
- Each appointed Director serves at the pleasure of the appointing entity -- Directors (other than UT Chancellor and the three UT Regental Directors) are limited to three (3) full three-year terms
- Directors are subject to "revolving door" restriction

UTIMCO Committees

- UTIMCO Board has adopted Charters for the following standing committees
  - Audit and Ethics Committee
  - Risk Committee
  - Compensation Committee
  - Policy Committee
  - Cyber Risk Committee
- Duties, responsibilities and authority of each committee set forth in respective committee charter

UTIMCO Code of Ethics

- Sets forth basic principles and guidelines for UTIMCO Directors and Employees, in addition to and in accordance with the requirements of §66.08, Texas Education Code, the Texas Non-Profit Corporation Act, and other applicable laws
- Anticipates that many UTIMCO Directors and Employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO
- Holds Directors and Employees to high standards of conduct, without seeking to disqualify individuals from service, except to the extent necessary or appropriate to avoid conflicts of interest or conform to applicable law

UTIMCO Code of Ethics

Disclosure of Conflict of Interest

- Directors must disclose conflicts of interest in writing to UTIMCO's External General Counsel (Orrick, Herrington & Sutcliffe LLP) prior to UTIMCO Board meeting

Financial Disclosure

- Directors must file financial disclosure statement annually with UTIMCO's Chief Compliance Officer
- Directors required to update financial disclosure statement if a change in circumstance occurs that gives rise to a "pecuniary interest"

UTIMCO Delegation of Authority

- Delegation of Authority Policy intended to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and UTIMCO employees

- Delegation of certain duties and responsibilities by the UTIMCO Board to UTIMCO Management intended to
  - enhance the competitiveness of the investment process
  - improve management and operational efficiency
  - define and concentrate accountability for performance

UTIMCO Delegation of Authority

- Management, Operations, and Finance - UTIMCO Board has delegated duties and responsibilities to UTIMCO Management in the following areas:
  - Administration, accounting and financial management
  - Systems technology management
  - Personnel management
  - Compliance
  - Client relations and reporting
  - Public relations

UTIMCO Delegation of Authority

- Investments - the following investment duties are delegated to UTIMCO Management:
  - Tactical asset allocation within the ranges established in Investment Policy Statements
  - Risk management
  - Allocation of investment funds to new managers and mandates and changing allocations of investment funds to existing managers and mandates
  - Small co-investments, terms applicable to all internal and external managers, and manager monitoring and termination
  - Investment in derivative instruments, as authorized by the Derivative Investment Policy
  - Internal Investment Management
  - Management of the UTIMCO Board's External Investment Consultant(s)

The foregoing delegations are subject to applicable policy statements, including each Fund's Investment Policy Statement and the Derivative Investment Policy

UTIMCO Liquidity Policy

- Establishes limits on overall liquidity profile of Permanent University Fund, General Endowment Fund, and Intermediate Term Fund
- Liquidity Policy Profile
  - Endowment Funds' permitted maximum illiquidity: 70.0%
  - ITF permitted maximum illiquidity: 55.0%
- Unfunded Commitments
  - Endowment Funds' maximum: 30.0% (as a percentage of the highest total NAV over trailing 24 month period)

UTIMCO Derivative Investment Policy

- Policy sets forth applications, documentation and limitations on derivative investments in PUF, GEF, ITF and Separately Invested Funds
- Per the policy, permitted derivative investments are used to
  - implement investment strategies in low cost and efficient manner
  - alter market systematic exposure without trading underlying securities (through purchases or short sales of appropriate derivatives)
  - construct portfolios with risk/return characteristics not obtainable with cash market securities
  - hedge/control risk
  - facilitate transition trading

UTIMCO Derivative Investment Policy

- Prior to implementation of Derivative Investment, UTIMCO must model impact of the derivative to ensure that Funds remain within the permissible ranges, as set forth in Investment Policy Statements.
- Investment policy statements limit uncollateralized derivative exposure
- OTC derivative counterparties must have credit rating of at least “A-” (S&P) or “A3” (Moody's)
- Net market value of all OTC derivative positions for an individual counterparty may not exceed 1% of total market value of the UT Funds

UTIMCO Derivative Investment Policy

- UTIMCO Board delegates to the CEO the authority to enter into certain specifically enumerated Derivative Investments, subject to limitations contained in the Policy
  - Delegation does not permit unhedged positions that have potential for unlimited loss
- All derivatives must be marked-to-market by custodian and reviewed for accuracy by UTIMCO Managing Director – Risk Management

Certain Relevant State and Federal Laws

- Texas Open Meetings Act
- Texas Public Information Act
- Federal Intermediate Sanctions – Internal Revenue Code § 4958

Certain Relevant State and Federal Laws

- Texas Open Meetings Act
  - Provides generally that meetings of "governmental bodies" must be open to public
    - executive sessions permitted for certain specified matters
    - public must be given notice of time, place and subject matter of meetings.
  - UTIMCO subject to Act in same fashion as UT Board of Regents, with two exceptions
    - UTIMCO may have "briefing sessions" on private investments and hedge funds
    - Director at remote location may participate in Board meeting by telephone
  - Board meetings must be broadcast over the Internet (except those portions closed to the public as authorized by law)
  - Act is a penal statute, the knowing violation of which is a misdemeanor

Certain Relevant State and Federal Laws

- Texas Public Information Act
  - Provides that "public information" is available to the public
    - information "collected, assembled, or maintained . . . by a governmental body" or for such body if it "owns . . . or has a right of access to the information"
  - In 1997, Texas Attorney General ruled that UTIMCO is subject to Act
  - Upon receipt of written request, governmental body must make public information available to the requestor.
  - To assert exception, governmental body must seek decision from Texas Attorney General within ten business days of receipt of written request.

Certain Relevant State and Federal Laws

- Texas Public Information Act
  - IMSA prohibits UTIMCO from declining to disclose any requested information without soliciting input from UT System General Counsel and requires UTIMCO to disclose requested information unless (i) it is confidential "Investment Information" under Act or (ii) as to all other information, UT System General Counsel, after consultation with Chancellor, approves submission of a Public Information Act request to Texas Attorney General
  - Act is a penal statute, the violation of which is a *misdemeanor*

Certain Relevant State and Federal Laws

Federal Intermediate Sanctions

- Internal Revenue Code § 4958
- Intermediate sanctions are excise taxes
- The Internal Revenue Service imposes excise tax as a penalty when certain individuals associated with a tax-exempt organization receive compensation or benefits that exceed the value of services, goods, or donations they have provided the organization.

Certain Relevant State and Federal Laws

Federal Intermediate Sanctions

- Sanctions imposed when a tax-exempt organization enters "excess benefit transaction" with "disqualified person"
  - "Excess Benefit Transaction" - economic benefit provided by tax-exempt organization exceeds value of consideration received (including unreasonable compensation)
  - "Disqualified Person" - person in position to exercise substantial authority over tax-exempt organization's affairs, including CEO, COO, treasurer, and CFO
- Sanction consists of excise tax on individuals

Certain Relevant State and Federal Laws

Federal Intermediate Sanctions - Amount of Excise Tax

- For disqualified persons
  - excise tax for each excess benefit transaction is 25% of the amount over the true value of the services or item
  - additional 200 percent can be charged if the excess benefit is not corrected by a certain date
- Organization managers who "knowingly, willfully, and without reasonable cause" participate in an excess benefit transaction may be liable for 10% of the excess, not to exceed $10,000 per transaction.

Certain Relevant State and Federal Laws

Federal Intermediate Sanctions – Safe Harbor

- Parties to transaction are entitled to rely on rebuttable presumption of reasonableness for a compensation package approved by independent board or committee
  - composed of persons who don't have a conflict of interest with respect to the transaction and are not controlled by disqualified person
  - in reliance on appropriate comparability data
  - adequately documented basis for determination

Evolving Issues in Corporate Governance

- In August 2019, the Business Roundtable issued a new Statement on the Purpose of a Corporation - signed by 181 CEOs
  - commitment to lead companies for the benefit of all stakeholders
    - Customers
    - Employees
    - Suppliers
    - Communities
    - Shareholders

- Emergence of ESG Investing
    - Environmental
    - Social
    - Governance

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Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to Engaging Corporate External Auditor

Developed By: Moeller, Gonzalez

Presented By: Handley

Type of Item: Action required by UTIMCO Board related to Engaging Corporate External Auditor

Description: The Audit and Ethics Committee (the "Committee") met on June 4, 2020. The Committee's agenda included (1) approval of Committee minutes; (2) discussion and appropriate action related to engaging corporate external auditor; (3) an update on UTIMCO's compliance, reporting, and audit matters; (4) a presentation of unaudited financial statements for the Investment Funds and the Corporation; and (6) discussion and appropriate action related to the base salary for the Corporate Counsel and Chief Compliance Officer for the 2020-2021 Fiscal Year. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Discussion: The Committee will report on its action related to the hiring of Deloitte and Touche LLP as the corporate auditor and request that the Board take appropriate action related to hiring Deloitte and Touche LLP as the corporate auditor. If approved by the Board, FY 2020 will be the 14th year that Deloitte serves as the Corporation's independent auditor. Estimated fees for the FY 2019 audit services are $46,300 plus out-of-pocket expenses. This is a $1,300 increase over the FY 2019 fee.

The Committee reviewed the unaudited financial statements for the second quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports. In addition to the routine update on compliance, reporting, and audit issues, Ms. Gonzalez reported on the annual disclosure statements filed by outside financial advisors and service providers that were filed with the State Auditor's Office on April 15th and the annual report on Director Co-Investments. The Master Investment Management Services Agreement between UTIMCO and the Board of Regents of The University of Texas System requires UTIMCO to maintain a log of (1) all agreements or transactions between UTIMCO or a "UTIMCO entity" and a "Director entity" or an "Employee entity", and (2) all investments in the private investments of a business entity in which a "Director" or "Employee" then owns a private investment, or is then co-investing, in the same business entity that must be reviewed annually by the UTIMCO Board of Directors and reported to the U.T. Board.

The Committee also reviewed the Contracts Report. In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases or other commercial arrangements of $250,000 or more 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.

Recommendation: The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to engaging the corporate external auditor.

Reference: Deloitte & Touche LLP Engagement Letter
Director Co-Investment Log FY 20
Quarterly Compliance Reports
Contracts Report

RESOLUTION RELATED TO INDEPENDENT AUDITOR FOR THE CORPORATION

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2020.

Deloitte & Touche LLP

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USA

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May 11, 2020

Ms. Joan Moeller
Senior Managing Director
The University of Texas/Texas A&M Investment Management Company
210 West 7th Street, Suite 1700
Austin, TX 78701

Dear Ms. Moeller:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for The University of Texas/Texas A&M Investment Management Company ("UTIMCO") (the "Company" or "you" or "your"). Mr. Robert Cowley will be responsible for the services that we perform for the Company hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that you will call Mr. Cowley whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Company's financial statements for the year ending August 31, 2020, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Appendix A contains a description of the auditor's responsibilities and the scope of an audit in accordance with generally accepted auditing standards.

D&T Reports

We expect to issue a written report upon the completion of our audit. Our ability to express an opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete our audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (the "Audit and Ethics Committee") and the Company's management.

Management's Responsibilities

Appendix B describes management's responsibilities.

Communications with the Audit and Ethics Committee

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Audit and Ethics Committee and management.

Fees

We estimate that our fees for this engagement will be $46,300, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
October 2020	$26,300
December 2020	$20,000

We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice. Engagement-related expenses, such as travel, lodging, transportation, meals, telephone, typing, and technology- and administrative-related charges will be billed in addition to the fees and will be stated separately on the invoices.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Company intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Company also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue any report issued as a result of this engagement, to consent to any such report’s inclusion or incorporation by reference in an offering or other document, or to agree to any such report’s inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Company and D&T.

* * * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Company or the Audit and Ethics Committee request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through E attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte & Touche LLP

Accepted and agreed to by The University of Texas/Texas A&M Investment Management Company:

By: ______________________________________

Title: ______________________________________

Date: ______________________________________

cc: The Audit and Ethics Committee of The University of Texas/Texas A&M Investment Management Company

APPENDIX A

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

This Appendix A is part of the engagement letter dated May 11, 2020, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Auditor's Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

Scope of an Audit

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

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 consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

APPENDIX B

MANAGEMENT’S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated May 11, 2020, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Financial Statements

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies

- Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of all instances of identified or suspected noncompliance with such laws or regulations

- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Company from whom we determine it necessary to obtain audit evidence

Management’s Representations

We will make specific inquiries of the Company’s management about the representations embodied in the financial statements. In addition, we will request that management provide us with the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the Company’s financial statements. Because of the importance of management’s representations, the Company agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters

In connection with our engagement, D&T, management, and the Audit and Ethics Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Company is an attest client. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, has policies and procedures in place for the purpose of ensuring that neither the Company nor any such subsidiary or other entity will act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T’s independence. All potential services are to be discussed with Mr. Cowley.

In connection with the foregoing paragraph, the Company agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Company's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("Company Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Cowley before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding section entitled "Independence Matters", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

APPENDIX C

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE

This Appendix C is part of the engagement letter dated May 11, 2020, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

We are responsible for communicating with the Audit and Ethics Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit and Ethics Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Audit and Ethics Committee any fraud we identify or suspect that involves (1) management, (2) employees of the Company who have significant roles in internal control, or (3) other employees of the Company when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Audit and Ethics Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Audit and Ethics Committee, unless otherwise directed by the Audit and Ethics Committee.

We will also communicate to the Audit and Ethics Committee matters involving the Company's noncompliance with laws and regulations that have come to our attention during the course of our audit, other than when such matters are clearly inconsequential.

We will also communicate in writing to management and the Audit and Ethics Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit and Ethics Committee. However, we will communicate to the Audit and Ethics Committee matters required by AICPA AU-C 260, *The Auditor's Communication with Those Charged with Governance*.

Texas State Auditor's Office

D&T agrees that the Texas State Auditor's Office or any authorized regulatory representative of the State of Texas (the "State") shall at any time have access to and the rights to examine and audit any pertinent books, documents, working papers, and records of D&T relating to this engagement letter, and to excerpt and transcribe any pertinent books, documents, working papers, and records of D&T.

If photocopies of pertinent books, documents, working papers, and records of D&T are requested, D&T will send a letter to the Texas State Auditor's Office or regulatory representative of the State similar (but not identical) in form to that in the American Institute of Certified Public Accountants AU-C Section 9230, and such letter will be acknowledged by the Texas State Auditor's Office or regulatory representative of the State prior to the provision of any photocopies by D&T. Any photocopies of pertinent books, documents, working papers, and records of D&T will be identified as "confidential treatment requested by Deloitte & Touche LLP."

D& T understands that the Texas State Auditor's Office may opt to rely on the work of D&T to support the Texas State Auditor's Office's opinion on the Comprehensive Annual Financial

Report for the State of Texas, and D&T agrees to cooperate with the Texas State Auditor's Office in a joint effort to comply with American Institute of Certified Public Accountants standard AU-C 600, Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors). D&T acknowledges that the Texas State Auditor's Office has informed it that it is serving in the capacity of the group engagement auditor. As a component auditor, information D&T agrees to provide to the Texas State Auditor's Office includes information necessary to facilitate determinations regarding D&T’s understanding and compliance with ethical requirements and professional competence.

