

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
March 11, 2021
UTIMCO
210 West 7th Street, Suite 1700
Austin, Texas 78701**

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the December 10, 2020 Meeting*
9:05 a.m.	9:15 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: -- Designation of Annual Meeting of the UTIMCO Board* -- Resolution of Appreciation*
9:15 a.m.	9:30 a.m.	3	UTIMCO Performance and Market Update
9:30 a.m.	10:30 a.m.	4	Strategic Asset Allocation Update
10:30 a.m.	10:50 a.m.	5	Public Equity Presentation
10:50 a.m.	11:10 a.m.	6	Hedge Funds Presentation
11:10 a.m.	11:20 a.m.	7	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2020*
11:20 a.m.	11:25 a.m.	8	Report from Policy Committee
11:25 a.m.	11:30 a.m.	9	Report from Risk Committee
11:30 a.m.	11:35 a.m.	10	Report from Compensation Committee
11:35 a.m.	11:40 a.m.	11	Report from Cyber Risk Committee
11:40 a.m.	12:00 p.m.		Executive Session Pursuant to Section 551.074 <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to deliberate individual personnel compensation matters; and to consult with legal counsel regarding legal matters and pending and/or contemplated litigation pursuant to Section 551.071, <i>Texas Government Code</i> Reconvene into Open Session
12:00 p.m.			Adjourn

* Action by resolution required

** Resolution requires further approval from the Board of Regents of The University of Texas System

Members of the Board may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

Next Scheduled Meeting: June 29, 2021 (Annual Meeting)

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **December 10, 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 **December 10, 2020**, in person and by means of video and telephone conference 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; Carolina de Onis, General Counsel; Michael Dean, Managing Director – Human Resources; Mike Sjolander, Chief Technology Officer ("CTO"); Uzi Yoeli, Managing Director – Risk Management; Ken Standley, Senior Director – Strategic Partnerships; and other team members. Other attendees were James B. Milliken, Chancellor of The University of Texas ("UT System") System; Robert Cowley of Deloitte & Touche LLP; Jerry Kyle of Orrick, Herrington, & Sutcliffe LLP; and Keith Brown of the McCombs School of Business at UT Austin. Chairman Hildebrand called the meeting to order at 9:20 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on September 10, 2020. 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 September 10, 2020, be, and are hereby, approved.

Corporate Resolutions

Chairman Hildebrand asked Mr. Harris to present a recommendation for the appointment of Kim Bauer, Senior Director - Corporate Accounting, to the Plan Administrative Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that Kim Bauer, Senior Director be designated as a member of the Plan Administrative Committee, responsible for general administration of both the 403(b) Tax Sheltered Annuity Plan and 457(b) Deferred Compensation Plan of the Corporation.

Performance and Market Update

Chairman Hildebrand asked Mr. Hall to present the Corporation's performance and market update. Mr. Hall reported that as of September 30, 2020, the Corporation had just shy of \$52 billion of assets under management, specifically: \$24.4 billion in the Permanent University Fund ("PUF"), \$14.4 billion in the Long Term Fund ("LTF"), \$1.3 billion in the Permanent Health Fund ("PHF"); \$8.8 billion in the Intermediate Term Fund ("ITF"), \$2.8 billion in the Short Term Fund ("STF"), and \$0.2 billion in Other funds. Mr. Hall discussed diversification framework as well as returns and alpha. He noted there were strong performances from global equity and stable value hedge funds. Next, he discussed Risk and Return over a 3-year period. Mr. Hall provided a market performance and economic forecast update and gave a recap on return dispersions. He then answered questions from the Board.

CEO Macro Insights Report

Chairman Hildebrand asked Mr. Harris to present his overview on macro trends. Mr. Harris began his presentation with a summary of events over the past year. He discussed the latest Covid-19 cases and death count, both globally and in the U.S., and the massive monetary and fiscal stimulus. Mr. Harris shared a poem he wrote on his reflections of the pandemic. Next, he discussed a necessity for renewed growth and productivity. He reviewed the path and politics of ESG and inequality, democracy or autocracy, and globalization, trade and resiliency. He also discussed bitcoin, bonds, buildings and business models, and the relationship with humans and machines. Next, he discussed public trust in government and a rise in e-commerce. Mr. Harris concluded his presentation with an overview of returns and portfolio resilience and what the Team can do as an organization to be resilient. He then answered questions from the Board.

Strategic Asset Allocation Preview

Chairman Hildebrand asked Uzi Yoeli and Ken Standley to present the Strategic Asset Allocation ("SAA") Preview Report. Dr. Yoeli began with an overview of the report and discussed the SAA themes and framework and falling forward returns. He next discussed optimizing regime weights and strategies. Dr. Yoeli then turned the presentation over to Mr. Standley who discussed mobilizing internal and external resources. Mr. Standley went over the project plan and timeline and upcoming key Board events. Dr. Yoeli and Mr. Standley answered questions from the Board.

Strategic Partnerships Presentation

Chairman Hildebrand asked Mr. Standley to present an update on the Strategic Partnerships. Mr. Standley began by noting a successful launch of two Public Strategic Partnerships with positive alpha. He gave a brief introduction of the team and shared an update on performance and key highlights. He provided a knowledge sharing update, which includes summits, harnessing positions and outlook, research projects and enterprise priorities. Mr. Standley concluded his presentation by noting that the partnership is off to a great start and UTIMCO looks forward to finding ways to service our customers in 2021. He then answered questions from the Board.

Operations and Information Services & Security Presentation

Chairman Hildebrand invited Joan Moeller and Mike Sjolander to provide an overview of the Operations and Information Services & Security teams and their responsibilities. Ms. Moeller introduced the Operations team consisting of Operations, Accounting, and Reporting and Corporate Accounting. She discussed the new restructuring and introduced new team members as well as their backgrounds. She reviewed functions of each of the teams and discussed how important their work is to UTIMCO's success. Mr. Sjolander then introduced the Information Services and Security teams and the strategic imperatives they continue to build on. He also discussed process improvements in place as well as 2020 accomplishments for the team.

Human Resources Presentation

Chairman Hildebrand asked Michael Dean to provide an update on Human Resources. Mr. Dean began by highlighting areas of development in 2020. He discussed recruiting and onboarding accomplishments as well as training and development progress. Mr. Dean discussed organizational health and wellness and introduced the "Beat the Virus" initiative. He concluded his presentation with an overview of the servant leadership philosophy.

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 December 1, 2020. At the meeting, the Committee considered four action items: the minutes of its September 3, 2020 meeting were approved as drafted; Deloitte & Touche LLP's Audit Results and Communications for the PUF, The University of Texas General Endowment Fund ("GEF"), PHF, LTF, ITF (collectively, the "Investment Funds") for the fiscal year ended August 31, 2020, were approved; the audit reports for the Investment Funds and the Statement of Investment Performance Statistics for the fiscal year ended August 31, 2020 were approved; and the Performance Award for the Corporate Counsel and Chief Compliance Officer was approved. The Committee also convened in Executive Session for the purpose of deliberating individual personnel evaluation matters and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer and made its recommendation to the Compensation Committee related to the Corporate Counsel and Chief Compliance Officer's Performance Award for the Performance Period ended June 30, 2020.

Director Handley asked Mr. Robert Cowley of Deloitte & Touche LLP to provide a brief report to the Board on the audits of the Investment Funds. After Mr. Cowley's presentation, Director Handley reported that the Committee also received an update on UTIMCO's compliance, reporting and audit matters, a report on new contracts, and the annual report of all contracts over \$250,000. She requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to the audits of the Investment Funds for Fiscal Year 2020. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2020, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2020, and August 31, 2019, and the Statement of Investment Performance Statistics for the year ended August 31, 2020, be, and are hereby approved in the form as presented to the Board.

Director Handley also requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to ratification of the Bloomberg contracts. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, the Delegation of Authority Policy delegates to the UTIMCO Chief Executive Officer the authority to execute on behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total of \$1 million or less during the contract term; and

WHEREAS, Bloomberg has provided various services to UTIMCO under several different contracts for many years for a combined total cost less than \$1 million; and

WHEREAS, upon entering into a contract for new services with Bloomberg, UTIMCO discovered the combined contracts will exceed the delegated authority of \$1 million during fiscal year 2020-2021 and reported same to the Audit and Ethics Committee; and

WHEREAS, as directed by the Audit and Ethics Committee, UTIMCO requests the UTIMCO Board ratify the combined contracts with Bloomberg, if the UTIMCO Board deems appropriate.

NOW, THEREFORE, be it:

RESOLVED that the contracts entered into between the Corporation and Bloomberg are hereby ratified, confirmed, approved and adopted.

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

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 December 1, 2020. The Committee approved the minutes of its September 3, 2020 meeting. The Committee also received a report on compliance matters for the quarter ended August 31, 2020, and a market and portfolio risk update.

Report from Cyber Risk Committee

Chairman Hildebrand asked Director Rothrock to provide a report from the Cyber Risk Committee. Director Rothrock reported that the Cyber Risk Committee met via teleconference on December 1, 2020. Two members of the Cyber Risk Committee participated in the meetings. The Committee approved the minutes of its September 3, 2020 meeting. The Committee also met in Executive Session to receive an update on the corporation's cyber risk program, including an update on security metrics, the information security program, and other projects.

Report from Compensation Committee

Chairman Hildebrand asked Director Rothrock to provide a report from the Compensation Committee. Director Rothrock stated that the Compensation Committee (the "Committee") met on December 1, 2020 and December 10, 2020. At its meetings on December 1, 2020, the Committee approved the minutes of its September 3, 2020 meeting and a resolution empowering the chair of the Committee to select a compensation consultant for the Committee for the 2020-2021 Performance Period. The Committee also met in executive session to discuss performance awards for the CEO and other UTIMCO Compensation Program ("Plan") Participants for the Performance Period ended June 30, 2020, but no action was taken at that meeting.

At its December 10th meeting, the Committee approved the minutes of its December 1, 2020 meeting, convened in executive session to discuss the Performance Awards for Plan Participants, including the CEO, for the Performance Period ended June 30, 2020, and approved these Performance Awards, subject to approval by the Board.

Director Rothrock recommended two resolutions for approval by the Board. The first resolution related to the Performance Award for the CEO for the Performance Period ended June 30, 2020, and the second resolution related to the Performance Awards for all other Plan Participants for the Performance Period ended June 30,

2020. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

WHEREAS, the Compensation Committee has reviewed and approved the CEO's Performance Award for the Performance Period ended June 30, 2020, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Compensation Committee's recommendation of the CEO's Performance Award for the Performance Period ended June 30, 2020.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Award for the Performance Period ended June 30, 2020, in the amount of \$1,799,635.

And,

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the Performance Period ended June 30, 2020, of his or her Performance Standards for such Performance Period; and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Awards for all Participants who have met or exceeded their performance benchmarks for

the Performance Period ended June 30, 2020, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended June 30, 2020, in the total aggregate amount of \$12,088,778 and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended June 30, 2020, 28.4% (\$3,435,664) will be deferred pursuant to the Plan.

Concluding Remarks

Chairman Hildebrand commended the Compensation Committee and the Team on alignment of the Compensation Program with the mission, vision and values of the organization. Chancellor Milliken expressed his appreciation of the Board and the Team and all they do on behalf of UT System. The Chancellor noted the UT System had a relatively successful fall semester and expects the same for the spring semester; the universities were up in enrollment demonstrating how well things were managed and the desire to be at the universities. The Chancellor noted that three changes will come out of the disruption caused by the pandemic – going forward, remote work will always be a component and online education and telemedicine will be increasing. He concluded by thanking the Board for the work they are doing supporting all the institutions. Chairman Hildebrand concluded by acknowledging the complex work of the Chancellor and thanking him and the Team for a job well done.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:38 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
March 11, 2021

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: Designation of Annual Meeting of the UTIMCO Board and Resolution of Appreciation

Developed By: Moeller, Gonzalez

Presented By: Hildebrand

Type of Item: Action required by UTIMCO Board

Description: Chairman Hildebrand will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on June 29, 2021.

Chairman Hildebrand will present a recommendation to the Board to approve a resolution acknowledging the services of R. Steven Hicks as a UTIMCO Board member. Director Hicks has served as a Regental Director for UTIMCO since February 17, 2011 and is the longest tenured Director in UTIMCO's history.

Recommendation: Chairman Hildebrand will recommend approval of the designation of the annual meeting and resolution of appreciation.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on June 29, 2021, in Austin, Texas.

RESOLUTION OF APPRECIATION R. STEVEN (“STEVE”) HICKS

WHEREAS, in recognition of his substantial background and expertise in business, R. Steven (“Steve”) Hicks was appointed by Governor Rick Perry to a term on the Board of Regents of The University of Texas System in February 2009, and reappointed by Governor Greg Abbott to a second term in February 2011 and a third term in January 2015; and

WHEREAS, Mr. Hicks was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas/Texas A&M Investment Management Company (“UTIMCO”) in 2011, reappointed to consecutive two-year terms in 2013, 2015 and 2017, and was reappointed for a fifth and final term in 2019; and

WHEREAS, Mr. Hicks served as Vice Chairman for Policy of the UTIMCO Board since 2017, and previously served as the Chair and member of the Audit and Ethics, Compensation, and Policy Committees; and

WHEREAS, during his tenure on the UTIMCO Board, Mr. Hicks provided invaluable insight and counsel, drawing on his many years of business and investment experience as owner and Executive Chairman of Capstar Partners, LLC, an Austin-based private investment firm; co-founder and former CEO of SFX Broadcasting; founder and former Chief Executive Officer of Capstar Broadcasting Corporation, which merged with Chancellor Media Corporation and ultimately became AMFM Inc, where he served as Vice Chairman and President of its New Media division; and

WHEREAS, Mr. Hicks’ business acumen is further evidenced by his recognition in 1997 as Radio Executive of the Year; and in 1996, he was named Entrepreneur of the Year by Ernst and Young and recognized as Broadcaster of the Year by the Texas Association of Broadcasters; and

WHEREAS, Mr. Hicks’ commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his generous donation to the School of Social Work at The University of Texas at Austin (renamed Steve Hicks School of Social Work), one of the top 10 graduate programs of social work in the United States and the establishment of numerous endowments for the benefit of students, fellows, professors, and other needs of The University of Texas at Austin and The University of Texas System; and

WHEREAS, Mr. Hicks’ unselfish contributions are also evidenced in the civic and corporate arenas by his generous financial support and service on various charitable and professional boards throughout his career; and

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

WHEREAS, during Mr. Hicks’ tenure on the UTIMCO Board, total assets under management by UTIMCO more than doubled, growing from \$26 billion to over \$57 billion; and

WHEREAS, Mr. Hicks’ leadership, judgment, and commitment to UTIMCO has contributed greatly to UTIMCO’s success.

NOW, THEREFORE,

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

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

PASSED AND ADOPTED this 11th day of March 2021.

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: UTIMCO Performance and Market Update

Developed By: Harris, Morris

Presented By: Harris

Type of Item: Information Item

Description: Britt Harris will provide an update on the financial markets and review UTIMCO's performance for calendar year 2020.

Reference: *UTIMCO Performance and Market Update* presentation



UTIMCO Performance and Market Update

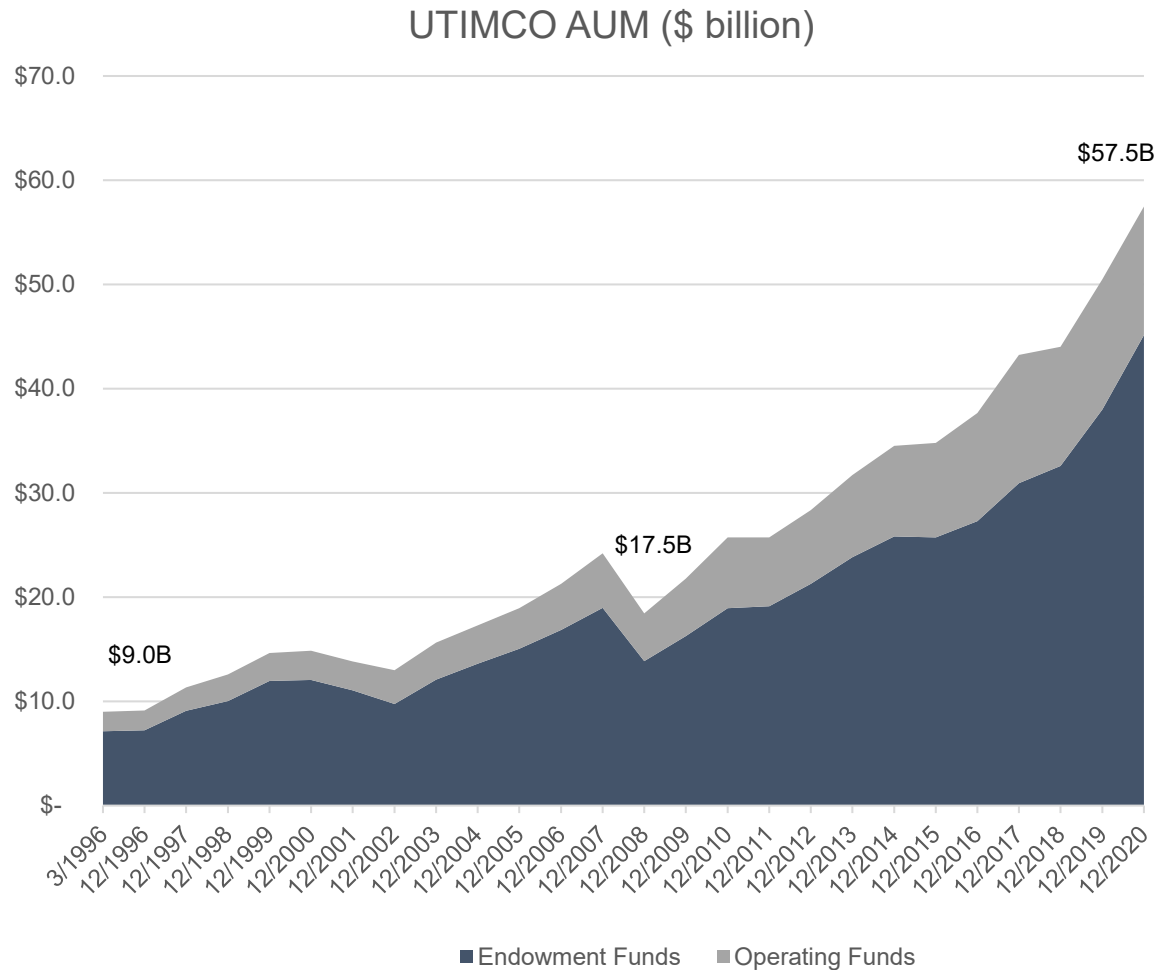
Britt Harris, CEO, Chief Investment Officer, President

March 11, 2021



Growth in Assets Under Management

Total Assets through December 31, 2020



UTIMCO AUM (\$ millions)

Feb 2009 - Dec 2020	
Endowments	
Beginning NAV	\$ 12,970
Contributions	19,969
Net Investment Return	26,601
Distributions	(14,394)
Ending NAV	45,146
AUM Growth \$	\$ 32,176
Operating Funds	
Beginning NAV	\$ 4,535
Contributions	4,784
Net Investment Return	5,423
Distributions	(2,403)
Ending NAV	12,339
AUM Growth \$	\$ 7,804
Total UTIMCO	
Beginning NAV	\$ 17,505
Ending NAV	\$ 57,485
AUM Growth \$	\$ 39,980



Market Dashboard: 1996 to 2020

Rates

	3/31/1996	12/31/2020	Change
Fed Funds	5.25	0.25	-5.00
10-yr Treasury	6.33	0.91	-5.41
30-yr Treasury	6.67	1.64	-5.02
High Yield	10.23	4.59	-5.64

Equities

	3/31/1996	12/31/2020	Change
S&P 500	646	3,756	830%
Forward P/E	14.7x	22.6x	7.9x
Trailing P/E	18.7x	30.5x	11.8x
Europe	149	399	168%
Japan	1,637	1,805	10%
China (Onshore)	556	3,473	524%
Developed: MSCI World	1,461	8,008	448%

Commodities

	3/31/1996	12/31/2020	Change
Gold	395	1,898	380%
Oil	21	49	126%
Bloomberg Commodities Index	140	167	19%



Market Dashboard: Review of 2020

Rates

	12/31/2019	12/31/2020	Change
Fed Funds	1.75	0.25	-1.50
10-yr Treasury	1.92	0.91	-1.00
30-yr Treasury	2.39	1.64	-0.74
Investment Grade Bonds	2.92	1.83	-1.09
High Yield	5.81	4.59	-1.22

Equities

	12/31/2019	12/31/2020	Change
S&P 500	3,231	3,756	18%
Forward P/E	18.3x	22.6x	4.3x
Trailing P/E	21.2x	30.5x	9.3x
Europe	416	399	-4%
Japan	1,721	1,805	5%
China (Onshore)	3,050	3,473	14%
Developed: MSCI World	6,910	8,008	16%
Emerging: MSCI EM	528	624	18%
Global: MSCI ACWI	282	328	16%

Inflation

	12/31/2019	12/31/2020	Change
10-yr TIPS	0.13	-1.09	-1.22
10-yr TIPS Breakeven	1.8	2.0	0.2

Commodities

	12/31/2019	12/31/2020	Change
Gold	1,517	1,898	25%
Oil	61	49	-21%
Bloomberg Commodities Index	172	167	-3%



Endowment Return and Alpha Detail

As of December 31, 2020

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Public Equity	Public Equity	24.6%	8.2%	13.1%	4.1%	15,128	33.7%	2.6%
	Directional Hedge Funds	11.9%	1.5%	8.0%	3.4%	4,118	9.2%	(1.4%)
	Total Private Equity	18.6%	-1.0%	14.9%	0.2%	9,568	21.3%	-0.8%
	Total Global Equity	20.3%	2.9%	12.7%	2.2%	28,815	64.1%	0.5%
Stable Value	Investment Grade Fixed Income	8.6%	3.0%	5.1%	0.6%	3,513	7.8%	0.7%
	Cash	0.5%	(0.1%)	1.6%	(0.0%)	874	1.9%	1.0%
	Stable Value Hedge Funds	9.4%	5.1%	6.7%	3.7%	3,714	8.3%	(1.6%)
	Total Stable Value	7.0%	2.0%	4.4%	0.6%	8,138	18.1%	0.2%
Real Return	Inflation Linked Bonds	6.1%	(4.0%)	N/A	N/A	623	1.4%	(0.0%)
	Natural Resources	(12.0%)	8.1%	(5.7%)	0.8%	2,419	5.4%	(0.3%)
	Infrastructure	37.1%	30.8%	20.2%	10.3%	1,050	2.3%	(0.5%)
	Total Private Real Estate	1.5%	1.4%	9.9%	3.5%	2,561	5.7%	(0.2%)
	Total Real Return	2.9%	8.1%	4.9%	2.8%	6,672	14.9%	-1.0%
Strategic Partnerships	Total Strategic Partnerships	N/A	N/A	N/A	N/A	1,302	2.9%	0.3%
TAA	TAA	0.1%	0.1%	0.0%	(0.0%)	35	0.1%	0.1%
Total Fund	Endowment Total	15.2%	4.1%	10.1%	2.0%	44,962	100.0%	0.1%



Summary of UTIMCO AUM, Returns and Alpha

As of December 31, 2020

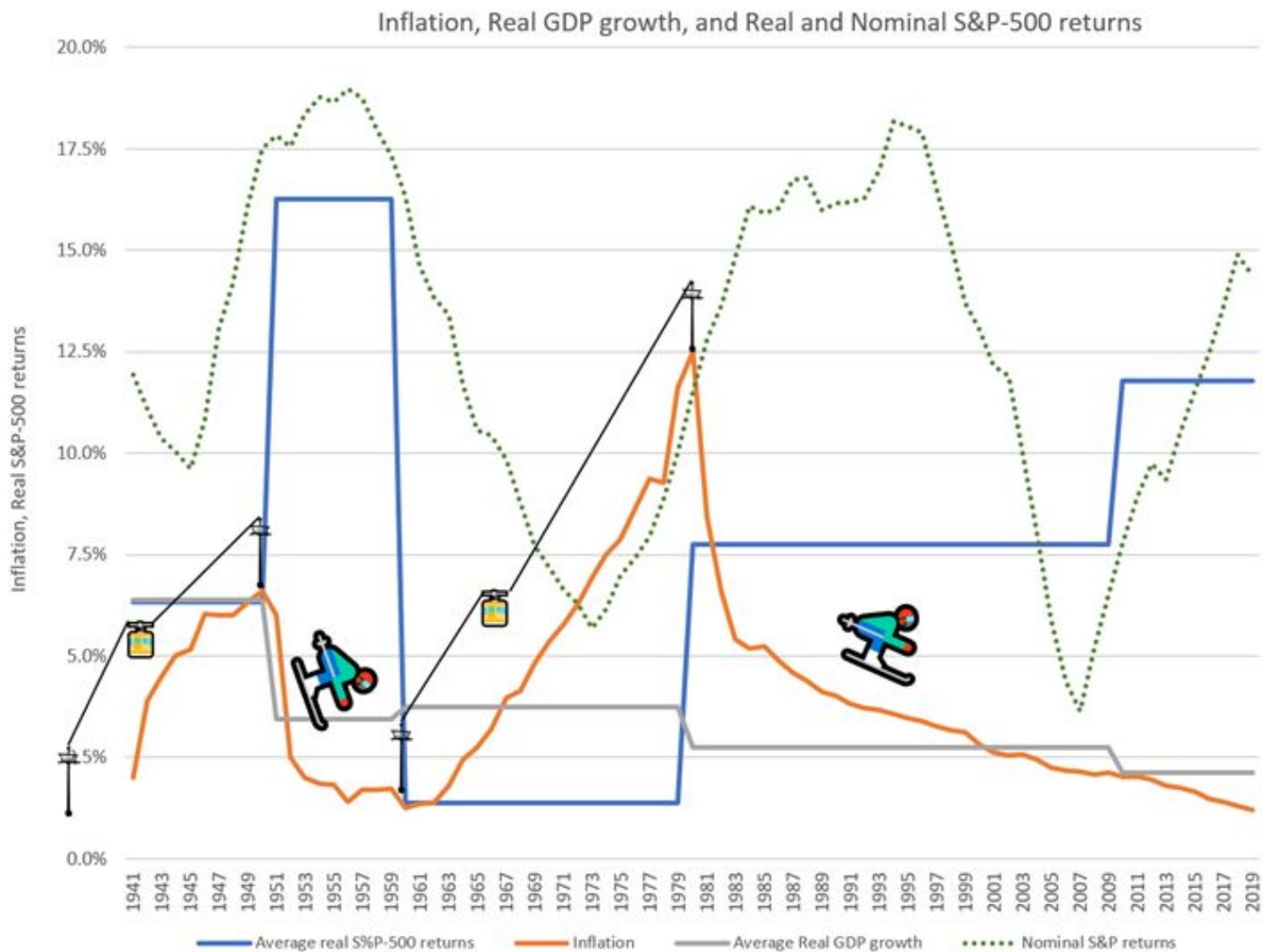
Endowment Returns

	1-Year	5-Years	10-Years
Investment Return %	15.2	10.4	8.1
Policy Portfolio	11.2	8.7	6.7
Value Add %	+4.1	+1.7	+1.5
Total Investment Return \$	\$6,026	\$17,201	\$23,874
Value Add \$	\$1,546	\$3,152	\$5,445

Assets Under Management (\$ billions)

	1-Year	5-Years	10-Years
Endowments			
Beginning NAV	\$38.0	\$25.7	\$18.9
Contributions	3.5	10.6	16.1
Net Investment Return	5.8	16.2	22.4
Distributions	-2.1	-7.4	-12.3
Ending NAV	45.1	45.1	45.1
AUM Growth \$	\$7.1	\$19.4	\$26.2
Est. AUM Per Student (\$ thousands)	130	82	67
Operating Funds			
Beginning NAV	\$12.5	\$9.1	\$6.8
Contributions	-0.9	1.4	3.8
Net Investment Return	1.0	3.2	3.9
Distributions	-0.3	-1.3	-2.2
Ending NAV	12.3	12.3	12.3
AUM Growth \$	-\$0.2	\$3.3	\$5.5
Total UTIMCO			
Beginning NAV	\$50.5	\$34.8	\$25.7
Ending NAV	\$57.5	\$57.5	\$57.5
AUM Growth \$	\$7.0	\$22.7	\$31.8

Equity Returns in Different Regimes





Global Monetary and Fiscal Stimulus

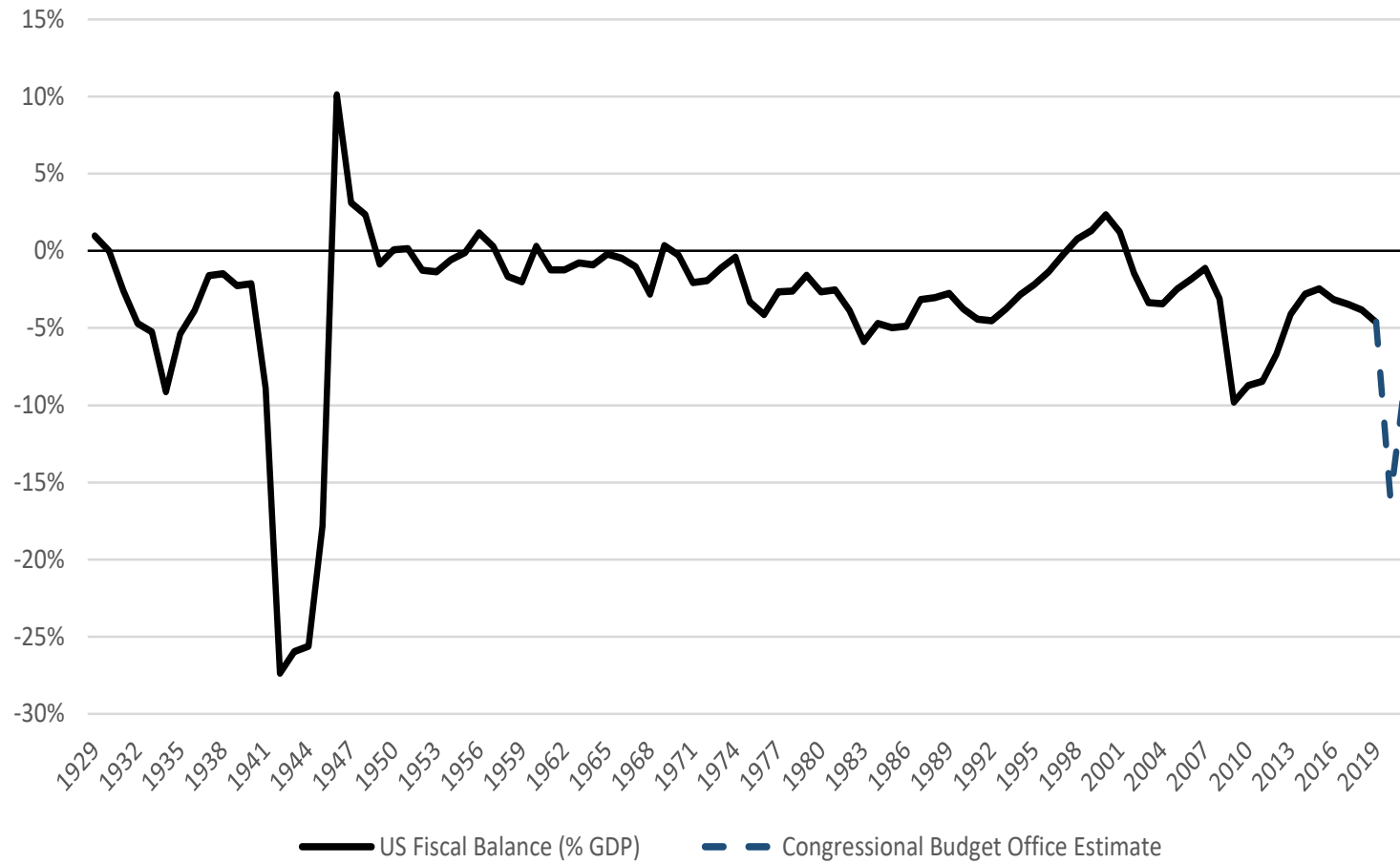
Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to Dec (CSM)						
	Potential Central Bank Liquidity Injection		Potential Fiscal Stimulus		Central Bank Liquidity Injection and Fiscal Stimulus	
	\$ Tln	% GDP	\$ Tln	% GDP	\$ Tln	% GDP
U.S.***	\$6.21	29.0%	\$4.19	19.6%	\$10.40	48.5%
Eurozone	\$2.38	17.9%	\$4.27	32.0%	\$6.65	49.9%
Japan**	\$1.03	20.0%	\$2.79	54.1%	\$3.82	74.1%
U.K.	\$0.57	20.7%	\$0.59	21.6%	\$1.16	42.3%
China****	\$1.43	10.0%	\$1.22	8.4%	\$2.64	18.4%
Others*	\$0.94		\$2.85		\$3.79	
Global	\$12.56	14.5%	\$15.91	18.4%	\$28.47	32.9%

*incl RoW and ADB, IMF, WB ****China CB stimulus incl liq injections and other activities, e.g. re-lending, RRR, direct small biz lending, etc

Source: Cornerstone Macro



US Fiscal Deficit Widest Since WW2

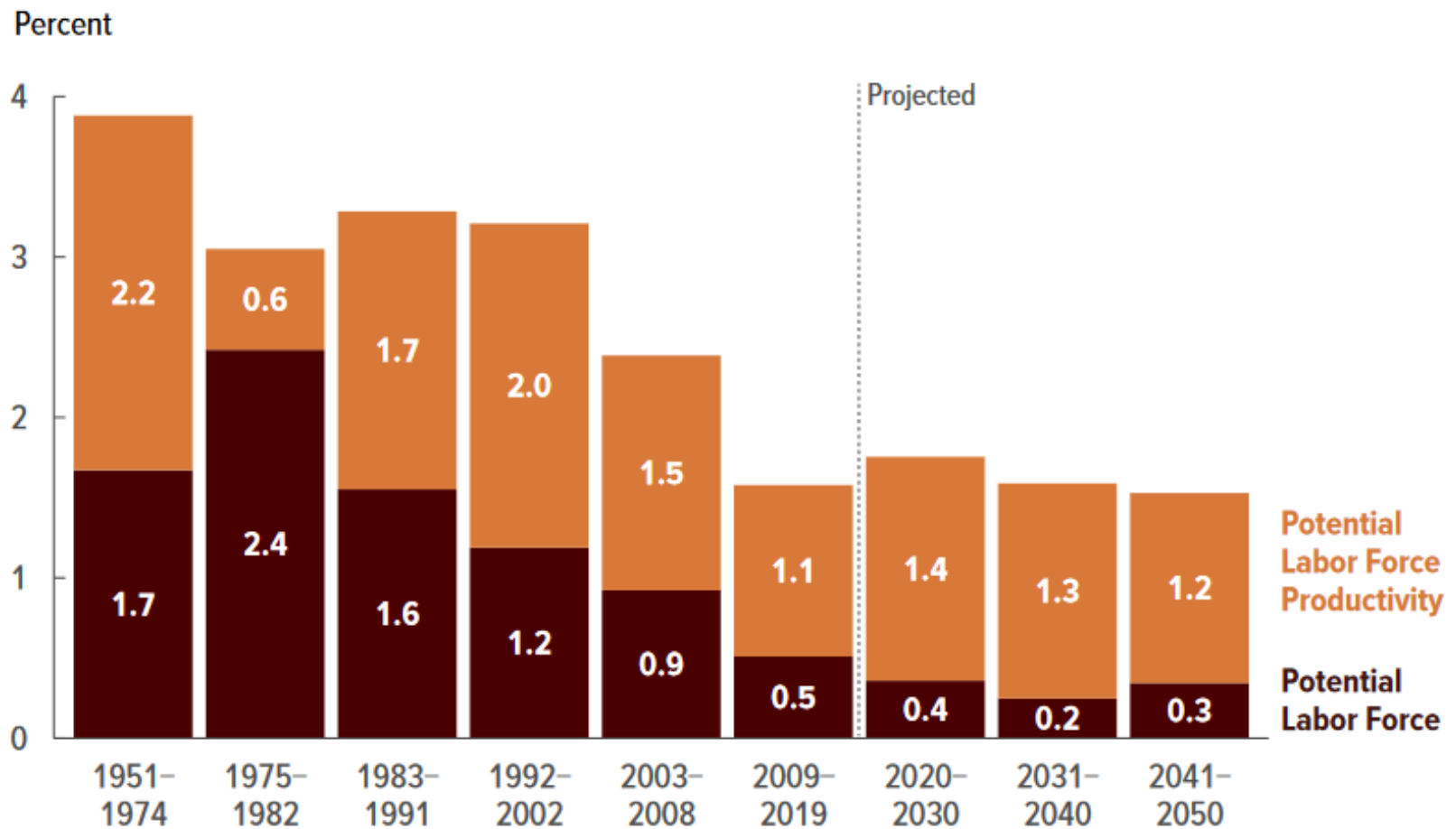


Source: Congressional Budget Office, Bureau of Economic Analysis, and *Historical Statistics of the United States*



Falling Expected Growth

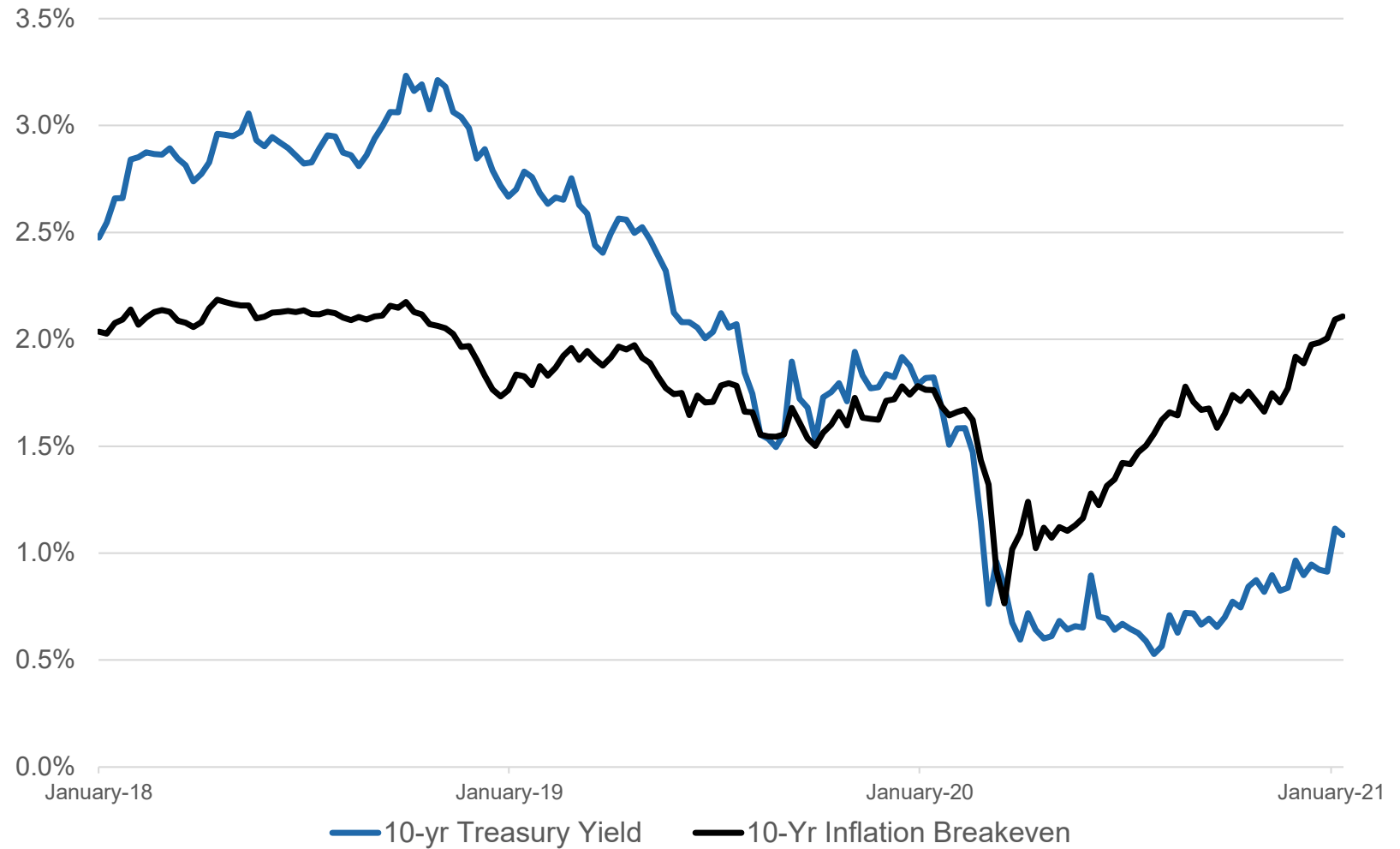
Average Annual Growth of Real Potential GDP



Source: Congressional Budget Office



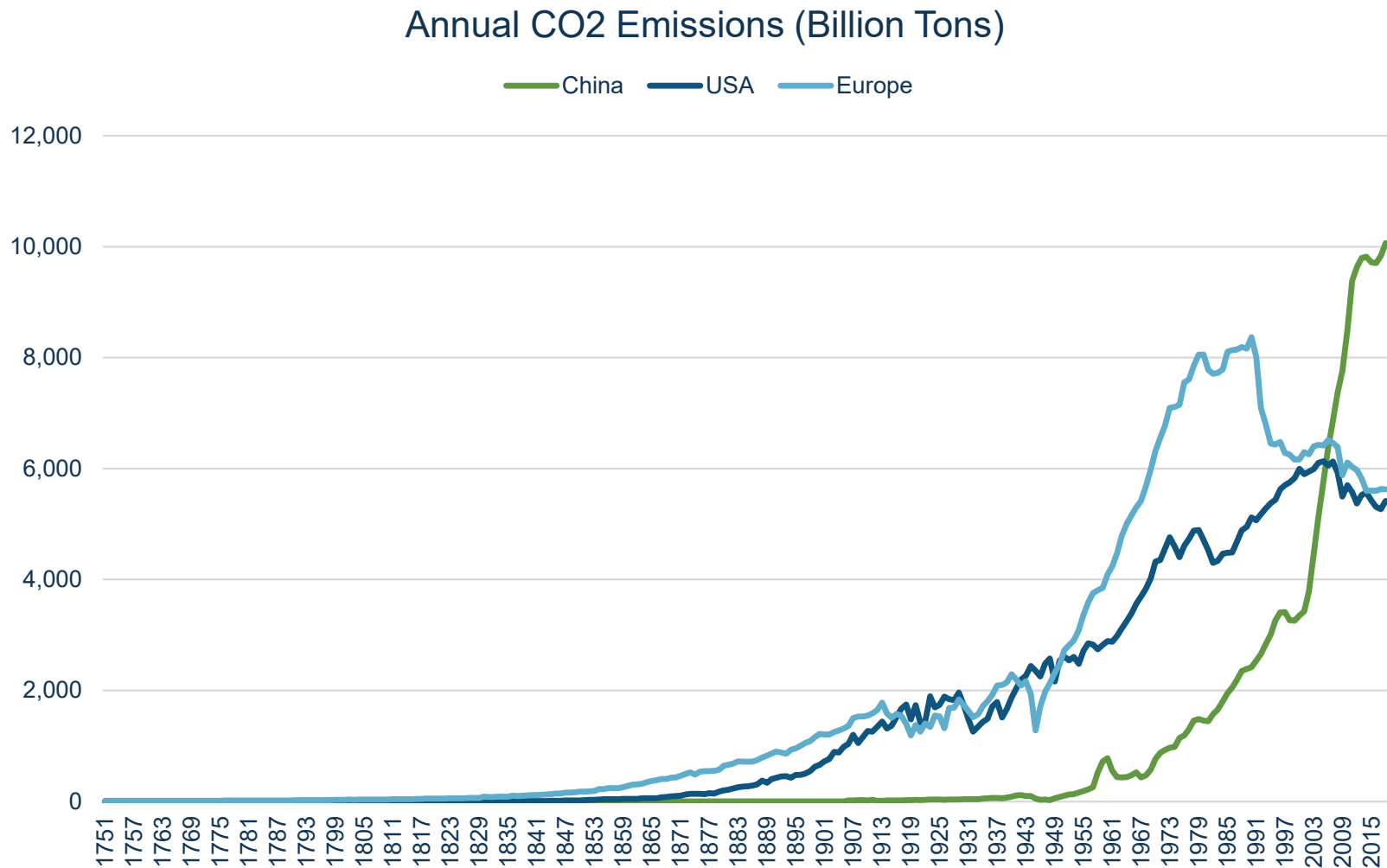
10 Year Treasury vs. 10-Year Inflation BE



Source: U.S. Treasury



Largest CO2 Emitters by Region



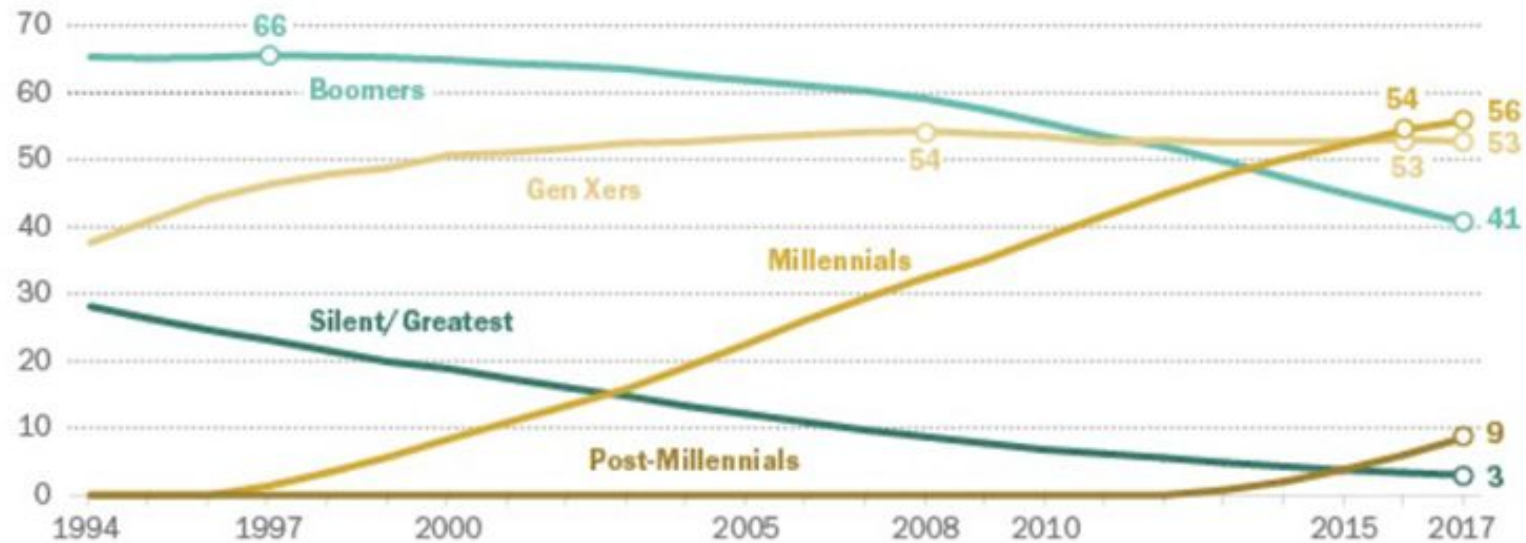
Source: Our World in Data



Millennials Largest Generation in Labor Force

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions



Note: Labor force includes those ages 16 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2017 Current Population Survey (IPUMS).