APPENDIX D

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated May 11, 2020, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company or the Audit and Ethics Committee.
2. Survival. The agreements and undertakings of the Company contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The Company hereby consents to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Company, D&T shall not disclose such information to any third party without the Company's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Company hereby consents to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.
7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.
8. Governing Law. This engagement letter, together with the appendices, and all of the

rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated May 11, 2020, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Austin, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the Company and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

UTIMCO
Director Co-Investment Log FY 20

No.	Date	Director	Business Entity	Fund	Interest?	UTIMCO Investment?
1	08-23-16	Rothrock	Underscore.VC	Underscore.VC (fka Assemblies.VC)	Limited Partner; less than pecuniary interest	YES
2	Pre-04-19-18 (board appt)	Thomas	EnCap Investments	EnCap Flatrock Midstream Fund III LP	Interest owned by C.L.Thomas Holdings Investments, LLC; less than pecuniary interest	YES
3	Pre-08-24-17 (board appt)	Gauntt	LongVue Capital	Longvue Capital Partners III LP	Less than pecuniary interest	YES

The University of Texas/Texas A&M Investment Management Company
Institutional Compliance Program Report
for the Quarter Ended
February 29, 2020

Section I – Organizational Matters

- One meeting of the Ethics and Compliance Committee was held during the quarter: January 29, 2020.

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 – Fixed Income; Managing Director – Hedge Funds; Managing Director – Real Return; Managing 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 30 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. One new mandate was completed. Ongoing review of active external managers included 49 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Fixed Income: The Fixed Income Team participated in 3 meetings/calls with potential managers. Ongoing review of active external managers included 6 meetings/calls. No serious due diligence was initiated on any mandates. No new mandate was completed. There were no additions to existing mandates.

Hedge Funds: The Hedge Funds Team participated in 20 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. One new mandate was completed. Ongoing review of active external managers was conducted in the form of 56 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Real Return: The Real Return Team participated in 48 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates. Three new mandates were completed. No addition to an existing mandate was completed. Ongoing review of active external managers included 65 meetings/calls. Additional efforts included participation in one annual meeting.

Private Equity: The Private Equity Team participated in 26 meetings/calls with potential managers. Serious due diligence was initiated on six new mandates. Seven new mandates were completed. There were no additions to existing mandates. Ongoing review of active external managers included 27 meetings/calls. Additional efforts included participation in four annual meetings.

Specialized Training: The Investment Team attended 17 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 studied key off-neutral detractors in 2019, most of which are very relevant in the current volatile environment.
- Risk Team continued to lead the effort on modeling a ten year capital commitment plan, preparing projections under different scenarios and proposing a commitment budget and path for each private asset class over the next ten years.
- Risk Team evaluated potential unified risk systems, with the goal to have a unified risk language across UTIMCO to be able to aggregate all exposures across the endowment into a single framework, and to offer advanced insights into hedge funds and private markets. The pros and cons of the two leading systems were further discussed with the CEO and the Leadership Team.
- Risk Team reviewed 16 Risk Scorecards for consistency and accuracy as well as one due-diligence questionnaire during the quarter.
- The Risk Team is developing a bottom up Risk Dashboard to estimate the absolute and relative risks across the Endowments. As part of this effort, some reports were presented to the CEO, and an initial version was used in the discussions at a recent Investment Committee meeting.
- Three managers triggered CUSUM this quarter. The decision on one was to hold, and the other two are still under review.
- Risk Team is working with the Tactical Asset Allocation ("TAA") team on the more systematic and quantitative aspects of the TAA decision making process.
- Risk Team continued to support the ITF→LTF transfers, with activity back to normal this quarter.
- Risk Team researched some early warning indicators for private investments as part of the Private Investments Portfolio Construction Taskforce. The goal is to understand as early as possible if a private investment fund is on track or not.
- 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; 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.

Internal Audit: UT Systems' Office of Internal Audit team completed a review of agreed-upon-procedures during the quarter, and while there were a couple of recommendations, overall issued a favorable report.

Specialized Training: Risk Team participated in three conferences during the quarter.

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:

- Twenty open security items remain at end of this reporting period; eight from prior periods; 12 new open security items.
- CISO continues to identify unapproved software installations by various teams that were not submitted for legal or security review.
- Backup/Restore issues were discovered this quarter. IT was unable to restore recent backups of the Kali Linux server. IT had retained a several months' old backup contrary to policy; however, this backup was able to be used to restore from that point. ISO has been assured this problem has been resolved.
- Required security controls by two 3rd party business partners, BNY Mellon and SWIFT, have been implemented.
- Spear-phishing attacks continue. Fake payroll, HR, tax and other information is being sent in an attempt to lure users to click.
- Security exception for Duo policies continues for a second 90-day period and is due to expire on May 4th. This is due to a limitation in Duo's technology.
- Various travel alerts were sent out during the quarter.
- Dynamo Software's security score was flagged for a negative change. Dynamo was contacted and the issues were resolved. Score improvements were noted.
- CISO identified the continued use of Information Services administrator credentials for system service accounts. This continues to be a recurring problem. Computer service accounts and user accounts should not be interchanged. Service accounts should have long, complex, difficult to remember passwords. Further allowing user administration accounts elevated permissions to act as a service creates additional risk should the administration account credentials become compromised.

- One Windows 2008 server remains in service. The Development environment continues to contain multiple Windows 2008 servers. As the development environment is high-risk, "wild west", these servers could allow an attacker to easily pivot into the production networks and servers. Windows 2008 is no longer under mainstream support from Microsoft; all support, including security updates, ended January 2020.
- 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.
- Inventory maintenance continues to be an issue. Information services is utilizing 3 separate inventory systems. Spot checks of the data shows inventory is not being maintained and updated when changes occur.
- Patching continues to be a concern as timely installation of patches for all systems is not be completed with regularity. Reporting of patch status is also in question.
- The ISO team identified several personal employee accounts that were leaked or compromised. Alerts were sent to the affected employees as a courtesy.
- Eight security assessments were completed during the period.
- The CISO met with several vendors to review new software or systems, including Operational Due Diligence, Legal and Compliance, Accounting and Risk.

Specialized Training: Security team members attended a variety of in person training, web training sessions, podcasts, and read books.

Responsible Party: Chief Technology Officer
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:

- User workstation patching and updates is ongoing. Updates have been transitioned to Manage Engine. The team continues to fine tune and adjust the update process to optimize the new tool and meet patching SLAs. Windows 10 workstations will need to be updated to the current version prior to October 2020. The current version was released September 2017 and will be at the end of support after October 13, 2020.
- Server updates were transitioned to Manage Engine this reporting period. The team is refining the update process and working to build robust processes around service patching.
- Firewall rules audit, modifications and patching work is ongoing. Infrastructure team member is working with the Information Security team to continue tightening up firewall rules to address findings from previous reporting periods. Changes must be deliberate and tightly controlled to prevent breaking systems or inadvertently blocking access.
- The team worked with Sirius and Sequel data systems to patch and update all network infrastructure.
- Progress was made on resolve the remaining Citrix issues during this reporting period. Subsequent to the closing of this period the Citrix issues were fully resolved.
- Network documentation work continues and the team is 40% complete with the documentation of all network infrastructure.
- Helpdesk process documentation continues. The team is 25% complete with helpdesk documentation project. Helpdesk was expanded to include change management, and

software/hardware inventory. Work continues to complete aggregation of inventory into the helpdesk. The direction for the inventory database is pending and will advance the work being completed here.

- One windows 2008 server remain in use in the development domain. We expect it will be fully retired by 4/30/2020.
- The team worked with Sirius and Sequel to remediate seven open security items from the Denim security assessment and the Information Security wish list. There were eight open security items remaining at the end of the reporting period.
- File consolidation is in progress and ongoing to enhance anytime/anywhere access to UTIMCO data. Migration to Share Point is ongoing and the development work to enable IDM securely from "anywhere" will be complete this year.

Specialized Training: None

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:

- Annual compliance statements were sent to 22 managers operating under agency agreements. All compliance statements were returned timely. No noncompliance issues were noted.
- 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.
- 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 Certificates of Compliance were received timely from all Directors and Key Employees for all investment managers hired and funded. No conflicts of interests were noted, i.e. no pecuniary interests were identified.
- One employee, who was promoted to Managing Director on September 1, was appointed as an Officer on September 26, 2020, and, as a result, became a Key Employee. A public disclosure review was performed on this new Key Employee in Q2 2020.
- Five full-time employees, four temporary workers, and two interns were hired during the quarter. New hire compliance statements were received timely from the new employees and interns. The temporary workers were excused from filing compliance statements as they were employed for less than two-week engagements.
- Four ethics compliance training session were held during the quarter. New hires received training within a reasonable time after hire.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. The review of one Key employee was required and performed during the quarter.
- List of publicly traded securities of all publicly traded companies in which a Director or employee has a pecuniary interest (the "restricted list") was maintained. Internal managers and external managers 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. No new securities were added to the list in this quarter.
- 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 107 employee securities transactions during the year, four required preclearance. Two received preclearance as necessary, and two failed to request preclearance. Ten transactional disclosure forms were filed late. The Chief Compliance Officer spoke with the employees who violated the trade policy.
- No employees requested CEO approval for outside employment during the year.
- As required by the UTIMCO Code of Ethics, the CEO notified the Audit & Ethics Committee before February 15, 2020, of all outside employment approved and disciplinary action disclosed in 2019.
- Beginning with the fourth quarter 2015, the Corporate Accounting 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 11 expense reports tested during the year, none included third party paid expenses. 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 quarter, two employees requested and received approval for sponsored entertainment events.
- No employee requested approval for private air travel.

Specialized Training: None

<u>Section III – Monitoring and Assurance Activities (Performed by Compliance Office)</u>

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. The Risk Team underwent a review by the UT System Audit Office related to the Risk Team's monitoring plan and activities used to monitor key risks identified for Investment Risk Management as part of the Institutional Compliance Program. Review identified some areas for improvement, including enhancements to procedures and increased documentation of risk scorecard review process. Risk Team is updating its procedures and risk scorecard review process documentation.
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. Ernst & Young, LLP completed its assessment of UTIMCO's cybersecurity posture and findings will be reported to Cyber Risk Committee. The CTO search was concluded a new CTO began employment on March 5, 2020.
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
Four new hire training sessions were held during the quarter.

Section V – Action Plan Activities
See updated Institutional Compliance Action Plan Fiscal Year 2020.

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	100.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	0	0.00%
Total	1	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 2020

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
A. RISK ASSESSMENT			
1.	Complete detailed review of Enterprise Risk Management Framework; update risk assessments, including mapping of controls	11/30/19	*First draft of ERM completed and reviewed by Sr. MD and COO; second draft in progress; draft risk assessments prepared; refinement of risk assessment continues*
B. MONITORING ACTIVITIES / ASSURANCE			
2.	Complete revision of Responsible Party Monitoring Plans for high risk areas	11/30/19	*Monitoring plans for investment teams, other than Tactical Asset Allocation (TAA) and Strategic Partners Network (SPN) completed; TAA and SPN in progress*
3.	Continual enhancement of compliance monitoring and reporting	Ongoing	*Ongoing*
C. COMPLIANCE TRAINING / AWARENESS			
4.	Increase personal training and awareness related to cybersecurity risks	Ongoing	*Ongoing*
5.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/2020	*New hire training sessions held on 10/09/19, 01/07/20, 02/07/20, 02/10/20, and 02/18/20; Annual training session scheduled for 05/15/20*
6.	Identify and network with similarly situated compliance professionals	Ongoing	*Council of Compliance Officers quarterly calls on 11/21/19 and 03/03/20*
D. REPORTING			
7.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	*Quarterly meetings held 10/31/19 and 01/29/20*
8.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	Ongoing	*Quarterly report for 05/31/19, annual report for 08/31/19, and quarterly report for 11/30/19 presented to A&E Committee on 09/19/19, 11/21/19, and*

Updated 04/21/2020

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
			03/05/20, respectively; 08/31/19 and 11/30/19 quarterly reports sent to UTS on 01/27/20 and 02/10/20
E. OTHER / GENERAL COMPLIANCE			
9.	Continual update of compilation of all laws and regulations applicable to UTIMCO and to the extent necessary, modify compliance processes and reporting	Ongoing	*Updates ongoing*
10.	Information Technology update to Business Continuity Plan	03/31/20	*No activity*
11.	Work with Information Technology Team to automate Code of Ethics forms	08/31/20	*No activity*
12.	Supervise and manage work of Compliance team; onboard new team members	Ongoing	*Ongoing*
13.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	*Quarterly meeting with UTS Compliance Officer on 10/23/19 and 01/22/20; Fall ICAC meeting held 09/25/19*
14.	Hotline reporting	Ongoing	*One call received on 12/05/19; caller withdrew complaint*

New Contracts, Leases, and Other Commercial Arrangements

(Total Obligation per Agreement greater than $250,000)

February 14, 2020 through May 21, 2020

Agreement	Purpose	Contract Term	Annual Amount
eFront Financial Solutiosn, Inc.	Software solutions for Private Equity portfolio monitoring and data and analytics	12/31/2019 - 12/31/2022	$254,600

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Report from Risk Committee

Developed By: Gonzalez, Moeller

Presented By: Gauntt

Type of Item: Information item

Description: The Risk Committee ("Committee") met jointly with the Policy Committee and separately on June 4, 2020. The Committee's agenda for the joint meeting included a discussion and appropriate action related to proposed amendments to the Investment Policy Statements and the MSCI Barra Total Plan Risk System presentation. Its separate meeting included (1) discussion and appropriate action related to the approval of minutes of its March 5, 2020, meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.

Discussion The Committee approved the minutes of its March 5, 2020 meeting, reviewed the quarterly compliance reporting and heard an update on the market and portfolio risk. Director Hicks will report on the proposed amendments to the Investment Policy Statements during his report from the Policy Committee in Tab 10.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Report from Policy Committee: Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements

Developed By: Team

Presented By: Hicks, Yoeli

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 jointly with the Risk Committee on June 4, 2020. The Joint Committee meeting agenda included (1) discussion and appropriate action related to proposed amendments to the Investment Policy Statements and (2) MSCI Barra Total Plan Risk System presentation.

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

Discussion: Dr. Yoeli will review the *Policy Portfolio Review* presentation and the proposed amendments to the Exhibits to the Investment Policy Statements.

The Exhibits A of the Investment Policy Statements of the Permanent University Fund (PUF) and General Endowment Fund (GEF), and Exhibits B of the Permanent Health Fund (PHF), and Long Term Fund (LTF) are being amended to reflect the proposed changes effective September 1, 2020.

The Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, and LTF are being amended to reflect changes to the asset allocation framework and set forth revised Asset Class targets and ranges effective September 1, 2020. There are no recommended amendments to any other investment policies.

Dr. Yoeli and Dr. Jones reviewed with the Committees the selection of MSCI Barra Total Plan Risk System. The Risk Management team has been conducting an extensive review of Risk Systems to select a replacement for their current Risk System to achieve three objectives: 1) create a common risk language across the entire firm; 2) provide a best in class private markets risk modeling; and 3) deliver a unified factor model.

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Recommendation: Director Hicks will request the UTIMCO Board to approve the proposed amendments to Exhibits A of the Investment Policy Statements for the PUF and GEF, and Exhibits B of the Investment Policy Statements for the PHF and LTF for the fiscal year beginning September 1, 2020.

Reference: *Policy Portfolio Review* presentation
Exhibit A to the Investment Policy Statements for the PUF and GEF, effective September 1, 2020
Exhibit B to the Investment Policy Statements for the PHF and LTF, effective September 1, 2020

RESOLUTION RELATED TO INVESTMENT POLICIES

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

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

Policy Portfolio Review

June 4th, 2020

Uzi Yoeli

Summary and Agenda

- Endowment FY2021 Proposal
  - Continue the transition toward the Long-Term Strategic Asset Allocation (LTSAA) from current weights
  - Review effects of recent events:
    - We expect, but are far from certain, that the Private asset classes may approach long-term targets sooner than expected:
      - Slower distributions
      - “Denominator Effect” may result in these assets being a higher percentage
    - Review expected longer-term returns in view of recent events
  - Propose floating weights for the Private asset classes, in order to eliminate an existing skew in performance evaluation, and in order to move away from pro-cyclical investments in private assets
    - Both these issues are particularly important when facing high levels of economic and financial uncertainty
- Proposed changes only affect exhibits and not the main body of the policy
- ITF SAA reviewed in 2019. No change recommended

Glide Path to LTSAA, as presented last year

Asset Class	FY2019 Policy	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	SAA
U.S. Public Equity	7.0%	7.5%	9.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Non U.S. Developed Public Equity	4.0%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Global Developed Public Equity	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Developed Public Equity	19.0%	22.0%	24.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Emerging Markets Public Equity	10.0%	9.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Public Equities	29.0%	31.0%	32.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Directional Hedge Funds	12.0%	11.2%	9.6%	7.8%	6.7%	5.7%	5.0%	5.0%
Private Equity	22.0%	20.8%	21.4%	22.2%	23.3%	24.3%	25.0%	25.0%
Total Global Equity	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
Total Fixed Income	9.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Cash	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Stable Value Hedge Funds	7.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Stable Value	17.5%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Private Real Estate	8.0%	8.2%	8.7%	9.1%	9.5%	9.8%	10.0%	10.0%
Natural Resources	8.0%	6.6%	5.9%	5.6%	5.4%	5.2%	5.0%	5.0%
Infrastructure	2.0%	2.9%	3.2%	3.5%	3.7%	3.8%	4.0%	4.0%
TIPS	0.0%	1.3%	1.2%	0.8%	0.4%	0.2%	0.0%	0.0%
Total Commodities	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Real Return	19.5%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%

Process was to start with the black cells (regime weights from LTSAA, weight of Private asset classes from commitment model), and then adjust the other asset classes as they continue their transition towards the LTSAA; a similar process is repeated this year

Private Asset Classes – Then vs Now

Asset Class	FY2019 Policy	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	SAA
Private Equity	22.0%	20.8%	21.4%	22.2%	23.3%	24.3%	25.0%	25.0%
Total Global Equity	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
Total Stable Value	17.5%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Private Real Estate	8.0%	8.2%	8.7%	9.1%	9.5%	9.8%	10.0%	10.0%
Natural Resources	8.0%	6.6%	5.9%	5.6%	5.4%	5.2%	5.0%	5.0%
Infrastructure	2.0%	2.9%	3.2%	3.5%	3.7%	3.8%	4.0%	4.0%
Total Real Return	19.5%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%

From Last Year's Presentation to the Board

Asset Class	FY2020 Policy	FY2020 Expected	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	SAA with SPN	SAA
Private Equity	20.8%	21.6%	22.8%	24.2%	24.8%	24.9%	24.8%	25.0%	25.0%	25.0%
Total Global Equity	61.4%	61.4%	60.0%	59.0%	59.0%	58.8%	59.0%	59.0%	59.0%	63.0%
Total Stable Value	17.6%	17.6%	17.2%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	18.0%
Private Real Estate	8.2%	7.1%	7.9%	9.0%	9.5%	9.8%	9.9%	10.0%	10.0%	10.0%
Natural Resources	6.6%	6.3%	6.1%	5.8%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%
Infrastructure	2.9%	3.0%	3.3%	3.6%	3.8%	3.8%	4.0%	4.0%	4.0%	4.0%
Total Real Return	19.0%	19.0%	19.0%	19.0%	19.0%	19.2%	19.0%	19.0%	19.0%	19.0%
Strategic Partnerships	2.0%	2.0%	3.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	

Current, Updated Estimates

As a result of recent events, we took conservative assumptions on the future of Private asset classes to ensure we are not over-committing to illiquid assets:

- The possibility of slower distributions could result in more NAV being retained in these asset classes
- The possibility of the Endowments growing slower could result in these asset classes becoming an even higher percentage of the total Endowments
- These new assumptions drove, for example, the projected FY2021 Private Equity to go up from 21.4% in last year's estimates to 22.8% in the current, updated estimates

Glide Path to LTSAA: Current Projections (detailed)

Asset Class	FY2020 Policy	FY2020 Expected	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	SAA with SPN	SAA
U.S. Public Equity	6.8%	6.8%	7.0%	7.0%	7.4%	7.6%	8.1%	8.0%	**8.0%**	**10.0%**
Non U.S. Developed Public Equity	4.1%	4.1%	3.8%	3.8%	3.8%	4.0%	4.0%	4.0%	**4.0%**	**5.0%**
Global Developed Public Equity	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	**10.0%**	**10.0%**
Total Developed Public Equity	**20.9%**	**20.9%**	20.8%	20.8%	21.2%	21.6%	22.1%	22.0%	**22.0%**	**25.0%**
Emerging Markets Public Equity	8.5%	8.5%	7.2%	7.2%	7.1%	7.1%	7.1%	7.0%	**7.0%**	**8.0%**
Total Public Equities	**29.4%**	**29.4%**	28.0%	28.0%	28.3%	28.7%	29.2%	29.0%	**29.0%**	**33.0%**
Directional Hedge Funds	11.2%	10.4%	**9.2%**	**6.8%**	**5.9%**	**5.4%**	**5.0%**	**5.0%**	5.0%	5.0%
Private Equity	**20.8%**	**21.6%**	**22.8%**	**24.2%**	**24.8%**	**24.9%**	**24.8%**	**25.0%**	**25.0%**	**25.0%**
Total Global Equity	**61.4%**	**61.4%**	**60.0%**	**59.0%**	**59.0%**	**59.0%**	**59.0%**	**59.0%**	**59.0%**	**63.0%**
Total Fixed Income	6.6%	7.1%	6.7%	6.5%	6.0%	6.0%	6.0%	6.0%	**6.0%**	**7.0%**
Cash	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	**1.0%**	**1.0%**
Stable Value Hedge Funds	10.0%	9.5%	9.5%	9.5%	10.0%	10.0%	10.0%	10.0%	**10.0%**	**10.0%**
Total Stable Value	**17.6%**	**17.6%**	**17.2%**	**17.0%**	**17.0%**	**17.0%**	**17.0%**	**17.0%**	**17.0%**	**18.0%**
Private Real Estate	**8.2%**	**7.1%**	**7.9%**	**9.0%**	**9.5%**	**9.6%**	**9.9%**	**10.0%**	**10.0%**	**10.0%**
Natural Resources	**6.6%**	**6.3%**	**6.1%**	**5.8%**	**5.5%**	**5.5%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Infrastructure	**2.9%**	**3.0%**	**3.3%**	**3.6%**	**3.8%**	**3.8%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
TIPS	1.3%	2.1%	1.7%	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Total Commodities	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Total Real Return	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**	**19.0%**
Strategic Partnerships	**2.0%**	**2.0%**	**3.8%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	

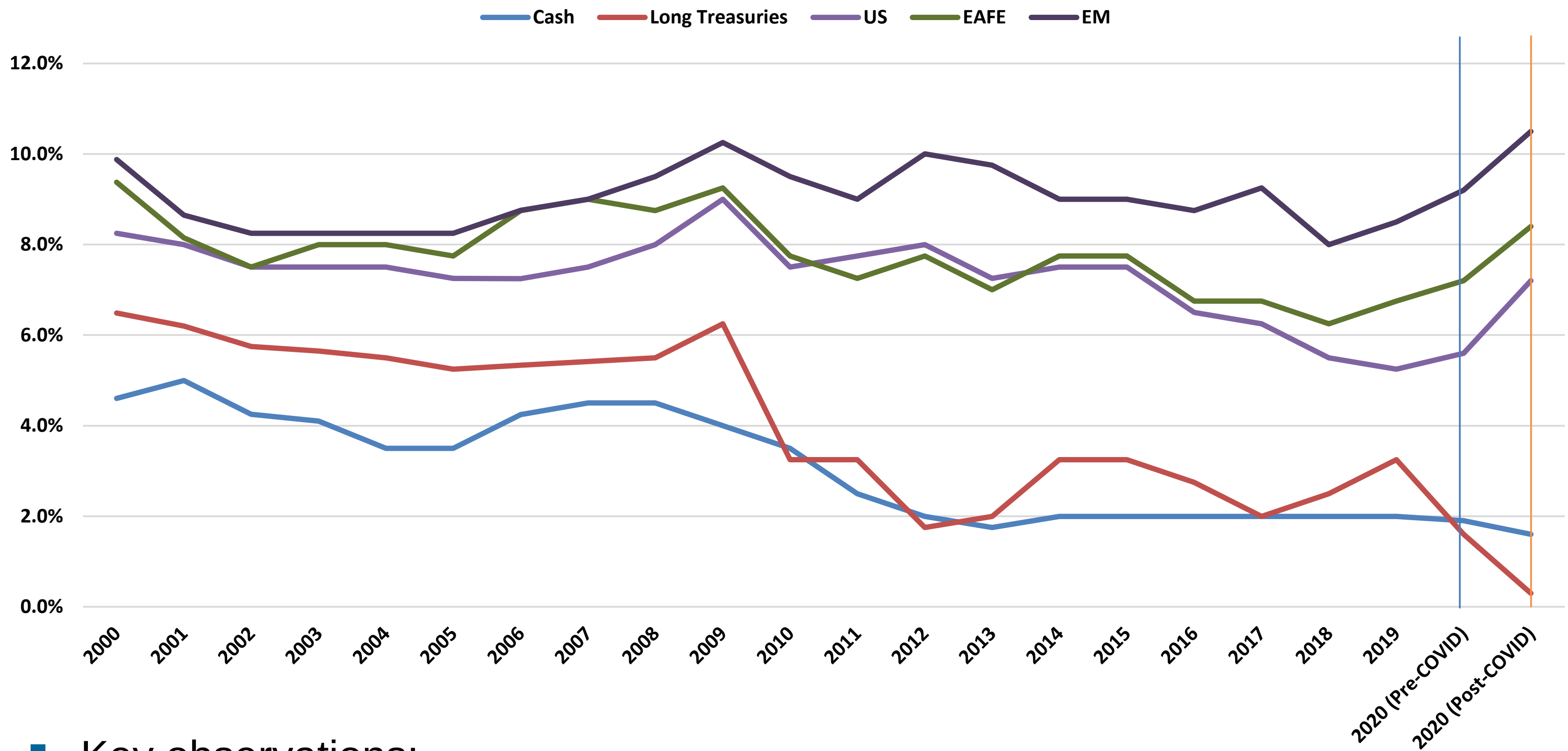
- Most public assets are now close to their long-term target allocation
- The main tasks for the next few years are:
  - Grow Private Equity up to 25%, while simultaneously reducing the more defensive Directional Hedge Funds down to 5%
  - Build up the Strategic Partners program
  - Grow Private Real Estate while reducing the Natural Resources exposure

Expected longer-term returns in view of recent events

- JPM, Goldman Sachs, and GMO provided some updates on expected returns in view of the recent events. They followed a similar methodology, of updating the starting price of assets to the prevailing price on March 31, 2020. These interim updates did not yet update any underlying assumptions, such as equilibrium valuations or yields.
- All three had similar conclusions: an uptick of expected returns for equities of ~1.5% from mid 2019 to 3/2020, and a continued deterioration of expected returns for US bonds.
- We believe the interim updates have limited value given the quick market recovery since March, and will wait for the full updates before adjusting assumptions on longer-term returns.

How Longer-Term Real Returns have Evolved

JPMorgan forecasts



- Key observations:
  - Forward-looking equity returns were highest at the market troughs (2009, 3/2020), and deteriorate as markets go up
  - Returns on cash and long treasuries have been constantly trending down

7

Floating Weights for Private Asset Classes

- A fixed-weight policy portfolio, as we currently have, skews performance evaluation by an average of 20bps a year; the reason being it requires rebalance trades that in practice cannot be executed:
  - Public asset values change in real-time while private asset values change with a lag. This is because their values are adjusted only once a quarter, and are then typically reported with a lag of 45-60 days
  - Therefore, after a significant move up in public markets, the portfolio will appear to be underweight private assets, which have not yet been fully marked up. Monthly rebalancing to fixed weights would require buying private assets at elevated prices
  - Similarly, after a significant move down in public markets, the portfolio will appear to be overweight private assets, which have not yet been fully marked down. Monthly rebalancing to fixed weights would require selling private assets at depressed prices
- Furthermore, a fixed-weight policy portfolio results in pressure to deploy increasing amounts of capital to “catch up” to target weights after markets rise, and similarly pressure to decrease, or even stop, deployment of capital after markets decline
  - UTIMCO ended up not committing to private assets in 2009, one of the best vintage years, because the percentage of private assets was much higher than the policy target

Quantifying the Performance Skew

Calendar Year	Performance drag (bps)
CY2020TD	-51.7
CY2019	-1.6
CY2018	-24.3
CY2017	-33.2
CY2016	-9.6
CY2015	-21.3
CY2014	-7.5
CY2013	0.2
CY2012	-20.4

- The requirement to perform rebalance trades that in practice cannot be executed has reduced alpha by an average of 20bps over the past eight years, and close to 30bps in the past four years
- We have been reporting an Asset-Allocation drag of around 30bps each year; we have now determined its root cause

Floating Weights for Private Asset Classes

- We propose to set each month the target weight of private asset classes to their actual weight, thus eliminating *by construction* the need to buy or sell private assets for the purpose of rebalancing
- The proposal is to add the following language to the PUF and GEF investment policy Exhibits:

  The Adjusted Target weight of each of Private Equity, Private Real Estate, Natural Resources and Infrastructure, will be set each month as the ending actual weight from the prior month-end. Any difference in the calculated Private Equity, Private Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using other asset classes, with 52% of such difference applied to U.S. Public Equity, 28% to Non-U.S. Developed Public Equity, and 20% to Investment Grade Fixed Income