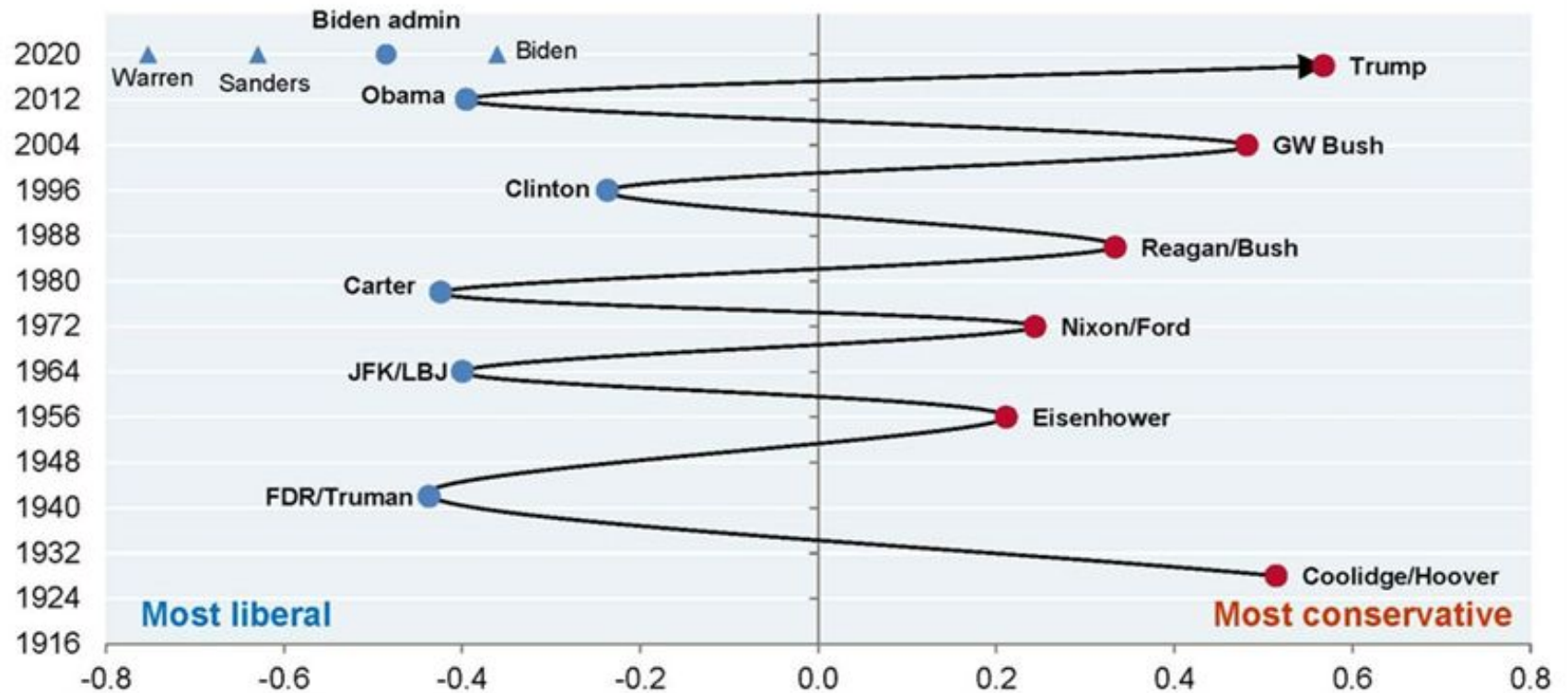
PEW RESEARCH CENTER

Source: Pew Research

Polarization of US Politics

Political ideology of US Presidents and their administrations

UCLA Voteview Liberal-Conservative scores, derived from Congressional voting histories

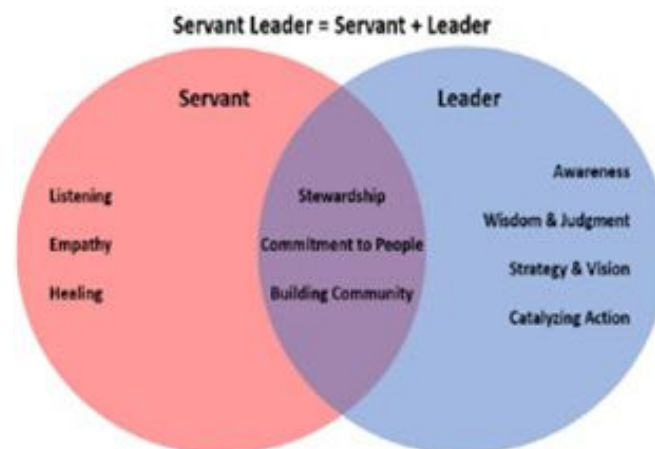




UTIMCO 2021 Theme & Priorities

2021 Theme: **Servant Leadership**

- Focus on Communication
- Streamline Decision Making
- Innovate in All Areas








2021 Priorities	Key Metric
Performance	Outperform Benchmarks
People	“A-Players”
Investment	Strategic Asset Allocation, Internal Risk Committee, Barra
Operations	Excellence in Processes
Technology	Cyber Security, New Technology Implementation



UTIMCO Organizational Resilience: Five Pillars

UTIMCO Resilience

Clear Purpose	Defined Culture	Great People	Communication	Lean into Change
	 <p>“RIGHT” Servant Leadership</p>			
<ul style="list-style-type: none"> • Two Leading University Systems • Top Cancer Facility • Eradicate Poverty • Enhance Society • Cure and Care for Patients 	<ul style="list-style-type: none"> • Fully Engaged • RIGHT Values • Code of Conduct • Servant Leadership • “How Can I Help You” 	<ul style="list-style-type: none"> • A Players • Career Paths • Strategic Plan • Feedback Systems • Meaningful Relationships 	<ul style="list-style-type: none"> • Transparent & Open • “Speak the Truth with Love” • Active Listening • Empathy • Clarity 	<ul style="list-style-type: none"> • Growth Mindset • Open to Change • Flexible Thinking • Innovation • 20% Annual Productivity Improvement



Summary

1) AUM \$57 billion

- +\$7 billion in last year and +\$40 billion since 2009
- Steady growth last 5 and 10 years

2) Above target value-add

- +4.1% 1-year value-add in endowments (vs. target of 1.0%)
- \$1.5 billion in 1-year endowment dollar value-add

3) Sound risk management

- Modernization of internal risk systems
- Launch of internal risk committee

4) Challenging environment ahead

- Questions around forward returns
- Execution will continue to be essential

5) UTIMCO Remains Resilient

Appendix





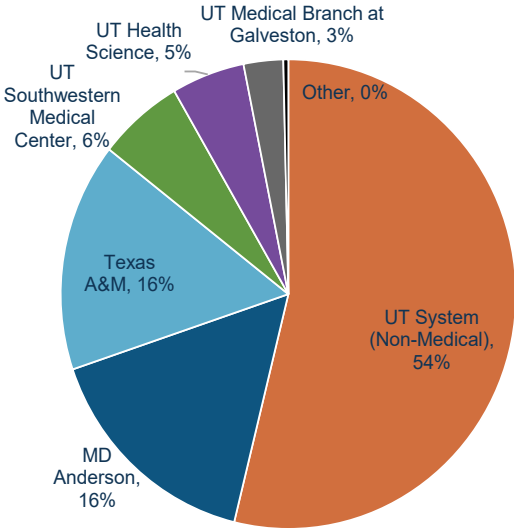
Economic Forecasts

Estimates as of 1/8/21

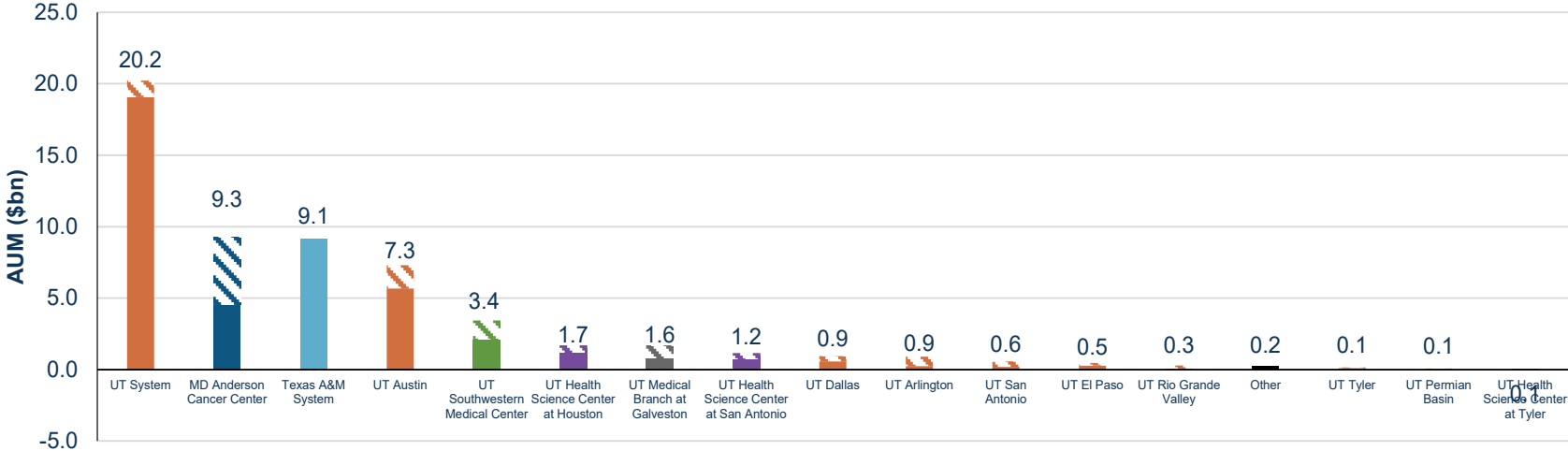
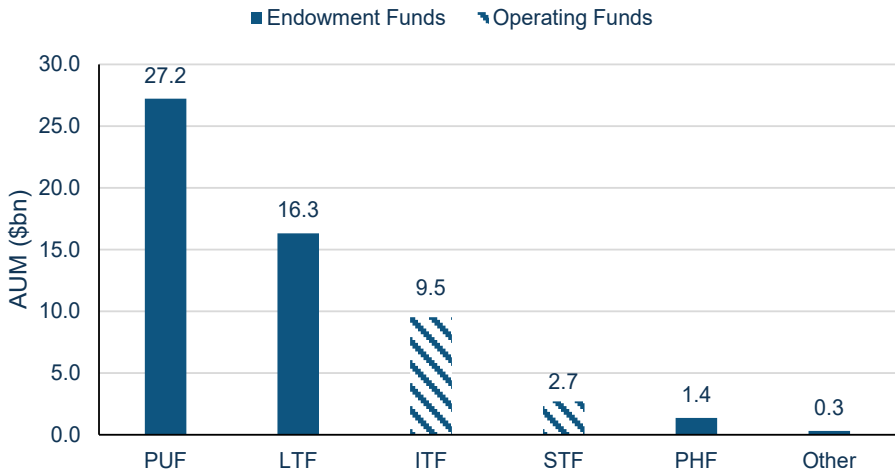
	Quarterly GDP			GDP			S&P 500 EPS			Unemployment			Core PCE		
	Q4	Q1	Q2	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
AGMR	3.3%	4.8%	11.7%	-1.7%	7.1%		\$125	\$177		6.3%	3.9%		1.8%	2.0%	
Barclays	3.3%	2.5%	11.0%	-3.4%	6.3%	3.9%	\$142	\$173		6.7%	4.5%	4.0%	1.4%	1.5%	1.8%
BofA	5.0%	1.0%	7.0%	-3.5%	4.6%	3.0%	\$138	\$165		6.8%	5.3%	4.5%	1.4%	1.6%	1.8%
Citi	6.3%	5.3%	5.1%	-3.4%	5.1%		\$137	\$167		6.8%	5.5%		1.4%	1.9%	
Credit Suisse	2.3%	2.9%	5.8%	-3.6%	4.8%		\$140	\$175	\$200	6.9%	5.5%		1.4%	1.6%	
Goldman	5.0%	5.0%	9.0%	-3.5%	6.4%	4.0%	\$136	\$175	\$195	6.7%	4.8%	4.3%	1.4%	1.8%	1.8%
ISI	8.0%	5.0%	10.0%	-2.5%	6.2%		\$141	\$177							
JP Morgan	5.0%	0.5%	5.0%	-3.4%	4.2%	3.3%	\$136	\$178	\$200	6.8%	5.5%		1.4%	1.6%	
Morgan Stanley	5.0%	4.5%	8.6%	-2.3%	6.0%	2.7%	\$138	\$175	\$193	6.7%	5.1%	4.0%	1.6%	1.9%	2.2%
UBS	4.5%	3.5%	7.1%	-2.3%	4.6%	3.8%	\$139	\$176	\$205	6.8%	4.1%	3.9%	1.3%	1.5%	1.8%
Median	5.0%	4.0%	7.9%	-3.4%	5.6%	3.6%	\$138	\$175	\$200	6.8%	5.1%	4.0%	1.4%	1.6%	1.8%
Average	4.8%	3.5%	8.0%	-3.0%	5.5%	3.5%	\$137	\$174	\$199	6.7%	4.9%	4.1%	1.5%	1.7%	1.9%
FOMC				-2.4%	4.2%	3.2%				6.7%	5.0%	4.2%	1.4%	1.8%	1.9%



AUM By Institution

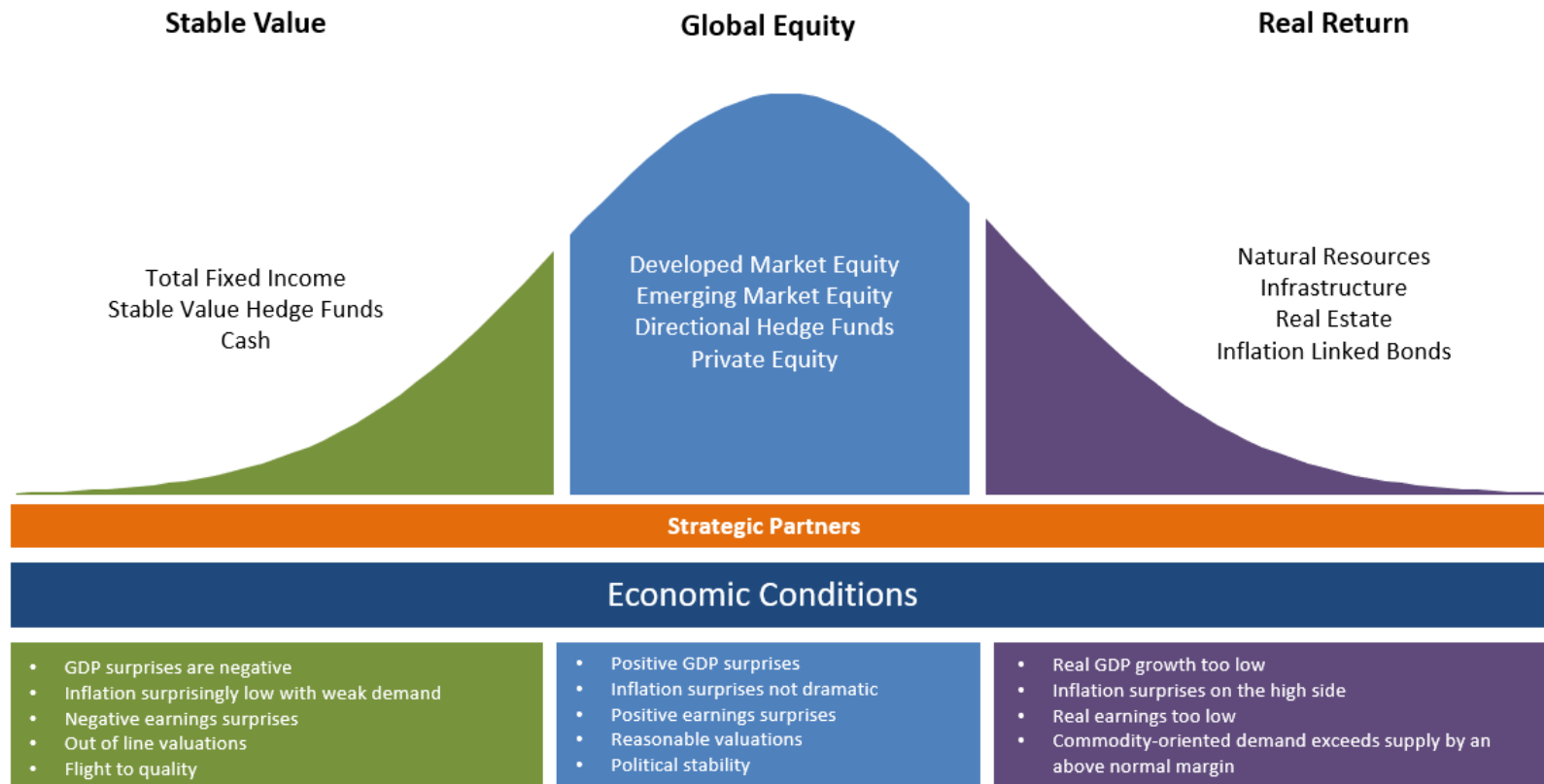


AUM by Fund





UTIMCO Diversification Framework





ITF Return and Alpha Detail

As of December 31, 2020

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Public Equity	Public Equity	24.3%	7.6%	12.9%	3.8%	1,224	12.8%	(0.2%)
	Directional Hedge Funds	11.9%	1.5%	8.0%	3.4%	4,146	43.5%	0.5%
	Total Global Equity	14.2%	3.1%	9.0%	3.1%	5,370	56.3%	0.3%
Stable Value	Investment Grade Fixed Income	8.6%	3.0%	5.1%	0.6%	3,245	34.0%	(1.0%)
	Cash	0.5%	(0.1%)	1.6%	(0.0%)	231	2.4%	0.4%
	Stable Value Hedge Funds	10.3%	6.1%	7.1%	4.0%	670	7.0%	0.0%
	Total Stable Value	7.8%	2.9%	4.8%	1.0%	4,147	43.5%	(0.5%)
Real Return	Real Estate - Public	(15.1%)	(6.0%)	1.2%	(0.4%)	9	0.1%	0.1%
	Total Real Return	8.7%	-4.2%	7.0%	0.2%	9	0.1%	0.1%
TAA	TAA	0.1%	(0.0%)	0.0%	(0.0%)	13	0.1%	0.1%
Total Fund	ITF Total	11.6%	3.1%	7.3%	2.1%	9,538	100.0%	0.0%



UTIMCO's 2021 Top Priorities

Performance

- Outperform agreed performance benchmarks
- Honor our purpose and responsibilities to others
- Respond to emerging market conditions professionally
- Enhance and utilize our analytical and reporting capabilities
- Support our people, deepen our culture and collaborate proactively

People

- Servant Leadership:
 - How can I help you?
 - Customer + Empathy + Development + Agreement = Empowerment
- Target Investment Organization: Distinctives, Development, Coaching/Feedback, Accountability
- Compensation Study and Career Path resolution (OAR/IT)
- Diversity and Inclusion review and initiatives



UTIMCO's 2021 Top Priorities

Investment Team

- Strategic Asset Allocation
- Seamless and effective Investment Risk Committee (Fund level optimization and related issues)
- Barra Risk Analytics installation: Comprehensive use including Risk Metrics and eFront
- Expand Beta oriented investment capability, toolkit (ETF's) and technology
- Assess Risk Budgeting framework
- Well developed Co-Investment capability

Operations Team

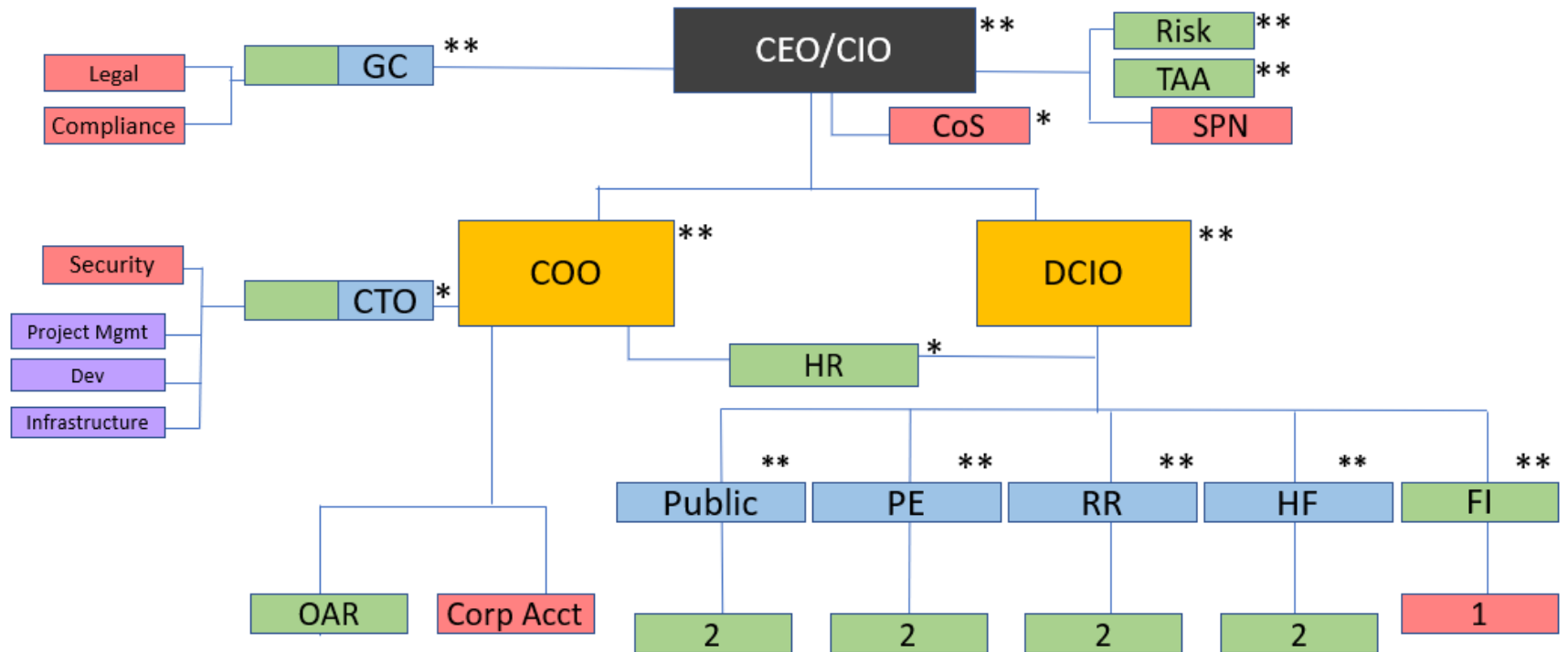
- Professionally complete all required reporting and all client requests
- Streamline and refine manual processes and modernize the legacy systems
- Proactive care for UTIMCO institutions

Information Services & Security Team

- Deliver new virtual desktop throughout UTIMCO
- Customer project reviews and prioritization
- Co-lead Barra Risk Analytics implementation project
- Complete Cyber Security E&Y agreed recommendations
- Prioritize software delivery



Target Organization



	Color 1:	CEO/CIO
	Color 2:	COO, DCIO
SMD	Color 3:	GC, CTO, HF, PE, Public, RR
MD	Color 4:	FI, Risk, TAA, Perf Acct, HF 2, PE 2, Public 2, RR 2, Inv Compliance
SD	Color 5:	SPN, Corp Acct, Corp Legal, Compliance, Security, FI, CoS
D	Color 6:	Project Management, Development, Infrastructure

* Denotes Leadership Team
 ** Denotes Leadership Team & Investment Committee



Organizational Principles: UTIMCO Culture

Our Values are RIGHT

Responsible and Accountable
Integrity
Great Alignment
High Performance
Transparent and Open

Our Vision is to have an IMPACT

Three Key Purposes

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

Our Mission is to be GREAT

Grow Endowment for
Research
Education
Advancements in society
Treatment of Patients

Code of Conduct

- Be early
- Listen carefully to understand; not to respond
- Arrive prepared and participate
- Communicate respectfully
- Let others finish their thoughts before responding
- Ideas from all levels welcomed and respected
- Be willing to offer ideas, but remain open to the outcome
- Be fully engaged in meetings (avoid mobile device distractions)
- Behave consistent with our cultural values at all times
- Be curious not defensive
- Speak the truth with love

Personal Effectiveness Pyramid



Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

- Agenda Item:** Strategic Asset Allocation Update
- Developed By:** Team
- Presented By:** Harris, Hall, Yoeli, Standley
- Type of Item:** Information item
- Description:** The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the UT System Board of Regents or its staff designees may request. UTIMCO began the 2021 review of the Strategic Asset Allocation at the December 10, 2020 UTIMCO Board meeting, discussing key themes emerging in the new economic paradigm and focusing on the process and approach UTIMCO is taking to revise its Strategic Asset Allocation. This presentation provides an interim update on the progress of the review and shares preliminary results of the analysis conducted. A final recommendation is expected to be delivered at the June Board meeting.
- Discussion:** Mr. Harris will introduce the update of the Strategic Asset Allocation. Mr. Hall, Dr. Yoeli and Mr. Standley will present an interim update on the progress of the Strategic Asset Allocation project.
- Recommendation:** None
- Reference:** *Strategic Asset Allocation Update* presentation



Strategic Asset Allocation Update

Richard Hall, Deputy CIO
Uzi Yoeli, Managing Director, Risk
Ken Standley, Senior Director, Strategic Partnerships

March 4, 2021



Contents

- Executive Summary
- Part 1: 2018 Strategic Asset Allocation Recap & Progress
- Part 2: Market and Economic Environment Changes
- Part 3: 2021 Strategic Asset Allocation Project Update
- Part 4: Next Steps
- Appendices:
 - Appendix 1: Capital Market Assumptions
 - Appendix 2: Partner Portfolio Recommendations
 - Appendix 3: Four Corner Portfolio Details
 - Appendix 4: UTIMCO Alpha Engine
 - Appendix 5: Peer Asset Allocations
 - Appendix 6: Corporate Pension Asset Allocations
 - Appendix 7: UTIMCO Portfolio Manager Responses

Executive Summary





Executive Summary

- Accelerated review of Long-term Strategic Asset Allocation by several years due to significant shifts in economic and financial conditions that have lowered expected returns
- Likely that we are at the end of one regime or the beginning of the next, regime transitions lead to challenging investment conditions.
- Process engages external Partners and internal teams to develop new SAA
 - External: JP Morgan, BlackRock, PIMCO, Bridgewater
- 6 portfolios developed:
 - External Core – baseline optimized portfolio given current market conditions & expected returns
 - External “4 future states” – assume perfect knowledge that the market moves to one of four future states of rising / falling / growth / inflation
 - UTIMCO Resilient – developed using enhanced optimization process
- Process Status:
 - No formal recommendation presented today
 - Internal and external inputs gathered and aggregated
- Next Steps
 - Complete analysis and provide final recommendation by June



Executive Summary

Asset Class	Current SAA		Preliminary Conclusions			Diff vs FY21		
	FYE2021	Long-Term	Core External	4 Corner	UTIMCO	Core External	4 Corner	UTIMCO
US Public Equity	14.8%	16.4%	12.2%	13.1%	10.5%	-2.6%	-1.7%	-4.3%
Value	-	-	-	-	4.0%	-	-	4.0%
Momentum	-	-	-	-	4.0%	-	-	4.0%
Non-US Public Equity	8.2%	8.6%	7.8%	15.8%	4.5%	-0.4%	7.7%	-3.7%
Total EM Public Equity	8.1%	8.0%	6.6%	9.3%	4.0%	-1.5%	1.2%	-4.1%
Directional Hedge Funds	9.2%	5.0%	6.6%	2.7%	7.0%	-2.7%	-6.5%	-2.2%
Total Private Equity	22.8%	25.0%	19.0%	15.2%	21.5%	-3.8%	-7.6%	-1.3%
Private Credit	-	-	5.7%	3.5%	1.0%	5.7%	3.5%	1.0%
Total Global Equity	63.1%	63.0%	57.9%	59.5%	56.5%	-5.2%	-3.6%	-6.6%
Global Aggregate Bonds	7.4%	7.0%	2.0%	2.0%	-	-5.4%	-5.4%	-7.4%
Long US Treasuries	-	-	4.3%	4.3%	8.0%	4.3%	4.3%	8.0%
Chinese Nominals	-	-	-	1.3%	-	-	1.3%	-
Australian Nominals	-	-	-	0.6%	-	-	0.6%	-
US High Yield	-	-	-	-	2.5%	-	-	2.5%
Cash	1.0%	1.0%	1.5%	0.4%	1.0%	0.5%	-0.6%	-
Stable CF Equities (Hedged)	-	-	2.5%	-	-	2.5%	-	-
Chinese Balanced Asset Mix	-	-	2.5%	-	-	2.5%	-	-
Stable Value Hedge Funds	9.5%	10.0%	11.8%	9.9%	7.0%	2.3%	0.4%	-2.5%
Total Stable Value	17.9%	18.0%	24.5%	18.6%	18.5%	6.7%	0.7%	0.6%
Private Real Estate	7.9%	10.0%	8.0%	6.2%	9.0%	0.1%	-1.7%	1.1%
Public Real Estate	-	-	-	-	4.0%	-	-	4.0%
Natural Resources	6.1%	3.0%	3.2%	1.5%	7.5%	-2.9%	-4.6%	1.4%
Infrastructure	3.3%	6.0%	3.6%	2.2%	4.5%	0.3%	-1.1%	1.2%
Commodities	-	-	-	2.9%	-	-	2.9%	-
Gold	-	-	2.5%	2.3%	-	2.5%	2.3%	-
TIPS	1.7%	-	0.3%	4.1%	-	-1.4%	2.4%	-1.7%
Non-US IL's	-	-	-	2.8%	-	-	2.8%	-
Total Real Return	19.0%	19.0%	17.5%	21.9%	25.0%	-1.5%	2.9%	6.0%
<i>Total Privates</i>	<i>40.1%</i>	<i>44.0%</i>	<i>39.5%</i>	<i>28.5%</i>	<i>43.5%</i>	<i>-0.6%</i>	<i>-11.6%</i>	<i>3.4%</i>
<i>Total Alternatives</i>	<i>58.8%</i>	<i>59.0%</i>	<i>62.8%</i>	<i>41.1%</i>	<i>57.5%</i>	<i>4.0%</i>	<i>-17.7%</i>	<i>-1.3%</i>
Expected Returns	5.9%	6.1%	6.5%	5.5%	6.2%	0.5%	-0.4%	0.2%
Expected Volatility	11.9%	12.8%	12.3%	10.9%	11.8%	0.4%	-1.0%	-0.1%
Expected Sharpe Ratio	0.43	0.41	0.45	0.43	0.45	0.02	0.00	0.02

Reduce Private Equity, Increase Private Credit

Reduce Global Agg, Add Long Treasuries

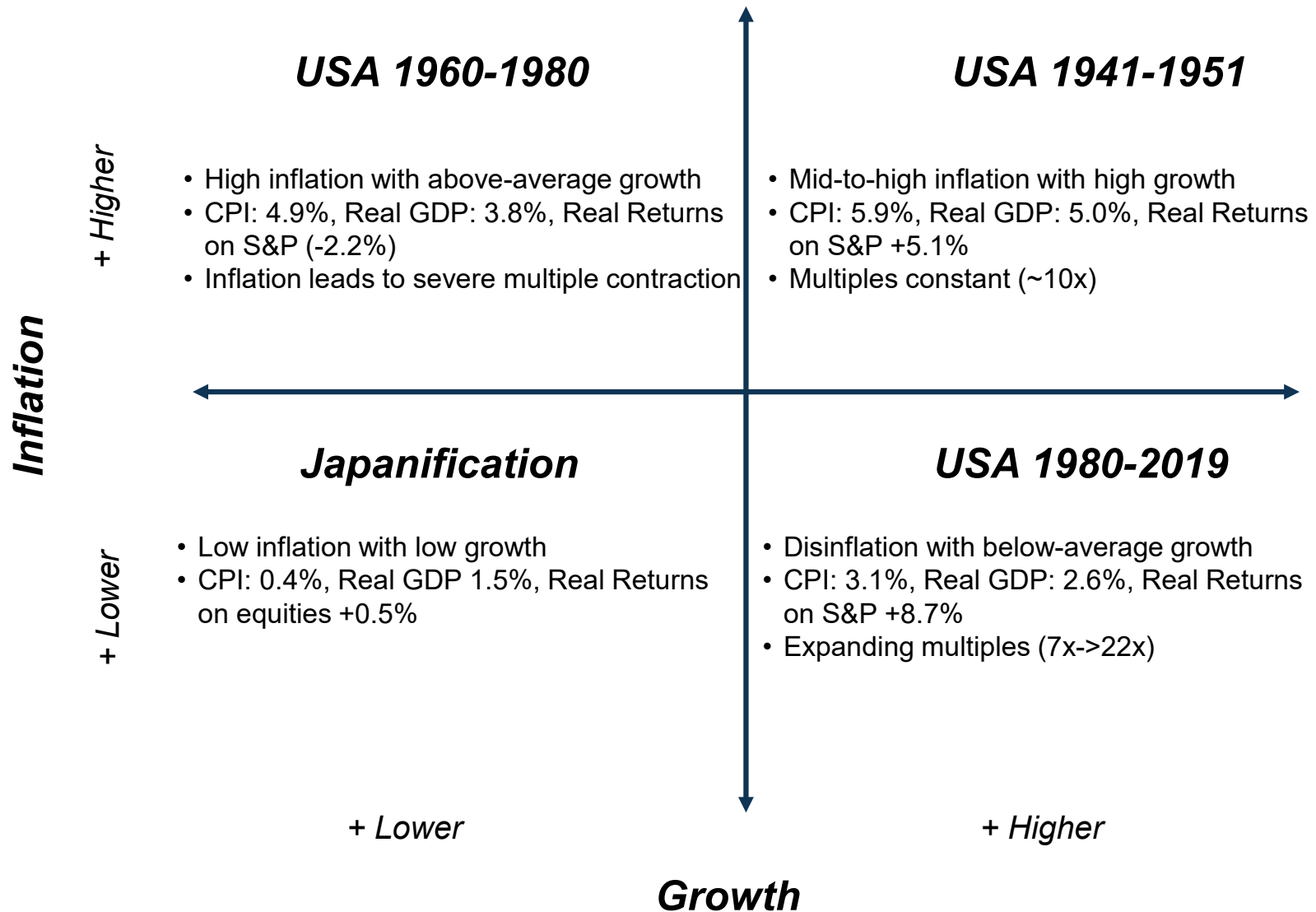
Increase Exposure to Non-Global Equity Regimes

Note: Orange items reflect asset classes not currently in policy. Strategic Partnerships and Global Developed Public Equity Asset Classes are not reflected here. Rather, once the optimal exposures are decided, a portion of the U.S. and Non-U.S. allocation will be allocated to Global Developed Public Equity, and a portion of the U.S., Non-U.S., Emerging, and Fixed Income will be allocated to Strategic Partnerships.