  – For example, 4/30 actual weights would be used for the benchmark of May
- UTIMCO will continue to maintain detailed commitment models, and to adjust manager allocations and commitment sizes with the goal of achieving and maintaining private asset weights at the levels specified by the Long-Term Strategic Asset Allocation
  – This long-term view will eliminate the need for pro-cyclical deployment of capital

Proposed FY2021 Policy: Endowments

Asset Class	Min v Target[1]	Target[2][3]	Max v Target[1]	Benchmark
Global Equity:				
U.S. Public Equity	-5.0%	~~6.8~~ 7.0%	+5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	-5.0%	~~4.1~~ 3.8%	+5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	-5.0%	10.0%	+5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	-5.0%	~~20.9~~ 20.8%	+5.0%	
Emerging Markets Public Equity	-5.0%	~~8.5~~ 7.2%	+5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	-5.0%	~~29.4~~ 28.0%	+5.0%	
Directional Hedge Funds	-5.0%	~~11.2~~ 9.2%	+5.0%	HFRI Fund of Funds Composite
Private Equity	~~-10.0~~ 12.8%	~~20.8~~ 22.8%	~~+10.0~~ 32.8%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	-7.0%	~~61.4~~ 60.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	~~6.6~~ 6.7%	+5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	-5.0%	~~6.6~~ 6.2%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	3 month T-Bills
Stable Value Hedge Funds	-5.0%	~~10.0~~ 9.5%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	~~17.6~~ 17.2%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	~~1.3~~ 1.7%	+5.0%	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI
Total Commodities	-5.0%	0.0%	+5.0%	
Natural Resources	~~-5.0~~ 1.1%	~~6.6~~ 6.1%	~~+5.0~~ 11.1%	Cambridge Natural Resources
Infrastructure	~~-5.0~~ 0.0%	~~2.9~~ 3.3%	~~+5.0~~ 8.3%	Cambridge Infrastructure
Public Real Estate	-5.0%	0.0%	+5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	~~-5.0~~ 2.9%	~~8.2~~ 7.9%	~~+5.0~~ 12.9%	Cambridge Real Estate
Total Real Return	-6.0%	19.0%	+6.0%	
Strategic Partnerships	-5.0%	~~2.0~~ 3.8%	+5.0%	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%		

POLICY/TARGET RETURN/RISKS[2]	
Expected 10-Year Annual Real Return (Benchmark)	~~4.22~~ 4.33%
One Year Downside Volatility	~~11.05~~ 10.94%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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.

(1) When preceded by a "-" or "+", ~~I~~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

(3) The Adjusted Target weight of each of Private Equity, Private Real Estate, Natural Resources and Infrastructure, will be set each month as the ending actual weight from the prior month-end. Any difference in the calculated Private Equity, Private Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using other asset classes, with 52% of such difference applied to U.S. Public Equity, 28% to Non-U.S. Developed Public Equity, and 20% to Investment Grade Fixed Income.

Appendix

Case 1: 20% Drop; Private Markets Lag

When public markets are down, the policy portfolio assumes re-balancing by selling PE and buying Public Equity. As UTIMCO cannot easily rebalance, we assume an active over-weight to PE. As PE marks typically follow public markets, this results in negative TAA alpha when these negative marks are received.

Fixed Weight Benchmark	UTIMCO Portfolio			Policy Portfolio			
Case 1: Decline	Private Equity	Public Equity	Total Portfolio	PE BM	PubEq BM	Total BM	UTIMCO Alpha
Target Weights	50%	50%	100%	50%	50%	100%	
Portfolio BoM 1	$50	$50	$100	$50	$50	$100	
Month 1 Return (%)	*0%*	*-20%*	*-10%*	*0%*	*-20%*	*-10%*	*0%*
Month 1 Return ($)	$0	-$10	*-$10*	$0	-$10	*-$10*	
Portfolio EoM 1	**$50**	**$40**	**$90**	**$50**	**$40**	**$90**	**$0**
BM Rebalance to 50 / 50				**($5)**	**$5**		
Portfolio BoM 2	$50	$40	$90	$45	$45	$90	
Month 2 Return (%)	*-20%*	*0%*	*-11%*	*-20%*	*0%*	*-10%*	-1%
Month 2 Return ($)	-$10	$0	*-$10*	-$9	$0	*-$9*	
Portfolio Balance	**$40**	**$40**	**$80**	**$36**	**$45**	**$81**	**($1)**
Total Return	**-20%**	**-20%**	**-20%**	**-28%**	**-10%**	**-19%**	**-1%**

Floating Weight Benchmark	UTIMCO Portfolio			Policy Portfolio			
Case 1: Decline	Private Equity	Public Equity	Total Portfolio	PE BM	PubEq BM	Total BM	UTIMCO Alpha
Target Weights	50%	50%	100%	50%	50%	100%	
Portfolio BoM 1	$50	$50	$100	$50	$50	$100	
Month 1 Return (%)	*0%*	*-20%*	*-10%*	*0%*	*-20%*	*-10%*	*0%*
Month 1 Return ($)	$0	-$10	*-$10*	$0	-$10	*-$10*	
Portfolio EoM 1	**$50**	**$40**	**$90**	**$50**	**$40**	**$90**	**$0**
No BM Rebalance				**$0**	**$0**		
Portfolio BoM 2	$50	$40	$90	$50	$40	$90	
Month 2 Return (%)	*-20%*	*0%*	*-11%*	*-20%*	*0%*	*-11%*	0%
Month 2 Return ($)	-$10	$0	*-$10*	-$10	$0	*-$10*	
Portfolio Balance	**$40**	**$40**	**$80**	**$40**	**$40**	**$80**	**$0**
Total Return	**-20%**	**-20%**	**-20%**	**-20%**	**-20%**	**-20%**	**0%**

With floating weights, the policy portfolio weights adjust to actual weights. As there are no active weights, TAA alpha is zero.

Case 2: 20% Rise; Private Markets Lag

When public markets are up, the policy portfolio assumes re-balancing by selling Public Equity and buying PE. As UTIMCO cannot easily rebalance, we assume an active underweight in PE. As PE marks typically follow public markets, this results in negative TAA alpha when these positive marks are received.

Fixed Weight Benchmark	UTIMCO Portfolio			Policy Portfolio			
Case 2: Rise	**Private Equity**	**Public Equity**	**Total Portfolio**	**PE BM**	**PubEq BM**	**Total BM**	**UTIMCO Alpha**
Target Weights	50%	50%	100%	50%	50%	100%	
Portfolio BoM 1	$50	$50	$100	$50	$50	$100	
Month 1 Return (%)	*0%*	*20%*	*10%*	*0%*	*20%*	*10%*	*0%*
Month 1 Return ($)	$0	$10	*$10*	$0	$10	*$10*	
Portfolio EoM 1	**$50**	**$60**	**$110**	**$50**	**$60**	**$110**	**$0**
BM Rebalance to 50 / 50				**$5**	**($5)**		
Portfolio BoM 2	$50	$60	$110	$55	$55	$110	
Month 2 Return (%)	*20%*	*0%*	*9%*	*20%*	*0%*	*10%*	-1%
Month 2 Return ($)	$10	$0	*$10*	$11	$0	*$11*	
Portfolio Balance	**$60**	**$60**	**$120**	**$66**	**$55**	**$121**	**($1)**
Total Return	**20%**	**20%**	**20%**	**32%**	**10%**	**21%**	**-1%**

Floating Weight Benchmark	UTIMCO Portfolio			Policy Portfolio			
Case 2: Rise	**Private Equity**	**Public Equity**	**Total Portfolio**	**PE BM**	**PubEq BM**	**Total BM**	**UTIMCO Alpha**
Target Weights	50%	50%	100%	50%	50%	100%	
Portfolio BoM 1	$50	$50	$100	$50	$50	$100	
Month 1 Return (%)	*0%*	*20%*	*10%*	*0%*	*20%*	*10%*	*0%*
Month 1 Return ($)	$0	$10	*$10*	$0	$10	*$10*	
Portfolio EoM 1	**$50**	**$60**	**$110**	**$50**	**$60**	**$110**	**$0**
No BM Rebalance				**$0**	**$0**		
Portfolio BoM 2	$50	$60	$110	$50	$60	$110	
Month 2 Return (%)	*20%*	*0%*	*9%*	*20%*	*0%*	*9%*	0%
Month 2 Return ($)	$10	$0	*$10*	$10	$0	*$10*	
Portfolio Balance	**$60**	**$60**	**$120**	**$60**	**$60**	**$120**	**$0**
Total Return	**20%**	**20%**	**20%**	**20%**	**20%**	**20%**	**0%**

With floating weights, the policy portfolio weights adjust to actual weights. As there are no active weights, TAA alpha is zero.

Implementation

- At the beginning of every month, benchmark target allocations to Private Market assets (PE, NR, Infra, RE) will reset to the actual prior-month's ending NAV

- Difference between the actual weight and the target is offset with public markets assets: 52% US Equities, 28% EAFE Equities, 20% Fixed Income (80% Equities, 20% Fixed Income)

Portfolio as of Month End

	Target (%)	Actual (%)	Active
US Equity	22.1%	23.2%	+1.1%
Non-US Dev Equity	11.8%	11.9%	+0.1%
Private Equity	26.9%	25.8%	(-1.1%)
Fixed Income	24.3%	24.3%	+0.0%
Private Real Return	14.9%	14.8%	(-0.1%)
TOTAL	**100.0%**	**100.0%**	**+0.0%**

Floating Weight Adjustment

	Old Target	Step One: Reset Privates	Step Two: Adjust Publics	New Target
US Equity	22.1%		+0.6%	22.7%
Non-US Dev Equity	11.8%		+0.4%	12.2%
Private Equity	26.9%	(-1.1%)		25.8%
Fixed Income	24.3%		+0.2%	24.5%
Private Real Return	14.9%	(-0.1%)		14.8%
TOTAL	**100.0%**	**-1.2%**	**1.2%**	**100.0%**

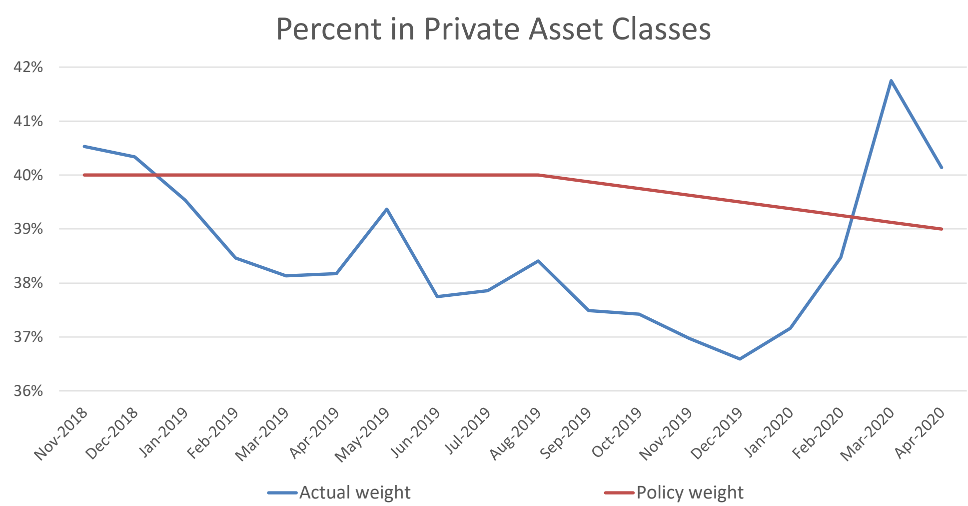
Portfolio After Floating Weight Adj.

	Target (%)	Actual (%)	New Active Wts
US Equity	22.7%	23.2%	+0.5%
Non-US Dev Equity	12.2%	11.9%	(-0.3%)
Private Equity	25.8%	25.8%	+0.0%
Fixed Income	24.5%	24.3%	(-0.2%)
Private Real Return	14.8%	14.8%	+0.0%
TOTAL	**100.0%**	**100.0%**	**+0.0%**

PE targets "float" down and new target weight is now equal to actual weight. This shift is the asset allocation is re-allocated 80% to equities, 20% to fixed income

This neutralizes active over/under weights in Privates

Quantifying the 2020 Performance Skew



- The requirement to perform rebalance trades that in practice cannot be executed has an amplified impact in volatile years such as 2020. The table below details the calculation for 2020:

	Private NAV and Percentage at beginning of month	Private Overweight / (underweight) at beginning of month	Performance of Privates (BM)	Performance of Publics (BM)	Drag because we hold privates at actual weight in lieu of publics
January 2020	13.9bn/37.9bn = 36.59%	36.59% - 39.50% = -2.91%	0.2%	-0.1%	-2.91% * (0.2% - -0.1%) = -0.9bps
February 2020	14.0bn/37.7bn = 37.16%	37.16% - 39.38% = -2.22%	1.4%	-6.5%	-2.22% * (1.4% - -6.5%) = -17.5bps
March 2020	14.2bn/37.0bn = 38.47%	38.47% - 39.25% = -0.78%	-2.2%	-10.9%	-0.78% * (-2.2% - -10.9%) = -6.8bps
April 2020	14.6bn/34.9bn = 41.75%	41.75% - 39.13% = 2.62%	-1.0%	9.1%	2.62% * (-1.0% - 9.1%) = -26.5bps
					TOTAL: 51.7bps drag

EXHIBIT A - PUF and GEF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~MARCH 1, 2020~~SEPTEMBER 1, 2020

Asset Class	Min v Target[1]	Target[2][3]	Max v Target[1]	Benchmark
Global Equity:				
U.S. Public Equity	-5.0%	~~6.8~~ 7.0%	+5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	-5.0%	~~4.1~~ 3.8%	+5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	-5.0%	10.0%	+5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	-5.0%	~~20.9~~ 20.8%	+5.0%	
Emerging Markets Public Equity	-5.0%	~~8.5~~ 7.2%	+5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	-5.0%	~~29.4~~ 28.0%	+5.0%	
Directional Hedge Funds	-5.0%	~~11.2~~ 9.2%	+5.0%	HFRI Fund of Funds Composite
Private Equity	~~-10.0~~ 12.8%	~~20.8~~ 22.8%	~~+10.0~~ 32.8%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	-7.0%	~~61.4~~ 60.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	~~6.6~~ 6.7%	+5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	-5.0%	~~6.6~~ 6.2%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	3 month T-Bills
Stable Value Hedge Funds	-5.0%	~~10.0~~ 9.5%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	~~17.6~~ 17.2%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	~~1.3~~ 1.7%	+5.0%	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI
Total Commodities	-5.0%	0.0%	+5.0%	
Natural Resources	~~-5.0~~ 1.1%	~~6.6~~ 6.1%	~~+5.0~~ 11.1%	Cambridge Natural Resources
Infrastructure	~~-5.0~~ 0.0%	~~2.9~~ 3.3%	~~+5.0~~ 8.3%	Cambridge Infrastructure
Public Real Estate	-5.0%	0.0%	+5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	~~-5.0~~ 2.9%	~~8.2~~ 7.9%	~~+5.0~~ 12.9%	Cambridge Real Estate
Total Real Return	-6.0%	19.0%	+6.0%	
Strategic Partnerships	-5.0%	~~2.0~~ 3.8%	+5.0%	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]	
Expected 10-Year Annual Real Return (Benchmark)	~~4.22~~ 4.33%
One Year Downside Volatility	~~11.05~~ 10.94%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) When preceded by a "-" or "+", ~~I~~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
(3) The Adjusted Target weight of each of Private Equity, Private Real Estate, Natural Resources and Infrastructure, will be set each month as the ending actual weight from the prior month. Any diference in the calculated Private Equity, Private Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using other asset classes, with 52% of such difference applied to U.S. Public Equity, 28% to Non-U.S. Developed Public Equity, and 20% to Investment Grade Fixed Income.