Executive Summary

With 4 different scenarios that could play out



Part 1: 2018 Strategic Asset Allocation Recap & Progress





2018 Assumptions vs. Actual Performance

Market performance has generally exceeded 2018 Assumptions

Asset Class	2018 Exp Return	Actual Return ¹	Difference
US Public Equity	6.3	14.4	8.1
Non US Developed Public Equity	6.4	6.5	0.1
Emerging Markets Public Equity	8.0	11.5	3.6
Directional Hedge Funds	4.2	5.3	1.1
Private Equity	8.6	13.8	5.2
Total Fixed Income	2.6	6.5	3.8
Cash	1.6	1.6	0.0
Stable Value Hedge Funds	3.2	3.3	0.1
Private Real Estate	6.5	3.3	(3.2)
Natural Resources	8.6	(-12.5)	(21.1)
Infrastructure	8.6	7.7	(0.9)
TIPS	2.6	8.1	5.4
Total Commodities	4.1	(-1.6)	(5.7)
Endowment Return	7.5	10.7	3.2
Endowment Volatility	15.8	8.7	-7.1
Endowment Sharpe	0.4	1.0	0.7
ITF Return	5.3	9.2	3.9
ITF Volatility	6.8	8.4	1.6
ITF Sharpe	0.5	2.6	2.1

1- Annualized returns through 12/31/20 from inception of current SAA targets (9/1/2018)



2018 Long-term SAA and Transition Plan

Asset Class	FY2018 (Actual)	FY 2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	SAA with SPN	SAA
US Public Equity	7.1%	7.0%	6.8%	7.0%	7.0%	7.4%	7.6%	8.1%	8.0%	8.0%	10.0%
Non US Developed Public Equity	4.4%	4.0%	4.1%	3.8%	3.8%	3.8%	4.0%	4.0%	4.0%	4.0%	5.0%
Global Developed Public Equity	7.1%	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Developed Public Equity	18.6%	19.0%	20.9%	20.8%	20.8%	21.2%	21.6%	22.1%	22.0%	22.0%	25.0%
Emerging Markets Public Equity	11.3%	10.0%	8.5%	7.2%	7.2%	7.1%	7.1%	7.1%	7.0%	7.0%	8.0%
Total Public Equities	29.9%	29.0%	29.4%	28.0%	28.0%	28.3%	28.7%	29.2%	29.0%	29.0%	33.0%
Directional Hedge Funds	14.0%	12.0%	11.2%	9.2%	6.8%	5.9%	5.4%	5.0%	5.0%	5.0%	5.0%
Private Equity	17.3%	22.0%	20.8%	22.8%	24.2%	24.8%	24.9%	24.8%	25.0%	25.0%	25.0%
Total Global Equity	61.2%	63.0%	61.4%	60.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	63.0%
Total Fixed Income	9.6%	9.5%	6.6%	6.7%	6.5%	6.0%	6.0%	6.0%	6.0%	6.0%	7.0%
Cash	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Stable Value Hedge Funds	4.5%	7.0%	10.0%	9.5%	9.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Stable Value	14.4%	17.5%	17.6%	17.2%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	18.0%
Private Real Estate	7.4%	8.0%	8.2%	7.9%	9.0%	9.5%	9.6%	9.9%	10.0%	10.0%	10.0%
Natural Resources	11.8%	8.0%	6.6%	6.1%	5.8%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%
Infrastructure	0.0%	2.0%	2.9%	3.3%	3.6%	3.8%	3.8%	4.0%	4.0%	4.0%	4.0%
TIPS	0.0%	0.0%	1.3%	1.7%	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Commodities	5.1%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Real Return	24.4%	19.5%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Strategic Partnerships	0.0%	0.0%	2.0%	3.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%



Current Policy: FY2021 Endowments

Asset Class	Current Target (%)	Current Allocation (%)	Current Allocation (\$Bn)	Over / (Under)
US Public Equity	8.2%	9.6%	\$4.3	+1.4%
Non-US Developed Public Equity	4.7%	3.9%	\$1.8	(-0.8%)
Global Developed Equity	10.0%	11.1%	\$5.0	+1.1%
Total Developed Public Equity	23.0%	24.6%	\$11.1	+1.7%
Emerging Markets Public Equity	8.1%	9.0%	\$4.1	+0.9%
Total Public Equity	31.0%	33.6%	\$15.1	+2.6%
Directional Hedge	10.5%	9.2%	\$4.1	(-1.4%)
Total Private Equity	22.0%	21.3%	\$9.6	(-0.7%)
Total Global Equity	63.6%	64.1%	\$28.8	+0.5%
Total Fixed Income	7.2%	7.9%	\$3.6	+0.8%
Cash	1.0%	2.1%	\$1.0	+1.1%
Stable Value Hedge	9.8%	8.3%	\$3.7	(-1.6%)
Total Stable Value	18.0%	18.1%	\$8.1	+0.1%
Private Real Estate	5.9%	5.8%	\$2.6	(-0.1%)
Natural Resources	5.7%	5.4%	\$2.4	(-0.3%)
Infrastructure	2.8%	2.3%	\$1.1	(-0.5%)
TIPS	1.4%	1.4%	\$0.6	(-0.1%)
Total Commodities	0.0%	0.0%	-	+0.0%
Total Real Return	15.8%	14.8%	\$6.7	(-1.0%)
Strategic Partnerships	2.6%	2.9%	\$1.3	+0.3%
Total PUF and GEF (net)	100.0%	100.0%	\$45.0	+0.0%

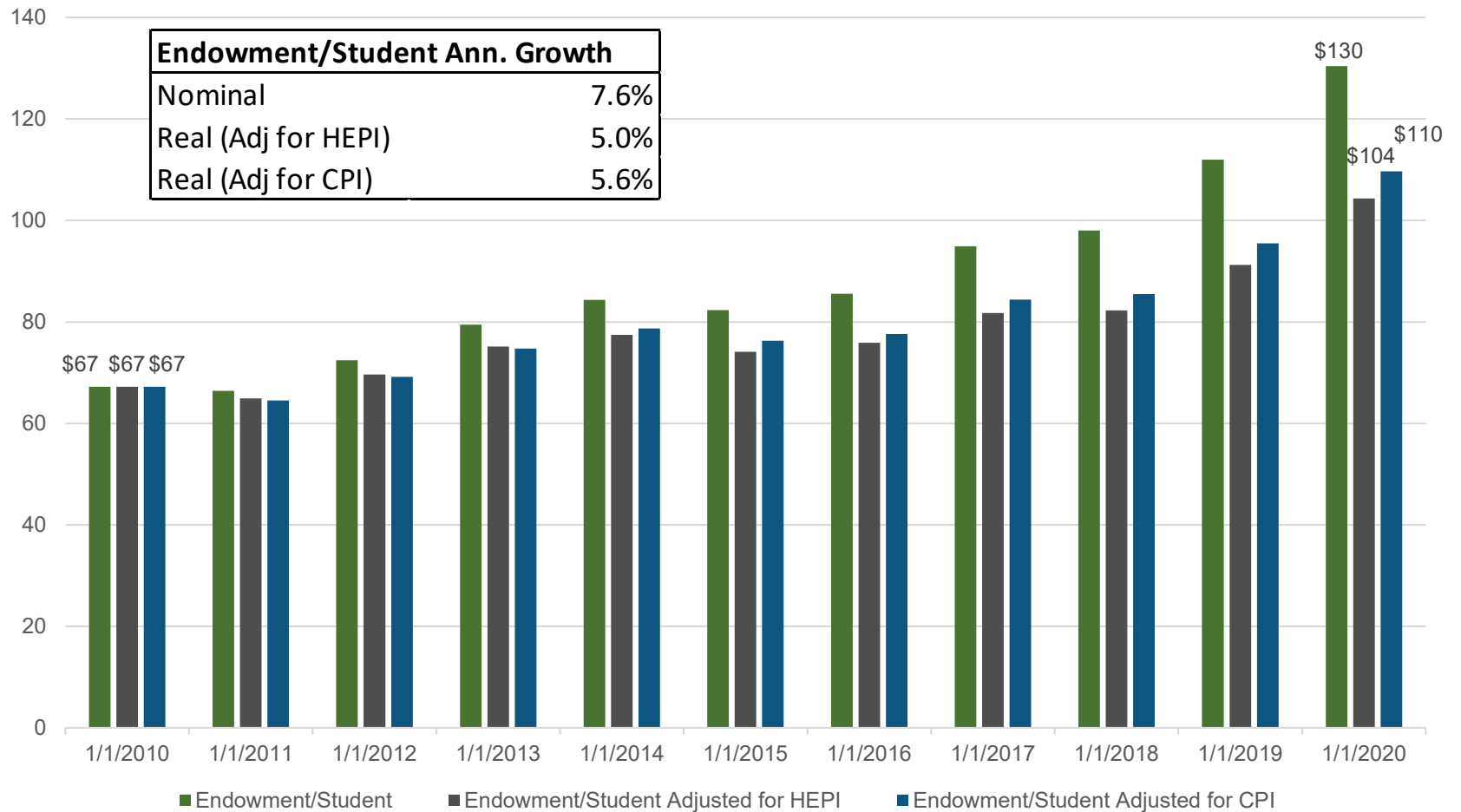
Policy/Target Return/Risks

Expected 10-year Annual Real Return	4.33%
One Year Downside Volatility	10.94%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%



Estimated Endowment/Student Growth Over Time

Growth in Endowment Per Student (\$'s thousands)



Endowment/Student Ann. Growth	
Nominal	7.6%
Real (Adj for HEPI)	5.0%
Real (Adj for CPI)	5.6%

Note: HEPI refers to the Commonfund Higher Education Price Index

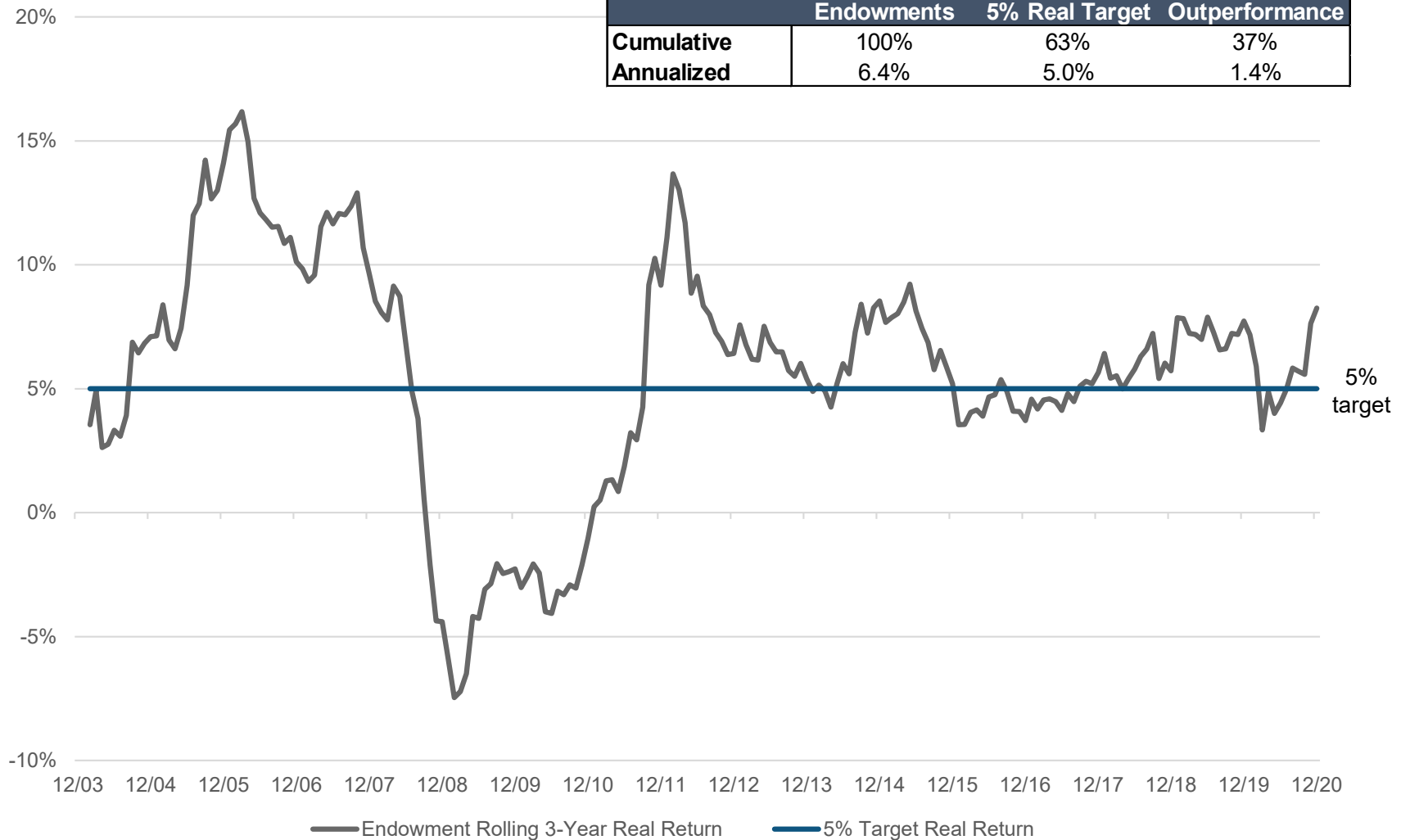


Endowment Real Returns vs. 5% Real Target

As of December 31, 2020

10-Year Real Returns as of 12/31/20

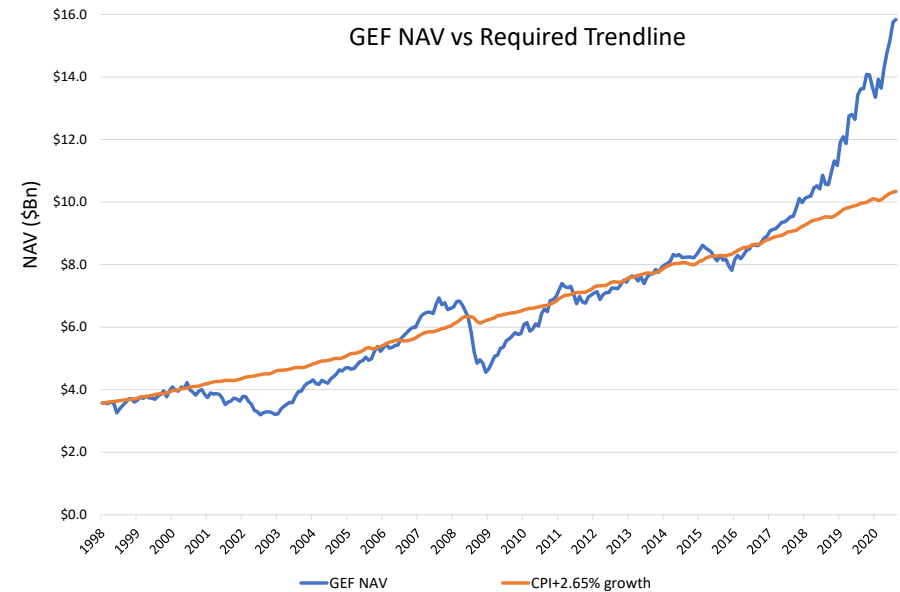
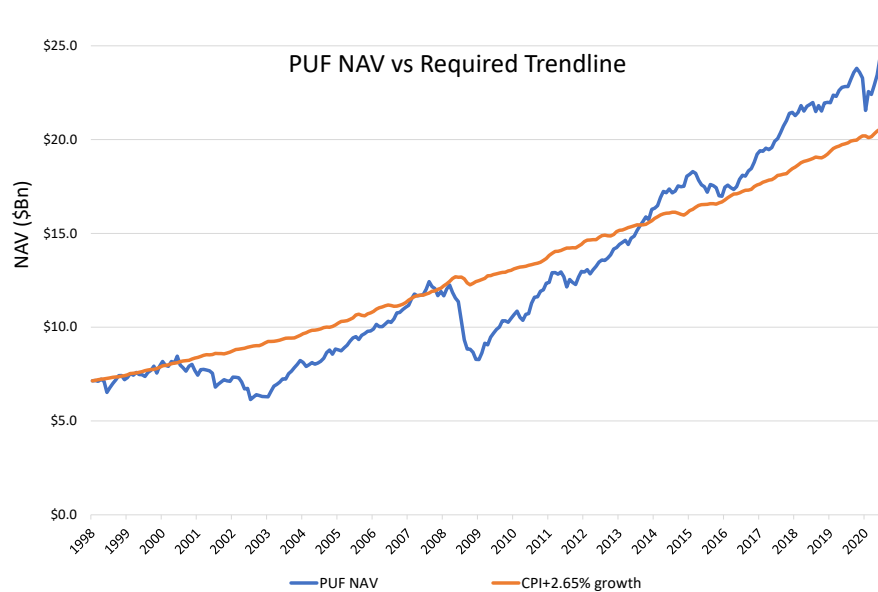
	Endowments	5% Real Target	Outperformance
Cumulative	100%	63%	37%
Annualized	6.4%	5.0%	1.4%



Note: Real returns are 3-year rolling endowment return less 3-year rolling CPI. 5% real target assumes 2% inflation.



Margin of Safety



- An 11-year bull market, record revenues from University Lands, and the ITF to LTF transfer program have created a record-high margin of safety of NAV in both funds
- Using reasonable assumptions, **both funds could continue growing distributions by CPI+2.65% (the current PUF distribution policy) through 2030**, thus supporting the growing needs of UT and A&M
- Assumptions:
 - Investment returns, excluding alpha, will be CPI+2.0% vs the current expected returns of CPI+4.33%
 - University Lands PUF revenues will be \$750mm - \$800mm in the next three years, and then decline ~5% each year down to ~\$500mm in 2030

Part 2: Market and Economic Environment Changes





End of an Era?

We have arrived at a crossroads where there is high uncertainty about the future

- Unprecedented easy monetary policy globally has left little ability to counter future recessions
- High fiscal spending has left governments with historically high levels of debt
- Growth in the U.S. and developed markets has been anemic, driven by:
 - Slowing productivity improvements
 - Aging demographics and slowing population growth
- Competition for the U.S. and its companies is increasing
- Forward looking investment returns have declined
- There are four paths forward
 - Great Moderation - slow and steady growth with moderate or falling inflation
 - Post Great Depression – high growth and rising inflation
 - Japanification – falling growth and falling inflation
 - Stagflation – falling growth and rising inflation

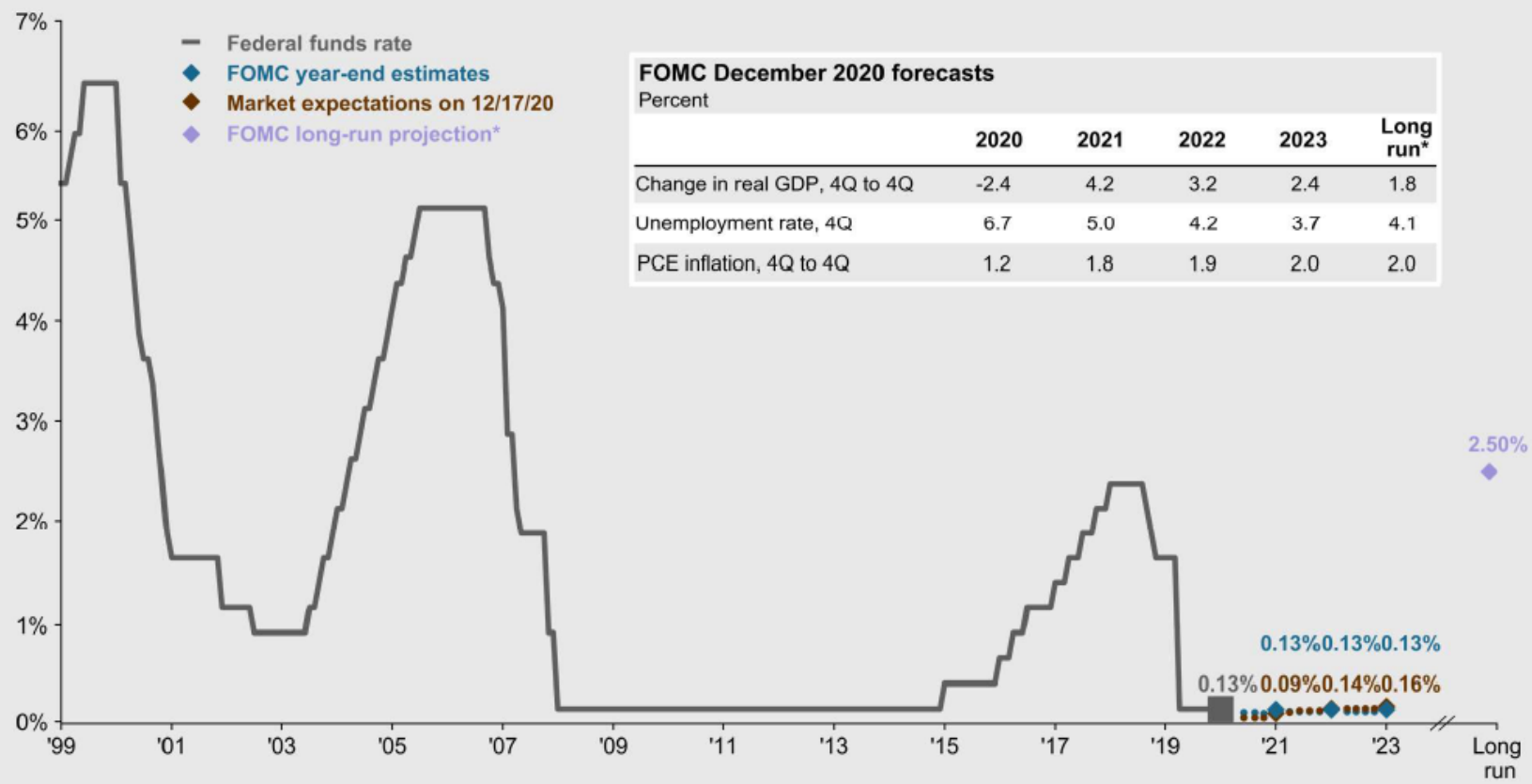


Monetary Policy

Fed Funds Rate near 0% and expected to remain low

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

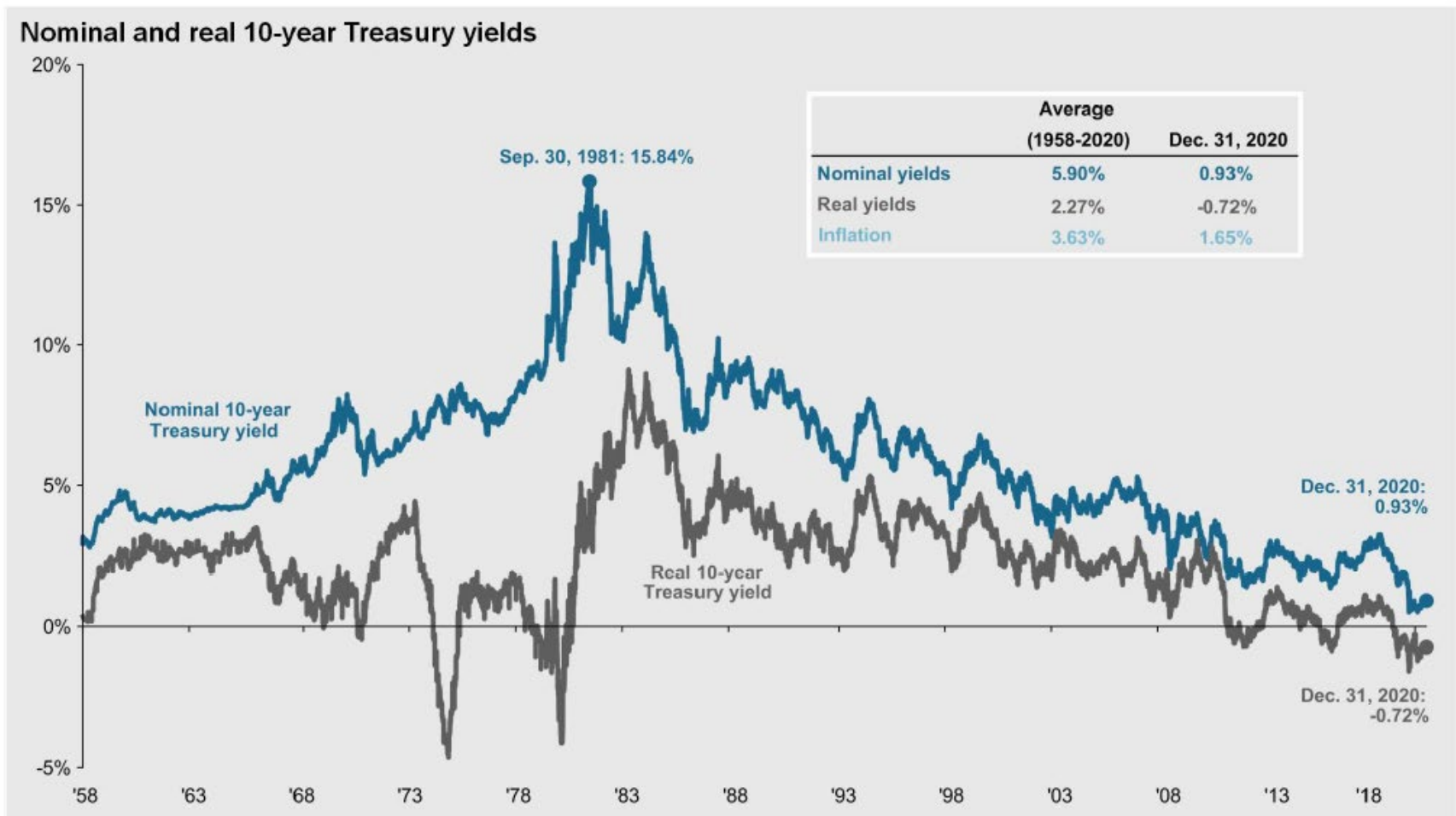


Source: JP Morgan



Monetary Policy

10-year Treasury at 60-year lows with negative real yield

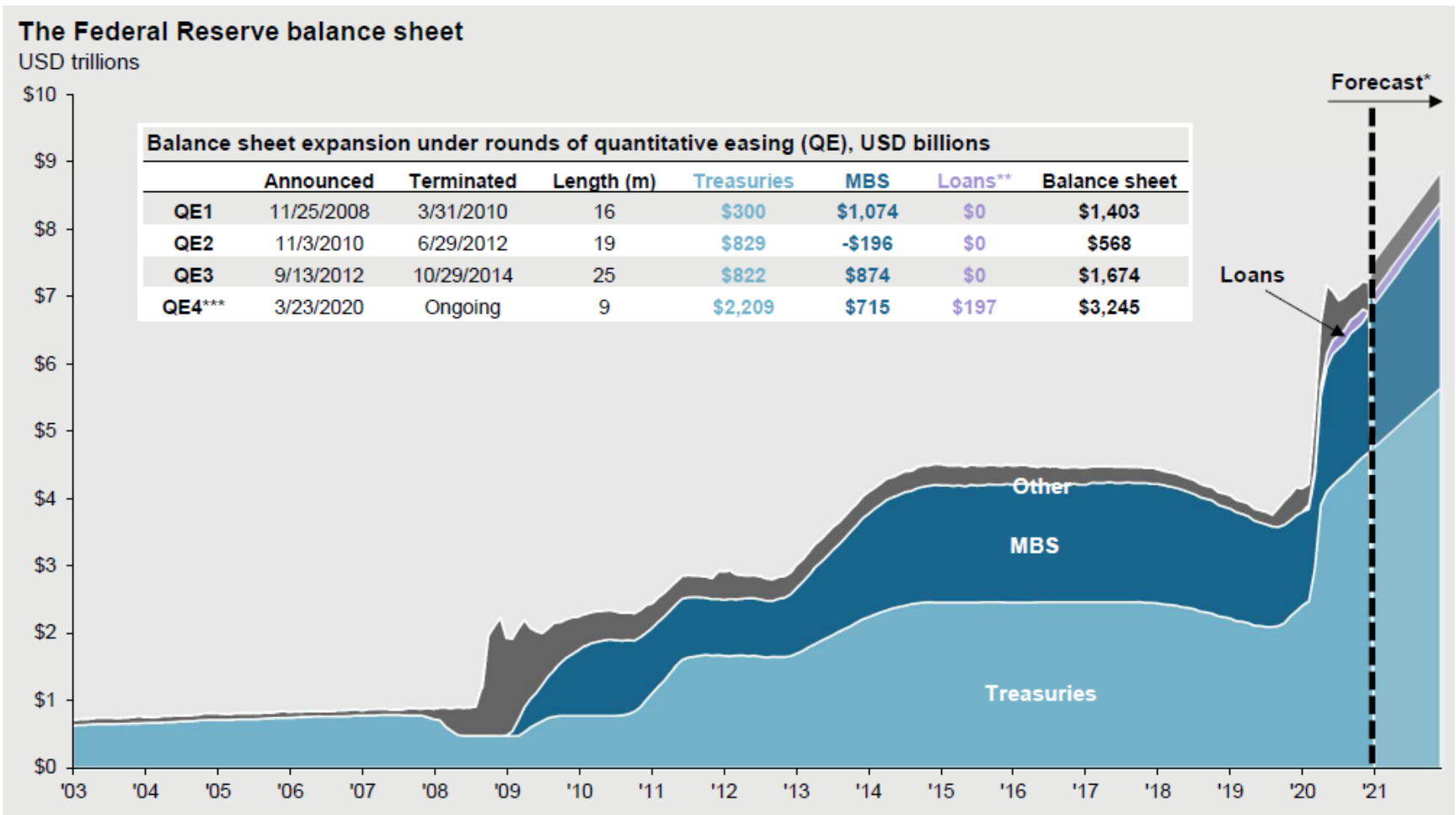


Source: JP Morgan



Monetary Policy

Federal Reserve balance sheet has grown to historic high levels



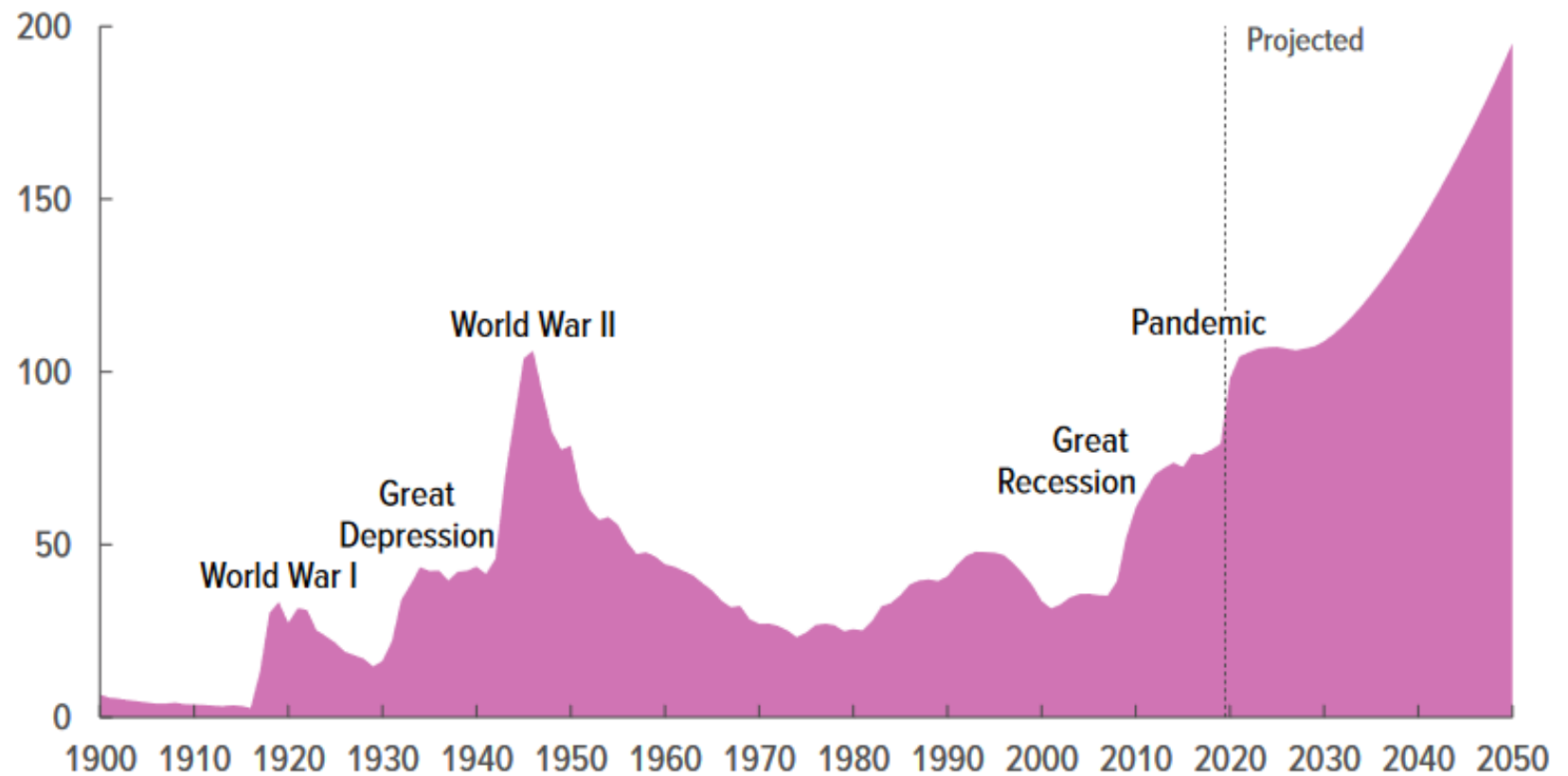
Source: JP Morgan



Fiscal Policy

US Debt / GDP equal to post WWII and expected to climb

Percentage of Gross Domestic Product

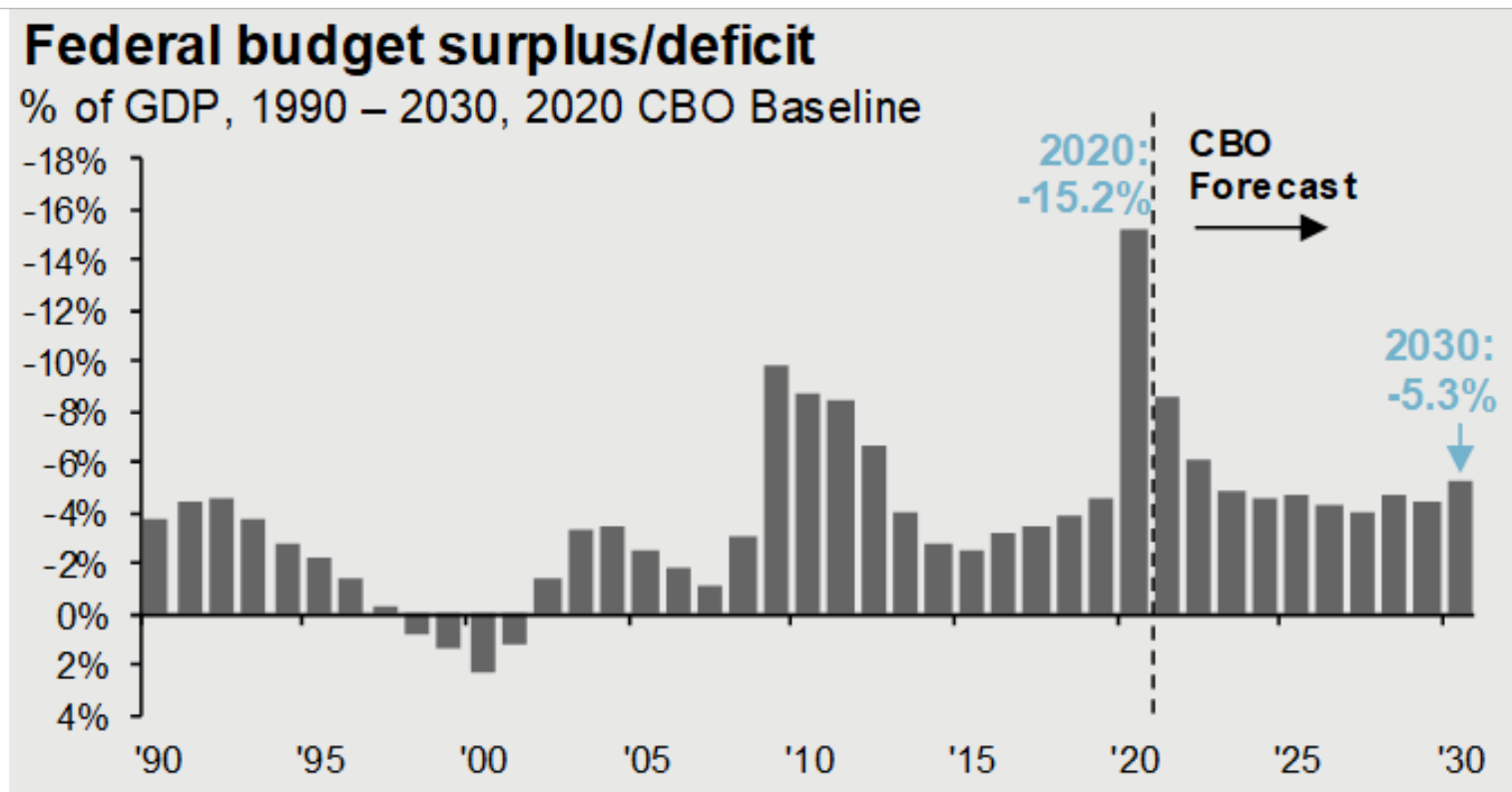


Source: CBO



Fiscal Policy

Government deficit spending expected to continue for foreseeable future

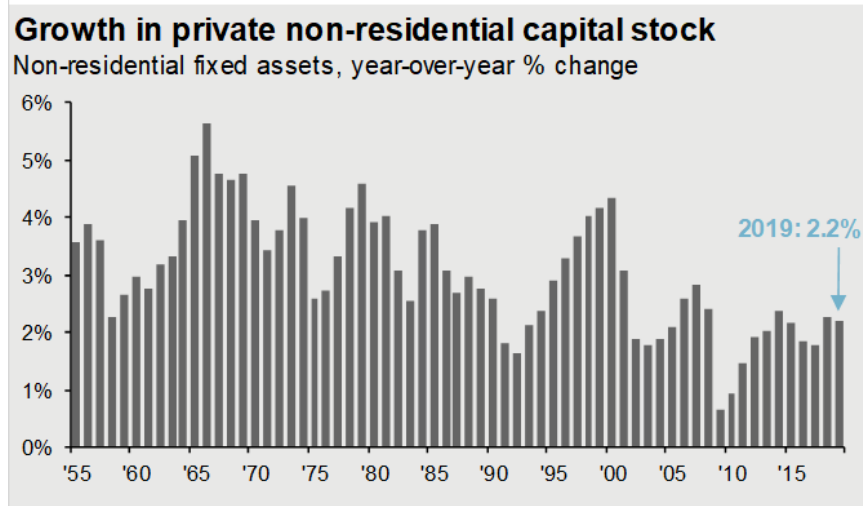
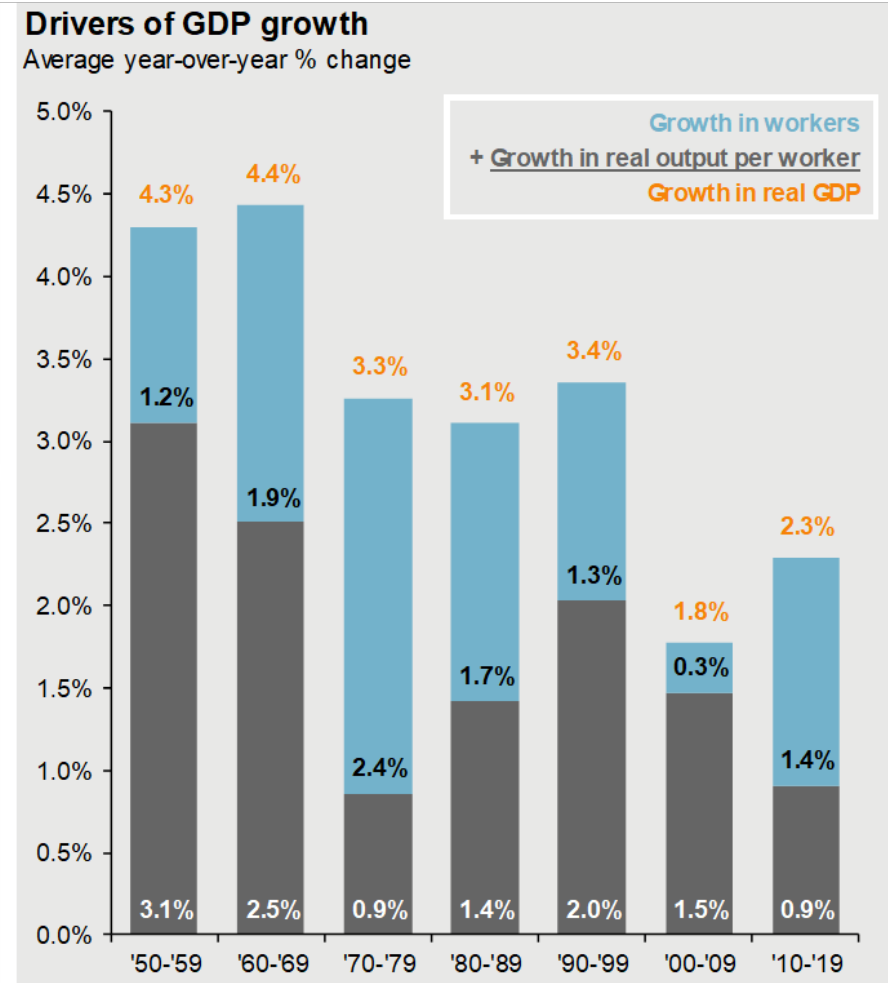
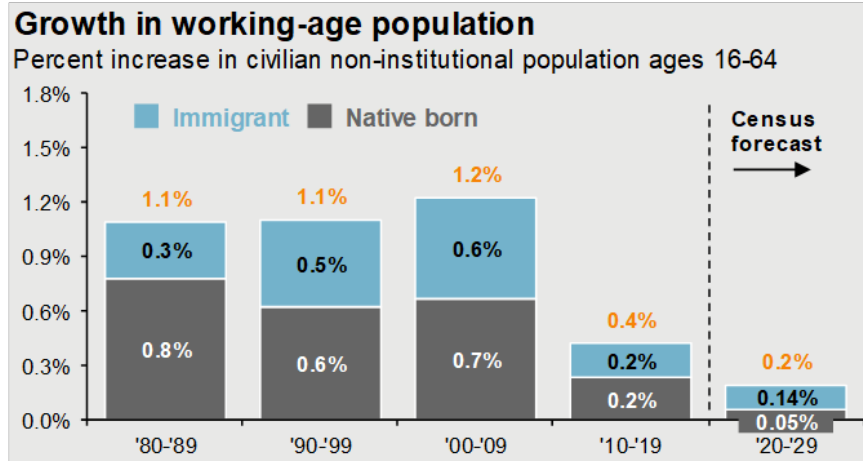


Source: JP Morgan



Growth Drivers

Demographic and Productivity trends have been weak

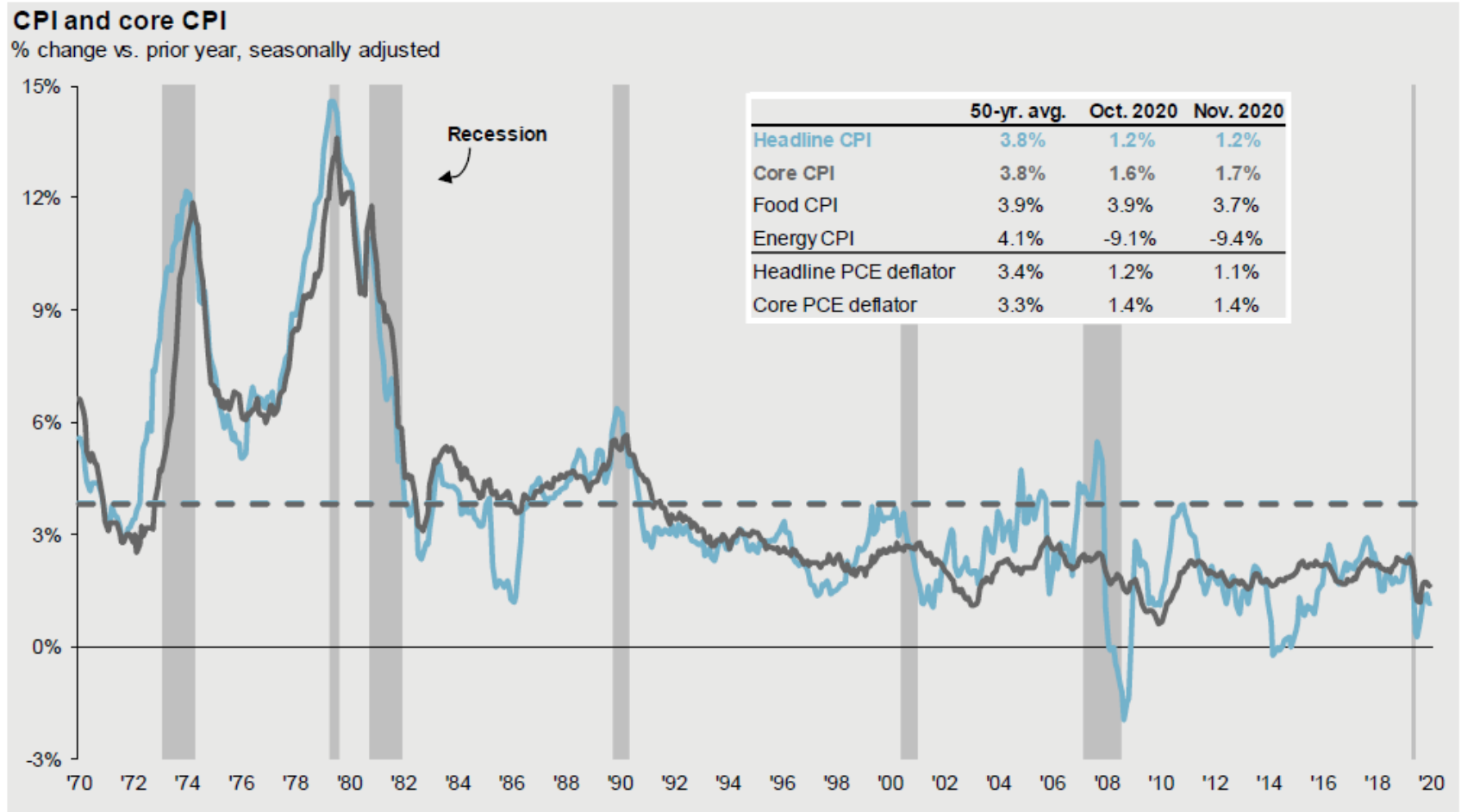


Source: JP Morgan



Inflation

Inflation stuck below fifty-year averages despite monetary and fiscal interventions



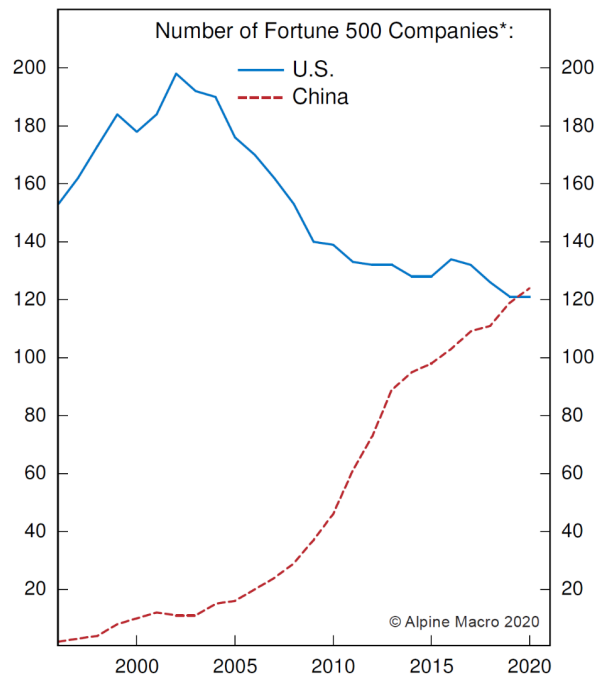
Source: JP Morgan



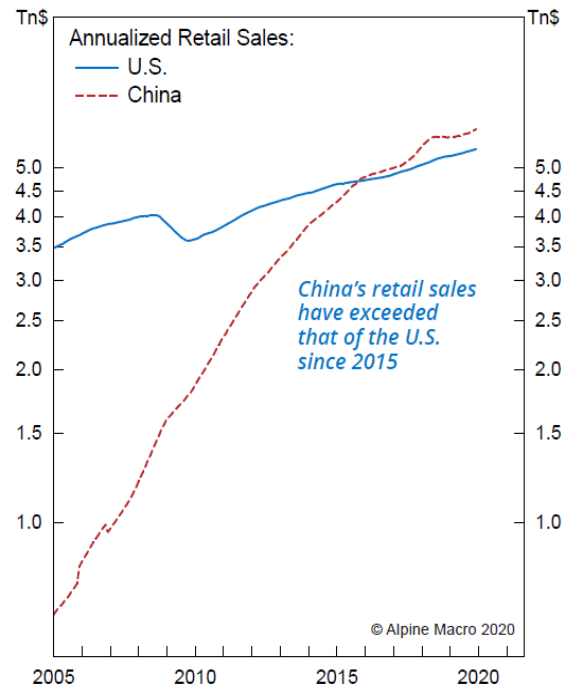
Increased Competition

China has become increasingly competitive with the U.S.