EXHIBIT B - PHF and LTF

ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

EFFECTIVE ~~MARCH 1, 2020~~SEPTEMBER 1, 2020

Asset Class	Min v Target(1)	Target(2)(3)	Max v Target(1)	Benchmark
Global Equity:				
U.S. Public Equity	-5.0%	~~6.8~~ 7.0%	+5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	-5.0%	~~4.1~~ 3.8%	+5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	-5.0%	10.0%	+5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	-5.0%	~~20.9~~ 20.8%	+5.0%	
Emerging Markets Public Equity	-5.0%	~~8.5~~ 7.2%	+5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	-5.0%	~~29.4~~ 28.0%	+5.0%	
Directional Hedge Funds	-5.0%	~~11.2~~ 9.2%	+5.0%	HFRI Fund of Funds Composite
Private Equity	~~-10.0~~ 12.8%	~~20.8~~ 22.8%	~~+10.0~~ 32.8%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	-7.0%	~~61.4~~ 60.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	~~6.6~~ 6.7%	+5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	-5.0%	~~6.6~~ 6.2%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	3 month T-Bills
Stable Value Hedge Funds	-5.0%	~~10.0~~ 9.5%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	~~17.6~~ 17.2%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	~~1.3~~ 1.7%	+5.0%	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI
Total Commodities	-5.0%	0.0%	+5.0%	
Natural Resources	~~-5.0~~ 1.1%	~~6.6~~ 6.1%	~~+5.0~~ 11.1%	Cambridge Natural Resources
Infrastructure	~~-5.0~~ 0.0%	~~2.9~~ 3.3%	~~+5.0~~ 8.3%	Cambridge Infrastructure
Public Real Estate	-5.0%	0.0%	+5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	~~-5.0~~ 2.9%	~~8.2~~ 7.9%	~~+5.0~~ 12.9%	Cambridge Real Estate
Total Real Return	-6.0%	19.0%	+6.0%	
Strategic Partnerships	-5.0%	~~2.0~~ 3.8%	+5.0%	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)	
Expected 10-Year Annual Real Return (Benchmark)	~~4.22~~ 4.33%
One Year Downside Volatility	~~11.05~~ 10.94%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) When preceded by a "-" or "+", ~~I~~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

(3) The Adjusted Target weight of each of Private Equity, Private Real Estate, Natural Resources and Infrastructure, will be set each month as the ending actual weight from the prior month. Any diference in the calculated Private Equity, Private Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using other asset classes, with 52% of such difference applied to U.S. Public Equity, 28% to Non-U.S. Developed Public Equity, and 20% to Investment Grade Fixed Income.

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Report from Cyber Risk Committee

Developed By: Moeller, Gonzalez

Presented By: Rothrock

Type of Item: Information Item

Description: The Cyber Risk Committee (the "Committee") met on June 4, 2020. The Committee's agenda included (1) approval of Committee minutes; and (2) security program overview. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology, including security assessments.

Discussion: The Committee heard a presentation from Britt Harris and David Gahagan related to information and data to assist the Committee in its evaluation of the Corporation's existing cybersecurity program. Included in the Committee's duties and responsibilities is the review of management's implementation of cybersecurity programs, policies and procedures, review of management's actions to safeguard the effectiveness and integrity of the Corporation's electronic assets, and the corporation's ability to prevent, detect and respond to cyber-attacks or data breaches involving electronic information, intellectual property and data.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Report from Compensation Committee: Discussion and Appropriate Action Related to CEO's Base Salary for 2020-2021 Fiscal Year; Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2021; and Discussion and Appropriate Action Related to the Amendment and Restatement of the UTIMCO Compensation Program, effective July 1, 2020

Developed By: Moeller, Gonzalez

Presented By: Rothrock

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

Description: The Compensation Committee (the Committee) met on June 4, 2020. The Committee's agenda included the following (1) approval of minutes of the March 5, 2020 meeting; (2) discussion and appropriate action related to base salaries for the UTIMCO officers and other UTIMCO Compensation Program (Plan) Participants for 2020-2021 Fiscal Year; (3) discussion and appropriate action related to the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2021; and (4) discussion and appropriate action related to the UTIMCO Compensation Program, Amended and Restated effective July 1, 2020. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters.

Discussion: ***(1) Base Salaries.*** The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants (other than the CEO) for the 2020-2021 Fiscal Year. The Committee will report on its recommendation and request that the Board take appropriate action related to the CEO's base salary.

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

(3) Plan. The Plan consists of two elements: base salary and an annual performance plan. The UTIMCO Board has the discretion to interpret, adopt such rules and regulations it deems necessary to carry out the Plan, and amend the Plan.

Mr. Harris and Mr. Hall will review the recommended changes to the Plan. The proposed changes are as follows:

- Section 1 has been changed to reflect a new effective date of July 1, 2020.
- Section 5.8 has been changed to remove language which is no longer necessary as it related to the prior plan amendments that changed the Performance Period end dates from August 31st to June 30th.
- Section 5.8 also has language added to clarify the original intent that the Peer Group performance is to be measured on a three-year historical performance consistent with the Entity Quantitative Performance three-year historical performance measurement.
- Section 7.3 has been changed to update title of Senior Managing Director.
- Appendix A has been updated to change the TEA Entity Maximum Performance Standard to 200 bps.
- Table 1 has been changed to (1) increase the Quantitative Weightings and decrease the Qualitative Weightings for several Eligible Positions; (2) add President to CEO & Chief Investment Officer Eligible Position; (3) move Investment Counsel Eligible Positions to Support and Control Professionals; (4) change Senior Managing Director Eligible Position to Chief Operating Officer; and (5) add four additional Eligible Positions; Chief Investment Officer, General Counsel, Senior Director – Compliance, and Director - Compliance as Eligible Positions in the Plan. Table 1 will be discussed in Executive Session.
- Table 2 has been changed to (1) remove a descriptor from Peer Group since Peer Group is defined in the Section 8, Definitions of Terms; (2) decrease the Maximum Performance Standard for the TEA Entity to 200 bps from 250 bps; and (3) add Infrastructure and Strategic Partnerships as Asset Classes consistent with the Investment Policy Statements Strategic Asset Allocation.
- Table 3 has been changed to align the Eligible Positions with Table 1 by (1) adding President to CEO & Chief Investment Officer Eligible Position; (2) moving Investment Counsel Eligible Positions to Support and Control Professionals; (3) changing Senior Managing Director Eligible Position to Chief Operating Officer; and (4) adding additional Eligible Positions of Chief Investment Officer and General Counsel.

Recommendation: The Committee will recommend the Board approve (1) the CEO's Base Salary for the 2020-2021 Fiscal Year; (2) the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2021; and (3) the UTIMCO Compensation Program, Amended and Restated effective July 1, 2020.

Reference: UTIMCO Compensation Program, Amended and Restated effective July 1, 2020
Materials provided for Executive Session

RESOLUTION REGARDING CEO'S BASE SALARY

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2020-2021 in the amount of $__________________.

RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE STANDARDS FOR PERFORMANCE PERIOD ENDING JUNE 30, 2021

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Standards for the Performance Period ending June 30, 2021, as prepared by the CEO, and recommended by the Compensation Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Standards for the CEO for the Performance Period ending June 30, 2021, as set forth in the document presented to the Board.

RESOLUTION RELATED TO AMENDMENTS TO THE UTIMCO COMPENSATION PROGRAM

WHEREAS, Section 7.2 of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the proposed amendments to the Plan incorporated into an Amended and Restated Plan, effective July 1, 2020 (the "Amended and Restated Plan"), in the form previously provided to the Board but deferred to the Board on action on the Amended and Restated Plan; and

WHEREAS, the Board has reviewed the Amended and Restated Plan.

NOW, THEREFORE, be it:

RESOLVED, that the Board hereby approves and adopts the Amended and Restated Plan, effective as of July 1, 2020, subject to the approval of the Board of Regents of The University of Texas System.

UTIMCO
COMPENSATION PROGRAM

Amended and Restated
Effective July 1, 2020~~2018~~

~~*(Tables updated as of July 1, 2019)*~~

TABLE OF CONTENTS

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

The UTIMCO Compensation Program ("Compensation Program" or "Plan") consists of two elements**:** base salary and an annual performance plan (the "Performance Plan"):

Base Salary + Performance = Total Compensation

The base salary portion of the Compensation Program sets forth a structure and guidelines for establishing and adjusting the salaries of key investment and operations employees. The Performance Plan portion of the Compensation Program sets forth the criteria for calculating and receiving annual performance awards for key investment and operations employees who are eligible Participants in the Performance Plan. Provisions of the Compensation Program relating solely to the base salary portion of the Compensation Program are described in Section 4. Provisions of the Compensation Program relating solely to the Performance Plan portion of the Compensation Program are described in Section 5. Sections 1, 2, 3, 6, 7, and 8 of the Compensation Program relate to both the base salary portion and the Performance Plan portion except where otherwise specified in any such Section.

Effective Date: Except as provided in Section 7.9, this document, with an "Effective Date" of July 1, 2020~~2018~~, supersedes the UTIMCO Compensation Program that was effective July 1, 2018~~September 1, 2015~~.

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

- To attract and retain key investment and operations employees of outstanding competence and ability.
- To encourage key investment employees to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.
- To motivate key investment employees to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.
- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY[1]

UTIMCO aspires to attract and retain high caliber employees from nationally recognized peer institutions and the investment management community in general. UTIMCO strives to provide a total compensation program that is competitive nationally, with the elements of compensation evaluated relative to comparably sized university endowments, foundations, and for-profit investment management firms with a similar investment philosophy (e.g., externally managed funds).

UTIMCO's total Compensation Program is positioned against the competitive market as follows:

- Base salaries are targeted at the market median (e.g., 50th percentile).
- Target total compensation (salary plus target Award Opportunity) is positioned at the market median.
- Maximum total compensation (salary plus maximum Award Opportunity) is targeted at the market 75th percentile if individual performance is outstanding.

Although base salaries, as well as target and maximum total compensation, have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills, and performance as well as UTIMCO's investment performance as described in this document. Except as provided in Sections 5.8 and 5.9 for purposes of determining the length of historical performance, base salaries and Award Opportunities (as well as the actual Performance Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

(a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility.

(b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the

[1] This explanation of UTIMCO's "Total Compensation Program Philosophy" is not intended to modify any of the substantive provisions of this document.

base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. Salary Adjustments

(a) The base salary of the CEO is determined by the Board. The base salary of the Chief Compliance Officer ("CCO") will be determined by the Compensation Committee based on the joint recommendation of the Audit and Ethics Committee and the CEO and the base salaries of the other key investment and operations employees are determined by the Compensation Committee**.** Base salaries will be set within the salary range for each employment position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills, and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position.

(b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Compensation Committee or, in the case of the CEO, at the discretion of the Board. Base salary adjustments, if any, will be determined based on each individual employee's experience, education, knowledge, skills, and performance; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE PLAN

5.1. Purpose of the Performance Plan

The purpose of the Performance Plan is to provide annual Performance Awards to eligible Participants based on specific objective criteria relative to UTIMCO's and each Participant's performance. The primary objectives of the Performance Plan are outlined in Section 2.

5.2. Performance Period

(a) For purposes of the Performance Plan, the "Performance Period" begins on July 1 of each year and ends the following June 30.

(b) Except as otherwise provided under Sections 5.8 and 5.9, performance for each year in the historical performance period will be measured between July 1 and the following June 30 of the applicable year for gauging achievement of the Quantitative Performance Standard.

5.3. ***Eligibility and Participation***

(a) As further described in (b), each employee of UTIMCO who holds an "Eligible Position" will be a "Participant" in the Performance Plan for a Performance Period. "Eligible Positions" for a Performance Period include senior management, investment employees, and other key positions as designated by the CEO and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period. The Board in its discretion may also designate the employment position of a newly hired or promoted employee as an "Eligible Position" during a Performance Period**.** A list of Eligible Positions for each Performance Period is set forth in Table 1. Table 1 will be revised and attached each Performance Period when necessary to set forth the Eligible Positions for that Performance Period.

(b) An employee in an Eligible Position will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the first day of the Performance Period if the employee is employed on that date. The preceding notwithstanding, an employee may not commence participation in the Performance Plan and first become a Participant during the last six months of any Performance Period.

(c) An employee will cease to be a Participant in the Performance Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of Termination of such employee's employment with UTIMCO for any reason (including Voluntary Termination and Involuntary Termination, death, and Disability); (iii) the date of termination of the Performance Plan; (iv) the date such employee commences a leave of absence; or (v) the date such employee begins participation in any other UTIMCO performance program.

(d) Except as provided in Sections 5.10(b) and (c), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Awards under the Performance Plan for that Performance Period.

5.4. Performance Standards

(a) There are two categories of Performance Standards:

(1) Quantitative Performance (measured as described in Section 5.8(a))

(2) Qualitative Performance (measured as described in Section 5.8(b))

Except for the CEO and CCO, Qualitative Performance Standards will be defined jointly by each Participant and his or her supervisor, subject to approval by the CEO. If the position of the CCO is determined to be an Eligible Position, the Qualitative Performance Standards of the employee holding the position of CCO will be determined jointly by the Chairman of the Audit and Ethics Committee and the CEO. References to the CCO hereafter assume that the position of CCO has been determined to be an Eligible Position and the employee holding the position of CCO has been determined to be a Participant in the Performance Incentive Plan for the Performance Period. If the position of CCO has not been determined to be an Eligible Position for the Performance Period the provisions hereafter specific to the CCO have no force and effect.

(b) The CEO's Performance Standards will be determined and approved by the Board.

(c) Each Performance Standard for each Eligible Position is assigned a weight for the Performance Period. The Chairman of the Audit and Ethics Committee and the CEO will jointly recommend to the Compensation Committee the weightings of the Performance Standards for the CCO. The weightings for each Eligible Position are set forth in Table 1. Table 1 will be revised and attached each Performance Period when necessary to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. The weightings for the Performance Standards for each Performance Period are subject to approval by the Board.

5.5. Award Opportunity Levels and Performance Awards

(a) Each Eligible Position is assigned an "Award Opportunity" for each Performance Standard for the Participants in that Eligible Position and each Award Opportunity is expressed as a percentage of base salary earned during the Performance Period. The Award Opportunities include a threshold and maximum award for achieving commensurate levels of performance of the respective Performance Standard.

(b) Award Opportunities for each Performance Period are set forth in Table 1. Table 1 will be revised and attached each Performance Period when necessary to set forth the Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Award Opportunities by the Board for such Performance Period.