Chart 11 China And U.S.: Trading Places



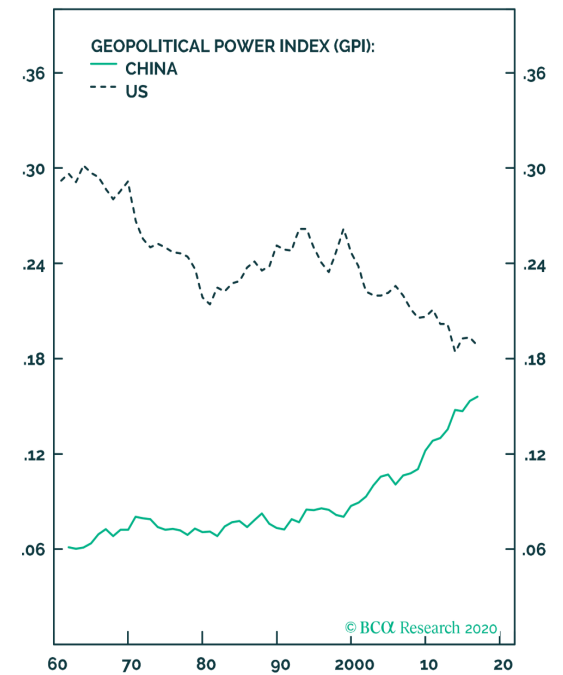
*Source: Fortune 500



China's retail sales have exceeded that of the U.S. since 2015

© Alpine Macro 2020

CHART 2 The Thucydides Trap



NOTE: MEASURED AS A COUNTRY'S RAW POWER BASED ON ITS POPULATION, THE SIZE OF ITS ECONOMY AND IMPORTS, MILITARY EXPENDITURE, ARMS EXPORTS, AND PRIMARY ENERGY CONSUMPTION. SOURCE: BCA CALCULATIONS.

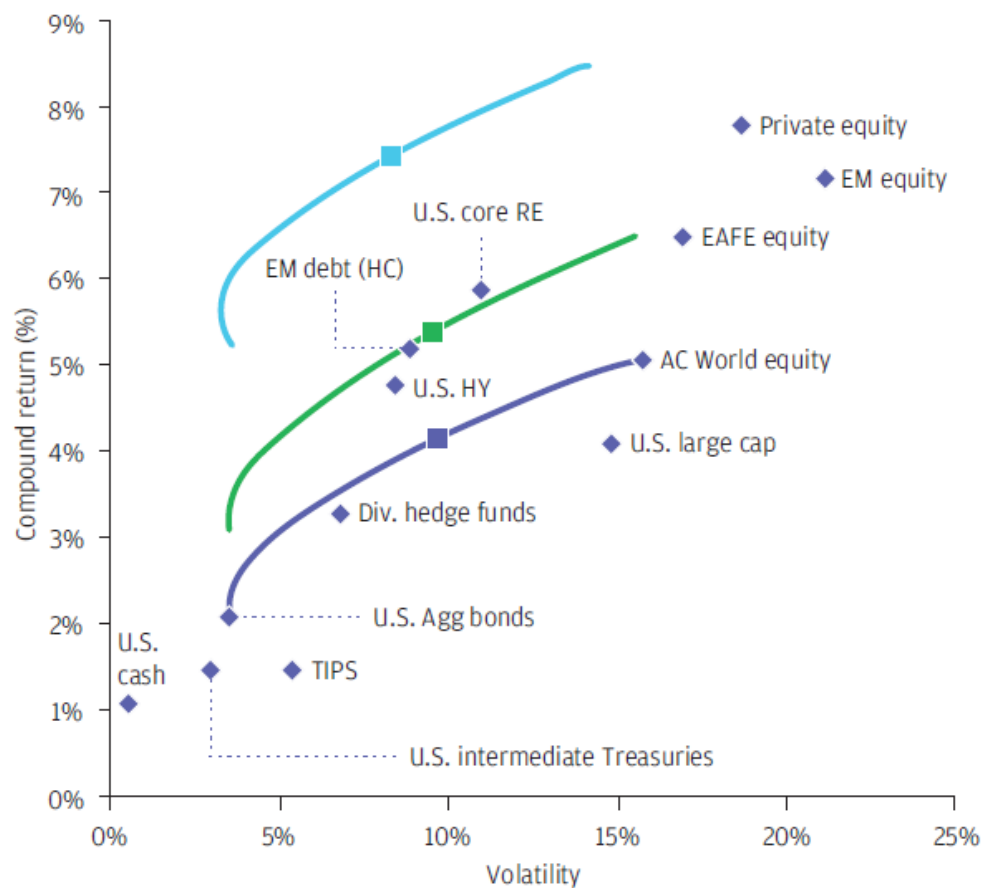
Source: Alpine Macro, BCA



Expected Investment Returns

Forward looking returns have declined meaningfully in the last few years

— 2021 stock-bond frontier ■ 60/40 portfolio (2021) — 2020 stock-bond frontier
■ 60/40 portfolio (2020) — 2008 stock-bond frontier ■ 60/40 portfolio (2008)

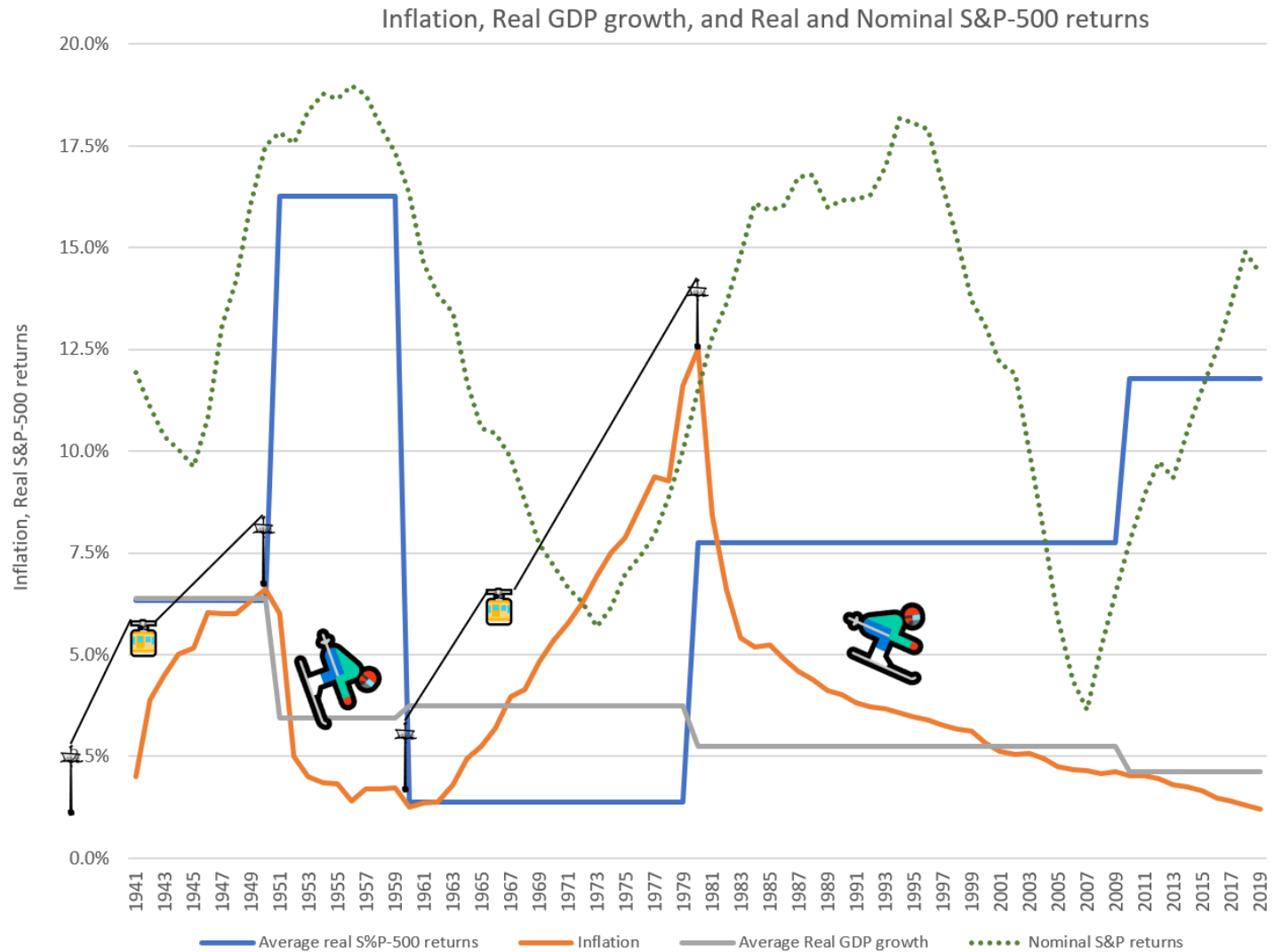


Source: J.P. Morgan Asset Management; data as of September 30, 2020.



End of an Era?

Also known as “the bottom of the ski slope”





Four Paths Forward

Great Moderation / Boom: 1980-2019 Reasonable Growth with Falling Inflation

Economic Indicators

	1980	2019	% Change	Ann.
Real GDP (\$ Trillions)	6.8	19.3	182.5%	2.6%
CPI Level	76.9	258.4	236.1%	3.1%
CPI YoY	13.3%	2.3%	-	-
Total Factor Productivity	76.5	105.5	37.9%	0.8%

Workforce

	1980	2019	% Change	Ann.
Productivity (Prior 10 Years)	2.0	1.3	-	-
US Population (millions)	226.6	329.4	45.4%	0.9%
US Employment Total	99.9	158.8	58.9%	1.2%
US Labor Force Participation	63.9	63.2	-1.1%	0.0%

Yields

	1980	2019
Fed Funds Effective Rate	13.8	1.6
10 Year Treasury	10.3	1.9
BAA Bond Yield	12.4	3.8

Cash and Bonds (Annualized)

	Nominal	Real
Cash	4.2%	1.1%
10 Year Treasury Index	7.2%	4.2%
BAA Bond Index	8.8%	5.7%

FX & Commodities (Annualized)

	Nominal	Real
Gold	2.8%	-0.3%
Oil	2.2%	-0.9%
Currency (DXY)	0.3%	-2.8%

US Equities (Annualized)

	Nominal	Real
S&P 500	8.9%	5.8%
Small Cap	10.1%	7.0%
Value	8.7%	5.6%
Growth	9.7%	6.6%
Consumer Staples	11.2%	8.1%
Consumer Discretionary	6.2%	3.1%
Materials	9.6%	6.5%
Energy	6.3%	3.2%
Tech	10.0%	6.9%
Healthcare	11.4%	8.3%
Utilities	5.7%	2.6%

	1980	2019
Shiller CAPE	8.7	30.3
PE Ratio (TTM)	7.3	22.8

Source: Bloomberg, Federal Reserve Economic Data, Fama French Data Library, Bureau of Economic Analysis, Robert Shiller, Aswath Damodaran



Four Paths Forward

Post Great Depression: 1941-1951 Rising Growth / Rising Inflation

Economic Indicators

	1941	1951	% Change	Ann.
Real GDP (\$ Trillions)	1.3	2.5	89.0%	6.0%
CPI Level	14.1	26.5	87.7%	5.9%
CPI YoY	1.4%	6.0%	-	-
Total Factor Productivity	-	53.1	-	-

Workforce

	1941	1951	% Change	Ann.
Productivity (Prior 10 Years)	-	3.8	-	-
US Population (millions)	133.4	157.0	17.7%	1.5%
US Employment Total	53.3	60.5	13.5%	1.2%
US Labor Force Participation	52.7	59.6	13.1%	1.1%

Yields

	1941	1951
Fed Funds Effective Rate	0.2	1.7
10 Year Treasury	2.2	2.6
BAA Bond Yield	4.4	3.6

Cash and Bonds (Annualized)

	Nominal	Real
Cash	0.6%	-5.3%
10 Year Treasury Index	2.0%	-3.9%
BAA Bond Index	4.5%	-1.4%

FX & Commodities (Annualized)*

	Nominal	Real
Gold	0.2%	-5.7%
Oil	5.0%	-0.9%
Currency (DXY)	-	-

US Equities (Annualized)

	Nominal	Real
S&P 500	7.6%	1.7%
Small Cap	16.1%	10.3%
Value	13.7%	7.8%
Growth	5.4%	-0.5%
Consumer Staples	4.5%	-1.4%
Consumer Discretionary	7.5%	1.6%
Materials	7.5%	1.7%
Energy	14.8%	8.9%
Tech	7.7%	1.8%
Healthcare	9.6%	3.7%
Utilities	5.8%	-0.1%

	1941	1951
Shiller CAPE	13.9	12.1
PE Ratio (TTM)	10.0	9.6

* USD was pegged to gold through the Gold Standard and Bretton Woods system until 1971

Source: Bloomberg, Federal Reserve Economic Data, Fama French Data Library, Bureau of Economic Analysis, Robert Shiller, Aswath Damodaran



Four Paths Forward

Japanification: 1990-2019 Falling Growth / Falling Inflation

Economic Indicators

	1989	2019	% Change	Ann.
Japan Real GDP (\$ Trillions)	3.1	4.9	55.7%	1.5%
Japan CPI Level	89.7	102.2	13.9%	0.4%
Japan CPI YoY	2.6%	0.7%	-	-
Japan Total Factor Productivity	84.1	99.0	17.7%	0.5%

Workforce

	1989	2019	% Change	Ann.
Productivity (Prior 10 Years)	1.4	0.6	-	-
Japan Population (millions)	123.0	126.2	2.6%	0.1%
Japan Employment Total	61.7	67.6	9.5%	0.3%
Japan Labor Force Participation	62.9	62.1	-1.3%	0.0%

Yields

	1989	2019
Bank of Japan Policy Rate	3.7	-0.1
Japan 10 Year	5.7	0.0

Cash and Bonds (Annualized)

	Nominal	Real
Japan Cash	2.7%	2.3%
Japan 10 Year Index	2.9%	2.5%
Japan Investment Grade (Start 1998)	1.2%	0.7%

FX & Commodities (Annualized)

	Nominal	Real
Gold	7.2%	6.8%
Oil	4.5%	4.1%
USDJPY Currency	0.1%	-0.3%

Japanese Equities (Annualized)

	Nominal	Real
Topix	-1.7%	-2.1%
Small Cap	-1.8%	-2.2%
Value	-0.2%	-0.6%
Growth	-3.1%	-3.5%
Consumer Staples (Start 1995)	2.8%	2.6%
Consumer Discretionary (Start 1995)	3.0%	2.8%
Materials (Start 1995)	0.0%	-0.2%
Energy (Start 1995)	-2.0%	-2.2%
Tech (Start 1995)	3.4%	3.2%
Healthcare (Start 1995)	6.4%	6.2%
Utilities (Start 1995)	-2.2%	-2.4%
	1989	2019
Shiller CAPE	90.0	22.1
PE Ratio (TTM)	71.0	16.4

Source: Bloomberg, Federal Reserve Economic Data, Fama French Data Library, Bureau of Economic Analysis, Robert Shiller, Aswath Damodaran



Four Paths Forward

Stagflation: 1960-1979 Falling Growth / Rising Inflation

Economic Indicators

	1960	1979	% Change	Ann.
Real GDP (\$ Trillions)	3.2	6.8	112.8%	3.8%
CPI Level	29.4	76.9	161.5%	4.9%
CPI YoY	1.5%	13.3%	-	-
Total Factor Productivity	58.7	76.5	30.2%	1.3%

Workforce

	1960	1979	% Change	Ann.
Productivity (Prior 10 Years)	2.8	2.0	-	-
US Population (millions)	178.9	226.6	26.6%	1.2%
US Employment Total	65.3	99.9	52.9%	2.1%
US Labor Force Participation	59.5	63.9	7.4%	0.4%

Yields

	1960	1979
Fed Funds Effective Rate	4.0	13.8
10 Year Treasury	4.0	10.3
BAA Bond Yield	5.3	12.4

Cash and Bonds (Annualized)

	Nominal	Real
Cash	5.1%	0.2%
10 Year Treasury Index	4.1%	-0.8%
BAA Bond Index	5.3%	0.4%

FX & Commodities (Annualized)*

	Nominal	Real
Gold	14.3%	9.4%
Oil	13.9%	9.0%
Currency (DXY)	-	-

US Equities (Annualized)

	Nominal	Real
S&P 500	3.0%	-1.9%
Small Cap	9.2%	4.3%
Value	6.2%	1.3%
Growth	3.0%	-1.9%
Consumer Staples	4.5%	-0.5%
Consumer Discretionary	1.2%	-3.7%
Materials	2.3%	-2.6%
Energy	7.0%	2.1%
Tech	5.3%	0.3%
Healthcare	5.8%	0.8%
Utilities	0.9%	-4.0%

	1960	1979
Shiller CAPE	18.6	8.7
PE Ratio (TTM)	17.4	7.3

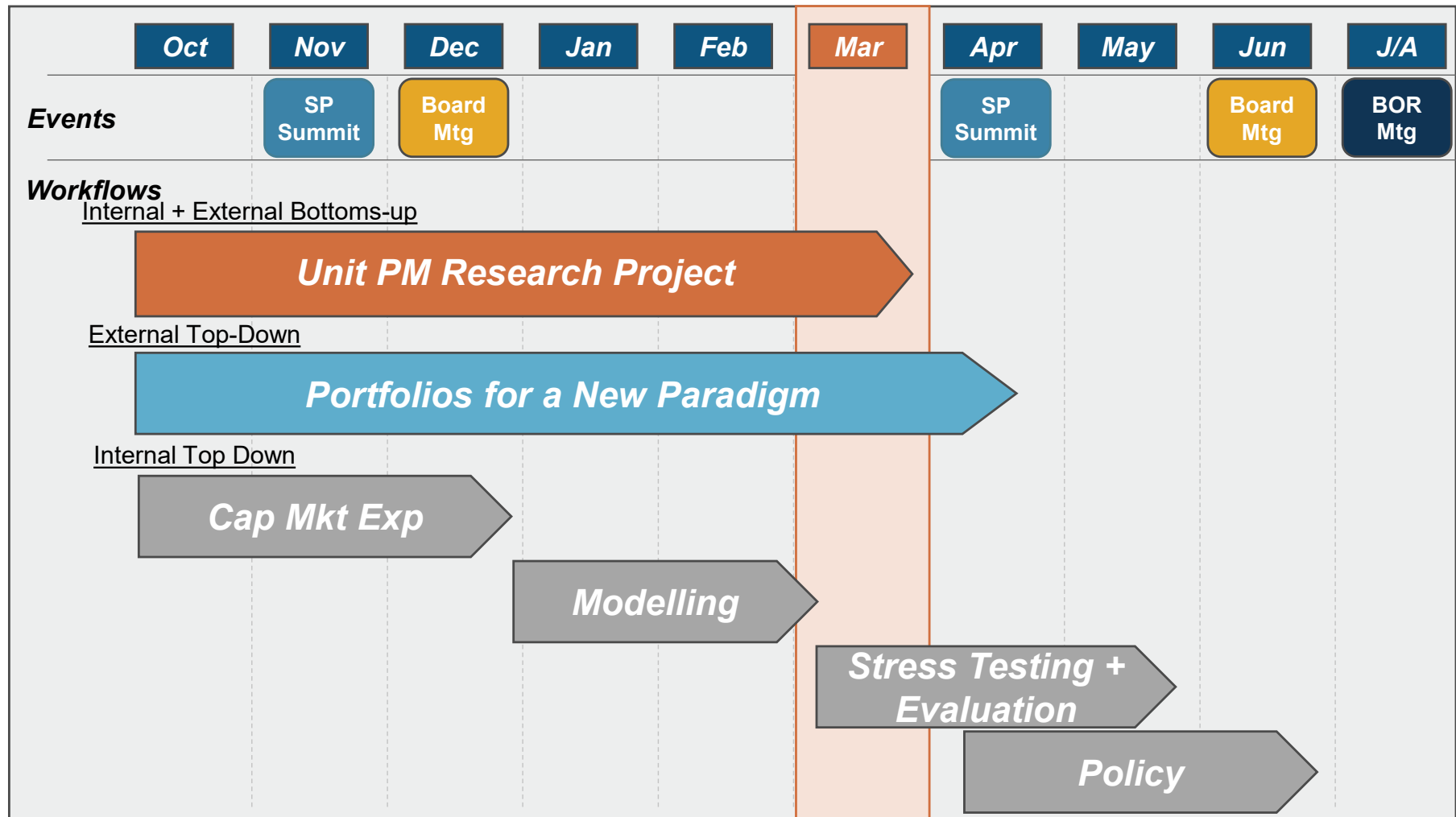
* USD was pegged to gold through the Gold Standard and Bretton Woods system until 1971

Part 3: 2021 Strategic Asset Allocation Project Update





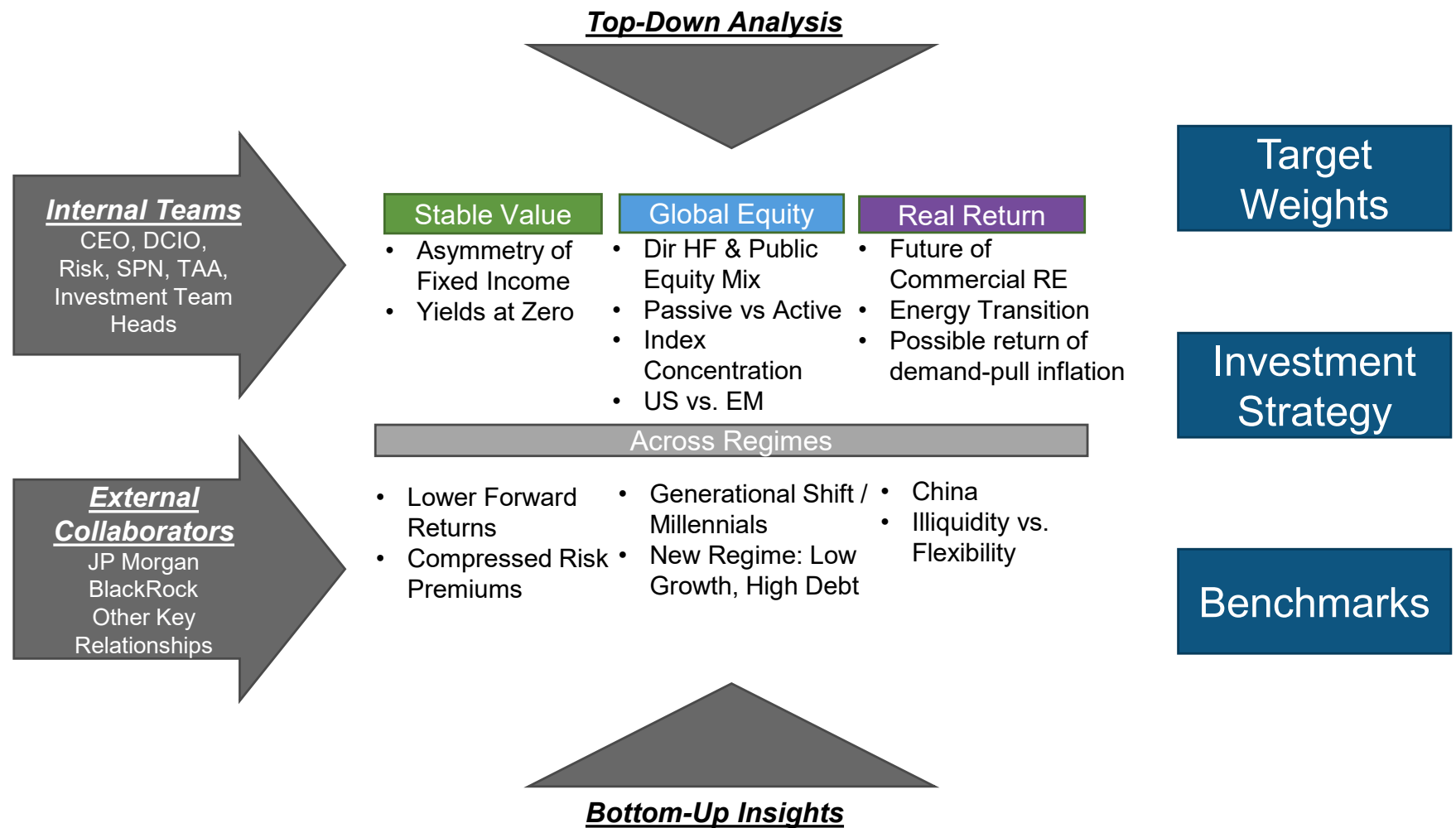
Strategic Asset Allocation Project Plan



- **Unit PM Research Projects** - Tap into asset class experts on strategy questions raised by the 9 Superfactors, dig deeper into current holdings and strategies to understand how they could perform in an inflationary environment
- **Portfolios for a New Paradigm Project** - Engage with Strategic Partners and other Key Relationships to collaborate on a solution (capital market expectations, suggested portfolios given UTIMCO constraints and objectives, bringing a multi-asset lens to answering strategy questions)



Mobilizing Internal and External Resources





Capital Market Expectations

Long-term Nominal Capital Market Assumptions from external partners

	<u>JPM</u>	<u>BLK</u>	<u>PIMCO</u>	<u>GS</u>	<u>MS</u>	<u>AQR</u>	<u>Median</u>	<u>Average</u>
US Public Equity	4.1	6.3	5.7	5.8	6.3	5.9	5.9	5.7
US Small Cap	4.6	6.9	5.7	6.6	-	-	6.2	6.0
Non-US Public Equity	6.5	6.8	6.3	5.2	8.7	6.5	6.5	6.7
Emerging Markets Public Equity	7.2	7.3	6.6	7.9	6.5	7.0	7.1	7.1
Directional Hedge Funds	3.3	4.1	4.5	4.1	-	-	4.1	4.0
Total Private Equity	7.8	8.1	10.6	10.8	-	7.3	8.1	8.9
Global Aggregate Bonds	1.8	2.1	1.9	-	-	-	1.9	1.9
Long US Treasuries	0.4	0.2	1.5	1.7	1.4	1.6	1.5	1.1
Cash	1.1	1.9	0.8	0.5	0.6	-	0.8	1.0
Stable Value Hedge Funds	3.3	4.1	3.5	4.1	-	-	3.8	3.8
High Yield Fixed Income	4.8	4.8	2.9	3.3	2.5	2.5	3.1	3.5
Private Credit	6.8	5.5	6.4	-	-	-	6.4	6.2
Private Real Estate	8.1	6.1	7.0	6.9	-	-	7.0	7.0
Natural Resources	2.3	7.0	10.2	-	-	-	7.0	6.5
Infrastructure	6.1	5.8	7.9	-	-	-	6.1	6.6
TIPS	1.5	2.7	1.1	2.0	-	-	1.8	1.8

Notes

Global Agg uses WGBI, SVHF is average of Macro and RV, Private RE is Value-Add

JPM Private Credit is Direct Lending, Natural Resources is Commodities

AQR provides real returns, added their inflation estimate of 2.1, Treasury is 10y bond

PIMCO Private Credit represents a diversified set of Private Credit exposures which includes CRE, Residential and Specialty Finance lending markets, Private Real Estate is value-add

Goldman Hedge Fund estimate is for a blend of Event Driven, Relative Value, Equity Long/Short, and Tactical Trading Hedge Funds

MS Treasury represents 10y bond



Risk Premiums

	Expected Risk Premium	Historical Average	1970s	1980s	1990s	2000s	2010s	2017-2020
Inflation (Cash - inflation)	(-1.2)	+0.6	(-1.0)	+3.8	+2.0	+0.2	(-1.2)	(-0.4)
Duration (Long-Treasuries - Cash)	+0.7	+4.7	+0.6	+3.9	+3.6	+4.8	+6.5	+9.0
Credit (US Agg - Long Treasuries)	+2.2	(-1.1)	+0.4	+0.1	(-0.4)	(-1.0)	(-1.5)	(-3.9)
Default (HY-IG)	+0.5	+1.0	+0.3	+1.2	+2.5	+0.1	+2.0	+0.1
Large Cap (SP 500 - HY)	+2.8	+2.1	(-4.0)	+1.0	+7.5	(-7.7)	+6.0	+9.5
Size (SC - SP 500)	+0.3	(-1.7)	+2.4	(-3.7)	(-5.4)	+6.6	(-3.0)	(-7.1)
Illiquidity (PE - SC)	+2.3	+5.2	+5.9	+2.2	+6.6	+4.5	+3.5	+8.5
Non-US (EAFE - SP 500)	+0.7	(-2.4)	+2.2	+4.4	(-11.9)	+2.6	(-7.5)	(-4.1)
Emerging (EM - EAFE)	+1.3	+1.5	+1.7	+3.1	+2.2	+5.6	(-4.9)	+1.1



Core SAA Recommendations - Endowments

Key Themes for Consideration: Private Credit vs Private Equity, Long Treasuries vs. Global Agg, Gold, Geographic Diversification, Stable Cash Flows, Inflation Protection

Asset Class	Current SAA		Proposals				Average	Change vs. FYE	Change vs Long-Term
	FYE 2021	Long-Term	BlackRock	JP Morgan	PIMCO	Bridgewater			
US Public Equity	14.8%	16.4%	14.2%	14.5%	11.4%	8.8%	12.2%	(-2.6%)	(-4.2%)
Non-US Public Equity	8.2%	8.6%	10.6%	10.0%	5.8%	4.9%	7.8%	(-0.4%)	(-0.8%)
Total EM Public Equity	8.1%	8.0%	9.0%	6.5%	6.1%	4.8%	6.6%	(-1.5%)	(-1.4%)
Directional Hedge Funds	9.2%	5.0%	-	5.0%	12.0%	9.2%	6.6%	(-2.7%)	+1.6%
Total Private Equity	22.8%	25.0%	7.4%	29.0%	26.1%	13.5%	19.0%	(-3.8%)	(-6.0%)
Private Credit	-	-	20.1%	-	2.8%	-	5.7%	+5.7%	+5.7%
Total Global Equity	63.1%	63.0%	61.3%	65.0%	64.2%	41.2%	57.9%	(-5.2%)	(-5.1%)
Global Aggregate Bonds	7.4%	7.0%	-	3.0%	5.0%	-	2.0%	(-5.4%)	(-5.0%)
Long US Treasuries	-	-	7.7%	2.0%	-	7.4%	4.3%	+4.3%	+4.3%
Cash	1.0%	1.0%	3.5%	1.0%	1.0%	0.6%	1.5%	+0.5%	+0.5%
Stable CF Equities (Hedged)	-	-	-	-	-	10.0%	2.5%	+2.5%	+2.5%
Chinese Balanced Asset Mix	-	-	-	-	-	10.0%	2.5%	+2.5%	+2.5%
Stable Value Hedge Funds	9.5%	10.0%	15.0%	10.0%	12.5%	9.5%	11.8%	+2.3%	+1.8%
Total Stable Value	17.9%	18.0%	26.2%	16.0%	18.5%	37.5%	24.5%	+6.7%	+6.5%
Private Real Estate	7.9%	10.0%	5.2%	12.0%	9.9%	4.7%	8.0%	+0.1%	(-2.0%)
Natural Resources	6.1%	3.0%	-	3.0%	6.1%	3.6%	3.2%	(-2.9%)	+0.2%
Infrastructure	3.3%	6.0%	7.3%	4.0%	1.3%	2.0%	3.6%	+0.3%	(-2.4%)
Gold	-	-	-	-	-	10.0%	2.5%	+2.5%	+2.5%
TIPS	1.7%	-	-	-	-	1.0%	0.3%	(-1.4%)	+0.3%
Total Real Return	19.0%	19.0%	12.5%	19.0%	17.3%	21.3%	17.5%	(-1.5%)	(-1.5%)
<i>Total Privates</i>	40.1%	44.0%	40.1%	48.0%	46.2%	23.8%	39.5%	(-0.6%)	(-4.5%)
<i>Total Alternatives</i>	58.8%	59.0%	55.1%	63.0%	70.7%	62.5%	62.8%	+4.0%	+3.8%
Partner Expected Returns	5.9%	6.1%	6.1%	6.3%	7.0%	-	6.5%	+0.5%	+0.3%
Expected Volatility	11.9%	12.8%	11.0%	12.4%	13.5%	-	12.3%	+0.4%	(-0.5%)
Partner Expected Sharpe Ratio	0.43	0.42	0.48	0.42	0.46	-	0.45	0.02	0.04
Simple Returns	5.9%	6.1%	5.4%	5.8%	7.0%	-	6.1%	+0.1%	(-0.1%)
Simple Sharpe Ratio	0.43	0.42	0.42	0.41	0.46	-	0.43	0.00	0.01

Note: Orange font represents additions to the policy mix. Descriptive portfolio statistics for UTIMCO represent expectations given Median submission from external partners. Descriptive portfolio statistics for External Partner portfolios reflects Partner-submitted expectations for beta returns only and do not include active value-added return/alpha. Simple returns removes the benefit of converting arithmetic returns to geometric returns for BlackRock and JP Morgan.



Core SAA Recommendations - Endowments

Key Themes for Consideration: Private Credit vs Private Equity, Long Treasuries vs. Global Agg, Gold, Geographic Diversification, Stable Cash Flows, Inflation Protection

Asset Class	Current SAA		Proposals				Average ex-Bridgewater	Change vs. FYE	Change vs Long-Term
	FYE 2021	Long-Term	BlackRock	JP Morgan	PIMCO	Bridgewater			
US Public Equity	14.8%	16.4%	14.2%	14.5%	11.4%	8.8%	13.4%	(-1.5%)	(-3.1%)
Non-US Public Equity	8.2%	8.6%	10.6%	10.0%	5.8%	4.9%	8.8%	+0.6%	+0.2%
Total EM Public Equity	8.1%	8.0%	9.0%	6.5%	6.1%	4.8%	7.2%	(-0.9%)	(-0.8%)
Directional Hedge Funds	9.2%	5.0%	-	5.0%	12.0%	9.2%	5.7%	(-3.5%)	+0.7%
Total Private Equity	22.8%	25.0%	7.4%	29.0%	26.1%	13.5%	20.8%	(-2.0%)	(-4.2%)
Private Credit	-	-	20.1%	-	2.8%	-	7.6%	+7.6%	+7.6%
Total Global Equity	63.1%	63.0%	61.3%	65.0%	64.2%	41.2%	63.5%	+0.4%	+0.5%
Global Aggregate Bonds	7.4%	7.0%	-	3.0%	5.0%	-	2.7%	(-4.7%)	(-4.3%)
Long US Treasuries	-	-	7.7%	2.0%	-	7.4%	3.2%	+3.2%	+3.2%
Cash	1.0%	1.0%	3.5%	1.0%	1.0%	0.6%	1.8%	+0.8%	+0.8%
Stable CF Equities (Hedged)	-	-	-	-	-	10.0%	-	-	-
Chinese Balanced Asset Mix	-	-	-	-	-	10.0%	-	-	-
Stable Value Hedge Funds	9.5%	10.0%	15.0%	10.0%	12.5%	9.5%	12.5%	+3.0%	+2.5%
Total Stable Value	17.9%	18.0%	26.2%	16.0%	18.5%	37.5%	20.2%	+2.3%	+2.2%
Private Real Estate	7.9%	10.0%	5.2%	12.0%	9.9%	4.7%	9.0%	+1.1%	(-1.0%)
Natural Resources	6.1%	3.0%	-	3.0%	6.1%	3.6%	3.0%	(-3.1%)	+0.0%
Infrastructure	3.3%	6.0%	7.3%	4.0%	1.3%	2.0%	4.2%	+0.9%	(-1.8%)
Gold	-	-	-	-	-	10.0%	-	-	-
TIPS	1.7%	-	-	-	-	1.0%	-	(-1.7%)	-
Total Real Return	19.0%	19.0%	12.5%	19.0%	17.3%	21.3%	16.3%	(-2.7%)	(-2.7%)
<i>Total Privates</i>	40.1%	44.0%	40.1%	48.0%	46.2%	23.8%	44.8%	+4.7%	+0.8%
<i>Total Alternatives</i>	58.8%	59.0%	55.1%	63.0%	70.7%	62.5%	62.9%	+4.1%	+3.9%
Partner Expected Returns	5.9%	6.1%	6.1%	6.3%	7.0%	-	6.5%	+0.5%	+0.3%
Expected Volatility	11.9%	12.8%	11.0%	12.4%	13.5%	-	12.3%	+0.4%	(-0.5%)
Partner Expected Sharpe Ratio	0.43	0.42	0.48	0.42	0.46	-	0.45	0.02	0.04
Simple Returns	5.9%	6.1%	5.4%	5.8%	7.0%	-	6.1%	+0.1%	(-0.1%)
Simple Sharpe Ratio	0.43	0.42	41.9%	40.6%	45.8%	-	0.43	0.00	0.01

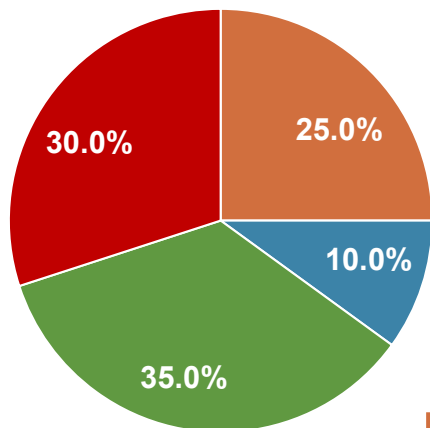
Note: Orange font represents additions to the policy mix. Descriptive portfolio statistics for UTIMCO represent expectations given Median submission from external partners. Descriptive portfolio statistics for External Partner portfolios reflects Partner-submitted expectations for beta returns only and do not include active value-added return/alpha. Simple returns removes the benefit of converting arithmetic returns to geometric returns for BlackRock and JP Morgan.