(c) Actual "Performance Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Awards will range from zero (if a Participant performs at or below threshold on all Performance Standards) to the maximum Award Opportunity (if a Participant performs at or above maximum on all Performance Standards) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Standards.

(d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Standards of the respective Participant and determine the Participant's level of achievement of his or her Performance Standards. The Compensation Committee may seek and rely on the independent confirmation of the level of Performance Standard achievement from an external investment consultant to evaluate Entity Performance, Asset Class Performance, and Peer Group Performance. The CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Standards set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Audit and Ethics Committee and the CEO will jointly determine the CCO's level of achievement relative to the CCO's Performance Standards. The Board will determine the CEO's level of achievement relative to the CEO's Performance Standards.

(e) Performance Awards will be calculated for each Participant based on the percentage achieved of each Performance Standard, taking into account the weightings for the Participant's Quantitative Performance and Qualitative Performance Standards and each Participant's Award Opportunity. The methodology for calculating Award Opportunities and Performance Awards is presented on Appendix A. Performance Awards will be interpolated in a linear fashion between threshold and maximum.

(f) Within 180 days following the end of a Performance Period, and after review by the external auditor, the Compensation Committee will review all Performance Award calculations, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Awards.

(g) Following the approval of a Performance Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Award.

5.6. Form and Timing of Payouts of Performance Awards

Except as provided in Sections 5.11, 5.12, and 5.13, approved Performance Awards will be paid as follows:

(a) Subject to the Applicable Deferral Percentage of an Eligible Position as documented in Table 1, the Performance Award will be paid to the Participant ("Paid Performance Award") within 180 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the Performance Period ends, and

(b) An amount of the Performance Award for an Eligible Position equal to the Applicable Deferral Percentage set forth on Table 1 will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section. Table 1 will be revised and attached, as necessary, for each Performance Period to set forth any Applicable Deferral Percentage for each Eligible Position as soon as administratively practicable after approval of the deferral percentages by the Board for such Performance Period.

5.7. Nonvested Deferred Awards

(a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant whose Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13 on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).

(b) Unless a Participant's Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:

(1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount

then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(3) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid on a date selected in the discretion of UTIMCO after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Quantitative Performance is comprised of two categories: (i) performance measured against predetermined benchmarks and applicable excess return targets ("Benchmark Performance"), and (ii) performance measured against a predetermined Peer Group ("Peer Group Performance"). Due to the delay in availability of final performance data for private assets, calculation and payment of Performance Awards will be delayed until after such time that performance measurement for these investment areas are available.

(1) Benchmark Performance is comprised of Entity Performance and Asset Class Performance:

a. Entity Performance for purposes of the Performance Plan is determined based on the performance of the Total Endowment Assets ("TEA") and the Intermediate Term Fund ("ITF") as stated in Table 1.

i. The performance of the TEA is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark).

ii. The performance of the ITF will be measured based on the performance of the ITF relative to the ITF Policy Portfolio Return (ITF benchmark).

iii. Performance standards related to the TEA and ITF for each Performance Period beginning after June 30, 2020~~2018~~, will be updated as necessary and set forth on a revised table for each such Performance Period in Table 2 as soon as administratively practicable after such standards are determined. Performance of the TEA and ITF is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the TEA and ITF.

iv. Entity Performance will be measured relative to the appropriate benchmark based on three-year historical performance.

b. Asset Class Performance is the performance of specific asset classes within the TEA and the ITF (such as U.S. public equity, private equity, etc.). Except as provided in Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on three-year historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. The benchmarks for each asset class, as well as threshold and maximum performance standards in effect during the three-year historical period, culminating with the current Performance Period, are set forth on Table 2. Table 2 will be revised and attached, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold and maximum performance standards, in effect during the three-year historical period, culminating with the subsequent Performance Period, in which event, such revised Table 2 will be attached as soon as administratively practicable after the change in such benchmarks and standards necessitating such change are set.

~~i. For purposes of measuring Asset Class Performance for the Performance Periods beginning July 1, 2016, 2017, and 2018, the three-year historical performance asset class benchmark will be the applicable benchmark set forth in Exhibit A of the respective Investment Policy Statement in effect as of September 1, 2018.~~

(2) Peer Group Performance:

a. The Peer Group will be as defined in Section 8.24.

b. Peer Group performance will be measured based on the TEA's performance relative to the Peer Group.

c. Peer Group performance will be measured based on three-year historical performance.

~~c.~~d. Cambridge Associates will determine the performance of the Peer Group annually for the Performance Period. Cambridge Associates will calculate a percentile rank for the performance of the TEA relative to the Peer Group, with the 1st percentile representing the highest rank and the 100th percentile representing the lowest rank.

(b) Qualitative Performance

(1) The level of a Participant's Qualitative Performance will be measured by the CEO (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold or maximum) of the Participant's Qualitative Performance Standards for the Performance Period. In the case of the CEO, the level

of the CEO's Qualitative Performance will be measured by the Compensation Committee subject to review and approval by the Board.

(2) The Qualitative Performance Standard will be measured systematically as part of each Participant's annual performance appraisal process aimed at evaluating, using predetermined standard criteria established before the beginning of each Performance Period, each Participant's adherence to UTIMCO's cultural values, and may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success such as interpersonal relationship skills, accountability, effective teamwork, etc.

(3) For purposes of determining the level of attainment of each Participant's Qualitative Performance Standard for the Performance Period, the Participant will receive 0% (threshold level) if he or she fails to complete any of his or her Qualitative Performance Standards for that Performance Period and the maximum level if he or she successfully completes 100% of his or her Qualitative Performance Standards for that Performance Period (with interpolation for levels of attainment between threshold and maximum).

5.9. *Modifications of Measurement Period for Measuring Entity and Asset Class Performance*

(a) For purposes of measuring Quantitative Performance, the three-year historical performance cycle will not be utilized for any specific asset class (or subset of an asset class) until that asset class (or subset of that asset class) has three years of historical performance as part of the Performance Plan and, until that time, the actual years (full and partial) of historical performance of that asset class (or subset of that asset class) while part of the Performance Plan will be used as the measurement period.

(b) For purposes of measuring Quantitative Performance of an asset class (or subset of an asset class) that is removed from the Performance Plan prior to completion of the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed asset class (or subset of an asset class), but instead the actual number of full months that the removed asset class was part of the Performance Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.

(c) For purposes of measuring Asset Class Performance for a particular Participant of an asset class (or subset of an asset class) that is removed from or added to the Participant's responsibility during the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed or added asset class (or subset of an asset class), but instead the actual number of full months that the removed or added asset class was part of the Participant's responsibility during the then in-progress three-year historical performance cycle will be used as the measurement period for evaluating the Asset Class Performance with respect to such Participant.

5.10. Termination Provisions

(a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of Termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Award for that or any subsequent Performance Periods. In addition, a Participant will forfeit any Nonvested Deferred Awards at such Participant's Voluntary Termination or Involuntary Termination for Cause. Further, upon Involuntary Termination for reasons other than Cause, the amount in the Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs.

(b) If a Participant ceases to be a Participant in the Performance Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(c) If a Participant ceases to be a Participant in the Performance Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Award for the Performance Period in which Termination occurs, in lieu of any other Performance Award under the Performance Plan, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.

(d) If a Participant ceases to be a Participant in the Performance Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(e) In the case of any Participant who ceases to be a Participant in the Performance Plan prior to the end of Performance Period and is entitled to a Performance Award or a prorated Performance Award under this Section 5.10, such Performance Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

5.11. Eligibility for Retirement

A participant is eligible for retirement on the last day of the month in which the sum of the Participant's age and years of service, including months of age and months of service credit, equals or exceeds the number 75.

In the case of any Participant who is eligible for retirement, any Performance Incentive Award to which the Participant becomes entitled, as well as any remaining Nonvested Deferred Award, will vest immediately and be includible in the Participant's gross income for Federal income tax purposes in the calendar year in which vesting occurs without regard to when payment is made to the Participant. The vested Performance Incentive Award and any remaining Nonvested Deferred Award will be paid to the participant on a date selected by UTIMCO and in no event later than the last day of the calendar year unless the Participant has agreed to a Voluntary Deferral of all or a portion of his Performance Incentive Award that would otherwise have been deferred had the Participant not been eligible for retirement ("Amount Voluntarily Deferred"). If the Participant has agreed to a Voluntary Deferral of such amount of his Performance Incentive Award,

(a) the Amount Voluntarily Deferred (1) will be credited to a hypothetical account established in the Participant's name on UTIMCO's books ("Amount Voluntarily Deferred Account") and (2) will be credited (or debited) monthly with an amount equal to the Net Returns for the month multiplied by the balance in the Participant's Amount Voluntarily Deferred Account as of the last day of the month, provided that when the Amount Voluntarily Deferred is initially credited to the Participant's Amount Voluntarily Deferred Account, the Participant's Amount Voluntarily Deferred Account will be credited (or debited) with Net Returns for the month of the initial credit, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Participant's Amount Voluntarily Deferred Account;

(b) except as provided in clause (c) below, the amount credited to the Participant's Amount Voluntarily Deferred Account shall be paid to the Participant only on the following dates and in the following amounts:

(1) On the first anniversary of the last day of the Performance Period for which the Amount Voluntarily Deferred was earned, one half of the amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant;

(2) On the second anniversary of the end of the Performance Period for which the Amount Voluntarily Deferred was earned, the remaining amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant;

(3) Amount Voluntarily Deferred Accounts payable under the above paragraphs of this Section 5.11(b) will be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the applicable portion of such Amount Voluntarily Deferred Account becomes due and payable; and

(c) any net credits or debits to the Participant's Amount Voluntarily Deferred Account pursuant to clause (a)(2) above will be includible in the Participant's gross income and taxable to the Participant as ordinary income for Federal income tax purposes, and will be subject to Federal employment taxes and wage withholding during the year in which such amounts are paid pursuant to clauses (a) or (b) above.

5.12. Extraordinary Circumstances

Notwithstanding anything in this Plan to the contrary, the timing and amount of Performance Awards of each Participant holding an Eligible Position listed on Table 3 (each, an "Affected Participant"), are subject to automatic adjustment as follows:

(a) If the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Awards are being determined are negative at the end of such Performance Period, (i) an amount otherwise equal to the Paid Performance Award attributable to such Performance Period for each Affected Participant will be treated as an "Extraordinary Nonvested Deferral Award" for such Affected Participant that is subject to forfeiture in the same manner and for the same reasons as Nonvested Deferral Awards pursuant to Section 5.10(a), (ii) a separate hypothetical account for such Affected Participant will be established on UTIMCO's books ("Extraordinary Nonvested Deferral Award Account"), which will be (1) credited with such Affected Participant's Extraordinary Nonvested Deferral Award and (2) credited (or debited) monthly with Net Returns of the Total Endowment Assets on the same dates and in the same manner as applies to Nonvested Deferral Award Accounts pursuant to

Section 5.7(a), and (iii) unless such Affected Participant's Extraordinary Nonvested Deferral Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Affected Participant will become vested in, and entitled to payment of, the amount of his or her Extraordinary Nonvested Deferral Award Account on the first anniversary of the last day of such Performance Period; provided that upon the death, Disability or Involuntary Termination of an Affected Participant for reasons other than Cause, the amount in the Extraordinary Nonvested Deferral Award Account of such Affected Participant will vest immediately and be paid (to the Affected Participant or, in the case of death, to the estate or designated beneficiaries of the deceased Affected Participant) on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs; provided, further, that nothing in this clause (a) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant nor shall it affect the vesting and payment of Performance Awards to a Participant that has satisfied the requirements for Eligibility for Retirement;

(b) Table 3 will be revised and attached, as necessary, for each Performance Period to identify the Eligible Positions whose Performance Awards are subject to automatic adjustment as to timing and amount pursuant to clause (a) above as soon as administratively practicable after approval by the Board.

5.13. Recovery of Performance Awards

Notwithstanding anything in this Plan to the contrary, if the Board (in its sole discretion, but acting in good faith) determines (a) that a Participant has engaged in willful misconduct that materially disrupts, damages, impairs or interferes with the business, reputation or employee relations of UTIMCO or The University of Texas System, such Participant will not be entitled to any Performance Awards for the Performance Periods during which the Board determines such misconduct occurred, or (b) that a Participant has engaged in fraudulent misconduct that caused or contributed to a restatement of the investment results upon which such Participant's Performance Awards were determined by knowingly falsifying any financial or other certification, knowingly providing false information relied upon by others in a financial or other certification, or engaging in other fraudulent activity, or knowingly failing to report any such fraudulent misconduct by others in accordance with UTIMCO's Employee Handbook, such Participant will not be entitled to any Performance Awards for the Performance Periods for which investment results were so restated. To the extent a Participant has been awarded Performance Awards to which he or she is not entitled as a result of clause (a) or (b) above, Performance Awards shall be recovered by UTIMCO pursuant to the following remedies in the order listed: first, such Participant's Nonvested Deferred Awards and Extraordinary Nonvested Deferred Awards will be automatically forfeited; second, any Paid Performance Award not then paid to such Participant will be withheld and automatically forfeited; and third, such Participant must return to UTIMCO the remaining excess amount. Recovery of Performance Awards to which a Participant is not entitled pursuant to this Section 5.13 does not constitute a settlement of other claims that UTIMCO may have against such Participant, including as a result of the conduct giving rise to such recovery. Further, the remedies set forth above are in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

Except as otherwise specifically provided in this Compensation Program with respect to powers, duties, and obligations of the Compensation Committee, the Compensation Program will be administered by the Board.

6.2. Powers of Board

The Board has all powers specifically vested herein and all powers necessary or advisable to administer the Compensation Program as it determines in its discretion, including, without limitation, the authority to:

(1) Establish the conditions for the determination and payment of compensation by establishing the provisions of the Performance Plan.

(2) Determine the Eligible Positions in the Performance Plan.

(3) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Compensation Program as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Awards, are final and binding on all Participants.

(b) Notwithstanding any provision of the Compensation Program to the contrary and subject to the requirement that the approval of Performance Awards that will result in an increase of 5% or more in the total Performance Awards calculated using the methodology set out on Appendix A must have the prior approval of the U. T. System Board of Regents, the Board has the discretion and authority to make changes in the terms of the Compensation Program in determining a Participant's eligibility for, or amount of, a Performance Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of the Board, provided, however, that any such change will not deprive or eliminate an award of a Participant after it has become vested and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. Duration, Amendment, and Termination

The Board has the right in its discretion to amend the Compensation Program or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof. However, if the Performance Plan is suspended or terminated during a Performance Period, Participants will receive a prorated Performance Award based on performance achieved and base salary earned through the Performance Measurement Date immediately preceding such suspension or termination. The Compensation Program will be in effect until suspension or termination by the Board; provided, however, that if the Board so determines at the time of any suspension or termination of the Performance Plan, Nonvested Deferred Awards credited to Participants' Nonvested Deferred Award Account(s) as of the effective date of such suspension or termination will continue to be administered under the terms of the Performance Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. Recordkeeping and Reporting

(a) All records for the Compensation Program will be maintained by the Senior Managing Director and Chief Operating Officer ~~of Accounting, Finance, and Administration at UTIMCO~~. Relative performance data and calculations will be reviewed by UTIMCO's external auditor before Performance Awards are finalized and approved by the Board.

(b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested Deferred Award and Extraordinary Nonvested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. Continued Employment

Nothing in the adoption of the Compensation Program or the awarding of Performance Awards will confer on any employee the right to continued employment with UTIMCO or affect in any way the right of UTIMCO to terminate his or her employment at any time.

7.5. Non-transferability of Awards

Except for the rights of the estate or designated beneficiaries of Participants to receive payments, as set forth herein, Performance Awards under the Performance

Plan, including both the Paid Performance Award portion and the Nonvested Deferred Award portion, are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind. The preceding notwithstanding, the Compensation Program will pay any portion of a Performance Award that is or becomes vested in accordance with an order that meets the requirements of a "qualified domestic relations order" as set forth in Section 414(p) of the *Internal Revenue Code* and Section 206(d) of ERISA.

7.6. Unfunded Liability

(a) Neither the establishment of the Compensation Program, the award of any Performance Awards, nor the creation of Nonvested Deferred Awards Accounts will be deemed to create a trust. The Compensation Program will constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Compensation Program. Any amounts set aside by UTIMCO to assist it in the payment of Performance Awards or other benefits under the Compensation Program, including without limitation, amounts set aside to pay for Nonvested Deferred Awards, will be the assets of UTIMCO, and no Participant will have any security or other interest in any assets of UTIMCO or the U. T. System Board of Regents by reason of the Compensation Program.

(b) Nothing contained in the Compensation Program will be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the Compensation Program.

7.7. Compliance with State and Federal Law

No portion of the Compensation Program will be effective at any time when such portion violates an applicable state or federal law, regulation, or governmental order or directive.

7.8. Federal, State, and Local Tax and Other Deductions

All Performance Awards under the Compensation Program will be subject to any deductions (1) for tax and withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such Performance Award is deferred and not payable at such time) and (2) for any and all amounts owed by the Participant to UTIMCO at the time of payment of the Performance Award. UTIMCO will not be obligated to advise an employee of the existence of the tax or the amount that UTIMCO will be required to withhold.

7.9. Prior Plan

(a) Except as provided in the following paragraphs of this Section 7.9, this Compensation Program supersedes any prior version of the Compensation Program ("Prior Plan").

(b) All nonvested deferred awards under a Prior Plan will retain the vesting schedule in effect under the Prior Plan at the time such awards were allocated to the respective Participant's account. In all other respects, as of the Effective Date, those nonvested deferred amounts will (1) be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a), and (2) be subject to the terms and conditions for Nonvested Deferred Awards under the Performance Plan as set forth in this restated document.

8. DEFINITION OF TERMS

8.1. **Affected Participant** is defined in Section 5.12.

8.2. **Applicable Deferral Percentage** means, as to each Eligible Position, the percentage set forth opposite such Eligible Position under the heading “Percentage of Award Deferred” on Table 1.

8.3. **Asset Class Performance** is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as U.S. public equity, private equity, etc.).

8.4. **Award Opportunity** is defined in Section 5.5(a).

8.5. **Board** is the UTIMCO Board of Directors.

8.6. **Cause** means, as to any employee, that such employee has committed (as determined by UTIMCO in its sole discretion) any of the following: (1) a violation of any securities law or any other law, rule or regulation; (2) willful conduct that reflects negatively on the public image of UTIMCO or the U. T. System; or (3) a breach of UTIMCO’s Code of Ethics.

8.7. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.

8.8. **Compensation Program** is defined in Section 1.

8.9. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

8.10. **Effective Date** is defined in Section 1.

8.11. **Eligible for Retirement** is defined in Section 5.11.

8.12. **Eligible Position** is defined in Section 5.3(a).

8.13. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).

8.14. **Extraordinary Nonvested Deferral Award** is defined in Section 5.12.

8.15. **Extraordinary Nonvested Deferral Award Account** is defined in Section 5.12.

8.16. **Intermediate Term Fund or ITF** is The University of Texas System ("U. T. System") Intermediate Term Fund established by the U. T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U. T. System institutions and U. T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

8.17. **Intermediate Term Fund Policy Portfolio Return** is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund policy portfolio for the Performance Period.

8.18. **Involuntary Termination** means, as to any person the Termination of such person's employment with UTIMCO wholly initiated by UTIMCO and not due to such person's implicit or explicit request, at a time when such person is otherwise willing and able to continue to perform services for UTIMCO.

8.19. **Net Returns** is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for managing the Total Endowment Assets. The net investment return will be calculated as follows:

$$\frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{Permanent University Fund Net Investment Return}$$

Plus

$$\frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{General Endowment Fund Net Investment Return}$$

8.20. **Nonvested Deferred Award** is defined in Section 5.6(b).

8.21. **Nonvested Deferred Award Account** is defined in Section 5.7(a).

8.22. **Paid Performance Award** is defined in Section 5.6(a).

8.23. **Participant** is defined in Section 5.3(a).

8.24. **Peer Group** is a peer group of endowment funds that is comprised of the top 20 largest endowment funds by market value, as of the last day of the Performance Period as determined by Cambridge Associates; provided, however, that the Total Endowment Assets are excluded from the Peer Group and further provided, that if Cambridge Associates is unable to obtain peer performance for a top 20 largest endowment fund(s) by October 31st following the end of the Performance Period, that endowment fund(s) shall be excluded from the Peer Group for the Performance Period.

8.25. **Performance Standards** are defined in Section 5.4.

8.26. **Performance Award** is the component of a Participant's total compensation that is based on specific performance standards and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

8.27. Performance Plan is as defined in Section 1 and described more fully in Section 5.

8.28. Performance Measurement Date is the close of the last business day of the month.

8.29. Performance Period is defined in Section 5.2.

8.30. Prior Plan is defined in Section 7.9.

8.31. Salary Structure is described in Section 4.1.

8.32. Termination means, as to any person, a complete severance of the relationship of employer and employee between UTIMCO and such person.

8.33. Total Endowment Assets or TEA means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

8.34. Total Endowment Assets Policy Portfolio Return is the benchmark return for the Total Endowment Assets policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Total Endowment Assets policy portfolio for the Performance Period.

8.35. Voluntary Terminations means, as to any person, the Termination of such person's employment with UTIMCO not resulting from an Involuntary Termination or by reason of Death or disability.

Appendix A

Performance Award Methodology (for Performance Periods beginning on or after July 1, 2020~~2018~~)

I. Determine "Award Opportunities" for Each Participant[2]

Step 1. Identify the weights to be allocated to each of the two Performance Standards for each Participant's Eligible Position. The weights vary for each Eligible Position and are set forth in Table 1 for the applicable Performance Period. The total of the weights ascribed to the two Performance Standards (Quantitative and Qualitative) must add up to 100% for each Participant. For example, Table 1 may reflect for a Performance Period for the CEO that the weight allocated to the Quantitative Performance Standard is 80%, and the weight allocated to the Qualitative Performance Standard is 20%.

Step 2. Identify the weights to be allocated to the various components of Quantitative Performance for each Participant's Eligible Position as set forth on Table 1: Benchmark Performance, i.e., Entity and Asset Class Performance, and Peer Performance. Entity Performance consists of both TEA and ITF Performance. For example, Table 1 may reflect for a Performance Period for the CEO that the weight allocated to the TEA Performance is 51.2%, the weight allocated to ITF Performance is 12.8%, the weight allocated to Asset Class Performance is 0%, and the weight allocated to Peer Performance is 16%.

Step 3. Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Award for achievement of the Threshold and Maximum levels of the Performance Standards. The percentages vary for each Eligible Position and are set forth in Table 1 for the applicable Performance Period. For example, Table 1 may show that for a Performance Period the applicable percentages for determining the Performance Award for the CEO are 0% of his or her base salary for achievement of Threshold level performance of both Performance Standards and 450% of his or her base salary for achievement of Maximum level performance of both Performance Standards.

Step 4. Calculate the dollar amount of the potential Threshold and Maximum awards (the "Award Opportunities") for each Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the CEO has a base salary of $750,000 for a Performance Period, based on the assumed

[2] These Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Standards at varying levels and are calculated at the beginning of each Performance Period or, if later, the date such Participant commences participation in the Performance Plan.

percentages set forth in Step #2 above, the CEO will be eligible for a total award of $0 if he or she achieves Threshold level performance of both Performance Standards and $3,375,000 (450% of his or her base salary) if he or she achieves Maximum level performance of both Performance Standards.

Step 5. Because a Participant may achieve different levels of performance for the various components of the different Performance Standards and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Threshold performance in the TEA Performance Standard and be eligible to receive a Threshold award for that Standard and achieve Maximum performance in the Qualitative Performance Standard and be eligible to receive a Maximum award for that Performance Standard), it is necessary to determine the Award Opportunity of the Threshold and Maximum award for each of the various components of the Performance Standards**.** This is done by multiplying the dollar amount of the Threshold and Maximum awards for the performance of the various components of the Performance Standards calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular component of the Performance Standard.

Step 6. After Steps #4 and #5 above are performed for each of the two levels of performance for each of the components of the Performance Standards, there will be up to 10 different Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of $750,000, the assumed weights for the Performance Standards set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the 10 different Award Opportunities for achievement of the Performance Standards for the Performance Period are as follows:

Award Opportunities for CEO
(based on assumed base salary of $750,000)

Performance Standard	**Weight**	**Threshold Level Award**	**Maximum Level Award**
Entity (TEA v. TEA Policy Portfolio Return	51.2%	$0	$1,728,000
Entity (ITF v. ITF Policy Portfolio Return)	12.8%	$0	$432,000
Asset Class	0%	$0	$0
Peer Group	16%	$0	$540,000
Qualitative	20%	$0	$675,000
Total	100%	$0 (0% of salary)	$3,375,000 (450% of salary)

II. Calculate Performance Award for Each Participant

Step 7. Identify the achievement percentiles or achieved basis points that divide the Threshold and Maximum levels for each Performance Standard. These divisions for the level of achievement of the various components of the Qualitative Performance Standard are set forth in Table 2 for the applicable Performance Period. The measurement for the level of achievement (i.e., Threshold or Maximum) for the Qualitative Performance Standard is initially determined each Performance Period by the CEO, (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. The Compensation Committee will determine the CEO's level of achievement relative to the CEO's Performance Standards and make its recommendation to the Board, which is then approved (or adjusted) by the Board as it deems appropriate in its discretion.

Step 8. Determine the percentile or basis points achieved for each component of the Performance Standards for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in Section 5.9.

Step 9. Calculate the amount of each Participant's award attributable to each component of the Performance Standards by identifying the Award Opportunity amount for each component of the Performance Standards (e.g., as assumed and set forth for the CEO in the table in Step #6 above) commensurate with the Participant's level of achievement for that component of the Performance Standard (determined in Steps #7 and #8 above). An award for achievement percentiles in between the stated Threshold and Maximum levels is determined by linear interpolation. For example, if +120~~150~~ bps of the TEA benchmark portion of the TEA portion of the Entity Performance Standard has been achieved, that +120~~150~~ bps is between the Threshold (+0 bps) and the Maximum (+200~~250~~ bps) levels, so to determine the amount of the award attributable to +120~~150~~ bps of achievement of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Standard, perform the following steps: (i) divide 120~~150~~ (the attained level of achievement) by 200~~250~~ (the Maximum level) to determine the percentage actually achieved (120~~150~~/200~~250~~ = 0.60); and (ii) multiply the percentage of achievement in the preceding Step (i) by the Maximum Award Level of the CEO of $1,728,000 as assumed in the above table in Step 6 to calculate the actual award earned of $1,036,800 ($1,728,000 x 0.60) for the TEA portion of the Entity Performance Standard.

Step 10. No award is given for an achievement percentile at or below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.

Step 11. Subject to any applicable adjustment in Step #12 below, add the awards determined in Step #9 above for each component of the Performance

Standards (as modified by Step #10) together to determine the total amount of the Participant's Performance Award for the Performance Period.

Step 12. In the case of any Participant who becomes a Participant in the Performance Plan after the first day of the applicable Performance Period but within the first six months, such Participant's Performance Award (determined in Step #12) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Award, if any, will be prorated and adjusted as provided in Section 5.10.

Table 1

to be discussed in Executive Session

TABLE 2

Benchmarks for Entity and Asset Class and Threshold and Maximum Performance Standards

(For Performance Periods beginning on or after July 1, 2020~~2018~~)

Entity and Asset Class	Benchmark	Performance Standards: Threshold	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer Group ~~(Endowments w/>$1 B assets)~~	50th %ile	25th %ile
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	+0 bps	+200~~250~~ bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	+0 bps	+150 bps
Public Equity	(1)	+0 bps	+150 bps
Hedge Funds	(1)	+0 bps	+300 bps
Private Equity	(1)	+0 bps	+250 bps
Fixed Income	(1)	+0 bps	+50 bps
Natural Resources	(1)	+0 bps	+250 bps
Infrastructure	(1)	+0 bps	+250 bps
Real Estate	(1)	+0 bps	+250 bps
Strategic Partnerships	(1)	+0 bps	+130 bps

(1) Benchmark will be based on the appropriate benchmark in the respective Investment Policy Statement(s) in effect during each Performance Period.

TABLE 3

Eligible Positions of Affected Participants

(For Performance Periods beginning on or after July 1, 2020~~2019~~)

Eligible Positions of Affected Participants
Investment Professionals
CEO, ~~&~~ Chief Investment Officer & President
Chief Investment Officer
Deputy Chief Investment Officer
Senior Managing Director
Managing Director
Senior Director
~~Senior Investment Counsel~~
Director
~~Investment Counsel~~
Associate Director
Support and Control Professionals
Chief Operating Officer~~Senior Managing Director~~
General Counsel (pending Chief Compliance Officer)
Chief Technology Officer
Corporate Counsel & Chief Compliance Officer
Managing Director
Senior Investment Counsel
Senior Director
Director

Agenda Item
UTIMCO Board of Directors Meeting
June 11, 2020

Agenda Item: Discussion and Appropriate Action Related to UTIMCO 2020-2021 Budget

Developed By: Hall, Moeller, Bauer

Presented By: Harris, Hall

Type of Item: Action Item; Action required by UTIMCO Board; further action required by Board of Regents of The University of Texas System (UT Board)

Description: The Master Investment Management Services Agreement with UTIMCO (IMSA) sets forth the annual budget and management fee requirements. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes all operating expenses associated with the general management of the Funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the UT Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.

During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT Board back to the Funds that generated the surplus.

Discussion: Mr. Harris and Mr. Hall will present the UTIMCO Proposed FY2021 Budget presentation.

Recommendation: Mr. Harris recommends that the UTIMCO Proposed 2020-2021 Annual Budget, Management Fee Request, and Allocation Schedule be approved as presented.