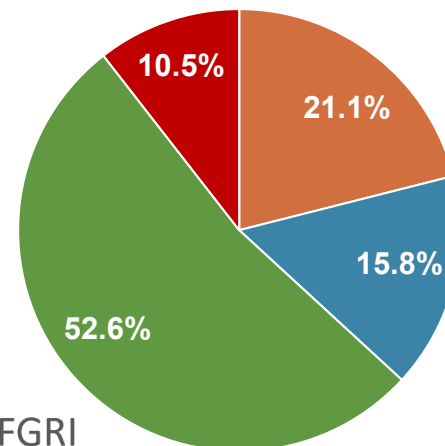
Various Regime Probabilities

Highest probability in entering some sort of Rising Growth environment

BlackRock

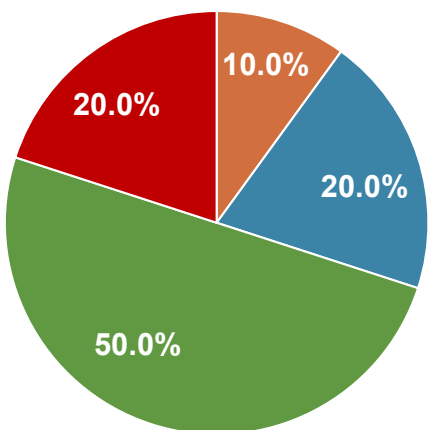


JP Morgan

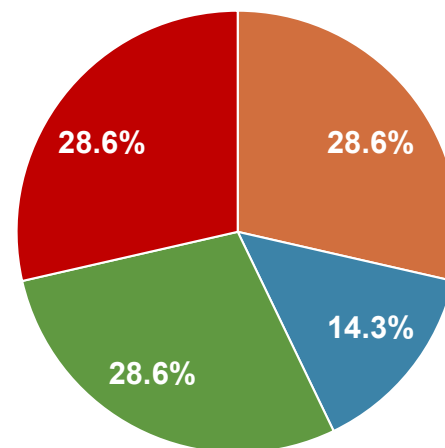


■ RGRI ■ FGFI ■ RGFI ■ FGRI

PIMCO



Bridgewater





Summary of Four Corner Responses

Key Themes for Consideration: More Real Assets, Less Financial Assets; More EAFE + EM; Less Privates

Average Probability	21.25%	15.00%	41.25%	22.50%	Prob Wtd Port	Change vs. Core External
Asset Class	RGRI	FGFI	RGFI	FGRI		
US Public Equity	11.5%	7.9%	20.4%	4.6%	13.1%	+0.9%
Non-US Public Equity	15.6%	5.4%	26.6%	3.2%	15.8%	+8.0%
Total EM Public Equity	11.4%	3.9%	12.8%	4.3%	9.3%	+2.7%
Directional Hedge Funds	1.3%	4.8%	1.1%	5.5%	2.7%	(-3.9%)
Total Private Equity	16.1%	14.2%	17.8%	10.0%	15.2%	(-3.9%)
Private Credit	0.7%	6.4%	4.7%	2.1%	3.5%	(-2.2%)
Total Global Equity	56.5%	42.6%	83.5%	29.8%	59.5%	+1.6%
Global Aggregate Bonds	1.4%	3.9%	1.4%	2.3%	2.0%	(-0.0%)
Long US Treasuries	-	15.8%	2.7%	3.4%	4.3%	(-0.0%)
Chinese Nominals	-	8.4%	-	-	1.3%	+1.3%
Australian Nominals	-	3.7%	-	-	0.6%	+0.6%
Cash	0.5%	0.5%	0.3%	0.5%	0.4%	(-1.1%)
Stable Value Hedge Funds	9.0%	11.9%	7.4%	14.3%	9.9%	(-1.8%)
Total Stable Value	10.9%	45.4%	11.8%	20.5%	18.6%	(-5.9%)
Private Real Estate	11.5%	3.7%	3.2%	8.1%	6.2%	(-1.8%)
Natural Resources	3.8%	1.0%	0.5%	1.5%	1.5%	(-1.7%)
Infrastructure	3.1%	1.0%	1.0%	4.2%	2.2%	(-1.5%)
Commodities	13.8%	-	-	-	2.9%	+2.9%
Gold	-	-	-	10.0%	2.3%	(-0.3%)
TIPS	0.5%	2.9%	-	15.7%	4.1%	+3.8%
Non-US IL's	-	3.4%	-	10.2%	2.8%	+2.8%
Total Real Return	32.6%	12.0%	4.8%	49.7%	21.9%	+4.3%
<i>Total Privates</i>	35.1%	26.3%	27.3%	26.0%	28.5%	-11.0%
<i>Total Alternatives</i>	45.4%	44.2%	35.8%	45.7%	41.3%	-21.5%
Median External Expected Returns	6.8%	4.5%	7.2%	4.6%	5.5%	-0.6%
Median External Expected Volatility	14.3%	8.1%	16.2%	7.4%	10.9%	-0.9%
Median External Expected Sharpe	0.42	0.46	0.40	0.51	0.43	0.0



Core SAA Recommendations - ITF

Key Themes for Consideration: Balance Hedge Fund Allocation, Diversify Away From Global Agg, Add Real Return Assets

Asset Class	Current SAA	Proposals				Average	Change vs.
	FYE 2021	BlackRock	JP Morgan	PIMCO	Bridgewater		SAA
US Public Equity	5.8%	5.0%	13.5%	8.0%	2.6%	7.3%	+1.5%
Non-US Public Equity	3.4%	6.6%	10.5%	5.0%	4.5%	6.7%	+3.3%
Total EM Public Equity	3.8%	8.9%	6.0%	5.0%	3.0%	5.7%	+1.9%
Directional Hedge Funds	43.0%	21.4%	23.0%	35.8%	20.0%	25.1%	(-17.9%)
Total Global Equity	56.0%	41.9%	53.0%	53.8%	30.1%	44.7%	(-11.3%)
Global Aggregate Bonds	35.0%	20.6%	25.0%	30.0%	-	18.9%	(-16.1%)
Long US Treasuries	-	5.3%	-	-	5.8%	2.8%	+2.8%
Chinese Nominals	-	-	-	-	6.7%	1.7%	+1.7%
Australian Nominals	-	-	-	-	2.9%	0.7%	+0.7%
Public Sub-IG Credit	-	6.9%	-	-	-	1.7%	+1.7%
Cash	2.0%	2.0%	2.0%	2.0%	-	1.5%	(-0.5%)
Stable CF Equities (Hedged)	-	-	-	-	1.1%	0.3%	+0.3%
Balanced Asset Mix	-	-	-	-	10.0%	2.5%	+2.5%
Stable Value Hedge Funds	7.0%	21.4%	20.0%	14.2%	20.0%	18.9%	+11.9%
Total Stable Value	44.0%	56.2%	47.0%	46.2%	46.5%	49.0%	+5.0%
Commodities	-	-	-	-	2.1%	0.5%	+0.5%
Gold	-	-	-	-	4.7%	1.2%	+1.2%
TIPS	-	1.9%	-	-	7.6%	2.4%	+2.4%
Non-US IL's	-	-	-	-	9.0%	2.3%	+2.3%
Total Real Return	-	1.9%	-	-	23.4%	6.3%	+6.3%
Partner Expected Returns	3.5%	4.3%	3.8%	3.9%	-	4.0%	+0.5%
Expected Volatility	4.1%	6.5%	7.3%	6.5%	-	6.8%	+2.7%
Partner Expected Sharpe Ratio	0.67	0.54	0.37	0.60	-	0.50	(-0.2)
Simple Returns	3.5%	3.7%	3.6%	3.9%	-	3.7%	+0.2%
Simple Sharpe Ratio	0.67	0.44	0.38	0.48	-	0.43	(-0.2)

Note: Orange font represents additions to the policy mix. Descriptive portfolio statistics for UTIMCO represent expectations given Median submission from external partners. Descriptive portfolio statistics for External Partner portfolios reflects Partner-submitted expectations for beta returns only and do not include active value-added return/alpha. Simple returns removes the benefit of converting arithmetic returns to geometric returns for BlackRock and JP Morgan.



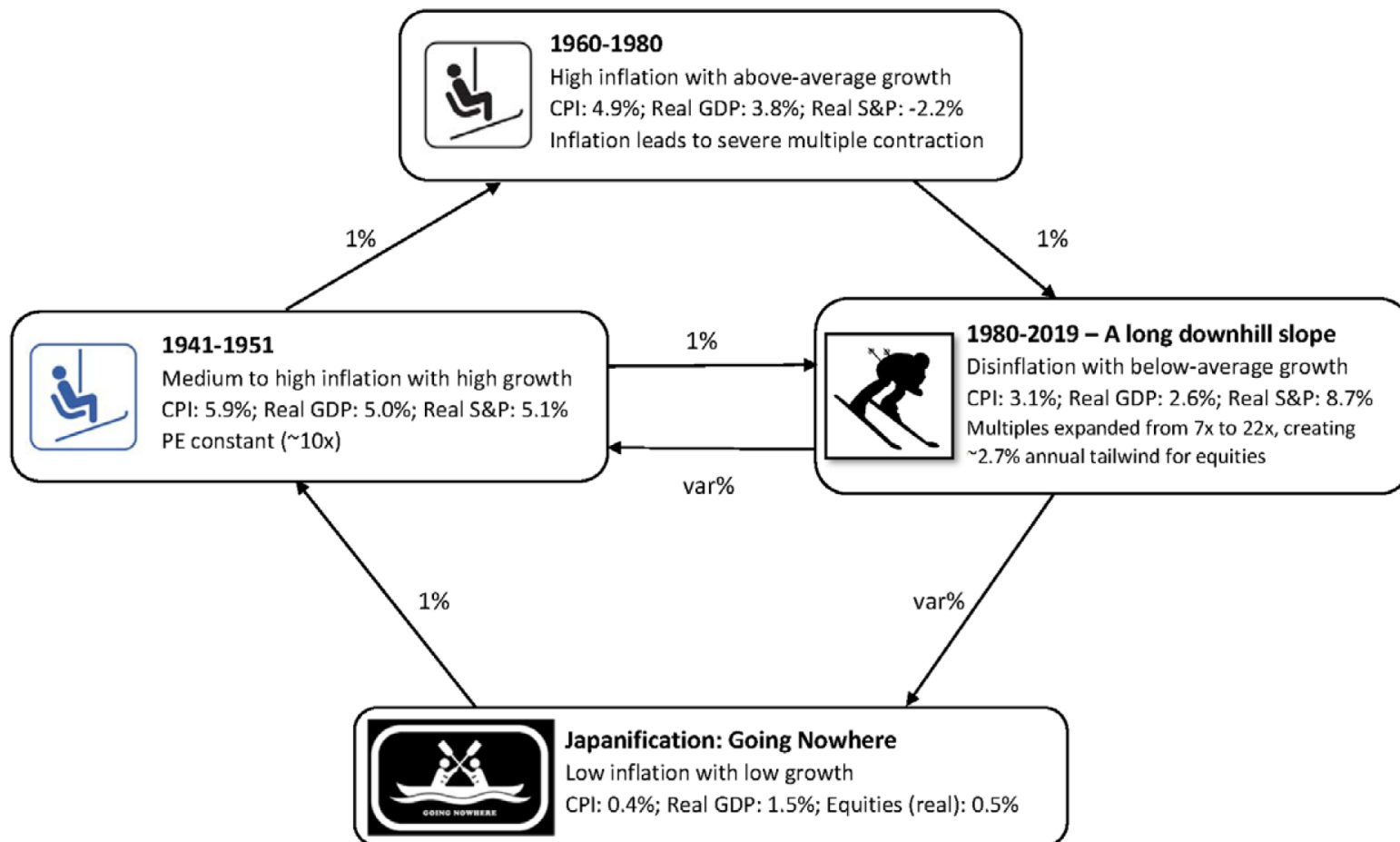
Core SAA Recommendations – ITF (ex-BW)

Key Themes: Increase Public Equity, Balance Hedge Fund Allocation, Diversify Away From Global Agg

Asset Class	Current SAA	Proposals				Average	Change vs. SAA
	FYE 2021	BlackRock	JP Morgan	PIMCO	Bridgewater		
US Public Equity	5.8%	5.0%	13.5%	8.0%	2.6%	8.8%	+3.0%
Non-US Public Equity	3.4%	6.6%	10.5%	5.0%	4.5%	7.4%	+4.0%
Total EM Public Equity	3.8%	8.9%	6.0%	5.0%	3.0%	6.6%	+2.8%
Directional Hedge Funds	43.0%	21.4%	23.0%	35.8%	20.0%	26.7%	(-16.3%)
Total Global Equity	56.0%	41.9%	53.0%	53.8%	30.1%	49.6%	(-6.4%)
Global Aggregate Bonds	35.0%	20.6%	25.0%	30.0%	-	25.2%	(-9.8%)
Long US Treasuries	-	5.3%	-	-	5.8%	1.8%	+1.8%
Chinese Nominals	-	-	-	-	6.7%	-	-
Australian Nominals	-	-	-	-	2.9%	-	-
Public Sub-IG Credit	-	6.9%	-	-	-	2.3%	+2.3%
Cash	2.0%	2.0%	2.0%	2.0%	-	2.0%	-
Stable CF Equities (Hedged)	-	-	-	-	1.1%	-	-
Balanced Asset Mix	-	-	-	-	10.0%	-	-
Stable Value Hedge Funds	7.0%	21.4%	20.0%	14.2%	20.0%	18.5%	+11.5%
Total Stable Value	44.0%	56.2%	47.0%	46.2%	46.5%	49.8%	+5.8%
Commodities	-	-	-	-	2.1%	-	-
Gold	-	-	-	-	4.7%	-	-
TIPS	-	1.9%	-	-	7.6%	0.6%	+0.6%
Non-US IL's	-	-	-	-	9.0%	-	-
Total Real Return	-	1.9%	-	-	23.4%	0.6%	+0.6%
Partner Expected Returns	3.5%	4.3%	3.8%	3.9%	-	4.0%	+0.5%
Expected Volatility	4.1%	6.5%	7.3%	6.5%	-	6.8%	+2.7%
Partner Expected Sharpe Ratio	0.67	0.54	0.37	0.60	-	0.50	(-0.2)
Simple Returns	3.5%	3.7%	3.6%	3.9%	-	3.7%	+0.2%
Simple Sharpe Ratio	0.67	0.44	0.38	0.48	-	0.43	(-0.2)

Note: Orange font represents additions to the policy mix. Descriptive portfolio statistics for UTIMCO represent expectations given Median submission from external partners. Descriptive portfolio statistics for External Partner portfolios reflects Partner-submitted expectations for beta returns only and do not include active value-added return/alpha. Simple returns removes the benefit of converting arithmetic returns to geometric returns for BlackRock and JP Morgan.

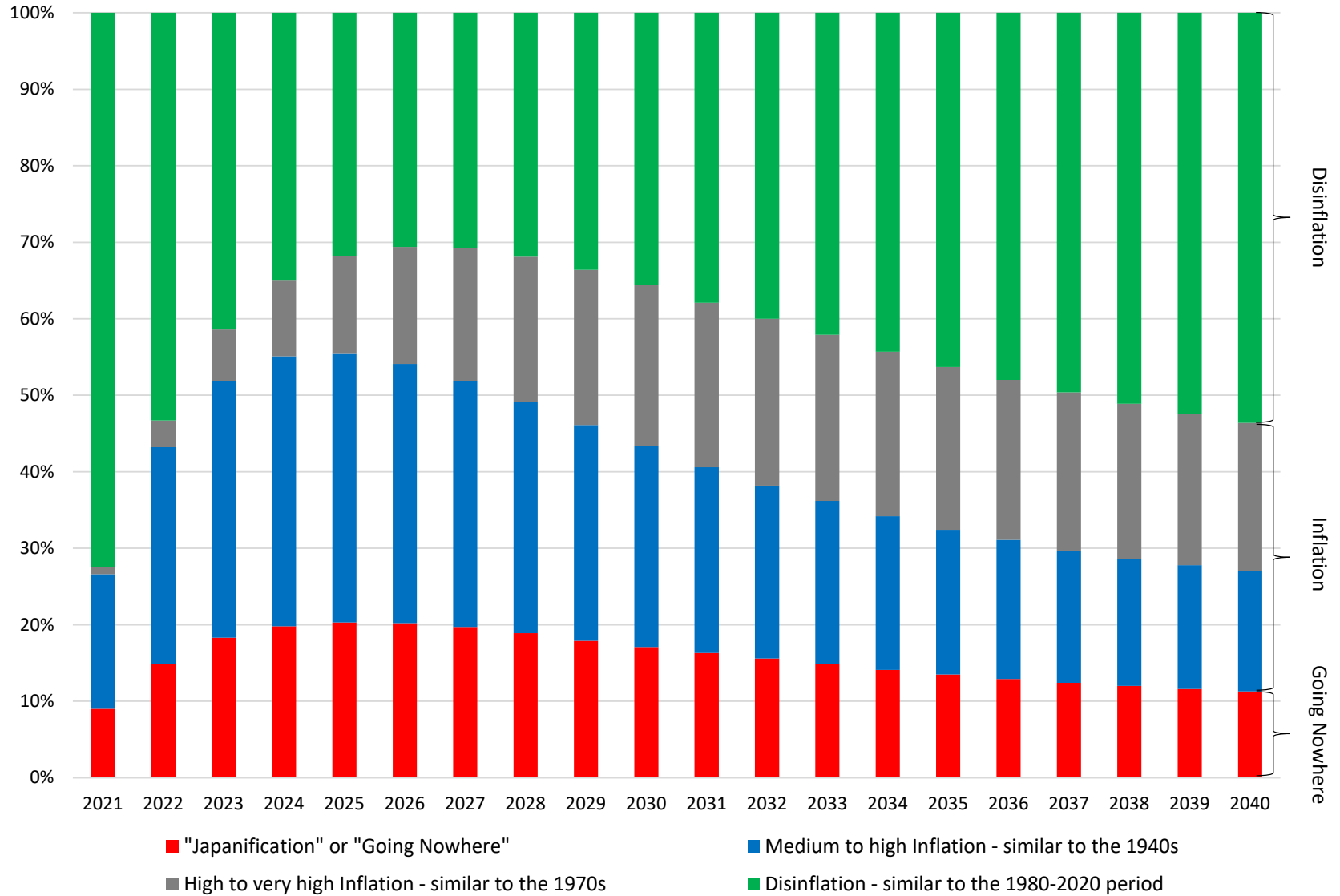
Regimes and Transitioning Between Them



- Arrows represent the monthly probability of shifting from a state. A 1% monthly probability of leaving a state implies staying in that state for an average of 100 months.



Expected States of the Economy





Historical Asset Class Performance by Regime

Economic conditions significantly change asset class returns

Asset	Nominal Returns				Real Returns			
	RGRI	FGFI	RGFI	FGRI	RGRI	FGFI	RGFI	FGRI
US Public Equity	9.7%	2.7%	10.0%	5.0%	3.8%	2.3%	8.2%	0.1%
Value	17.2%	1.4%	11.0%	8.6%	11.4%	1.0%	9.2%	3.7%
Momentum	14.9%	3.4%	12.5%	12.2%	9.1%	3.0%	10.7%	7.2%
Non-US Public Equity	7.7%	2.7%	7.2%	5.4%	1.8%	2.3%	5.4%	0.5%
Total EM Public Equity	10.7%	4.7%	10.5%	7.2%	4.8%	4.3%	8.7%	2.3%
Directional Hedge Funds	9.0%	3.1%	6.3%	6.9%	3.1%	2.7%	4.4%	2.0%
Total Private Equity	14.2%	7.2%	14.5%	9.5%	8.3%	6.8%	12.7%	4.6%
Private Venture	17.1%	9.6%	18.9%	11.1%	11.2%	9.2%	17.1%	6.1%
Private Credit	12.1%	5.5%	11.3%	8.3%	6.2%	5.1%	9.5%	3.4%
Global Aggregate Bonds	3.9%	1.5%	5.8%	4.0%	-4.1%	1.1%	4.0%	-0.9%
Long US Treasuries	5.7%	5.4%	6.8%	3.3%	-0.2%	7.8%	8.1%	-1.6%
US High Yield	6.4%	3.7%	9.7%	6.4%	0.5%	3.3%	7.9%	1.5%
Cash	3.3%	2.6%	3.0%	5.1%	-5.3%	2.2%	1.1%	0.2%
Stable Value Hedge Funds	7.0%	4.3%	5.0%	5.9%	1.1%	3.9%	3.2%	0.9%
Private Real Estate	12.7%	4.8%	9.7%	7.5%	6.8%	4.4%	7.9%	2.6%
Public Real Estate	17.2%	3.6%	6.5%	5.3%	11.3%	3.1%	4.7%	0.4%
Natural Resources	11.9%	5.5%	11.2%	12.6%	6.0%	5.1%	9.3%	7.6%
Infrastructure	12.1%	5.5%	11.3%	8.3%	6.2%	5.1%	9.5%	3.4%
Gold	8.9%	2.9%	1.5%	8.9%	-5.7%	2.5%	-0.3%	9.4%
TIPS	7.9%	1.7%	3.8%	6.9%	1.9%	5.5%	5.1%	3.8%
<i>Inflation</i>	5.9%	0.4%	1.8%	4.9%	0.0%	0.0%	0.0%	0.0%

White cells use historical data as-is

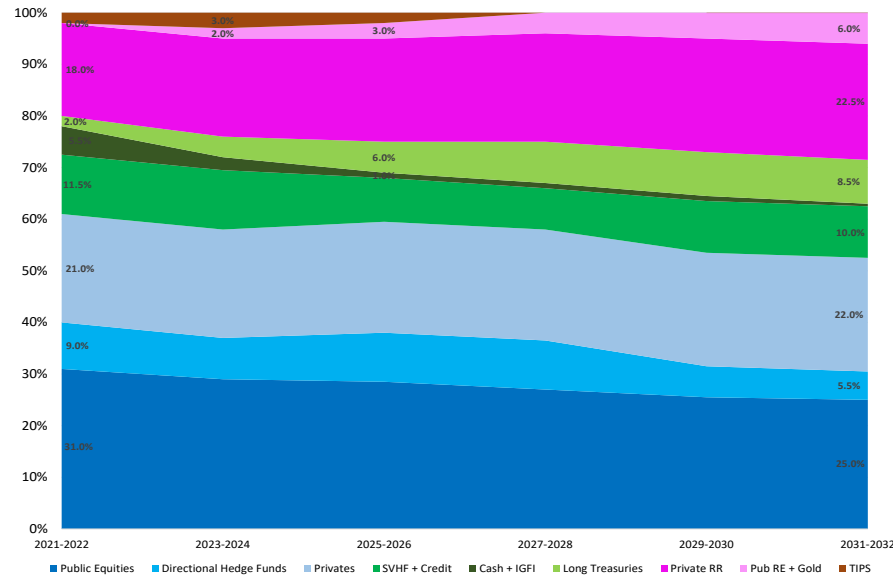
Salmon cells used proxy methodologies from regressions. For example, Private Real Estate has a beta to Equities and Public Real Estate.

Yellow cells further modify expected returns to consider today's environment. For example, Gold was not free floating in historical environments until the 1970s. There is also a lower starting point for bond yields today and a higher expected TIPS returns in inflationary environment.

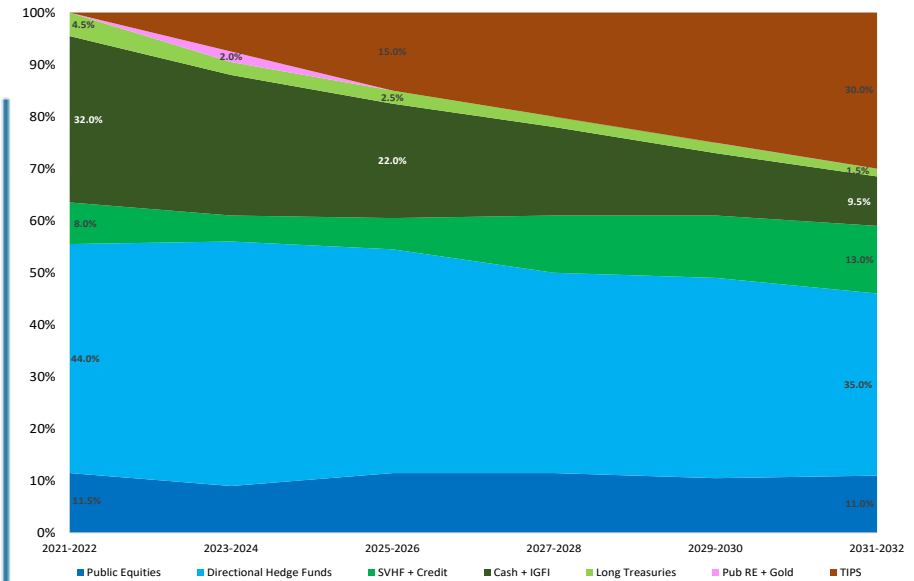


Resilient and Flexible Portfolio Construction

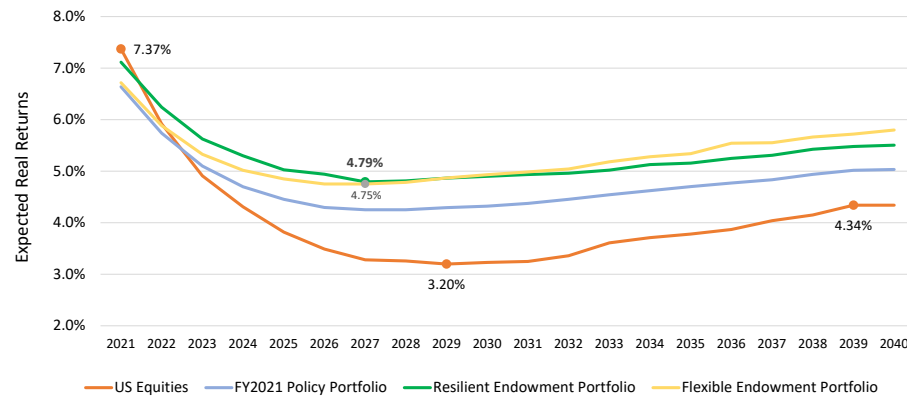
Optimized Endowments Policy Portfolio Over Time



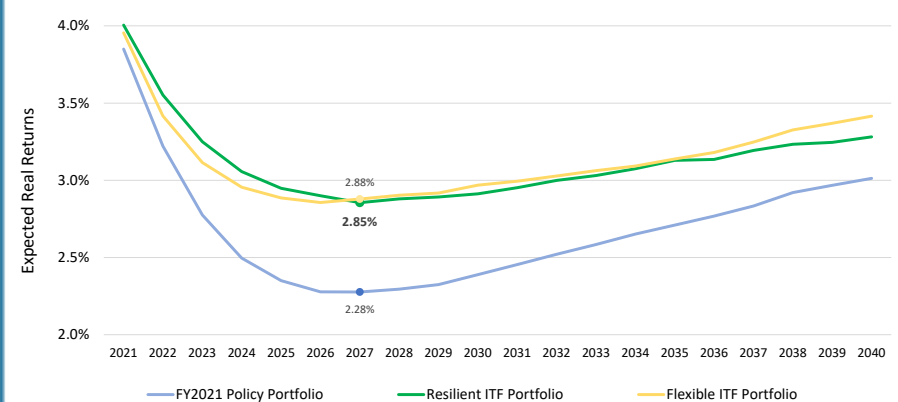
Optimized ITF Policy Portfolio Over Time



Expected Real Returns of the Endowments



Expected Real Returns of the ITF





Resilient Portfolio Implementation and Impact

	Endowments			ITF	
	FY2021 Policy	Long-term SAA	Resilient Portfolio	FY2021 Policy / LTSA	Resilient Portfolio
U.S. Public Equity Value	7.0%	8.0%	10.5%	3.1%	0.0%
Momentum			4.0%		6.0%
Non-U.S. Developed Public Equity	3.8%	4.0%	4.5%	1.9%	0.0%
Global Developed Public Equity ¹	10.0%	10.0%		4.2%	
<i>Total Developed Public Equity</i>	20.8%	22.0%	23.0%	9.2%	10.0%
Emerging Markets Public Equity	7.2%	7.0%	4.0%	3.8%	0.0%
<i>Total Public Equity</i>	28.0%	29.0%	27.0%	13.0%	10.0%
Directional Hedge Funds	9.2%	5.0%	7.0%	43.0%	44.0%
Private Buyouts ²	22.8%	25.0%	12.5%		
Venture ²			9.0%		
Total Global Equity	60.0%	59.0%	55.5%	56.0%	54.0%
Cash	1.0%	1.0%	1.0%	2.0%	2.0%
Global Ag (Hedged)	6.7%	6.0%	0.0%	35.0%	15.0%
US Long Treasuries			8.0%		1.5%
US High Yield			2.5%		0.0%
SVHF	9.5%	10.0%	7.0%	7.0%	9.5%
Private Credit ²			1.0%		
Total Stable Value	17.2%	17.0%	19.5%	44.0%	28.0%
Inflation Linked Bonds	1.7%	0.0%	0.0%	0.0%	18.0%
Private Nat Res	6.1%	3.0%	7.5%		
Private Infrastructure	3.3%	6.0%	4.5%		
Public Real Estate	0.0%	0.0%	4.0%	0.0%	0.0%
Private Real Estate	7.9%	10.0%	9.0%		
Total Real Return	19.0%	19.0%	25.0%	0.0%	18.0%
Strategic Partnerships¹	3.8%	5.0%			

Median External Expected Returns	5.9%	6.1%	6.2%	3.5%	3.7%
Historical Scenarios Expected Returns	6.1%	6.3%	6.6%	4.5%	5.0%
Expected Volatility	12.0%	13.1%	11.9%	4.6%	4.5%
Expected Downside Risk	9.1%	9.8%	8.9%	4.1%	4.0%

The proposed Resilient Portfolios are expected to boost 10-year expected real returns by:

- **21bps - 47bps³** for the Endowments
- **14bps - 49bps³** for the ITF

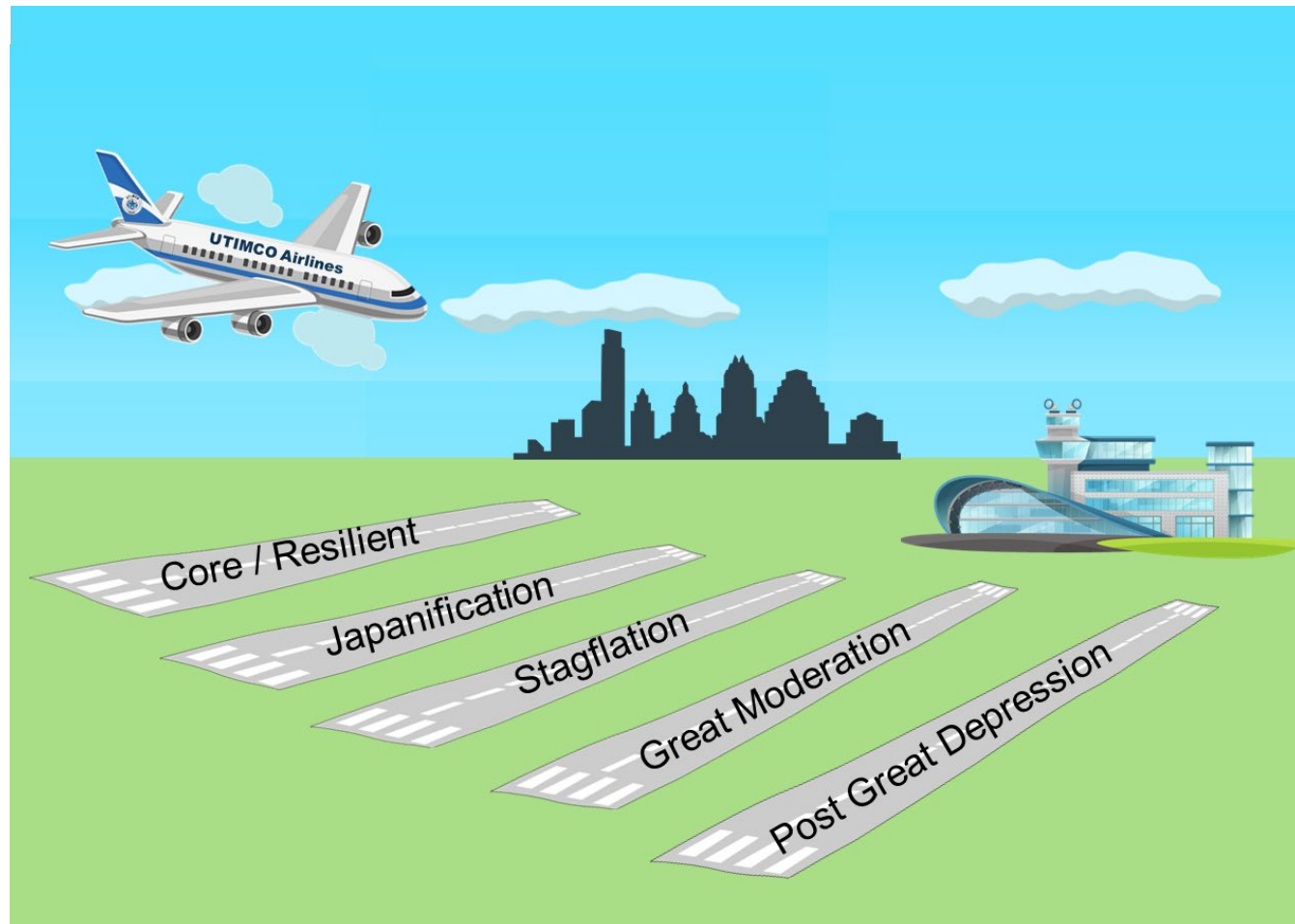
without increasing volatility or downside risk

¹ Strategic Partnerships and Global Developed Public Equity are not explicit parts of the SAA optimization. Rather, once the optimal exposures are decided, a portion of the U.S. and Non-U.S. allocation will be allocated to Global Developed Public Equity, and a portion of the U.S., Non-U.S., Emerging, and Fixed Income will be allocated to Strategic Partnerships.

² Current Investment Policy has one line item for Private Equity, and does not separate Buyouts, Venture, and Private Credit. Private Credit currently resides in the Global Equity regime, within the Private Equity line item.

³ The lower number is the estimated pickup when using the median of the forward-looking assumptions of our external partners. The higher number is the estimated pickup when using the probability-weighted historical 4 scenarios.

Bringing The Plane In For a Landing



Appendix 1: Capital Market Assumptions





Capital Market Assumptions

JP Morgan

	ANNUALIZED VOLATILITY (%)		
	ARITHMETIC RETURN 2021 (%)		
	COMPOUND RETURN 2021 (%)		
U.S. Inflation	2.00	2.01	1.40
U.S. Cash	1.10	1.10	0.44
U.S. Intermediate Treasuries	1.50	1.54	2.83
U.S. Long Treasuries	0.40	1.03	11.38
TIPS	1.50	1.64	5.29
U.S. Aggregate Bonds	2.10	2.16	3.43
U.S. Securitized	2.40	2.43	2.37
U.S. Short Duration Government/Credit	1.70	1.71	1.50
U.S. Long Duration Government/Credit	1.60	2.02	9.24
U.S. Inv Grade Corporate Bonds	2.50	2.69	6.22
U.S. Long Corporate Bonds	2.10	2.60	10.21
U.S. High Yield Bonds	4.80	5.13	8.33
U.S. Leveraged Loans	5.10	5.40	7.91
World Government Bonds hedged	1.40	1.45	3.03
World Government Bonds	1.80	1.99	6.16
World ex-U.S. Government Bonds hedged	1.30	1.35	3.05
World ex-U.S. Government Bonds	1.80	2.09	7.77
Emerging Markets Sovereign Debt	5.20	5.57	8.82
Emerging Markets Local Currency Debt	5.20	5.90	12.27
Emerging Markets Corporate Bonds	4.70	5.04	8.52
U.S. Muni 1-15 Yr Blend	1.90	1.95	3.28
U.S. Muni High Yield	4.60	4.88	7.68

	ANNUALIZED VOLATILITY (%)		
	ARITHMETIC RETURN 2021 (%)		
	COMPOUND RETURN 2021 (%)		
U.S. Large Cap	4.10	5.13	14.80
U.S. Mid Cap	4.40	5.73	16.93
U.S. Small Cap	4.60	6.33	19.44
Euro Area Large Cap	6.60	8.65	21.42
Japanese Equity	6.50	7.50	14.76
Hong Kong Equity	7.60	9.44	20.30
UK Large Cap	7.50	8.83	17.20
EAFE Equity	6.50	7.80	16.92
Chinese Domestic Equity	7.50	11.43	30.39
Emerging Markets Equity	7.20	9.19	21.14
AC Asia ex-Japan Equity	7.10	9.00	20.62
AC World Equity	5.10	6.25	15.76
U.S. Equity Value Factor	6.20	7.42	16.36
U.S. Equity Momentum Factor	4.10	5.16	15.03
U.S. Equity Quality Factor	4.30	5.15	13.48
U.S. Equity Minimum Volatility Factor	4.80	5.47	11.95
U.S. Equity Dividend Yield Factor	5.50	6.53	14.90
U.S. Equity Diversified Factor	5.60	6.48	13.76
U.S. Convertible Bond	5.00	5.60	11.28
Global Convertible Bond hedged	4.60	5.06	9.91
Global Credit Sensitive Convertible hedged	4.20	4.47	7.52

	ANNUALIZED VOLATILITY (%)		
	ARITHMETIC RETURN 2021 (%)		
	COMPOUND RETURN 2021 (%)		
Private Equity	7.80	9.36	18.67
U.S. Core Real Estate	5.90	6.46	10.94
U.S. Value-Added Real Estate	8.10	9.48	17.54
European ex-UK Core Real Estate	6.40	7.19	13.10
Asia Pacific Core Real Estate	6.60	7.40	13.16
U.S. REITs	6.50	7.58	15.34
Global Core Infrastructure	6.10	6.64	10.80
Global Core Transport	7.60	8.48	13.87
Diversified Hedge Funds	3.30	3.52	6.74
Event Driven Hedge Funds	3.10	3.45	8.55
Long Bias Hedge Funds	3.40	3.92	10.48
Relative Value Hedge Funds	3.60	3.79	6.22
Macro Hedge Funds	2.20	2.49	7.72
Direct Lending	6.80	7.67	13.74
Commodities	2.30	3.53	16.10
Gold	2.90	4.28	17.15



Capital Market Assumptions

BlackRock

<u>Equity</u>	<u>Geometric Net Exp. Return</u>		<u>Volatility</u>
US Equity	6.3%		16.3%
UK Equity	8.6%		20.4%
Europe Ex UK Equity (Developed)	7.1%		19.0%
Japan Equity	5.1%		16.9%
Asia Ex Japan Equity (Developed)	6.9%		21.8%
China A Equity	6.3%		34.5%
MSCI China Equity	8.5%		28.0%
Emerging Markets Equity ex China	6.4%		21.6%
 <u>Fixed Income</u>			
US Government	1.5%		5.7%
US Long Government	0.2%		15.6%
US Government Inflation-Linked	2.7%		6.3%
US Credit	2.7%		7.0%
US High Yield	4.8%		8.2%
 <u>Alternatives*</u>			
Direct lending	6.0%	Active Return 2.2%	15.4%
Real estate mezzanine debt	5.1%	2.2%	10.5%
Core Real Estate	4.3%	0.8%	12.3%
Value Add Real Estate	6.1%	4.4%	19.2%
Infrastructure	5.8%	5.5%	20.7%
Private Equity Buyout	8.1%	5.7%	32.4%
Global infrastructure debt	3.3%	0.9%	9.1%
Hedge funds	4.1%	3.7%	7.7%

*For optimization purposes, we usually model alternatives with an expected return that is the sum of the geometric net expected return + “active” return, which is derived from the spread between top-quartile and median. That practice is varied in this presentation, at UTIMCO’s request.

Source: BlackRock. For illustrative purposes only.



Capital Market Assumptions

PIMCO

	Proxy	Estimated Return (5Y CMA)	Estimated Return (20Y CMA)	Difference
Public Equity	S&P 500 Index	5.3%	5.7%	0.4%
	US Equitywith TIPS Proxy	5.9%	6.0%	0.2%
	Russell 1000 Value Index	6.1%	6.5%	0.4%
	MSCI EAFE Index	5.9%	6.3%	0.4%
	MSCI EAFE Value TR Index	6.9%	7.3%	0.4%
	MSCI Emerging Markets Index	6.2%	6.6%	0.4%
	HFRI FoF Composite Index	4.1%	4.5%	0.4%
Private Assets	Diversified Private Equity Model	10.2%	10.6%	0.4%
	Broad Private Credit Model	6.0%	6.4%	0.4%
Stable Value	FTSE 3M T-Bill Index	0.4%	0.8%	0.4%
	BBG BC Global Agg. Index (USD-H)	1.0%	1.9%	0.9%
	HFRI FoF: Conservative Index	3.1%	3.5%	0.4%
	Defensive Risk Premia Model	4.4%	4.8%	0.4%
	BBG BC Long-Term Treasury Index	1.5%	1.5%	0.0%
	DJCS Managed Futures Index	3.6%	4.0%	0.4%
	Alternative Yield Model	5.0%	5.4%	0.4%
	BBG Commodity Gold Index	2.5%	2.9%	0.4%
	Tactical Bond	3.1%	3.8%	0.7%
	Capital Efficient Risk Mitigation	4.5%	5.0%	0.5%
Real Assets	BBG BC U.S. TIPS Index	1.1%	1.1%	(0.0%)
	PE Natural Resource Model	9.8%	10.2%	0.4%
	Private Infrastructure Model	7.5%	7.9%	0.4%
	Private Value-Add Real Estate Model	6.8%	7.0%	0.4%
	BBG Commodity Index	3.0%	3.4%	0.4%
	Diversified Liquid Real Assets	2.3%	2.7%	0.4%
Strategic	Strategic Partnerships Equal Weight	4.6%	5.1%	0.5%

As of 31 December 2020. SOURCE: PIMCO, UTIMCO. Hypothetical example for illustrative purposes only.

UTIMCO Strategic Partnerships Benchmark: 25% MSCI Emerging Markets Index, 25% MSCI US Index, 25% MSCI EAFE and Canada Index, 25% Bloomberg Barclays Global Aggregate Index (USD-H)

Model risk factor exposures are based on analysis of historical index data, third party academic research and/or qualitative inputs from senior PIMCO investment professionals.



Capital Market Assumptions

Goldman Sachs

Strategic Long Term Assumptions - Forward Looking Portfolio Return and Risk - Details					
Asset Class	Benchmark	Total Return	Total Risk	Sharpe Ratio	
US Large Cap Equity	S&P 500 Index	5.8%	15.1%	0.35	
US Small Cap Equity	Russell 2000 Index	6.6%	19.5%	0.31	
Developed ex-US Large Cap Equity	MSCI EAFE Index	5.2%	14.3%	0.33	
Emerging Markets Equity	MSCI Emerging Market Index	7.9%	20.6%	0.36	
US Treasury Inflation-Protected Securities (TIPS) Fixed Income (Series-L)	Bloomberg Barclays US TIPS Index (Series-L)	2.0%	5.8%	0.26	
US Government Long (10+Y) Fixed Income	Bloomberg Barclays US Long Government Index	1.7%	11.5%	0.11	
US Aggregate Fixed Income	Bloomberg Barclays US Aggregate Index	1.4%	3.5%	0.26	
US Corporate High Yield Fixed Income	Bloomberg Barclays US Corporate High Yield Index	3.3%	8.7%	0.32	
Global ex-US Government Fixed Income	JPM ex-US Index	1.1%	3.1%	0.18	
Emerging Markets Debt	JPM EMBI+ Index	3.6%	8.4%	0.37	
US Public Real Estate	Wilshire REIT Index	6.4%	21.2%	0.28	
US Private Real Estate	Private Real Estate is modeled using unlevered public real estate and fixed income, adjusted for illiquidity	6.9%	17.5%	0.36	
Broad Private Equity Portfolio	Modeled as a customized blend of Venture Capital, Large US Buyout, Small US Buyout, European Buyout, Distressed, Emerging, and Secondaries sectors.	10.8%	20.9%	0.49	
Hedge Funds	Modeled as a customized blend of Event Driven, Relative Value, Equity Long/Short, and Tactical Trading Hedge Funds	4.1%	5.7%	0.64	
Commodities	S&P GSCI	3.9%	21.4%	0.16	

The long-term risk-free rate is assumed to be 0.50% herein. Risk Free Rate is calculated as Multi-Asset Solutions's forward looking expected return on cash. US Private Real Estate, Broad Private Equity Portfolio and Hedge Funds are assumed to be actively managed. All other asset classes are passively managed. Emerging Markets Equity is assumed to be unhedged. All other indices are hedged. See Glossary for additional definitions.

Our long-term horizon is ten years. Expected returns are estimates of hypothetical average returns of economic asset classes derived from statistical models. There can be no assurance that these returns can be achieved. Actual returns are likely to vary. Please see additional disclosures. All numbers reflect Multi-Asset Solutions' strategic assumptions as of 31 Dec 20. Strategic long-term assumptions are subject to high levels of uncertainty regarding future economic and market factors that may affect future performance. They are hypothetical indications of a broad range of possible returns. Please see additional disclosures. The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Capital Market Assumptions

Morgan Stanley

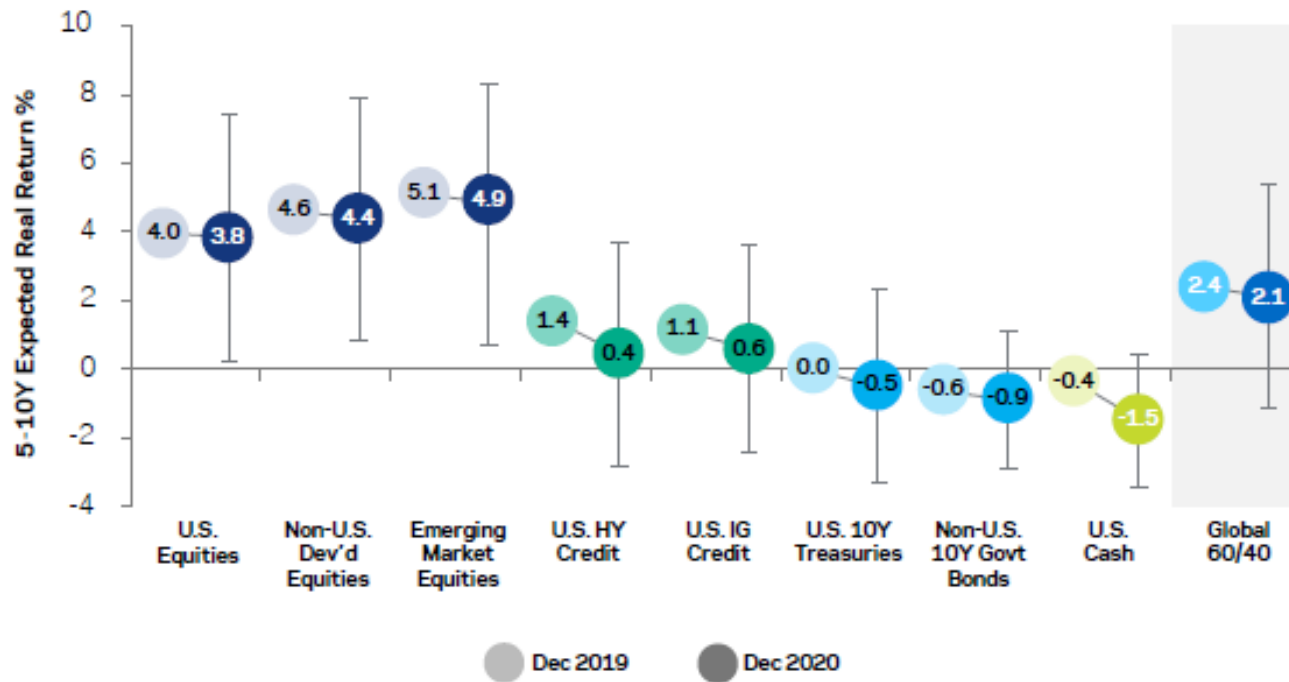


Source: Bloomberg, MSCI, RIMES, Morgan Stanley Research forecasts; Note: LT Avg = 20-year average.



Capital Market Assumptions

AQR



AQR *Alternative Thinking*, January 2021
US Inflation forecast is 2.1%

Appendix 2: Partner Portfolio Recommendations





Partner Portfolio Recommendation

JP Morgan

	Core Recommended Portfolio	Regime 1 (High Growth/ High Inf)	Regime 2 (Low Growth/ Low Inf)	Regime 3 (High Growth/ Low Inf)	Regime 4 (Low Growth/ High Inf)
US Public Equity	14.5%	15.5%	11.5%	19.5%	10.5%
Non-US Public Equity	10.0%	13.0%	5.0%	13.0%	8.0%
Emerging Markets Public Equity	6.5%	8.5%	4.5%	12.5%	3.5%
Directional Hedge Funds	5.0%	5.0%	10.0%	3.0%	10.0%
Total Private Equity	29.0%	29.0%	31.0%	29.0%	25.0%
Private Credit	-	-	-	-	-
Public Credit	-	-	-	-	-
Total Global Equity	65.0%	71.0%	62.0%	77.0%	57.0%
Global Aggregate Bonds	3.0%	1.0%	-	1.0%	1.0%
Long US Treasuries	2.0%	-	3.0%	3.0%	-
Cash	1.0%	1.0%	1.0%	-	1.0%
Stable Value Hedge Funds	10.0%	2.0%	15.0%	4.0%	14.0%
Total Stable Value	16.0%	4.0%	19.0%	8.0%	16.0%
Private Real Estate	12.0%	13.0%	12.0%	10.0%	13.0%
Natural Resources	3.0%	4.0%	3.0%	1.0%	5.0%
Infrastructure	4.0%	6.0%	4.0%	4.0%	6.0%
TIPS	-	2.0%	-	-	3.0%
Total Real Return	19.0%	25.0%	19.0%	15.0%	27.0%
Expected Returns	8.0%	8.4%	8.0%	8.2%	7.8%
Expected Volatility	12.4%	13.4%	11.8%	13.7%	11.4%
Probability of entering into regime	-	20%	50%	20%	10%



Partner Portfolio Recommendation

BlackRock

	Core Recommended Portfolio	Regime 1 (High Growth/ High Inf)	Regime 2 (Low Growth/ Low Inf)	Regime 3 (High Growth/ Low Inf)	Regime 4 (Low Growth/ High Inf)	Regime Probability Weighted Portfolio
US Public Equity	14.2%	6.3%	12.0%	18.5%	0.0%	13.2%
Non-US Public Equity	10.6%	6.3%	11.8%	18.4%	0.0%	10.3%
China Public Equity	5.5%	5.9%	7.9%	13.9%	0.0%	5.9%
Non-China EM Public Equity	3.5%	18.0%	0.0%	4.7%	10.4%	4.6%
Hedge Funds	15.0%	24.3%	17.5%	10.6%	23.0%	15.7%
Total Private Equity	7.4%	5.4%	6.9%	12.4%	0.0%	7.2%
Private Credit	20.1%	2.7%	15.5%	18.8%	0.0%	17.9%
Total Global Equity	76.3%	68.8%	71.6%	97.2%	33.4%	74.8%
Global Aggregate Bonds						
Long US Treasuries	7.7%	0.0%	28.4%	2.8%	13.7%	7.8%
Cash	3.5%	0.0%	0.0%	0.0%	0.0%	2.8%
Stable Value Hedge Funds						
Total Stable Value	11.2%	0.0%	28.4%	2.8%	13.7%	10.5%
Private Real Estate	5.2%	24.7%	0.0%	0.0%	16.6%	6.4%
Natural Resources						
Infrastructure	7.3%	6.5%	0.0%	0.0%	10.8%	6.8%
TIPS	0.0%	0.0%	0.0%	0.0%	25.5%	1.5%
Total Real Return	12.5%	31.2%	0.0%	0.0%	52.9%	14.7%

Expected Returns	7.90%					
Expected Volatility	11%					
Baseline Probability	80%	5%	5%	5%	5%	
Probability of entering into regime	n/a	5%	2%	7%	6%	



Partner Portfolio Recommendation

PIMCO

	Core Recommended Portfolio	Regime 1 (High Growth/ High Inf)	Regime 2 (Low Growth/ Low Inf)	Regime 3 (High Growth/ Low Inf)	Regime 4 (Low Growth/ High Inf)	Core Recommended Portfolio
US Public Equity	7.5%	4.5%	4.3%	10.3%	4.3%	11.4%
Non-US Public Equity	6.9%	3.9%	3.7%	9.7%	3.7%	5.8%
Emerging Markets Public Equity	6.4%	6.6%	3.4%	9.1%	3.4%	6.1%
Directional Hedge Funds	2.5%	-	9.1%	1.5%	12.0%	12.0%
Total Private Equity	20.9%	30.0%	18.9%	30.0%	15.0%	26.1%
Private Credit	8.0%	-	10.0%	-	8.5%	2.8%
Public Credit	-	-	5.0%	-	-	-
US Equity with TIPS	6.1%	3.1%	2.9%	5.9%	2.9%	-
US Value	1.4%	0.9%	0.9%	1.5%	0.9%	-
Non-US Value	2.0%	1.4%	1.3%	2.3%	1.3%	-
Total Global Equity	58.6%	47.2%	56.2%	67.2%	48.7%	61.1%
Global Aggregate Bonds	5.0%	4.7%	15.7%	4.7%	8.2%	5.0%
Long US Treasuries	-	-	5.0%	5.0%	-	-
Cash	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Stable Value Hedge Funds	-	-	-	-	5.0%	-
Capital Efficient Risk Mitigation	10.0%	4.7%	10.0%	10.0%	10.0%	-
Defensive Alternative Risk Premia	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Alternative Yield Assets	-	-	-	-	-	2.5%
Managed Futures	-	-	-	-	-	5.0%
Gold	-	-	-	-	15.0%	-
Tactical Bond*	-	-	-	-	-	-
Total Stable Value	20.3%	14.7%	36.0%	25.0%	43.5%	17.8%
Private Real Estate	9.5%	8.2%	2.9%	2.9%	2.9%	9.9%
Natural Resources	6.5%	11.1%	1.1%	1.1%	1.1%	6.1%
Infrastructure	1.3%	-	-	-	-	1.3%
TIPS	-	-	-	-	-	-
Commodities	-	15.0%	-	-	-	-
Diversified Liquid Real Assets*	-	-	-	-	-	-
Total Real Return	17.3%	34.3%	4.0%	4.0%	4.0%	17.3%
Strategic Partnerships*	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Probability of entering into regime	-	10%	20%	50%	20%	-
Expected Volatility	13.1%	15.5%	8.9%	13.1%	8.8%	13.5%
Base Case Stats						
Expected Base Case Return	7.0%	7.2%	5.7%	6.9%	5.5%	7.0%
Base Case Sharpe	0.48	0.42	0.55	0.47	0.54	0.46
Regime Stats						
Expected Regime Return	7.0%	6.4%	3.1%	6.9%	1.6%	7.0%
Regime Sharpe	0.48	0.36	0.26	0.47	0.10	0.46



Partner Portfolio Recommendation

Bridgewater

	Current Target Portfolio	Core Recommended Portfolio	Regime 1 (High Growth/ High Inf)	Regime 2 (Low Growth/ Low Inf)	Regime 3 (High Growth/ Low Inf)	Regime 4 (Low Growth/ High Inf)
US Public Equity	14.8%	8.8%	15.6%	-	25.9%	-
Non-US Public Equity	8.2%	4.9%	37.7%	-	62.9%	-
Emerging Markets Public Equity	8.1%	4.8%	6.7%	-	11.1%	-
Directional Hedge Funds	9.2%	9.2%	-	-	-	-
Total Private Equity	22.8%	13.5%	-	-	-	-
Private Credit	-	-	-	-	-	-
Public Credit	-	-	-	-	-	-
Total Global Equity	63.1%	51.2%	60.0%	-	100.0%	-
Global Aggregate Bonds	7.4%	-	-	-	-	-
Long US Treasuries	-	7.4%	-	26.9%	-	-
Chinese Nominals	-	-	-	33.4%	-	-
Australian Nominals	-	-	-	14.7%	-	-
Cash	1.0%	0.6%	-	-	-	-
Stable Value Hedge Funds	9.5%	9.5%	-	-	-	-
Stable CF Equities (Hedged)	-	10.0%	-	-	-	-
Chinese Balanced Asset Mix	-	10.0%	-	-	-	-
Total Stable Value	17.9%	27.5%	-	75.0%	-	-
Private Real Estate	7.9%	4.7%	-	-	-	-
Natural Resources	6.1%	3.6%	-	-	-	-
Infrastructure	3.3%	2.0%	-	-	-	-
TIPS	1.7%	1.0%	-	11.4%	-	34.3%
Non-US IL's	-	-	-	13.6%	-	40.7%
Gold	-	10.0%	-	-	-	25.0%
Commodities ex-Gold	-	-	40.0%	-	-	-
Total Real Return	19.0%	21.3%	40.0%	25.0%	0.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Appendix 3: Four Corner Portfolio Details





Summary of Four Corner Responses

Key Themes: More Real Assets, Less Financial Assets; More EAFE + EM; Less Privates

Average Probability	21.25%	15.00%	41.25%	22.50%		
Asset Class	RGRI	FGFI	RGFI	FGRI	Prob Wtd Port	Change vs. Core External
US Public Equity	11.5%	7.9%	20.4%	4.6%	13.1%	+0.9%
Non-US Public Equity	15.6%	5.4%	26.6%	3.2%	15.8%	+8.0%
Total EM Public Equity	11.4%	3.9%	12.8%	4.3%	9.3%	+2.7%
Directional Hedge Funds	1.3%	4.8%	1.1%	5.5%	2.7%	(-3.9%)
Total Private Equity	16.1%	14.2%	17.8%	10.0%	15.2%	(-3.9%)
Private Credit	0.7%	6.4%	4.7%	2.1%	3.5%	(-2.2%)
Total Global Equity	56.5%	42.6%	83.5%	29.8%	59.5%	+1.6%
Global Aggregate Bonds	1.4%	3.9%	1.4%	2.3%	2.0%	(-0.0%)
Long US Treasuries	-	15.8%	2.7%	3.4%	4.3%	(-0.0%)
Chinese Nominals	-	8.4%	-	-	1.3%	+1.3%
Australian Nominals	-	3.7%	-	-	0.6%	+0.6%
Cash	0.5%	0.5%	0.3%	0.5%	0.4%	(-1.1%)
Stable Value Hedge Funds	9.0%	11.9%	7.4%	14.3%	9.9%	(-1.8%)
Total Stable Value	10.9%	45.4%	11.8%	20.5%	18.6%	(-5.9%)
Private Real Estate	11.5%	3.7%	3.2%	8.1%	6.2%	(-1.8%)
Natural Resources	3.8%	1.0%	0.5%	1.5%	1.5%	(-1.7%)
Infrastructure	3.1%	1.0%	1.0%	4.2%	2.2%	(-1.5%)
Commodities	13.8%	-	-	-	2.9%	+2.9%
Gold	-	-	-	10.0%	2.3%	(-0.3%)
TIPS	0.5%	2.9%	-	15.7%	4.1%	+3.8%
Non-US IL's	-	3.4%	-	10.2%	2.8%	+2.8%
Total Real Return	32.6%	12.0%	4.8%	49.7%	21.9%	+4.3%

<i>Total Privates</i>	35.1%	26.3%	27.3%	26.0%	28.5%	-11.0%
<i>Total Alternatives</i>	45.4%	44.2%	35.8%	45.7%	41.3%	-21.5%
Median External Expected Returns	6.8%	4.5%	7.2%	4.6%	5.5%	-0.6%
Median External Expected Volatility	14.3%	8.1%	16.2%	7.4%	10.9%	-0.9%
Median External Expected Sharpe	0.42	0.46	0.40	0.51	0.43	0.0



Corner Portfolio: RGRI

Tilt to high growth assets (PE, EM) and high inflation beta assets (Real Return)

Asset Class*	Proposals				Average	Change vs. Core External
	BlackRock	JP Morgan	PIMCO	Bridgewater		
US Public Equity	6.3%	15.5%	8.5%	15.6%	11.5%	(-0.8%)
Non-US Public Equity	6.3%	13.0%	5.3%	37.7%	15.6%	+7.8%
China Public Equity	5.9%	-	-	-	1.5%	+0.1%
Non-China EM Public Equity	18.0%	8.5%	6.6%	6.7%	9.9%	+4.7%
Total EM Public Equity	23.9%	8.5%	6.6%	6.7%	11.4%	+4.8%
Directional Hedge Funds	-	5.0%	-	-	1.3%	(-5.3%)
Total Private Equity	5.4%	29.0%	30.0%	-	16.1%	(-2.9%)
Private Credit	2.7%	-	-	-	0.7%	(-5.1%)
Total Global Equity	44.6%	71.0%	50.3%	60.0%	56.5%	(-1.5%)
Global Aggregate Bonds	-	1.0%	4.7%	-	1.4%	(-0.6%)
Long US Treasuries	-	-	-	-	-	(-4.3%)
Cash	-	1.0%	1.0%	-	0.5%	(-1.0%)
Stable CF Equities (Hedged)	-	-	-	-	-	(-2.5%)
Chinese Balanced Asset Mix	-	-	-	-	-	(-2.5%)
Stable Value Hedge Funds	24.3%	2.0%	9.7%	-	9.0%	(-2.8%)
Total Stable Value	24.3%	4.0%	15.4%	-	10.9%	(-13.6%)
Private Real Estate	24.7%	13.0%	8.2%	-	11.5%	+3.5%
Natural Resources	-	4.0%	11.1%	-	3.8%	+0.6%
Infrastructure	6.5%	6.0%	-	-	3.1%	(-0.5%)
Commodities	-	-	15.0%	40.0%	13.8%	+13.8%
Gold	-	-	-	-	-	(-2.5%)
TIPS	-	2.0%	-	-	0.5%	+0.2%
Total Real Return	31.2%	25.0%	34.3%	40.0%	32.6%	+15.1%
<i>Total Privates</i>	<i>39.3%</i>	<i>52.0%</i>	<i>49.3%</i>	<i>0.0%</i>	<i>35.1%</i>	
<i>Total Alternatives</i>	<i>63.6%</i>	<i>59.0%</i>	<i>68.7%</i>	<i>0.0%</i>	<i>45.4%</i>	
Expected Returns	-	8.4%	7.2%	-	7.8%	
Expected Volatility	-	13.4%	15.5%	-	14.4%	

* Orange font represents additions to the policy mix



Corner Portfolio: FGFI

Tilt to stable value assets (Bonds, Hedge Funds)

Asset Class*	Proposals				Average	Change vs. Core External
	BlackRock	JP Morgan	PIMCO	Bridgewater		
US Public Equity	12.0%	11.5%	8.0%	-	7.9%	(-4.3%)
Non-US Public Equity	11.8%	5.0%	5.0%	-	5.4%	(-2.4%)
China Public Equity	7.9%	-	-	-	2.0%	+0.6%
Non-China EM Public Equity	-	4.5%	3.4%	-	2.0%	(-3.3%)
Total EM Public Equity	7.9%	4.5%	3.4%	-	3.9%	(-2.7%)
Directional Hedge Funds	-	10.0%	9.1%	-	4.8%	(-1.8%)
Total Private Equity	6.9%	31.0%	18.9%	-	14.2%	(-4.8%)
Private Credit	15.5%	-	10.0%	-	6.4%	+0.6%
Total Global Equity	54.1%	62.0%	54.3%	-	42.6%	(-15.3%)
Global Aggregate Bonds	-	-	15.7%	-	3.9%	+1.9%
Long US Treasuries	28.4%	3.0%	5.0%	26.9%	15.8%	+11.6%
Chinese Nominals	-	-	-	33.4%	8.4%	+8.4%
Australian Nominals	-	-	-	14.7%	3.7%	+3.7%
Cash	-	1.0%	1.0%	-	0.5%	(-1.0%)
Public Credit	-	-	5.0%	-	1.3%	+1.3%
Stable CF Equities (Hedged)	-	-	-	-	-	(-2.5%)
Chinese Balanced Asset Mix	-	-	-	-	-	(-2.5%)
Stable Value Hedge Funds	17.5%	15.0%	15.0%	-	11.9%	+0.1%
Total Stable Value	45.9%	19.0%	41.7%	75.0%	45.4%	+20.9%
Private Real Estate	-	12.0%	2.9%	-	3.7%	(-4.2%)
Natural Resources	-	3.0%	1.1%	-	1.0%	(-2.2%)
Infrastructure	-	4.0%	-	-	1.0%	(-2.6%)
Gold	-	-	-	-	-	(-2.5%)
TIPS	-	-	-	11.4%	2.9%	+2.6%
Non-US IL's	-	-	-	13.6%	3.4%	+3.4%
Total Real Return	0.0%	19.0%	4.0%	25.0%	12.0%	(-5.5%)
<i>Total Privates</i>	22.3%	50.0%	32.9%	0.0%	26.3%	
<i>Total Alternatives</i>	39.9%	75.0%	77.0%	0.0%	44.2%	
Expected Returns	-	8.0%	5.7%	-	6.8%	
Expected Volatility	-	11.8%	8.9%	-	10.3%	

* Orange font represents additions to the policy mix



Corner Portfolio: RGFI

Strong tilts towards growth assets (PE, Equities)

Asset Class*	Proposals				Average	Change vs. Core External
	BlackRock	JP Morgan	PIMCO	Bridgewater		
US Public Equity	18.5%	19.5%	17.8%	25.9%	20.4%	+8.2%
Non-US Public Equity	18.4%	13.0%	12.0%	62.9%	26.6%	+18.8%
China Public Equity	13.9%	-	-	-	3.5%	+2.1%
Non-China EM Public Equity	4.7%	12.5%	9.1%	11.1%	9.3%	+4.1%
Total EM Public Equity	18.6%	12.5%	9.1%	11.1%	12.8%	+6.2%
Directional Hedge Funds	-	3.0%	1.5%	-	1.1%	(-5.4%)
Total Private Equity	12.4%	29.0%	30.0%	-	17.8%	(-1.2%)
Private Credit	18.8%	-	-	-	4.7%	(-1.0%)
Total Global Equity	86.7%	77.0%	70.3%	100.0%	83.5%	+25.6%
Global Aggregate Bonds	-	1.0%	4.7%	-	1.4%	(-0.6%)
Long US Treasuries	2.8%	3.0%	5.0%	-	2.7%	(-1.6%)
Cash	-	-	1.0%	-	0.3%	(-1.3%)
Stable CF Equities (Hedged)	-	-	-	-	-	(-2.5%)
Chinese Balanced Asset Mix	-	-	-	-	-	(-2.5%)
Stable Value Hedge Funds	10.6%	4.0%	15.0%	-	7.4%	(-4.4%)
Total Stable Value	13.4%	8.0%	25.7%	-	11.8%	(-12.8%)
Private Real Estate	-	10.0%	2.9%	-	3.2%	(-4.7%)
Natural Resources	-	1.0%	1.1%	-	0.5%	(-2.7%)
Infrastructure	-	4.0%	-	-	1.0%	(-2.6%)
Gold	-	-	-	-	-	(-2.5%)
TIPS	-	-	-	-	-	(-0.3%)
Total Real Return	0.0%	15.0%	4.0%	0.0%	4.8%	(-12.8%)
<i>Total Privates</i>	<i>31.1%</i>	<i>44.0%</i>	<i>34.0%</i>	<i>0.0%</i>	<i>27.3%</i>	
<i>Total Alternatives</i>	<i>41.7%</i>	<i>51.0%</i>	<i>65.5%</i>	<i>0.0%</i>	<i>35.8%</i>	
Expected Returns	-	8.2%	6.9%	-	7.6%	
Expected Volatility	-	13.7%	13.1%	-	13.4%	

* Orange font represents additions to the policy mix



Corner Portfolio: FGRI

Tilt towards high inflation beta assets (Real Return)

Asset Class*	Proposals				Average	Change vs. Core External
	BlackRock	JP Morgan	PIMCO	Bridgewater		
US Public Equity	-	10.5%	8.0%	-	4.6%	(-7.6%)
Non-US Public Equity	-	8.0%	5.0%	-	3.2%	(-4.6%)
China Public Equity	-	-	-	-	-	(-1.4%)
Non-China EM Public Equity	10.4%	3.5%	3.4%	-	4.3%	(-0.9%)
Total EM Public Equity	10.4%	3.5%	3.4%	-	4.3%	(-2.3%)
Directional Hedge Funds	-	10.0%	12.0%	-	5.5%	(-1.1%)
Total Private Equity	-	25.0%	15.0%	-	10.0%	(-9.0%)
Private Credit	-	-	8.5%	-	2.1%	(-3.6%)
Total Global Equity	10.4%	57.0%	51.8%	-	29.8%	(-28.1%)
Global Aggregate Bonds	-	1.0%	8.2%	-	2.3%	+0.3%
Long US Treasuries	13.7%	-	-	-	3.4%	(-0.8%)
Cash	-	1.0%	1.0%	-	0.5%	(-1.0%)
Stable CF Equities (Hedged)	-	-	-	-	-	(-2.5%)
Chinese Balanced Asset Mix	-	-	-	-	-	(-2.5%)
Stable Value Hedge Funds	23.0%	14.0%	20.0%	-	14.3%	+2.5%
Total Stable Value	36.7%	16.0%	29.2%	-	20.5%	(-4.1%)
Private Real Estate	16.6%	13.0%	2.9%	-	8.1%	+0.2%
Natural Resources	-	5.0%	1.1%	-	1.5%	(-1.7%)
Infrastructure	10.8%	6.0%	-	-	4.2%	+0.6%
Gold	-	-	15.0%	25.0%	10.0%	+7.5%
TIPS	25.5%	3.0%	-	34.3%	15.7%	+15.5%
Non-US IL's	-	-	-	40.7%	10.2%	+10.2%
Total Real Return	52.9%	27.0%	19.0%	100.0%	49.7%	+32.2%
<i>Total Privates</i>	27.4%	49.0%	27.5%	0.0%	26.0%	
<i>Total Alternatives</i>	50.4%	73.0%	74.5%	0.0%	45.7%	
Expected Returns	-	7.8%	5.5%	-	6.7%	
Expected Volatility	-	11.4%	8.8%	-	10.1%	

* Orange font represents additions to the policy mix

Appendix 4: UTIMCO Alpha Engine





UTIMCO Alpha Engine

		5-Year				
		Return	Alpha	Tracking Error	Information Ratio	Compared to 0.5 IR
Public Equity	Public Equity	14.3%	1.7%	3.5%	0.5	(0.0)
	Directional Hedge Funds	6.9%	2.5%	2.8%	0.9	0.4
	Total Private Equity	13.0%	0.9%	4.7%	0.2	-0.3
	Total Global Equity	11.8%	1.2%	2.4%	0.5	0.0
Stable Value	Investment Grade Fixed Income	5.4%	0.8%	1.9%	0.4	-0.1
	Credit Related Fixed Income	8.1%	0.3%	4.0%	0.1	-0.4
	Cash	1.2%	0.0%	0.1%	0.2	-0.3
	Stable Value Hedge Funds	5.6%	2.1%	4.2%	0.5	0.0
	Total Stable Value	4.1%	(0.1%)	2.0%	(0.0)	(0.5)
Real Return	Inflation Linked Bonds	-	-	-	-	-
	Natural Resources	2.8%	3.6%	7.2%	0.5	0.0
	Infrastructure	18.0%	8.7%	14.7%	0.6	0.1
	Total Private Real Estate	11.4%	4.3%	3.5%	1.2	0.7
	Total Real Return	8.8%	3.7%	3.9%	1.0	0.5
Strategic Partnerships	Total Strategic Partnerships	-	-	-	-	-
TAA	TAA	0.0%	(0.0%)	-	-	-
Total Fund	Endowment Total	10.4%	1.7%	1.9%	0.9	0.4

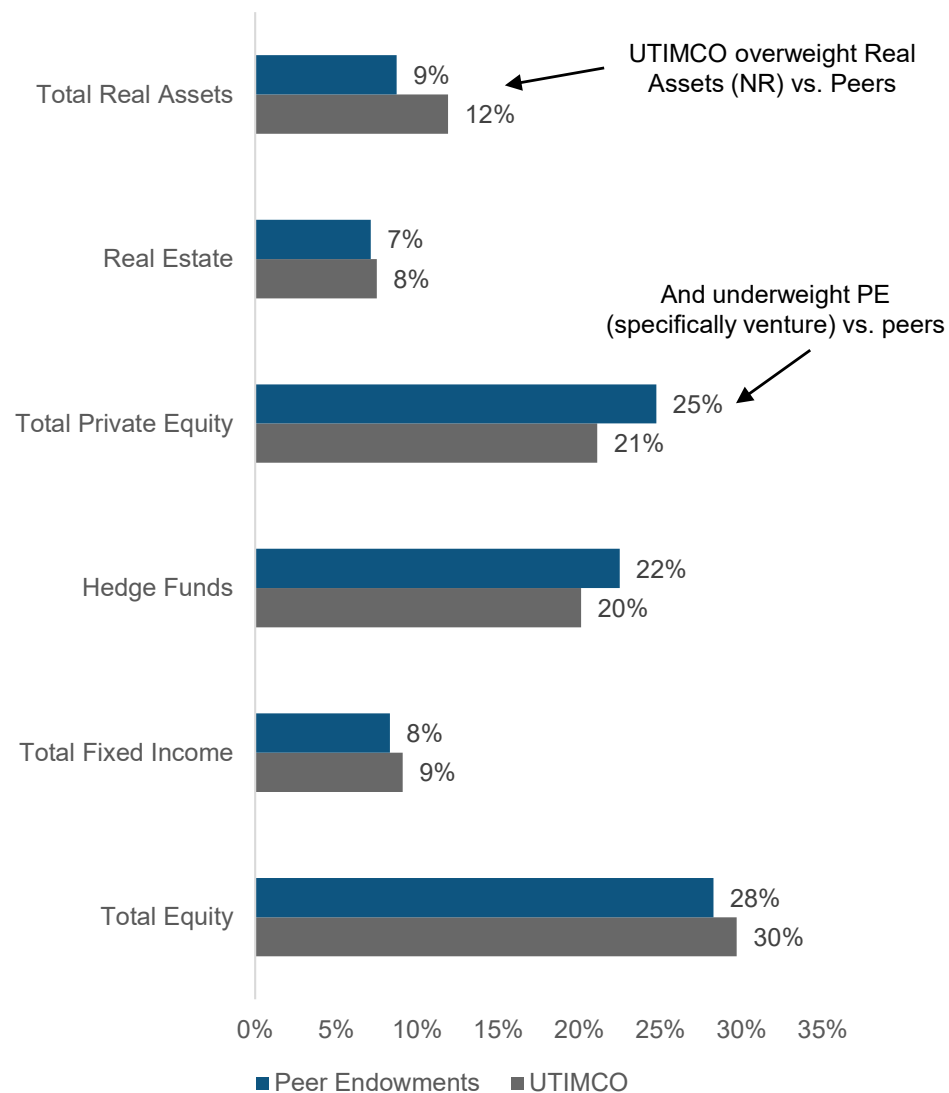
Appendix 5: Peer Asset Allocations





UTIMCO Asset Allocation vs. Peers

	UTIMCO	Peers	Diff.
US Equity	7%	10%	-3%
Non-US Equity	12%	10%	2%
EM Equity	10%	9%	2%
Total Equity	30%	28%	1%
Investment Grade FI	9%	8%	1%
Credit Related FI	0%	0%	0%
Total Fixed Income	9%	8%	1%
Hedge Funds	20%	22%	-2%
Private Equity	14%	14%	0%
Venture Capital	7%	11%	-4%
Total Private Equity	21%	25%	-4%
Real Estate	8%	7%	0%
Commodities	1%	1%	1%
Inflation Linked Bonds	0%	0%	0%
Natural Resources	11%	8%	3%
Total Real Assets	12%	9%	3%
Total	99%	100%	0%



Appendix 6: Corporate Pension Asset Allocations

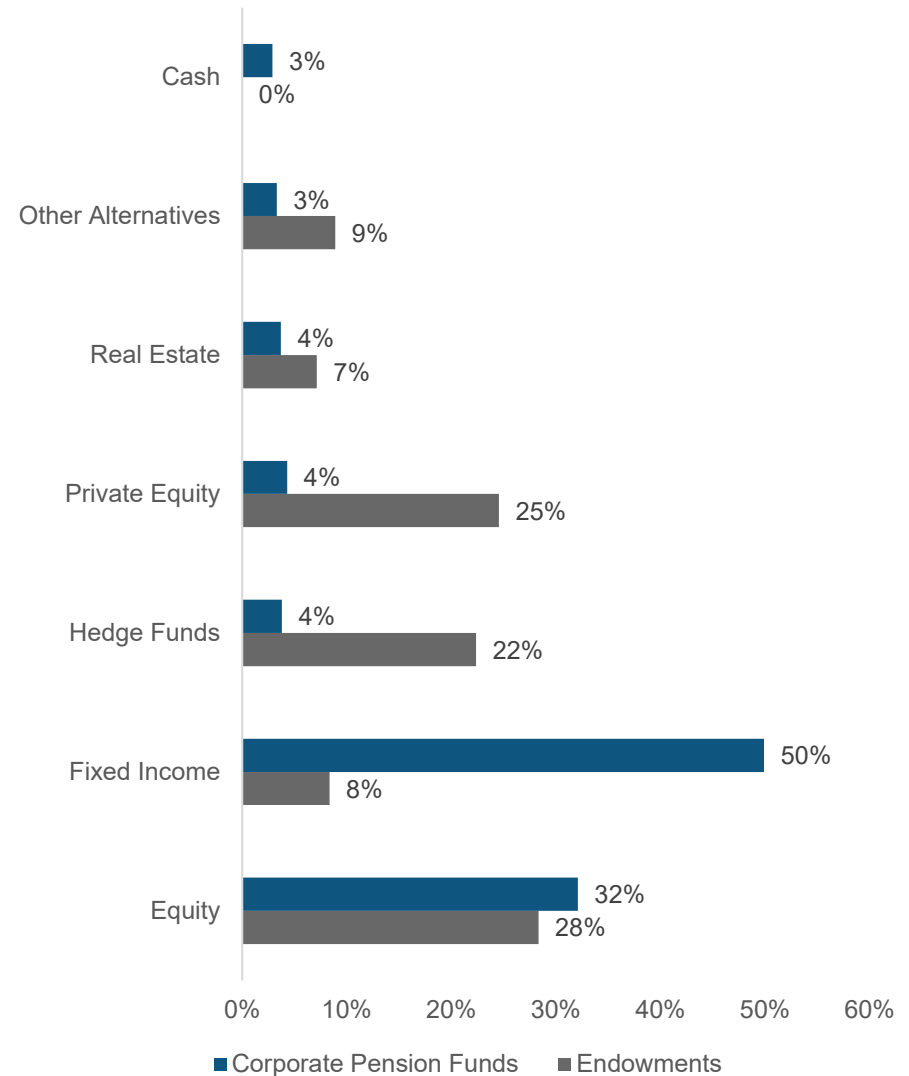




Endowment Asset Allocation vs. Corporate Pensions

	Endowments	Corporate Pension Funds	Diff.
Equity	28%	32%	-4%
Fixed Income	8%	50%	-42%
Hedge Funds	22%	4%	19%
Private Equity	25%	4%	20%
Real Estate	7%	4%	3%
Other Alternatives	9%	3%	6%
Cash	0%	3%	-3%
Total	100%	100%	0%

- Pensions have much lower allocations to alternatives (Private Equity, HFs)
- Pensions typically hold much larger fixed income portfolios to meet liquidity needs for distributions



Note: Endowment data from UTIMCO and Endowment Peers. Corporate Pension data from JPM.

Appendix 7: UTIMCO Portfolio Manager Responses





Fixed Income SAA Key Points

Executive Summary

- A global intermediate maturity high-grade benchmark is the best and most efficient vehicle to accommodate all of the quadrants of the SAA study while not failing in any single quadrant
- Almost, if not all, of the Fixed Income recommendations by the Strategic Partners and external managers can be applied using this approach with proper guidelines
- While the implications of recent stimulative fiscal and monetary policy would lead to the RG/RI quadrant, these policies have been tried by other countries in similar debt circumstances and have not necessarily resulted in decisive quadrant change
- Uncertainty as to future quadrant leads to having an intermediate maturity benchmark as these interest rates drop during recessions in all quadrants, unlike long maturity bonds whose rates rose or stagnated in the RG/RI recessions of the 1970s or short maturity bonds whose returns were lower in most quadrants
- Diversified alpha will be as, or more, important than beta in the Fixed Income asset class going forward



Public Equity SAA Key Points

Executive Summary

- Expansionary fiscal policy financed through debt monetization will have a positive short-term, but indeterminate long-term, effect on equities.
- In a rising inflation environment:
 - The current Developed Markets portfolio likely would benefit from an overweight to mid- and small-cap stocks but would be hurt by an underweight to value. Sector positioning is neutral.
 - The current Emerging Markets portfolio likely would benefit from an overweight to small-cap stocks but would be hurt by an underweight to value and overweights to growth and volatility. Underweights to financials and energy would also detract.
- Most of our active global managers assign low probability to an unexpected increase in inflation over the next 5-10 years. They own quality companies with demonstrable pricing power and/or secular growth tailwinds that would offset moderate inflation.
- Empirical studies suggest US equity duration is closer to 2-3 years, not the 15-45 years implied by theoretical models. Equity valuations are twice as sensitive to changes in expected earnings growth than to changes in rates. The relationship between changes in P/E and changes in rates is non-linear (declining rates boost equity valuations more than rising rates depress them).
- Markets ranked from most to least alpha opportunity: Chinese equities, biotech equities, global equities, US large-cap equities.
- Projections that assume “reversion to mean” suggest modest US, EAFE and Canada, and Emerging Markets forward equity returns of +0.5%, +2.4% and +4.2%, respectively. Projections that incorporate changes over the past 60 years in benchmark composition, industry structure, corporate tax burden, and interest rate environment may be too optimistic, but suggest that forward equity returns of +5% to +13% are possible.
- Recommendations:
 - Monitor key inflection points where inflation may start to negatively affect equities: when 10y breakeven rates move above 2.5%, or annualized CPI exceeds 4%.
 - No separate Policy line item for China.
 - Consolidate US, Non-US and Global Developed Public Equity into one Asset Class—“Developed Markets Public Equity”—that covers investments domiciled in developed countries that are part of MSCI World index. Benchmark against either (a) MSCI World Index or (b) a blended average of “MSCI USA Index” and “MSCI EAFE and Canada Index” with weights that differ from the MSCI World Index. This change would have no impact on UTIMCO’s geographic beta exposure, but would increase flexibility for future Policy changes, align with other Asset Classes, and improve efficiency for the Public Equity, OAR and Risk teams.