Reference: *FY21 Budget* presentation

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Management Fee of $55,610,211 and the Other Direct Fund Costs of $7,208,101 resulting in Total Fees of $62,818,312, Capital Budget of $1,200,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2020 through August 31, 2021, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

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

FY21 Budget

June 11, 2020

Britt Harris
Richard Hall

Executive Summary

- FY21 Budget vs. Strategic Plan:
  - $62.8M vs. $64.2 projected in Strategic Plan, 2.1% below forecast
  - 13.1 bps of current AUM compares favorably vs. peers at 13 – 20 bps
  - UTIMCO Services Costs of $55.6M vs. $56.1M Strategic Plan, 0.9% below forecast
    - Salaries below forecast by $2.1M or 10% below forecast
    - Performance Compensation below forecast by $1.4M or 7.2%
    - Data & Subscriptions above forecast by $615k or 17%
    - Other Costs above forecast by $1.8M or 90%, principally driven by non-recurring IT Security Projects
  - Direct Fund Costs below forecast by $863K or 11%

- FY21 Budget vs. FY20 Budget Fully Annualized:
  - $62.8M vs. $58.5M in FY20, increasing by 7.3%
  - 13bps of total cost flat year over year
  - UTIMCO Services Costs of $55.7M vs. $51.4 in FY20, increasing 8.3%
    - Salaries flat year-over-year
    - Performance Compensation increasing $1.5M (9.4%) from vesting and shorter deferral period
    - Data & Subscriptions above forecast by $441K or 12%
    - Other Costs above forecast by $1.6M or 67%, principally driven by non-recurring IT Security Projects
  - Direct fund costs flat year-over-year

FY21 Summary Budget

	FY 2020		FY 2021			FY 2021 Budget Proposed v FY21 Projected in Strategic		FY 2021 Budget Proposed v FY20 Budget (Fully Annualized)		FY 2021 Budget Proposed v FY 2020 Budget as Presented	
	Budget as Presented	Budget (Fully Annualized)	Budget	% of Total Budget	Projected in Strategic Plan	$	%	$	%	$	%
UTIMCO Personnel Costs:											
Salaries (1)	17,889,310	18,749,060	18,774,406	**30%**	20,865,994	(2,091,588)	-10.0%	25,346	0.1%	885,096	4.9%
Performance Compensation (2)	15,592,053	16,131,000	17,650,561	**28%**	19,009,610	(1,359,049)	-7.1%	1,519,561	9.4%	2,058,508	13.2%
Benefits & Taxes (3)	4,736,765	4,916,000	5,060,218	**8%**	4,882,643	177,575	3.6%	144,218	2.9%	323,453	6.8%
Total UTIMCO Personnel Costs	**$ 38,218,128**	**$ 39,796,060**	**$ 41,485,185**	**66%**	**$ 44,758,247**	**$ (3,273,062)**	**-7.3%**	**$ 1,689,125**	**4.2%**	**$ 3,267,057**	**8.5%**
Other UTIMCO Costs:											
Data & Subscriptions (4)	3,712,008	3,712,008	4,153,165	**7%**	3,538,060	615,105	17.4%	441,157	11.9%	441,157	11.9%
Travel	1,272,936	1,272,936	954,702	**2%**	1,302,607	(347,905)	-26.7%	(318,234)	-25.0%	(318,234)	-25.0%
Lease	2,663,724	2,663,724	3,222,992	**5%**	2,750,000	472,992	17.2%	559,268	21.0%	559,268	21.0%
Depreciation	1,675,000	1,675,000	1,900,000	**3%**	1,700,000	200,000	11.8%	225,000	13.4%	225,000	13.4%
Other Costs (5)	2,326,900	2,326,900	3,894,168	**6%**	2,045,549	1,848,619	90.4%	1,567,268	67.4%	1,567,268	67.4%
Total Other UTIMCO Costs:	**$ 11,650,568**	**$ 11,650,568**	**$ 14,125,027**	**22%**	**$ 11,336,216**	**$ 2,788,811**	**24.6%**	**$ 2,474,459**	**21.2%**	**$ 2,474,459**	**21.2%**
Total UTIMCO Services Costs:	**$ 49,868,696**	**$ 51,446,628**	**$ 55,610,211**	**89%**	**$ 56,094,463**	**$ (484,252)**	**-0.9%**	**$ 4,163,583**	**8.1%**	**$ 5,741,515**	**11.5%**
Bps of AUM	**11.60**	**11.96**	**11.59**		**10.39**						
Direct Fund Costs:											
Custodian Fees	4,100,000	4,100,000	4,201,000	**7%**	4,950,000	(749,000)	-15.1%	101,000	2.5%	101,000	2.5%
Other (6)	3,001,269	3,001,269	3,007,101	**5%**	3,121,320	(114,219)	-3.7%	5,832	0.2%	5,832	0.2%
Total Direct Fund Costs	**$ 7,101,269**	**$ 7,101,269**	**$ 7,208,101**	**11%**	**$ 8,071,320**	**$ (863,219)**	**-10.7%**	**$ 106,832**	1.5%	**$ 106,832**	1.5%
Bps of AUM	1.7	1.7	1.5		1.5						
Grand Total UTIMCO Budget:	**$ 56,969,965**	**$ 58,547,897**	**$ 62,818,312**		**$ 64,165,783**	**$ (1,347,471)**	**-2.1%**	**$ 4,270,415**	**7.3%**	**$ 5,848,347**	**10.3%**
Bps of AUM	**13.25**	**13.62**	**13.09**		**11.88**						
AUM projected ($ billion)	$43	$43	$48		$54						
UITMCO Headcount	107.5	115	115		123						

NOTES:

(1) FY21 Salary budget lower vs. Strategic Plan due to deferral of 8 FTE.

(2) FY21 Performance Compensation estimated at 70% of maximum, consistent with history. Increases due to vesting of CEO and CCO as well as deferral period being reduced from three to two years.

(3) Benefit & Taxes increase due 20% excise tax on highly compensated individuals.

(4) Data & Subscription increase driven by Bloomberg, eFront, S&P Ratings, Gartner, Patch Management, Diligence Vault

(5) Other costs include: Hiring, Recruting & Relocation ($426k); Consulting Services for IT Security & Risk System ($1.6 mil); Leadership Development Program & UTIMCO Learning Institute ($425k); IT Service Agreements ($488k)

(6) Other Direct Costs include: Barra Risk System ($700k), Fund Auditors ($816k), Legal Fees ($225k), Tax Consultants ($155k).

FY21 Budget Discussion / Details

- FY21 Budget compared vs. FY20 Budget Fully Annualized or FY21 Strategic Plan

- Strategic Plan from June 2019 approved hiring 15 FTE in FY20 and 8 FTE in FY21
  - Strategic Plan prepared estimating all costs on a full year basis

- FY20 Budget Fully Annualized accounts for full year cost of additional 15 FTE hired.
  - FY20 Budget as Presented estimated cost of 7.5 additional FTE (15 FTE hired ratably over the full year period).
  - Annualizing results in $1.6M additional costs:
    - $860k of base salary
    - $539k of performance compensation
    - $179k of benefits & taxes

FY21 Budget vs. FY20 Fully Annualized Details

- Salaries flat relative to FY20 fully annualized
  - Deferring hiring of 8 FTE, projected to end FY21 at 115 FTE vs. 123 in Strategic Plan
  - Eliminating one Senior Director Position
  - Downgrading vacant Senior Director and Director positions to lower levels
  - 0% raises for CEO, DCIO, COO, Managing Directors, Senior Directors

- Performance Compensation increasing $1.5M or 9.4%
  - Estimating payout at 70% of maximum, consistent with past practice
    - Unlikely to achieve, would require ~360 bps of alpha in FY21
  - Vesting for CEO and CCO account for $750K of increase
  - Shorter plan deferral period (2 years vs. 3 years) accounts of $525K of increase
  - Promotions account for $200K of increase

- Benefits & Taxes increasing $144K or 2.9%
  - 21% IRS excise tax on individual compensation greater than $1 million

FY21 Budget vs. FY20 Fully Annualized Details

- Data & Subscriptions increasing $441K or 12%
  - $75K for Bloomberg – additional modules and users
  - $75K for eFront – private investment analytics platform
  - $72K for S&P Ratings – fixed income analysis
  - $71K for Gartner – market research firm
  - $50K for Patch Management – improving IT security and efficiency
  - $42K for Diligence Vault – investment monitoring and compliance platform

- Other Costs in UTIMCO services increasing $1.6M or 67%
  - $1.5M for IT security and resilience projects
  - $330K Leadership Development and Executive Coaching Estimating
    - Significant utilization of UT Austin – McCombs Faculty
    - Offset by lower recruiting and relocation costs

FY21 Capital Budget

($ in thousands)	FY 2020		FY 2021	FY 2021 Budget v FY 2020 Budget		
	Budget	Forecast	Budget	$	%	Description
Server Room/Telecom/AV Equipment	$140	$286	$650	$510	364.3%	**Servers & Storage for Disaster Recovery; Virtual Telecom**
Computer Equipment & Software Licenses	26	82	250	224	861.5%	**Laptops, Desktops, Monitors, Perpetual Software Licenses**
Total Capital Budget before Build-out	**$166**	**$368**	**$900**	**$734**	**442.2%**	
Leasehold, Furniture & Office Equipment*	2,870	-	300			**Build-out current and new office space**
	$3,036	**$368**	**$1,200**			

** Approved in FY20 for additional office space and remodeling; in process and carried forward to FY 2021.*

Annual Fee and Allocation Schedule

UTIMCO Management Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2021

Proposed Budget	PUF	PHF	LTF	GEF	ITF	STF	Separate Funds	Debt Proceeds	Total
	Fund Name								
Market Value 4/30/20 ($ millions)	**22,561**			**13,818**	**8,630**	**2,738**	**158**	**263**	**48,168**
UTIMCO Management Fee									
Dollars	27,874,913			17,072,628	10,662,670				55,610,211
Basis Points	12.4			12.4	12.4				11.6
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund									
Dollars	3,523,335	24,745	27,745	2,232,447	1,399,829				7,208,101
Basis Points	1.6	0.2	0.0	1.6	1.6				1.5

Cash Reserves

Projected Cash Reserves at August 31, 2020:			
Cash		$	27,500,000
Prepaid Expenses			1,350,000
Less: Accounts Payable, Accrued Liabilities			(13,500,000)
Leasehold Build-out			(2,870,000)
Expected Cash Reserves at August 31, 2020		**$**	**12,480,000**
2021 Proposed Operating Budget	55,610,211		
Applicable Percentage	25%		13,902,553
Capital Budget Expenditures			1,200,000
Depreciation Expense			(1,900,000)
Required Cash Reserves at August 31, 2020		**$**	**13,202,553**
Balance Available for Rebate		**$**	**(722,553)**

Conclusion: No Rebate to UTS is Recommended

Appendix 1:

Strategic Plan

Benchmarking: Summary Metrics

UTIMCO costs compare favorably to large peers and independent fund of funds

	UTIMCO	Cambridge Assoc > $3B Universe	Peers: Peer A	Peers: Peer B	Peers: Peer C	Peers: Peer D	Financial Services Industry Comps: Firm A	Financial Services Industry Comps: Firm B	Financial Services Industry Comps: Firm C
Current AUM ($ billion)	$ 45		$ 43	$ 31	$ 27	$ 25	$ 30	$ 20	$ 60
Budget Year			2018	2018	2018	2018	2018	2018	2018
Budget Year AUM ($ billion)			$ 43	$ 31	$ 27	$ 25	$ 30	$ 20	$ 60
Budget ($ million)	$44		$ 75	$ 37	$ 41	$ 43	$ 45	$ 41	$ 230
Budget (bps of AUM)	9.7	18.0	17.5	12.0	15.0	17.5	15.0	20.3	38.3
Investment Professionals	43		36	22	23	39	50	40	145
Operations Professionals	45		54	25	27	25	65	53	157
IT Professionals	11		29	2	5	3	15	13	40
Total FTE	99		119	49	55	67	130	106	342
AUM / FTE ($ million)	$ 454.55		$ 361.34	$ 624.49	$ 490.91	$ 373.13	$ 230.77	$ 188.68	$ 175.44
AUM / Investor ($ billion)	$ 1.05		$ 1.19	$ 1.39	$ 1.17	$ 0.64	$ 0.60	$ 0.50	$ 0.41
Budget / FTE ($ million)	$0.44		$0.63	$0.75	$0.74	$0.64	$0.35	$0.38	$0.67
Ops + IT / Investor FTE	1.3x		2.3x	1.2x	1.4x	0.7x	1.6x	1.7x	1.4x

Resource Requirements: Detailed Budget

Despite increases, UTIMCO budget stays at 10bps of AUM – the low end of peers. If AUM growth is cut in half, UTIMCO budget becomes 13 bps.

	UTIMCO Projected Budget					
	2019	2020	2021	2022	2023	2024
UTIMCO Personnel Costs:						
Base Salary	15,876,073	18,486,875	20,865,994	22,438,163	24,232,971	25,997,380
Performance Comp	12,907,738	15,879,005	19,009,610	20,590,720	22,538,366	24,541,942
Benefits and Taxes	3,884,425	4,325,929	4,882,643	5,250,530	5,670,515	6,083,387
Total UTIMCO Personnel Costs	**$ 32,668,236**	**$ 38,691,808**	**$ 44,758,246**	**$ 48,279,413**	**$ 52,441,853**	**$ 56,622,709**
Other UTIMCO Costs:						
Data & Subscriptions	3,209,125	3,369,581	3,538,060	3,714,963	3,900,711	4,095,747
Travel	1,242,016	1,177,848	1,302,607	1,389,447	1,446,436	1,505,407
Lease	2,630,324	2,700,000	2,750,000	2,800,000	2,850,000	2,900,000
Depreciation	1,600,000	1,675,000	1,700,000	1,700,000	1,600,000	1,500,000
Other Costs	2,439,310	2,190,535	2,045,549	2,096,062	2,161,089	2,204,641
Total Other UTIMCO Costs	11,120,775	11,112,965	11,336,216	11,700,473	11,958,237	12,205,795
Total UTIMCO COSTS	**$ 43,789,012**	**$ 49,804,773**	**$ 56,094,462**	**$ 59,979,886**	**$ 64,400,089**	**$ 68,828,503**
Y-O-Y Increase (%)		*14%*	*13%*	*7%*	*7%*	*7%*
Bps of AUM	9.80	9.87	10.45	10.45	10.51	10.52
Fund Costs						
Custodian Fees	8,947,724	4,501,000	4,950,000	5,445,000	5,989,500	6,588,450
Other	2,577,450	3,001,269	3,121,320	3,246,173	3,376,019	3,511,060
Total Fund Costs	**$ 11,525,174**	**$ 7,502,269**	**$ 8,071,320**	**$ 8,691,173**	**$ 9,365,519**	**$ 10,099,510**
Y-O-Y Increase (%)		*-35%*	*8%*	*8%*	*8%*	*8%*
Bps of AUM	2.44	1.49	1.50	1.51	1.53	1.54
Grand Total UTIMCO Budget	**$ 55,314,186**	**$ 57,307,042**	**$ 64,165,782**	**$ 68,671,059**	**$ 73,765,609**	**$ 78,928,014**
Y-O-Y Increase (%)		*4%*	*12%*	*7%*	*7%*	*7%*
Bps of AUM	12.24	11.35	11.95	11.97	12.04	12.06