HF SAA Key Points

- **HF alpha is driven by these factors (not Growth or Inflation directly):**
 - Moderate vol of 15-25% (not < 12% and not > 35%)
 - Low correlation and high dispersion among individual stocks
 - High retail participation (the informed professionals vs. the uninformed “tourists”)
 - Moderate or decreasing competition from other informed active managers
 - High capital markets activity (new issuance, M&A, spin-offs, defaults, restructuring)
- **Stock picking opportunity robust (10% spread) across all economic regimes**
 - Spread between top/bottom tercile longs/shorts consistently 11-15% (even post ‘09)
 - We then “haircut” this spread by ~ 1/3 for how much we expect portfolio to actually realize (we won’t bat 1.000 all the time) and ~ 1/3 for fees to realistically estimate:
- **3% DIR HF alpha (over cash; .4 beta to come from “house view”)**
 - Little more volatile, and a little more “streaky” vs. SV alpha because not as factor-neutral
 - Directional nature will allow managers to adapt to different environments as economic regimes shift
 - “works over time, not all the time”; working with Public Equity team on potential Overlay per action plan
- **3-4% SV HF alpha (over cash)**
 - While alpha is more stable, the higher leverage utilized (~3x long, 3x short) leads to “left tail risk” in extreme scenarios
 - Highest Sharpe managers are scarce, expensive, and typically have 3-5yr lock-ups
 - “Hedging all the time” to be “really low beta” (~0.1)
- **Rapid transitions between regimes are a surprise and painful, but short-lived**
 - -3% to -6% negative alpha during rapid de-leveragings when correlation and vol spike
 - Once new equilibrium is reached, alpha should be positive in all environments:
 - ~ +3% in RG/RI, FG/FI and +2% in stagflation FG/RI and +4% in moderation RG/FI (but this is when beta is also the best, so the alpha is not needed)
- **Deploying more capital depends on IR/fees/liquidity of the incremental opportunity vs. the next best alternative in the same SAA regime**



Private Equity SAA Key Points

Executive Summary

- The Private Equity Team recommends maintaining its current sub-strategy and geographic allocation
- The current target weights provide good diversification across strategies and geographies to generate attractive risk-adjusted returns in a variety of economic cycles
- Economic regimes are difficult to forecast and time, particularly in private equity, where allocation changes take years to result in NAV change and are difficult to reverse in a regime shift
- Tactical investment decisions in private equity should be pursued via co-investments, secondary positioning, and/or uncorrelated assets such as GP stakes
- Private equity managers are typically bottoms-up investors who claim to focus on micro opportunities rather than macro factors
- Ultimately, the benchmarks for the PE portfolio should consolidate from four to three once the EM portfolio declines below a certain threshold



Real Return SAA Key Points

Executive Summary

- Real Assets are primarily an equity diversifier
 - Real assets perform best in growth environments regardless of underlying inflation conditions as increased demand for physical assets results in cash flow growth and increased valuations
- Contractual cash flows provide some protection in falling growth environments
 - Real assets, underpinned by cash flows, tend to outperform other equity sectors in periods of falling growth
 - Longer duration real estate cash flows such as office, industrial, and retail provide the most protection from immediate declines in a falling growth environment
 - Infrastructure cash flows, particularly for essential services, are most resilient in falling growth environments due to longer duration and relatively inelastic demand characteristics
- Natural Resources equities behave differently than pure commodities
 - Natural Resources equity performance is highly demand sensitive and performs poorly in periods of falling growth and rising inflation as declining commodity prices, limited access to capital, and uneconomic drilling or mining conditions are prohibitive to resource expansion required for increased equity valuations
 - Natural Resources managers believe a supply side shock similar to the 1970s is unlikely as the United States has become energy independent
- Real assets are not a perfect inflation hedge, but provide some protection
 - Certain Infrastructure sectors, given their regulated nature and deeper moats, provide a better hedge against inflation relative to Real Estate
 - Value-Add and Opportunistic strategies provide better opportunity to participate in “surprise” inflation in Real Estate and Infrastructure as capacity or vacancy resulting from underutilized assets allows contracts or leases to capture market uplifts
- Energy transition will be a major force impacting returns of traditional hydrocarbons and renewables in the Natural Resources and Infrastructure portfolios
 - Over the long-term, certain commodities such as Nickel and Copper are expected to benefit from the energy transition movement
- Recommendations
 - Infrastructure may provide more stable returns across regimes relative to other real asset sectors and could merit additional allocation
 - Begin shifting existing upstream exposure to commodity-focused strategies that may benefit from the energy transition movement; Consider changing the Natural Resources benchmark to reflect the portfolio
 - Maintain underlying Value-add and Opportunistic strategy focus in both Real Estate and Infrastructure

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Public Equity Presentation

Developed By: Chen

Presented By: Chen

Type of Item: Information Item

Description: Ms. Chen will present on the Public Equity portfolio.

Reference: *Public Equity* presentation



Public Equity

Susan Chen, Managing Director

March 11, 2021



Key Highlights

- **Public Equity NAV:** \$16.3 billion as of December 31, 2020 (~33% of the Endowments, ~13% of ITF)
- **Market Conditions:** Global equity markets declined peak-to-trough over **-30%** in Q1 2020, but recovered to finish **+15% to 20%** for the calendar year
- **UTIMCO Performance:** Strong absolute and relative returns in calendar 2020
 - **Developed Markets:** 22.4% return, **+6.6%** alpha, 19% TUCS percentile
 - **Emerging Markets:** 30.5% return, **+12.2%** alpha, 9% TUCS percentile
 - Significant **improvement in US portfolio:** 23.2% return, **+2.5%** alpha, 26% TUCS percentile
- **Team Expansion and Transition:** 3 additions; 1 departure
- **Key Contributions to UTIMCO's 2020 Top Accomplishments:**
 - **Performance and Portfolio:** Alpha, US portfolio improvement, Strategic Partners
 - **Organization:** Servant Leadership primer, China Task Force, D&I initiative
- **2021 Priorities:** Aligned with firm-wide priorities
 - **Performance:** Achieve return and risk objectives over rolling 3-year periods
 - **Decision-making:** Contribute to Strategic Asset Allocation recommendation
 - **Communication:** Collaborate with Investment, Risk and Operations Teams
 - **Innovation:** Implement and deploy Barra and other technology tools



Team



Susan Chen
Managing Director
MBA; JD, Harvard University
Prior: Highbridge Capital



Amanda Hopper
Senior Director
MBA, University of Chicago
Prior: TRS



Russ Brown, CFA, CPA
Associate Director
MPA, UT - Austin
Prior: Holtzman Partners



David Huang, CFA
Associate Director
MS, New York University
Prior: Helmsley Charitable Trust



Andres Delgado, CFA, FRM
Senior Analyst
BBA, Texas State University
Prior: Goldman Sachs



RJ Dymke, CFA
Senior Analyst
BBA, Texas State University
Prior: Sage Advisory



Victoria Salinger, PhD
Investment Performance
Accountant
MPA, UT - Austin
Prior: The Pennybacker Company



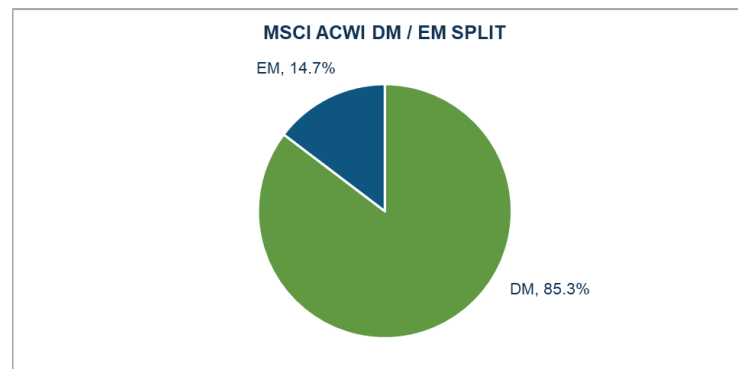
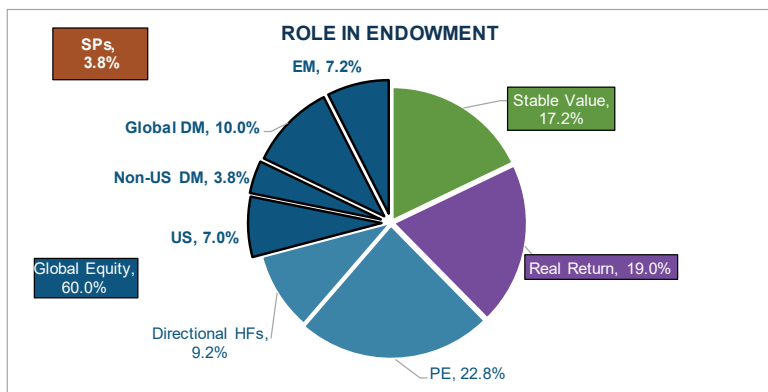
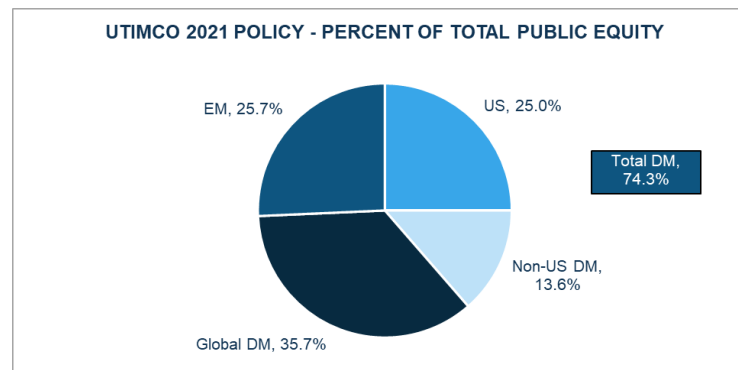
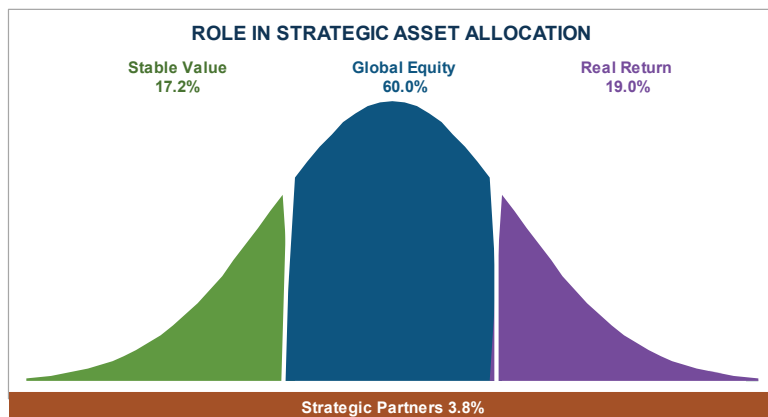
Kayla Young
Analyst
BA, Cornell University
Prior: Novus Partners



Kathy Simons
Team Coordinator
Texas A&M
Prior: Breen Investors



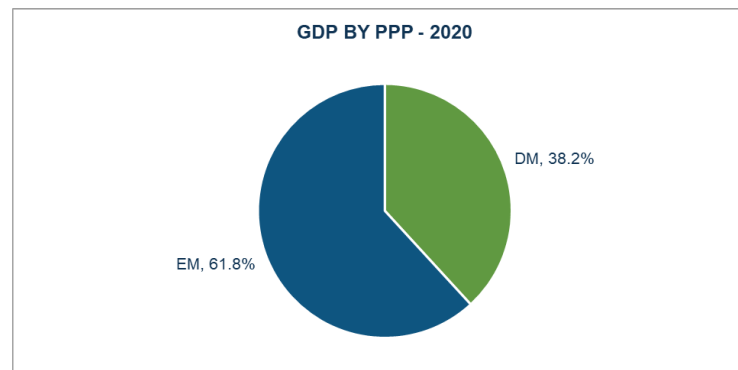
Role in Total Portfolio



RISK / DIVERSIFICATION

Correlations ¹	Total PubEq
Stable Value	0.11
Real Return	0.59

Drawdowns (5 yr)	Total PubEq
S&P	33.9%
Treasuries	8.7%
Total PubEq	23.2%



Reflects correlation among proxy returns for each asset class, quarterly from 2010 to 2020.

Proxies are the following:
 for Global Equity: MSCI All Country World Total Return USD ("ACWI") Index (NDUEACWF Index)
 for Stable Value: Bloomberg Barclays Global Aggregate Bond ("Global Agg") Index (LEGATRUU Index)
 for Real Return: Bloomberg Barclays Global Inflation Linked Index (LF94TRUU Index)

Source: International Monetary Fund



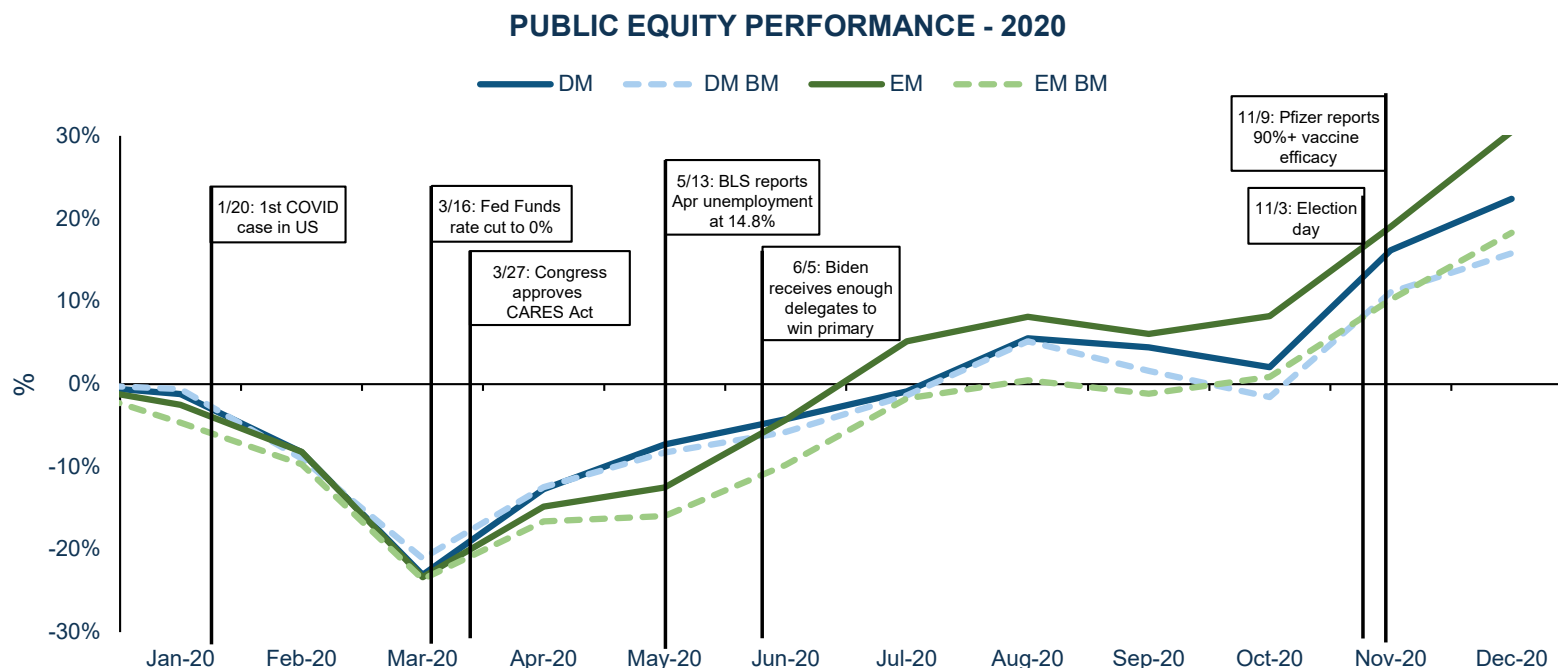
Market Conditions during Calendar 2020

		Developed Markets			
		Returns (in USD)			
Start	End	1/1 3/23	3/23 11/8	11/8 12/31	2020 Total Yr
Factors					
MSCI World <u>Growth</u>		(26.1)	70.7	6.4	34.2
MSCI World Value		(37.4)	41.4	12.6	(0.3)
Growth vs Value		11.3	29.2	(6.1)	34.5
MSCI World <u>Quality</u>		(26.7)	57.4	5.9	22.2
MSCI World		(31.7)	56.4	9.2	16.5
Excess Return		5.1	1.0	(3.3)	5.7
MSCI World <u>Momentum</u>		(26.3)	66.7	4.8	28.7
MSCI World		(31.7)	56.4	9.2	16.5
Excess Return		5.4	10.3	(4.4)	12.2
Size					
MSCI World Large Cap		(30.7)	54.8	8.7	16.6
MSCI World Small Cap		(40.2)	67.8	16.0	16.5
Large Cap vs. Small Cap		9.5	(13.1)	(7.3)	0.1
Sectors					
<u>MSCI World</u>					
Communication Services		(24.9)	54.1	6.7	23.5
Consumer Discretionary		(30.4)	78.3	10.4	37.0
Consumer Staples		(22.7)	33.5	5.2	8.5
Energy		(56.9)	24.0	30.2	(30.4)
Financials		(42.2)	43.2	18.2	(2.1)
Healthcare		(24.7)	46.6	3.3	14.1
Industrials		(37.6)	64.3	9.5	12.2
Information Technology		(23.9)	75.0	8.4	44.3
Materials		(36.7)	72.3	10.6	20.6
Real Estate		(35.8)	39.9	6.5	(4.3)
Utilities		(28.0)	43.2	2.7	5.8
Geographies					
North America		(31.0)	61.9	8.0	20.6
Europe		(35.1)	45.3	12.3	5.8
Asia Pacific		(30.0)	45.0	10.8	12.5

		Emerging Markets			
		Returns (in USD)			
Start	End	1/1 3/23	3/23 11/8	11/8 12/31	2020 Total Yr
Factors					
MSCI EM <u>Growth</u>		(27.7)	71.6	6.1	31.6
MSCI EM Value		(36.1)	44.1	14.9	5.9
Growth vs Value		8.4	27.5	(8.9)	25.7
MSCI EM <u>Quality</u>		(30.1)	56.4	9.9	20.2
MSCI EM		(31.8)	58.1	10.1	18.7
Excess Return		1.7	(1.6)	(0.2)	1.4
MSCI EM <u>Momentum</u>		(33.0)	99.8	7.0	43.2
MSCI EM		(31.8)	58.1	10.1	18.7
Excess Return		(1.2)	41.7	(3.1)	24.5
Size					
MSCI EM Large Cap		(30.6)	57.8	9.6	20.0
MSCI EM Small Cap		(39.8)	70.4	16.3	19.4
Large Cap vs. Small Cap		9.2	(12.7)	(6.7)	0.6
Sectors					
<u>MSCI EM</u>					
Communication Services		(17.4)	55.2	(0.5)	27.6
Consumer Discretionary		(26.8)	95.1	(4.3)	36.7
Consumer Staples		(28.1)	36.6	12.8	10.8
Energy		(48.5)	41.2	16.9	(15.0)
Financials		(37.7)	29.8	13.8	(8.0)
Healthcare		(19.5)	69.4	12.2	52.9
Industrials		(36.0)	45.5	12.7	5.0
Information Technology		(26.8)	77.2	24.6	61.7
Materials		(40.1)	76.3	18.7	25.3
Real Estate		(36.0)	29.5	0.4	(16.9)
Utilities		(33.5)	27.8	12.0	(4.9)
Geographies					
Asia		(26.8)	61.9	8.8	28.8
Latin America		(52.3)	47.8	22.6	(13.6)
EMEA		(40.4)	40.4	11.6	(6.6)



UTIMCO Public Equity Performance in 2020



Cumulative Performance - 2020

Name	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Portfolio												
DM	-1.2%	-8.3%	-23.1%	-12.7%	-7.3%	-4.2%	-0.9%	5.5%	4.4%	2.1%	16.2%	22.4%
EM	-2.5%	-8.2%	-23.3%	-14.8%	-12.5%	-4.3%	5.2%	8.2%	6.1%	8.2%	19.0%	30.5%
BM												
DM BM	-0.6%	-9.0%	-21.1%	-12.5%	-8.3%	-5.8%	-1.4%	5.2%	1.6%	-1.6%	11.1%	15.8%
EM BM	-4.7%	-9.7%	-23.6%	-16.6%	-16.0%	-9.8%	-1.7%	0.4%	-1.2%	0.9%	10.2%	18.3%
Alpha												
DM	-0.6%	+0.8%	-2.0%	-0.2%	+1.0%	+1.6%	+0.5%	+0.4%	+2.8%	+3.6%	+5.1%	+6.6%
EM	+2.2%	+1.5%	+0.3%	+1.8%	+3.5%	+5.4%	+6.9%	+7.7%	+7.2%	+7.3%	+8.8%	+12.2%

Chart shows cumulative monthly returns.

The Developed Markets Benchmark is a capital-weighted blend of the benchmarks for US Equity (MSCI US), Non-US Developed Equity (MSCI EAFE and Canada) and Global Equity (MSCI World).
The Emerging Markets Benchmark is MSCI Emerging Markets.



UTIMCO Public Equity Performance

Performance Summary - Dec 2020

	UTIMCO Performance				Alpha			
					vs. Benchmark			
	6mo	1y	3y	5y	6mo	1y	3y	5y
US Public Equity (PUF)	27.3%	23.2%	14.2%	13.2%	3.6%	2.5%	(0.3%)	(1.9%)
Non-US Developed Equity (PUF)	23.9%	5.3%	4.1%	8.5%	2.4%	(2.3%)	(0.2%)	0.9%
Global Developed Equity (PUF)	29.8%	29.3%	17.1%	15.8%	6.8%	13.4%	6.6%	3.6%
Total Developed Public Equity (PUF)	27.8%	22.4%	13.4%	13.5%	4.8%	6.6%	2.9%	1.3%
Tracking Error	3.3%	5.1%	4.1%	3.8%	--	--	--	--
Information Ratio	3.72	1.28	0.71	0.35	--	--	--	--
Total Emerging Markets Equity (PUF)	36.4%	30.5%	13.1%	15.6%	5.3%	12.2%	6.9%	2.8%
Tracking Error	2.7%	3.9%	4.7%	4.6%	--	--	--	--
Information Ratio	5.67	3.09	1.48	0.62	--	--	--	--
Total Emerging Markets Equity (GEF)	36.5%	30.5%	12.6%	16.9%	5.3%	12.1%	6.4%	4.1%
Tracking Error	2.7%	4.0%	4.8%	5.1%	--	--	--	--
Information Ratio	5.68	3.05	1.33	0.79	--	--	--	--
Total Public Equity (PUF/GEF)	30.2%	24.6%	13.0%	14.5%	5.0%	8.2%	4.1%	1.9%

Note: Performance as of December 31, 2020; Returns data for periods longer than 1 year are annualized.

The Developed Markets Benchmark is a capital-weighted blend of the benchmarks for US Equity (MSCI US), Non-US Developed Equity (MSCI EAFE and Canada) and Global Equity (MSCI World).
The Emerging Markets Benchmark is MSCI Emerging Markets.



2020 Top Accomplishments

PUBLIC EQUITY CONTRIBUTIONS TO UTIMCO PRIORITIES

- ***Performance and Portfolio:***
 - Generated strong alpha (~57% of Endowment alpha) and remained within risk parameters
 - Significantly improved previously underperforming area (US Public Equity portfolio)
 - Contributed to onboarding and launch of Public Strategic Partnerships
- ***Organization:***
 - Collaborated with Leadership Team to create Servant Leadership primer
 - Co-led China Task Force with TAA Team
 - Amanda Hopper co-chaired Diversity & Inclusion Council



2021 Top Priorities

PUBLIC EQUITY PRIORITIES ARE ALIGNED WITH UTIMCO PRIORITIES

- **Performance and Portfolio:**

- Achieve target alpha and risk objectives over rolling 3-year periods

	Alpha	Tracking Error
Developed Markets		
US	1.0%	
Non-US Dev	1.5%	
Global Dev	1.8%	
Total	1.5%	3.5%
Emerging Markets	2.3%	4.5%

- **Effective Decision Making:**

- Provide significant input into Strategic Asset Allocation

- **Efficient Communication:**

- Increase collaboration with Investment, Risk and Operations Teams

- **Innovation:**

- Implement and deploy Barra risk system
- Expand beta investment capability, toolkit and technology

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Hedge Funds Presentation

Developed By: Hedge Funds Team

Presented By: Ruebsahm

Type of Item: Information Item

Description: Mr. Ruebsahm will lead the presentation on Hedge Fund portfolios and performance.

Reference: *Hedge Funds Review* presentation



Hedge Funds Review

Ryan Ruebsahm, Managing Director

March 2021



Hedge Funds Executive Summary

- **Performance has substantially improved** due to changes over last three years

Portfolio	Return		Alpha	
	1yr	3yr	1yr	3yr
Directional HF	11.9%	8.0%	1.5%	3.4%
Stable Value HF	9.9%	6.9%	5.6%	3.8%

- Each portfolio **meeting or exceeding its objectives**
- **Team is strong and fully built out** at 10 people
 - Hired 3 people after 1 transfer & 1 analyst departure, so now 3 senior, 2 mid & 5 support
- Meaningful contributions to 2020 firmwide priorities:
 - **Successfully finished SV HF build out** ahead of schedule during COVID dislocation
 - **Turned around DIR HF alpha** that had flattened in '16 & '17
 - **Improved investment analytics** as first team to implement MSCI Risk Metrics (80%+)
 - **Development and Culture:** 3 LDP participants; Servant Leadership; in-office presence
 - Helped underwrite and **implement SPNs**
- Total Alignment with 2021 firmwide priorities:
 - Collaborate with IIC colleagues on **SAA implementation**
 - **Better communications** through prioritization and Microsoft Planner software
 - **Innovation:** 1) **Better decisions with Risk Metrics** and Power BI tool; and 2) SV lending niches



Hedge Fund Team Structure

Team with an average of 10 years of investment experience and 5 years at UTIMCO:



Ryan Ruebsahm
Managing Director
MBA, UT Austin



Tony Caruso, CFA
Senior Director
MBA, University of Chicago



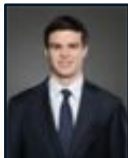
Courtney Powers
Senior Director
MBA, UT Austin



Jared Brimberry
Associate Director
BBA, Baylor University



Kyle Burhop, CFA
Associate Director
BS, Virginia Tech



Jim Ricker
Associate
BA, Hamilton College



Melanie Cass
Senior Analyst
MBA, UT Austin



Will Haynes
Analyst
BBA, UT Austin



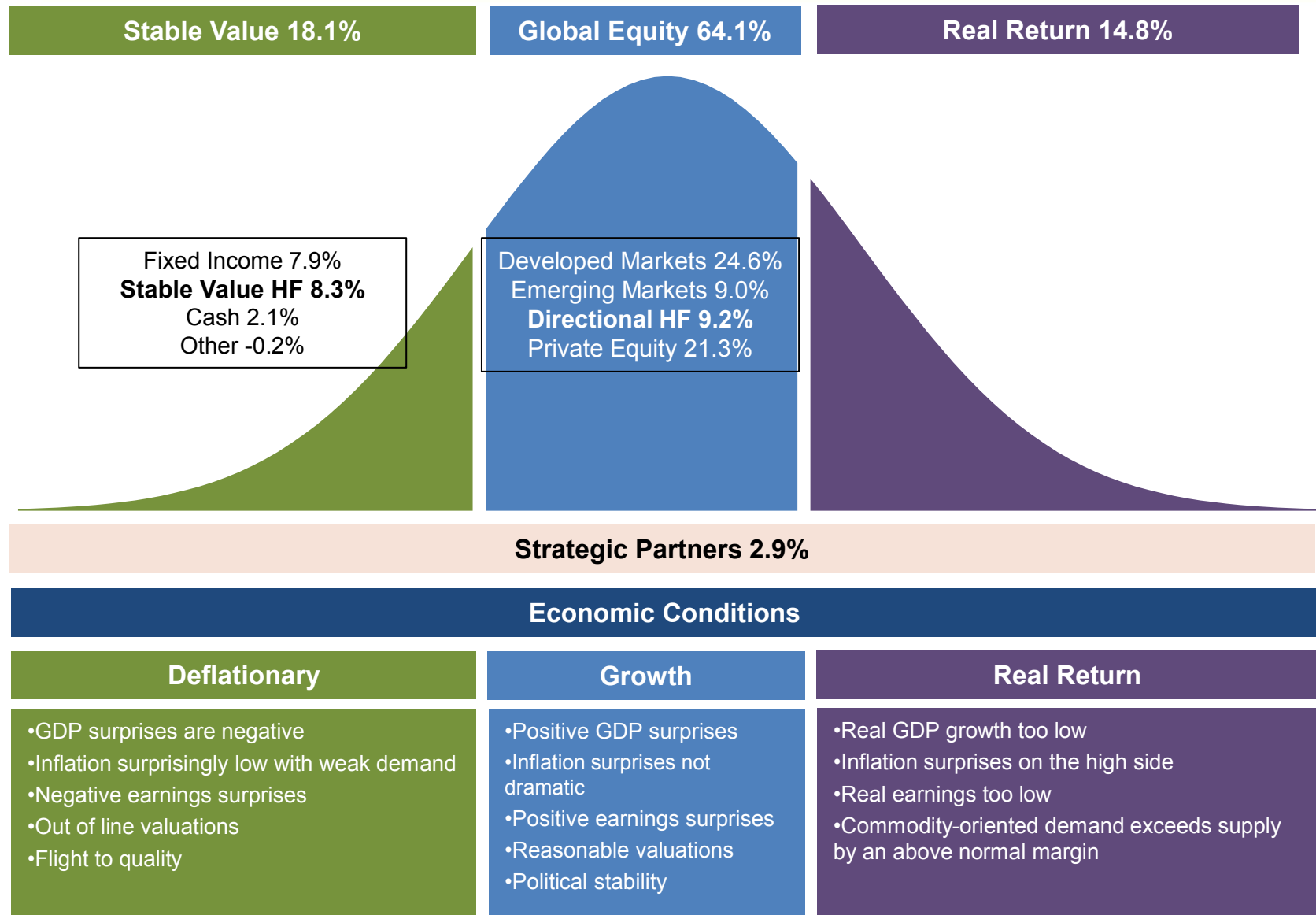
Lori Shaver
Executive Assistant
BS, Sam Houston State



Victoria Salinger, PhD
Analyst
MPA, UT Austin



Two Hedge Fund Portfolios Serving Different Roles

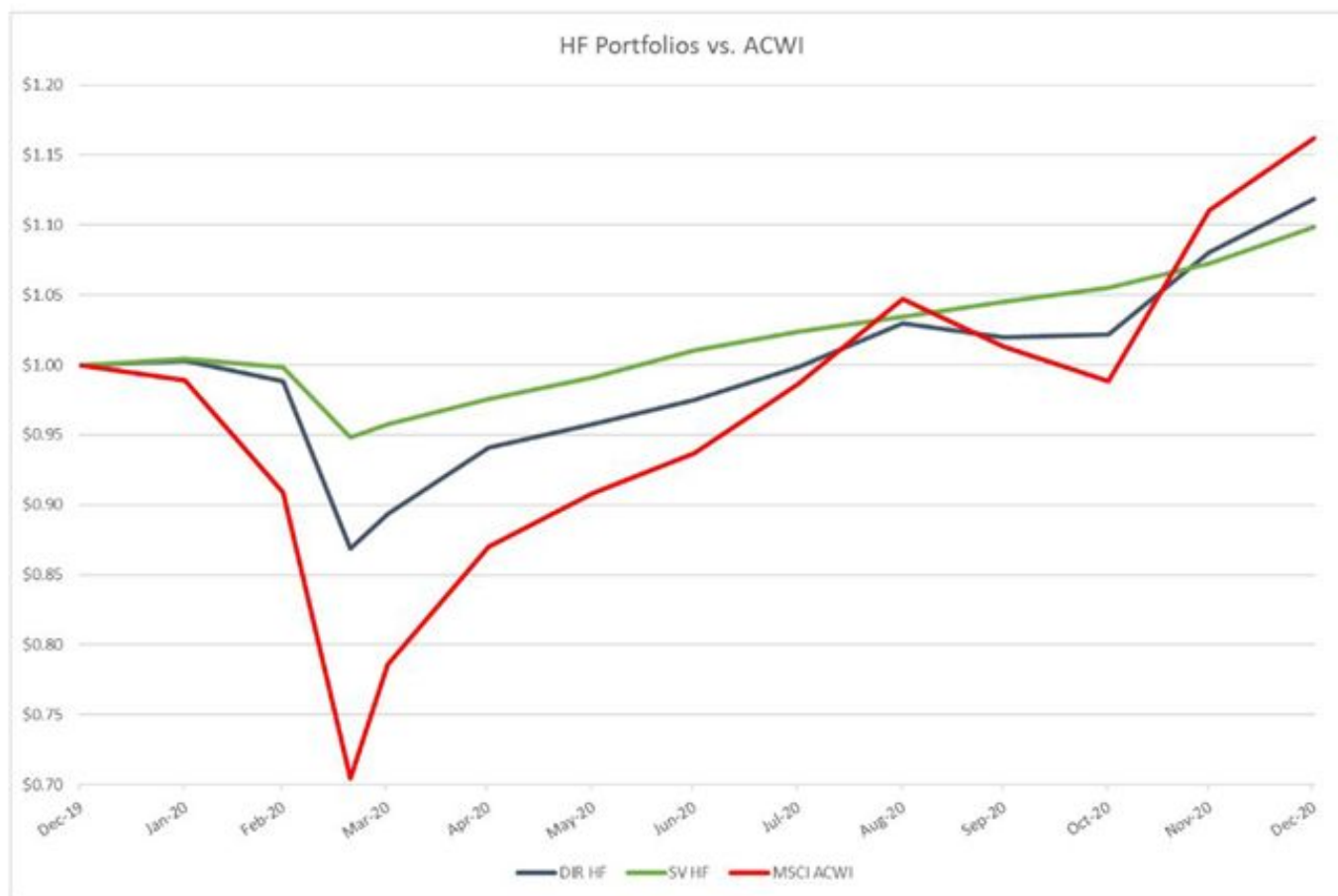


Strategy weights are reflective of Endowment allocations (PUF + GEF) as of 12/31/2020.



“Slow, Middle & Fast Lanes” To Manage Uncertainty

- **March 2020:**
 - ACWI was -30% YTD at the March low point. DIR was -13% and SV was -5%.
- **Q2 2020 – Q3 2020:**
 - SV recovered from the drawdown by June; DIR & ACWI by August.
- **Q4 2020:**
 - ACWI ended the year +16%; DIR +12%; SV +10%. On 3 different paths, within expectations.





Directional Hedge Funds – 2020 Results

As of December 31, 2020

Asset Allocation

- **\$8.3bn**
- **9% of PUF/GEF; 44% of ITF**
- **\$624mm net redemptions in 2020**

Performance

- **1-yr alpha +1.5%; 3-yr alpha +3.4%. Both driven by Long/Short Equity**
- 1-yr Sharpe ratio of 0.8
- Long/Short Equity drove performance last 1-yr and 3-yr
- Multi-Strategy underperformed due to defensive posture post-Covid
- **Reducing liquid Credit and Event-Driven due to limited opportunity set**

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$44,985	\$9,536	\$54,521
Public Equity	15,128	1,224	16,352
Private Equity	9,587	-	9,587
Directional Hedge Funds	\$4,116	\$4,149	\$8,265
Global Regime AUM	28,831	5,372	34,204
Global Equity Regime % of Total Fund	64%	56%	63%
Directional Hedge Funds % of Total Fund	9%	44%	15%
Directional Hedge Funds % of Regime	14%	77%	24%

		RETURN	ALPHA	VOLATILITY	SHARPE	
Directional HF	\$8,265	1yr	11.9%	1.5%	13.6%	0.81
		3yr	8.0%	3.4%	8.9%	0.70
Long/Short Equity	\$5,595	1yr	15.7%	-1.8%	14.4%	1.04
		3yr	10.1%	2.7%	9.7%	0.86
% DIR HF Weight	68%					
Multi-Strategy	\$1,390	1yr	6.2%	-3.9%	12.3%	0.44
		3yr	5.3%	0.7%	7.9%	0.46
% DIR HF Weight	17%					
Credit	\$1,067	1yr	1.0%	-8.6%	17.1%	0.02
		3yr	3.5%	0.0%	10.8%	0.17
% DIR HF Weight	13%					
Event-Driven	\$213	1yr	5.7%	-3.5%	7.8%	0.64
		3yr	1.7%	-3.1%	10.8%	0.01
% DIR HF Weight	3%					

Sharpe Ratio is a risk-adjusted measure of performance that is calculated as the ratio of a portfolio's return in excess of the risk-free rate and the portfolio's volatility. Alpha is reflective of excess return over each strategy's respective strategy benchmark. DIR HF alpha is relative to the HFRI Fund of Funds Composite Policy.



Stable Value Hedge Funds – 2020 Results

As of December 31, 2020

Asset Allocation

- **\$4.4bn**
- 8% of PUF/GEF; 7% of ITF
- \$167mm of net investments in 2020

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$44,985	\$9,536	\$54,521
Cash	874	231	1,105
Fixed Income			
Stable Value Hedge Funds	\$3,714	\$670	\$4,384
Stable Value Regime AUM	8,138	4,147	12,285
Stable Value Regime % of Total Fund	18%	43%	23%
Stable Value Hedge Funds % of Total Fund	8%	7%	8%
Stable Value Hedge Funds % of Regime	46%	16%	36%

Performance

- **1-yr Alpha 5.6%; 3-yr Alpha 3.8%**
- High Sharpe Ratio of 1.5
- Strong 1-yr performance from Equity Market Neutral, RV-Multi, and Niche RV due to wide mis-pricings post-Covid
- Macro underperformed due to incorrect directional positioning
- **Portfolio is now built out and being optimized**

			RETURN	ALPHA	VOLATILITY	SHARPE
Stable Value HF	\$4,384	1yr	9.9%	5.6%	6.0%	1.52
		3yr	6.9%	3.8%	4.4%	1.18
RV-Multi	\$1,568	1yr	18.8%	11.5%	4.4%	4.13
% SV HF Weight	36%	3yr	-	-	-	-
Equity Market Neutral	\$1,130	1yr	16.6%	15.7%	3.5%	4.78
% SV HF Weight	26%	3yr	10.9%	10.2%	3.5%	2.61
Insurance	\$495	1yr	7.5%	4.3%	1.6%	4.21
% SV HF Weight	11%	3yr	-	-	-	-
Macro	\$477	1yr	-5.8%	-10.8%	13.7%	-0.47
% SV HF Weight	11%	3yr	0.0%	-2.4%	10.2%	-0.16
Specialty Credit	\$469	1yr	6.5%	-3.1%	8.9%	0.65
% SV HF Weight	11%	3yr	10.0%	6.5%	5.3%	1.56
Niche RV	\$238	1yr	22.2%	17.7%	7.0%	3.06
% SV HF Weight	5%	3yr	-	-	-	-

Sharpe Ratio is a risk-adjusted measure of performance that is calculated as the ratio of a portfolio's return in excess of the risk-free rate and the portfolio's volatility. Alpha is reflective of excess return over each strategy's respective strategy benchmark. SV HF alpha is relative to the HFRI Fund of Funds Conservative Policy. Return data is not provided for RV – Multi (3yr), Insurance (3yr), Niche RV (3yr) as strategy track records are shorter than relevant periods



Strategic Plan Accountability

- These were the Hedge Fund objectives for our Strategic Plan starting Summer 2018:
 - **Reposition portfolio** from a single portfolio of 18.5%, into two at 15%
 - **Build SV HF from 4.5% to 10% – completed on time**
 - **Reduce DIR HF from 14% to 5% over 7 years as PE ramps up – managing slightly underweight to ensure staying on Plan**
 - In a position to **complete in ‘23, two years ahead of schedule**

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Stable Value HF									
SAA Plan	N/A	7.0%	10.0%	9.5%	9.5%	10.0%	10.0%	10.0%	10.0%
Actual / Est.	4.5%	7.4%	8.8%	9.5%	9.5%	10.0%	10.0%	10.0%	10.0%
Directional HF									
SAA Plan	N/A	12.0%	11.2%	9.2%	6.8%	5.9%	5.4%	5.0%	5.0%
Actual / Est.	14.0%	11.9%	10.4%	8.5%	6.5%	5.0%	5.0%	5.0%	5.0%

- **Reduce risk footprint by 60%** from 11% of risk in FY18 to 4-5% by FY23
- **Change in Compensation philosophy:** 1 or 30 Alignment in ~2/3 of portfolio
- Improve Analytical and Risk Management Skills: **80%+ on MSCI platform**, so “now we know, instead of think”
- Our first 3-year performance period was 7.4%, well ahead of the SAA “cyclical” forecast of 2.8%; **volatility and risk impact are meeting expectations**



Stable Value HF Execution Update

- Build from 4.5% to 10% to provide **more diversification and out-perform bonds**
- Actual results vs. the “frozen portfolio” of 3 years ago:
 - **Return and alpha increased by 1.8%**
 - **Beta fell by 75% to .04 and volatility fell by 60% to 4.4%.**
- **Met or exceeded all objectives**

Stable Value Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on absolute return hedge funds	✓	<ul style="list-style-type: none"> • Return: 6.9%¹ • Stable Value HF Volatility: 4.4% • Sharpe Ratio: 1.2
Market Sensitivity and Risk Core strategies have low to negative market sensitivity	✓	<ul style="list-style-type: none"> • Beta to S&P 500: 0.0⁴ • Correlation to S&P 500: 0.1⁴
Market Regime Performance Expected to have positive returns when markets are down	✓	<ul style="list-style-type: none"> • 100% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: 5.2% • Positive absolute returns in 50% of 10 down equity months
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓	<ul style="list-style-type: none"> • 6.9% return vs. Treasuries 5.5%² (current 10-year YTM 1.1%) • 4.4% volatility vs. Treasuries 3.9%
Performance vs. Benchmark HFRI Fund of Funds Conservative benchmark	✓	<ul style="list-style-type: none"> • Ann. Outperformance of 3.8% over last 3 years³ • Tracking Error: 3.7%³

(1) Dates: Stable Value HF returns and details reflective of trailing 3-year period (January 2018 through December 2020).

(2) Bloomberg Barclays US 5-7 Year Treasury Total Return Index

(3) Outperformance calculated relative to the SV HF policy benchmark. Tracking Error calculated relative to the SV HF reported benchmark.

(4) Beta and Correlation statistics based upon manager weekly data.



Stable Value Hedge Funds – Diversification Benefits

- Uncorrelated returns to the rest of the Endowment
- Represent 8% of Endowment NAV but contribute 1% of total risk
- “Proof of concept” by protecting capital during three severe equity sell-offs

SV HF - CORRELATION TO STRATEGY POLICY BENCHMARKS	
Global Fixed Income	0.14
Internal Fixed Income	0.15
Emerging Markets Public Equity	0.11
Total Developed Public Equity	0.12
S&P 500	0.10

SV HF - CORRELATION TO DIR HF	
Directional Hedge	0.17

PERIOD	S&P 500	STABLE VALUE HF
Oct-18	-6.8%	1.7%
Dec-18	-9.0%	1.9%
Q1-20	-19.6%	-4.2%

Correlations calculated for the period January 2018- December 2020. Correlations to strategy policy benchmarks based on weekly data. Correlations to DIR HF based on bi-monthly data.



Directional Hedge Funds – Execution Update

- **Reducing** from 14% to 5% according to the Strategic Plan
- **Restructuring** to become a more productive portfolio
- **Met or exceeded all objectives**

Directional Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on equity and market sensitive hedge funds	✓	<ul style="list-style-type: none"> • Return: 8.0%¹ • Directional HF Volatility: 8.9% • Sharpe Ratio: 0.7
Market Sensitivity and Risk Core strategies have moderate market sensitivity (beta) and lower risk (volatility) than equities	✓	<ul style="list-style-type: none"> • Correlation to MSCI AC World: 0.9⁴ • Beta to MSCI AC World: 0.3⁴ • MSCI AC World Volatility: 18.4%
Market Regime Performance Expected to outperform equities when markets are down, but will underperform strong markets	✓	<ul style="list-style-type: none"> • 100% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: 3.2% • 3-year ann. return of 8.0% vs. MSCI AC World 10.1%
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓	<ul style="list-style-type: none"> • 8.0% return vs. Treasuries 5.5% (current 10-year YTM 1.1%) • 9.0% volatility vs. Treasuries 3.9%
Performance vs. Benchmark HFRI Fund of Funds Composite benchmark	✓	<ul style="list-style-type: none"> • Ann. Outperformance of 3.4% over last 3 years³ • Tracking Error: 2.4%³

(1) Dates: Directional HF returns and details reflective of trailing three-year period (January 2018 through December 2020).

(2) Bloomberg Barclays US 5-7 Year Treasury Total Return Index.

(3) Outperformance calculated relative to the DIR HF policy benchmark. Tracking Error calculated relative to the DIR HF reported benchmark.

(4) Beta and Correlation statistics based upon bi-monthly data.



Where Do We Go from Here?

- Continued focus on **performance and alpha generation**
- **Reduce DIR HF to 7.5% by 12/31/21 and to 5% by '23**, two years ahead of schedule
- Collaborate with Investment Committee colleagues on **SAA review**
- **Integrate Servant Leadership:**
 - **Better communications** through prioritization and Microsoft Planner software
 - **Areas of Innovation:**
 - **Better decisions** with Risk Metrics and Power BI tool
 - New SV lending niches
- Continued **Culture and Development** by mentoring team and Ryan's executive coaching



Summary

- Hedge Funds have been split successfully into **two portfolios** with distinct objectives, aligned with the Strategic Plan
- **Directional HF return improved to 11.9%** and alpha of 1.5%
- **Stable Value HF generated return of 9.9%** and alpha of 5.6%
- Both portfolios are **preserving capital as expected**
- **Risk is being monitored and managed well**, which will increase further with 80%+ participation on RiskMetrics
- We are **executing our Action Plan** that is meaningful to firmwide initiatives

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2020

Developed By: Moeller, Gonzalez

Presented By: Handley

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

Description: The Audit and Ethics Committee (the "Committee") met on March 4, 2021. The Committee's agenda included (1) discussion and appropriate action related to the approval of minutes of December 1, 2020 meeting; (2) discussion and appropriate action related to financial statement audit results and communications and audited financial statements for the Corporation; (3) discussion and appropriate action affirming the continuance of the lead audit partner for Deloitte and Touche LLP; (4) an update on UTIMCO's compliance, reporting, and audit matters; and (5) a presentation of unaudited financial for the Investment Funds and the Corporation.

Discussion: The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2020 and 2019 financial statements. Robert Cowley, the engagement partner, presented to the Committee the Deloitte & Touche LLP's Audit Results and Communications letter and answered questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.

The Charter of the Audit and Ethics Committee (the "Charter") requires that the lead audit partner rotate off of the audit every 7 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required. Deloitte & Touche LLP ("Deloitte") has been the external auditor for the Investment Funds and UTIMCO since 2007. Robert Cowley has been the lead audit partner for the past seven years. Chairman Handley presented a recommendation that Mr. Cowley remain as the lead audit partner for the next three audit periods ending August 31, 2021, 2022 and 2023, as long as Deloitte remains as the external auditor for the Investment Funds and UTIMCO during this time frame. The Committee approved the resolution.

Eric Polonski, Director of Audits of the UT System Audit Office, provided an update on the upcoming audit of the UTIMCO Compliance Program.

Routine activities of the Committee included a report from Ms. Gonzalez related to the quarterly compliance reports. The Committee reviewed the unaudited financial statements for the Funds and the UTIMCO Corporation. 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.

Agenda Item

UTIMCO Board of Directors Meeting

March 11, 2021

Recommendation: The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.

Reference: Audit Results and Communications
Audited Financial Statements and Audit Report for the Corporation
Quarterly Compliance Reports
Contract Report

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2020**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2020, 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, 2020 and August 31, 2019, be, and are hereby approved in the form as presented to the Board.



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February 5, 2021

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

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

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

Dear Mr. Harris and Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas/ Texas A&M Investment Management Company (the "Audit and Ethics Committee"):

We have performed an audit of the financial statements of The University of Texas/ Texas A&M Investment Management Company (the "Company") as of and for the year ended August 31, 2020, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated February 5, 2021.

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

This report is intended solely for the information and use of management, the Audit and Ethics Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

DELOITTE & TOUCHE LLP

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

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated May 11, 2020, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ended August 31, 2020, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2020 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended August 31, 2020.

We have evaluated the significant qualitative aspects of the Company's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2020 financial statements include the recoverability of long-term assets such as property and equipment and liabilities, as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2020, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

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

MATERIAL CORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2020 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during fiscal year 2020.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

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

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

OTHER-MATTER PARAGRAPH

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Appendix A – Management Representation Letter



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UTIMCO.org

February 5, 2021

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

We are providing this letter in connection with your audits of the statements of net position of The University of Texas/Texas A&M Investment Management Company (the "Company") as of August 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial net position, results of operations, and cash flows of the Company in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the statements of net position, statements of revenues, expenses and changes in net position, and cash flows in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - To prevent and detect fraud.

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

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

1. The financial statements referred to above are fairly presented in accordance with GAAP.
2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Company has made available to you:
 - a. All financial records and related data.



- b. All minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications with regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
5. The Company has disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Company involving:
 - a. Management
 - b. Employees who have significant roles in the Company's internal control over financial reporting
 - c. Others, where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements communicated by employees, former employees, regulators, or others.
8. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

Except where otherwise stated below, immaterial matters less than \$100,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

9. There are no transactions that have not been properly recorded and reflected in the financial statements.
10. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
11. Regarding related parties:
 - a. We have disclosed to you the identity of the Company's related parties and all the related-party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements,



and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

12. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
13. There are no:
 - a. Instances of identified or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
15. The Company has complied with all aspects of contractual agreements that may affect the financial statements.
16. The performance awards approved for the year ended August 31, 2020 and approved on December 10, 2020, totaled \$13,888,413.
17. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
18. No events have occurred after August 31, 2020 but before February 5, 2021, the date the financial statements were issued that require consideration as adjustments to, or disclosures in, the financial statements.



DocuSigned by:

Britt Harris

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Britt Harris

President, Chief Executive Officer and Chief Investment
Officer

DocuSigned by:

Joan Moeller

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Joan Moeller

Senior Managing Director and Chief Operating Officer

DocuSigned by:

Kim Bauer

402D9E3D61D6436...

Kim Bauer

Senior Director – Corporate Accounting

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2020 and 2019

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

Financial Statements

Years Ended August 31, 2020 and 2019

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The University of Texas/Texas A&M Investment Management Company

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas/Texas A&M Investment Management Company ("UTIMCO"), which comprise the statements of net position as of August 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UTIMCO'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 UTIMCO's internal control. Accordingly, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Texas/Texas A&M Investment Management Company as of August 31, 2020 and 2019, and the results of its changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

February 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

Our discussion and analysis of the financial performance for The University of Texas/Texas A&M Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2020. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$52 billion as of August 31, 2020. UTIMCO is governed by a nine-member Board of Directors consisting of at least three members of the UT Board and four other members appointed by the UT Board, and two members appointed by The Texas A&M University System Board of Regents (A&M Board). At least three members appointed by the UT Board and at least one member appointed by the A&M Board must have substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for most investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the UTIMCO financial statements based upon currently known facts, decisions, or conditions.

Financial Highlights

Net position increased by approximately \$2.9 million from \$22.1 million to \$25.0 million, or approximately 13%, for the year ended August 31, 2020. This is compared to an increase of approximately \$2.6 million from \$19.5 million to \$22.1 million, or approximately 13%, for the year ended August 31, 2019. The increase in net position in FY20 was primarily the result of employee-related expenses that were less than budgeted because new and open positions were filled later in the year or remained unfilled. Additionally, travel was less than budgeted because of the current travel restrictions due to the COVID-19 pandemic. The increase in net position for FY 2019 was primarily because the UTIMCO Performance Program's (the Plan) awards earned were less than budgeted.

Use of Financial Statements and Notes

UTIMCO financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statements of Net Position

The Statements of Net Position present assets, liabilities, and the net position of UTIMCO as of the end of the fiscal years. These statements have been prepared using the accrual basis of accounting.

The following summarizes the Statements of Net Position:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 32,421,890	\$ 26,027,943	\$ 20,112,563
Prepaid expenses and other assets	2,085,049	1,448,125	1,596,896
Total Current Assets	<u>34,506,939</u>	<u>27,476,068</u>	<u>21,709,459</u>
Non-Current Assets			
Assets of the 457(b) deferred compensation plan	2,712,919	2,417,291	2,196,619
Capital assets, net of accumulated depreciation	9,649,854	10,976,414	12,465,244
Total Non-Current Assets	<u>12,362,773</u>	<u>13,393,705</u>	<u>14,661,863</u>
Total Assets	<u>\$ 46,869,712</u>	<u>\$ 40,869,773</u>	<u>\$ 36,371,322</u>
Liabilities and Net Position			
Current Liabilities	\$ 15,883,976	\$ 13,365,081	\$ 11,503,831
Non-Current Liabilities	5,989,661	5,461,995	5,398,029
Total Liabilities	<u>21,873,637</u>	<u>18,827,076</u>	<u>16,901,860</u>
Net Position	<u>24,996,075</u>	<u>22,042,697</u>	<u>19,469,462</u>
Total Liabilities and Net Position	<u>\$ 46,869,712</u>	<u>\$ 40,869,773</u>	<u>\$ 36,371,322</u>

The changes in the Statements of Net Position components are primarily the result of the following:

- Net position increased in FY 2020 by \$2,953,378 and increased in FY 2019 by \$2,573,235. The increase in net position for FY 2020 was primarily the result of lower than budgeted salaries, performance compensation, employee benefits, travel, contract services and unbudgeted interest income. Employee-related expenses were less than budgeted because of the timing of new hires and unfilled vacancies. Travel was affected by the pandemic. The increase in FY 2019 was primarily the result of lower than budgeted performance compensation, hiring expenses, travel, contract services, and unbudgeted interest income. Hiring expenses and travel expenses were less than budgeted because of the timing of new hires and unfilled vacancies. Contract services were less than budgeted because projects were postponed with the departure of the Chief Technology Officer.

- Cash & cash equivalents increased between FY 2019 and FY 2020 by \$6,393,947 and increased between FY 2018 and FY 2019 by \$5,915,380. The increase for both FY 2020 and FY 2019 were primarily the result of operating expenses that were less than budgeted as described above. Other contributing factors include unbudgeted interest income receipts, budgeted depreciation expense that was not offset by capital asset purchases and the timing of payments for operating costs.
- Prepaid expenses and other assets increased in FY 2020 by \$636,924 and decreased in FY 2019 by \$148,771. The increase in FY 2020 was primarily the result of deposit payments related to the construction of the office space expansion and a 457(b) deferred compensation plan distribution receivable. The decrease in FY 2019 was primarily the result of amortizing prepaid expenses for maintenance contracts relating to the 2018 office move and the timing of payments for some larger online data services.
- Non-current assets decreased in FY 2020 by \$1,030,932 and decreased in FY 2019 by \$1,268,158. The decrease in both FY 2020 and FY 2019 were the result of a decrease in net capital assets from depreciation offset by an increase in the assets of the 457(b) deferred compensation plan.
- Current liabilities increased in FY 2020 by \$2,518,895 and increased in FY 2019 by \$1,861,250. The increase in both FY 2020 and FY 2019 were mainly the result of an increase in the performance compensation liability due to normal raises and promotions, compensation plan participant vesting and the change in the compensation plan to a shorter deferral period. Additionally, in FY 2020, there was a 457(b) deferred compensation plan distribution payable as mentioned above.
- Non-current liabilities increased in FY 2020 by \$527,666 and in FY 2019 by \$63,966. The increase in FY 2020 was the result of an increase in the liabilities of the 457(b) deferred compensation plan and an increase in the long-term unamortized rent liability related to the office expansion. The increase in FY 2019 was the result of an increase in the liabilities of the 457(b) deferred compensation plan offset by a decrease in the long-term unamortized rent liability.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position are based upon the financial activities of the organization. The purpose of these statements is to present details comprising the revenues, expenses, and changes to net position for the years reported. The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue			
Management fees and advisory board fees	\$ 49,881,196	\$ 43,801,512	\$ 45,509,801
Net non-operating revenues	<u>362,878</u>	<u>560,046</u>	<u>276,107</u>
Total Revenue	50,244,074	44,361,558	45,785,908
Expenses			
Salaries, benefits, payroll & excise taxes	21,080,241	20,173,218	16,799,548
Performance compensation	15,184,902	11,271,195	10,415,478
General operating	5,552,875	5,406,563	4,927,813
Depreciation	1,646,105	1,669,890	1,015,435
Lease	2,744,234	2,474,161	2,281,161
Other	<u>1,082,339</u>	<u>793,296</u>	<u>657,500</u>
Total Expenses	<u>47,290,696</u>	<u>41,788,323</u>	<u>36,096,935</u>
Net Position, beginning of year	<u>22,042,697</u>	<u>19,469,462</u>	<u>9,780,489</u>
Net Position, end of year	<u>\$ 24,996,075</u>	<u>\$ 22,042,697</u>	<u>\$ 19,469,462</u>

The changes in the Statements of Revenues, Expenses and Changes in Net Position are primarily the result of the following:

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. The revenue fluctuations are the direct result of these approved budgets. In FY 2018, UTIMCO received an additional management fee of \$8,400,000 to provide funding for the leasehold improvements and other capital asset purchases related to the new office space.
- Total Expenses increased in FY 2020 by \$5,502,373 and in FY 2019 by \$5,691,388. The increases in both FY 2020 and FY 2019 were primarily the result of an increase in salaries, performance compensation, employee benefits, and payroll taxes. In FY 2020, these employee-related expenses increased mainly as a result of normal raises and promotions, compensation plan participant vesting and a change in the compensation plan to a shorter deferral period. In FY 2019, these employee-related expenses increased mainly because numerous open and new positions were filled.

- Other expenses also contributed to the total expense increases in FY 2020 and FY 2019. Specifically, lease expense related to the new office was a significant component of the increase in both FY 2020 and FY 2019. In FY 2019, depreciation expense related to the new office space was also a contributing factor in the increase.

Statements of Cash Flows

The Statements of Cash Flows are presented to identify the cash flows from operating, financing, and investing activities. The following table summarizes the Statements of Cash Flows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from Operating Activities			
Proceeds from management fees and advisory board fees	\$ 49,881,196	\$ 43,801,512	\$ 45,509,801
Payments to and for employees	(33,634,129)	(29,864,326)	(25,782,382)
Other payments	<u>(9,896,453)</u>	<u>(8,400,792)</u>	<u>(5,432,800)</u>
Net cash provided by Operating Activities	6,350,614	5,536,394	14,294,619
Cash flows from Capital and Related Financing Activities			
Purchase of capital assets, net	(319,545)	(181,060)	(13,228,243)
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>4,960</u>
Net cash used for Capital and Related Financing Activities	(319,545)	(181,060)	(13,223,283)
Cash flows from Investing Activities			
Interest	<u>362,878</u>	<u>560,046</u>	<u>316,269</u>
Net cash provided by Investing Activities	362,878	560,046	316,269
Net Change in cash & cash equivalents	6,393,947	5,915,380	1,387,605
Cash & cash equivalents, beginning of year	<u>26,027,943</u>	<u>20,112,563</u>	<u>18,724,958</u>
Cash & cash equivalents, end of year	<u>\$ 32,421,890</u>	<u>\$ 26,027,943</u>	<u>\$ 20,112,563</u>

The changes in the Statements of Cash Flows are primarily the result of the following:

- Proceeds from management fees increased in FY 2020 and decreased in FY 2019. The increase in FY 2020 was mainly due to an increase in employee-related expenses. The decrease in FY 2019 was because FY 2018 included an additional \$8.4 million to fund the leasehold improvements and capital asset purchases for the new office space. Net of the additional \$8.4 million, FY 2019 management fees increased by \$6.7 million mainly due to an increase in employee-related expenses and an increase in operating expenses related to the new office space. The UTIMCO budget is approved in advance each year by both the UTIMCO board and the UT Board and the management fee fluctuates as the direct result of the approved budget.

- Payments to and for employees increased in fiscal years 2020 and 2019 mainly because of the increase in salaries and other personnel expenses that are directly related to compensation. These expenses increased mainly because numerous budgeted new positions were filled.
- Purchases of capital assets increased slightly in FY 2020 because of the replacement of obsolete server room equipment and the addition of new computer equipment needed to accommodate employees working remotely. The decrease in FY 2019 was because the purchases related to the new office space were mostly completed in FY 2018.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the UTIMCO corporate results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

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

Statements of Net Position

August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 32,421,890	\$ 26,027,943
Prepaid expenses and other assets	2,085,049	1,448,125
Total Current Assets	<u>34,506,939</u>	<u>27,476,068</u>
Non-Current Assets		
Assets of the 457(b) deferred compensation plan	2,712,919	2,417,291
Capital assets, net of accumulated depreciation of \$5,010,199 and \$3,364,094, respectively	<u>9,649,854</u>	<u>10,976,414</u>
Total Non-Current Assets	<u>12,362,773</u>	<u>13,393,705</u>
Total Assets	<u><u>\$ 46,869,712</u></u>	<u><u>\$ 40,869,773</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,800,726	\$ 13,208,375
Current portion - unamortized rent	<u>83,250</u>	<u>156,706</u>
Total Current Liabilities	15,883,976	13,365,081
Non-Current Liabilities		
457(b) deferred compensation plan obligations	2,712,919	2,417,291
Long-term portion - unamortized rent	<u>3,276,742</u>	<u>3,044,704</u>
Total Non-Current Liabilities	<u>5,989,661</u>	<u>5,461,995</u>
Total Liabilities	21,873,637	18,827,076
Net Position		
Net investment in capital assets	9,649,854	10,976,414
Unrestricted	<u>15,346,221</u>	<u>11,066,283</u>
Total Net Position	<u>24,996,075</u>	<u>22,042,697</u>
Total Liabilities and Net Position	<u><u>\$ 46,869,712</u></u>	<u><u>\$ 40,869,773</u></u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Management Fees	\$ 49,876,196	\$ 43,796,512
Advisory Board Fees	5,000	5,000
Total Operating Revenues	<u>49,881,196</u>	<u>43,801,512</u>
Operating Expenses		
Salaries	16,966,760	16,235,197
Performance Compensation	15,184,902	11,271,195
Employee Benefits	2,725,600	2,482,063
Payroll Taxes	1,387,881	1,455,958
General Operating	5,552,875	5,406,563
Depreciation	1,646,105	1,669,890
Lease	2,744,234	2,474,161
Professional Fees	873,625	590,544
Insurance	208,714	202,752
Total Operating Expenses	<u>47,290,696</u>	<u>41,788,323</u>
Operating Income	2,590,500	2,013,189
Non-Operating Revenues		
Interest	362,878	560,046
Net Non-Operating Revenues	<u>362,878</u>	<u>560,046</u>
Increase in Net Position	2,953,378	2,573,235
Net Position at beginning of year	22,042,697	19,469,462
Net Position at end of year	<u>\$ 24,996,075</u>	<u>\$ 22,042,697</u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Cash Flows

For the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from Operating Activities:		
Proceeds from management fees and advisory board fees	\$ 49,881,196	\$ 43,801,512
Payments to suppliers for goods and services	(7,310,801)	(5,824,456)
Payments for facility	(2,585,652)	(2,576,336)
Payments to employees	(29,527,301)	(26,270,177)
Payments for employees	(4,106,828)	(3,594,149)
Net Cash provided by Operating Activities	<u>6,350,614</u>	<u>5,536,394</u>
Cash flows from Capital and Related Financing Activities:		
Purchases of capital assets	(319,545)	(181,060)
Net cash used in Capital and Related Financing Activities	<u>(319,545)</u>	<u>(181,060)</u>
Cash flows from Investing Activities:		
Interest	362,878	560,046
Net cash provided by Investing Activities	<u>362,878</u>	<u>560,046</u>
Net increase in cash and cash equivalents:	6,393,947	5,915,380
Cash and cash equivalents at beginning of year	<u>26,027,943</u>	<u>20,112,563</u>
Cash and cash equivalents at end of year	<u>\$ 32,421,890</u>	<u>\$ 26,027,943</u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Cash Flows, Continued

For the years ended August 31, 2020 and 2019

Reconciliation of operating income to net cash provided by

Operating Activities:

	<u>2020</u>	<u>2019</u>
Operating Income:	\$ 2,590,500	\$ 2,013,189
Adjustments to reconcile operating income to net cash provided by Operating Activities:		
Depreciation	1,646,105	1,669,890
Changes in assets and liabilities:		
(Increase)/decrease in prepaid expenses and other assets	(636,924)	148,771
Increase in assets of 457(b) deferred compensation plan	(295,628)	(220,672)
Increase in accounts payable and accrued expenses	2,592,351	1,806,718
Increase in liabilities of 457(b) deferred compensation plan	295,628	220,672
Increase/(decrease) in unamortized rent	158,582	(102,174)
Net cash provided by Operating Activities	<u>\$ 6,350,614</u>	<u>\$ 5,536,394</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS/TEXAS A&M INVESTMENT MANAGEMENT COMPANY
Notes to Financial Statements

Note 1 - Organization

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is a not-for-profit corporation organized to invest funds that are under the control and management of the Board of Regents of The UT Board. UTIMCO commenced business on March 1, 1996. The financial statements of UTIMCO have been prepared on the accrual basis of accounting. The significant accounting policies are described in Note 2.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of UTIMCO are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Cash and cash equivalents

For purposes of the statements of cash flows, UTIMCO considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. UTIMCO invests excess cash in an interest-bearing money market account.

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate.

Capital assets, net of accumulated depreciation

Net capital assets consist of office furniture, office equipment, software, and leasehold improvements and are stated at net book value. UTIMCO capitalizes assets whose cost exceeds \$500. Depreciation is computed using the straight-line method over the useful lives of the assets. Estimated useful lives range from three to seven years for office furniture, equipment, and software, and for the lease term for leasehold improvements.

The following is a schedule of the capital assets as of August 31, 2020 and 2019:

	Balance	Additions/		Balance
	8/31/2019	Transfers	Deletions	8/31/2020
Office furniture	\$ 2,815,083	\$ -	\$ -	\$ 2,815,083
Office equipment	2,016,986	319,545	-	2,336,531
Software	282,867	-	-	282,867
Leasehold improvements	9,225,572	-	-	9,225,572
Total property and equipment	14,340,508	319,545	-	14,660,053
Less accumulated depreciation	(3,364,094)	(1,646,105)	-	(5,010,199)
Net Capital Assets	<u>\$10,976,414</u>	<u>\$ (1,326,560)</u>	<u>\$ -</u>	<u>\$ 9,649,854</u>

THE UNIVERSITY OF TEXAS/TEXAS A&M INVESTMENT MANAGEMENT COMPANY
Notes to Financial Statements

	Balance			Balance
	8/31/2018	Additions	Deletions	8/31/2019
Office furniture	\$ 2,749,510	\$ 65,573	\$ -	\$ 2,815,083
Office equipment	1,958,353	83,507	(24,874)	2,016,986
Software	250,887	31,980	-	282,867
Leasehold improvements	9,225,572	-	-	9,225,572
Total property and equipment	14,184,322	181,060	(24,874)	14,340,508
Less accumulated depreciation	(1,719,078)	(1,669,890)	24,874	(3,364,094)
Net Capital Assets	<u>\$12,465,244</u>	<u>\$ (1,488,830)</u>	<u>\$ -</u>	<u>\$ 10,976,414</u>

Income taxes

The exclusive purposes for which UTIMCO is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Service Code, and therefore, UTIMCO is not subject to federal income taxes on normal operations. UTIMCO may, however, incur federal income taxes on unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

THE UNIVERSITY OF TEXAS/TEXAS A&M INVESTMENT MANAGEMENT COMPANY
Notes to Financial Statements

New Accounting Standards

GASB Statement No. 87, Leases, effective 2022, establishes a single model for lease accounting. UTIMCO is evaluating the effect that Statement 87 will have on its financial statements.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, is effective 2022. The requirements relate to the accounting and financial reporting for Section 457 plans, and for all other arrangements, clarify that for purposes of determining whether a primary government is financially accountable for a potential component unit, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. UTIMCO is evaluating the effect that this portion of Statement 97 will have on its financial statements.

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the years ended August 31, 2020 and 2019 were \$49,868,696, and \$43,789,012, respectively. This represents fees for the following:

	<u>2020</u>	<u>2019</u>
Permanent University Fund	\$ 25,421,875	\$ 22,500,436
The University of Texas System General Endowment Fund	13,635,989	10,891,051
The University of Texas System Intermediate Term Fund	<u>10,810,832</u>	<u>10,397,525</u>
	<u>\$ 49,868,696</u>	<u>\$ 43,789,012</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System, The University of Texas at Austin, and The University of Texas at Arlington. The total for these services for the years ended August 31, 2020 and 2019 were \$183,031 and \$82,729, respectively.
- c) UTIMCO entered into a 124-month lease agreement on July 31, 2017 and subsequent amendment on June 1, 2018 for its current office space and parking with The University of Texas System that commenced on February 1, 2018. The minimum rental commitment was \$154,507 per month for the first year with the first four months abated and escalated annually by \$4,544 per month. A tenant improvement allowance of \$2,726,600 was applied towards the tenant construction costs. Effective May 1, 2020, the lease was amended to include additional space and extends the lease through May 21, 2030. An additional tenant improvement allowance of \$270,870 will be applied towards the tenant construction costs and is recorded as a receivable and unamortized rent liability. As of August 31, 2020, the monthly rent payment was \$192,166. Additional lease details are discussed in Note 6 below.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2020, and 2019, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk. The UTIMCO operating funds are invested in an institutional preferred money market account. The current fair value of the assets of the account is categorized as Level 1 of the fair value hierarchy as described above. The money market account balances as of August 31, 2020 and 2019 were \$31,928,295 and \$25,866,721, respectively.

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, the UTIMCO 403(b) Tax Sheltered Annuity Plan, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the years ended August 31, 2020 and 2019 were \$1,200,281 and \$1,112,464, respectively.

Effective December 1, 2007, UTIMCO adopted a compensation plan under Internal Revenue Code Section 457(b). The 457(b) plan is an unfunded deferred compensation plan that is established and maintained for a select group of management employees. Participants are determined by the Plan Administrative Committee. Participants are permitted to make tax-deferred contributions to the 457(b) deferred compensation plan, but until the plan benefits are paid out, these contributions remain part of UTIMCO's general assets and can be used to satisfy claims of the general unsecured creditors of UTIMCO. The assets and obligations of the 457(b) Plan are reported on the Statements of Net Position at current fair values. The assets of the 457(b) Plan are invested in publicly traded mutual funds and are categorized as Level 1 of the fair value hierarchy as described above.

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the years ended August 31, 2020 and 2019 were \$293,140 and \$291,055, respectively.

Note 6 – Lease Expense

UTIMCO entered into a 124-month lease agreement, as amended, with The University of Texas System effective February 1, 2018, for its current office space as discussed in Note 3 c) above. Under the terms of the lease, base rent and operating expense rent for the first four months of the term were abated. The lease also provided for an additional allowance of \$2,726,600 that was applied towards the tenant construction costs.

Effective May 1, 2020, the lease was amended and extended through May 21, 2030. The lease amendment includes additional space and base rent and operating expense adjustments. The lease also includes a rent escalation clause providing for scheduled rent increases annually. An additional tenant improvement allowance of \$270,870 will be applied towards tenant construction costs. The lease expense incentives were recorded as a receivable and an unamortized rent liability as detailed in Note 7.

The net lease expense related to the lease incentives and amortization of the tenant allowances for the years ended August 31, 2020 and 2019 was \$1,942,423 and \$1,783,724, respectively. For the years ended August 31, 2020 and 2019, related operating expenses were \$582,545 and \$475,607, respectively. Parking expense was \$219,266 and \$214,830, respectively, for the years ended August 31, 2020 and 2019. The minimum rental commitment for UTIMCO's office space as amended effective May 1, 2020 and expiring May 21, 2030 is \$192,166 per month for the first nine months and escalates annually as of February 1, 2021 per a predetermined escalation clause in the lease.

The following is a schedule by years of the future minimum lease payments under the lease terms:

Years ending August 31,	
2021	\$ 2,343,070
2022	2,406,631
2023	2,470,192
2024	2,533,753
2025	2,592,124
Thereafter	<u>12,986,726</u>
	<u>\$ 25,332,496</u>

Note 7 – Unamortized Rent

Under the terms of the office lease, as amended, that commenced on February 1, 2018, UTIMCO was provided with four months of abated rent and a tenant improvement allowance of \$2,726,600 that was applied towards construction expenses. Effective May 1, 2020, the lease was amended and extended through May 21, 2030. The lease amendment includes additional space and base rent and operating expense adjustments. An additional tenant improvement allowance of \$270,870 will be applied to tenant construction costs and is currently recorded as an unamortized rent liability. For the years ended August 31, 2020 and 2019, unamortized rent relating to the amended lease agreements were \$3,359,992 and \$3,201,410, respectively.

Note 8 – Advisory Board Fees

UTIMCO received a fee on behalf of an employee who served as an advisory board member for a private equity investment. Advisory board fees for both the years ended August 31, 2020 and 2019 were \$5,000.

INSTITUTIONAL COMPLIANCE PROGRAM

**The University of Texas/Texas A&M Investment Management Company
Institutional Compliance Program Report
for the Quarter Ended
November 30, 2020**

Section I – Organizational Matters

- Beginning March 12, 2020, UTIMCO, UT System Administration, and most of our partners and counterparties, closed their offices in response to the COVID-19 global pandemic. UTIMCO immediately established a C-19 Task Force to monitor the global pandemic and make recommendations to the Leadership Team and employees to ensure the safety of employees and continuity of business. All critical UTIMCO functions continue uninterrupted.
- One meeting of the Ethics and Compliance Committee was held during the quarter: November 4, 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; Senior Director – Strategic Partners

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 19 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. Two new mandates were completed. Ongoing review of active external managers included 39 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Fixed Income: The Fixed Income Team participated in three meetings/calls with potential managers. Ongoing review of active external managers included four meetings/calls. Serious due diligence was initiated on two new mandates. No new mandate was completed.

Hedge Funds: The Hedge Funds Team participated in seven meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. Three new mandates were completed. Ongoing review of active external managers was conducted in the form of 81 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Real Return: The Real Return Team participated in 121 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate and seven existing mandates. Seven new mandates were completed. One addition to an existing mandate was completed. Ongoing review of active external managers included 124 meetings/calls. Additional efforts included participation in 18 annual meetings.

Private Equity: The Private Equity Team participated in 25 meetings/calls with potential managers. Serious due diligence was initiated on six new mandates and two existing mandates. Seven new mandates were completed. There were three additions to existing mandates. Ongoing review of active external managers included 65 meetings/calls. Additional efforts included participation in 24 annual meetings.

Strategic Partners: The Strategic Partners Team participated in two meetings/calls with potential managers. No new mandates were completed. Ongoing review of active external managers included 46 meetings/calls.

Specialized Training: The Investment Team attended 24 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:

- The first two Internal Risk Committee meetings were held on October 2nd and November 6th, 2020, with all members present. The Committee discussed a wide range of Risk-related topics, including MSCI Barra unified risk system, Strategic Asset Allocation, bear and bubble monitors, capital planning and rebalancing, individual deals coming to Internal Investment Committee, risk levels in the Endowments and the ITF, and research topics.
- The MSCI Barra contract for a unified risk system for all UTIMCO's asset classes was signed and implementation started with aggressive goals and an aggressive schedule. The first phase (till November 30th) was about planning, data acquisition, and metadata design and validation.
- Risk Team updated its internal procedures and documentation per the recommendations of UT Systems' Audit Office team.
- Risk Team continued to track and report on the bubble monitor, the US and non-US bear market monitors, the environment monitor, and factor data. The bubble monitor continued to show potential bubbles in September and then again in November after a strong market rally. Risk Team continues to monitor closely for potential bubbles.
- Risk Team updated the long-term capital commitment plan and made recommendations for the 2021 commitment targets for all asset classes.
- Risk Team started work on updating the long-term Strategic Asset Allocation (SAA), and on the FY2022 proposed Policy Portfolio. The key goals are resiliency and flexibility, given the high level of uncertainty in what the future holds.
- Risk Team reviewed 14 Risk Scorecards for consistency and accuracy during the quarter.
- Six managers triggered CUSUM in the recent quarter. Two are being liquidated, one will be trimmed and mandate changed, the benchmark of one is under review, the decision on one is to continue to hold, and one is 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.

- During the quarter, 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. Compared each month's downside volatility with both prior month results and with market activity to determine consistency and identified reasons for all changes. Risk Team also performed analysis of managers' portfolio-level risks and performance.
- Risk Team continued to monitor sources and uses of cash and 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's downside volatility and VaR calculations.

Specialized Training: None.

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:

- Firm data was shared with Two Sigma Venn, a third party vendor, without security and legal reviews/approval.
- Office 365 accounts without Multi-factor authentication were identified. Improvement in rigor around provisioning and deprovisioning user is needed.
- Unapproved and deprecated software is in use or registered/approved for single sign-on: P2P Server, EchoSpan, Test, PingBoard, iLevel, PDF Expert, Paycor-SMA, NuGet.org, LinkedIn, GoodNotes, LucidChart, Notability, AddEvent.com, Amazon Alexa, Azure Notebooks, Calendly, ClickShare, Grammarly, Anaconda3, and Google Chrome. Controls around provisioning and retiring applications needs improvement.
- Firewall changes were made without ISO team approval.
- Increased monitoring alerts for compromised accounts, leaked credentials, and other attack vectors given the continued work from home/remote working environment.
- One security review (informal) was completed during quarter.
- Seven security assessments (formal) were completed during the period.
- Twelve open security items remain at end of this reporting period; all from prior periods. Note, several items are pending completion of construction of the new space.
- Spear-phishing attacks continue. Fake payroll, HR, tax and other information are being sent in an attempt to lure users to click.
- Weekly phishing campaigns continue using the KnowBe4 tool. UTIMCO ended this reporting period with a 1.9 % Phish Prone Score (clicks), down from 12% the prior quarter.

- Weekly Scam of the Week alerts are sent to the firm.
- Monthly Security Hints and Tips are sent to the firm.
- 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.
- Education on PHI, PII, SSN and credit card data being sent over email continues.
- Security Exception for Duo Policies authorized through October 30 due to a limitation in Duo's technology. Duo retirement extended to 2021, ISO team requested security exception update on 12/16/20; no response provided.
- Travel has been put on hold due to COVID-19.
- Hardware inventory is still an open item, but mostly complete. Software inventory is complete.
- Remote patching has been implemented. Some patching and software deployment issues remain. IT continues to work towards a resolution.
- The ISO team identified several personal employee accounts that were leaked or compromised. Alerts were sent to the affected employees as a courtesy.
- The ISO met with several vendors and teams to review new software or systems including Microsoft, Gartner, vmWare, FS-ISAC, and Texas DIR.

Specialized Training: ISO Team members attended a variety of in-person, online and web training sessions, and listened to podcasts and audio books.

Responsible Party: Chief Technology Officer (CTO)

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. 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 May 2021. We currently have (5) Windows 10 machines remaining in the queue for updates to the latest build.
- Network documentation work continues and the team is greater than 50% complete with the documentation of all network infrastructure. Additional Layer 1 and 3 documentation has been created or updated to reflect the current state of UTIMCO systems.
- There are currently 12 open items on the IT Security Open Items list. This list is a living document and items are added and removed when appropriate. Significant progress is expected with the wireless rebuild taking place during construction.

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:

- 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. One manager violation occurred during the quarter because the manager traded swaps that were not authorized per its Investment Advisory Agreement.
- Testing was performed on all new commitments and funding made to ensure compliance with the Delegation of Authority.
- Review of monthly and quarterly investment compliance reports prepared by employees continues.
- Mandates are categorized by Asset Class in the investment memos reviewed by the Internal Investment Committee. Information regarding the categorization of mandates is included in the Certificates of Compliance mailouts and Monthly Transparency report sent to UTIMCO Directors.
- Participation by the Operational Due Diligence and Accounting and Operations teams in prospective and active external manager investment due diligence continues.
- Derivative Investment Controls and Processes are being followed and work continues to improve them.

Specialized Training: None.

High-Risk Area #5: Conflicts of Interest

Responsible Party: Chief Compliance Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Certificates of Compliance were received timely from all Directors and Key Employees for all but one investment manager mandate. All certificates of compliance for the mandate were verified in April and delegation of authority testing was performed at that time; however, the mandate did not close until September. Employees designated as Officers and therefore, Key Employees, between April and September did not sign the certificates of compliance as required by the Code of Ethics due to the failure of the Compliance team to provide them with the certificates of compliance. No conflicts of interests were noted, i.e. no pecuniary interests were identified in any outside investment manager or closed funds.
- Annual compliance statements are required to be submitted by all Directors by April 30th of each year or within the extension timeline of June 29th. One Director’s compliance statements remain outstanding as of the end of the quarter.

- Four full-time employees and two interns were hired during the quarter. Two full-time employees failed to turn in their Financial Disclosure Statements within the first thirty days of their employment. Two interns did not turn in financial disclosure statements during their internships.
- One Employee Ethics and Compliance Training Session was held during the quarter. New employees were trained 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 for two employees promoted to Key Employees was completed during the quarter.
- A 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.
- 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 130 employee securities transactions, one required preclearance but the employee failed to request preclearance. One employee failed to timely file a transactional disclosure form related to two securities transactions. The Compliance Team has begun notifying the employee's supervisor of team member's failures to follow the preclearance procedures.
- Two employees requested CEO approval for outside employment.
- Beginning with the fourth quarter 2015, the 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. The one expense report tested during the quarter did not include third party paid expenses. No sponsored entertainment event approvals were requested.
- Effective September 1, 2017, employees must submit sponsored entertainment requests for approval to the CCO. No employees requested approval for sponsored entertainment events.
- No employee requested approval to fly by charter or private air travel.

Specialized Training: None.

Section III – Monitoring and Assurance Activities (Performed by Compliance Office)

High-Risk Area #1: Investment Due Diligence

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO reviewed results of quarterly due diligence monitoring plans for each Investment Team. Ongoing due diligence efforts on multiple managers continue.

Significant Findings: None.

High-Risk Area #2: Investment Risk Management

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team. The Risk Team underwent an agreed upon procedures 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. The Risk Management Team completed 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. CCO and Chief Technology Officer also meet periodically. Bi-weekly cross team meetings to track and monitor the status of identified areas of vulnerability and required improvement in UTIMCO's information resources continue. Ernst & Young, LLP completed its assessment of UTIMCO's cybersecurity posture, the assessment was reviewed with the Cyber Risk Committee, and selected findings are being addressed.

Significant Findings: No new significant findings. Held over is change in Security Team's organizational reporting structure from the Chief Operating Officer to the CTO, which is contrary to the requirements of UTS 165 requiring the CISO to report to the institution's president or senior executive, other than the institution's chief information officer. Operating change was discussed with Chancellor by the UT System Chancellor but no written documentation from the Chancellor is available regarding a waiver of application of UTS 165. See annual report for FY 20 for additional detail.

High-Risk Area #4: Investment Compliance

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to review investment and fund compliance reports to determine that policy requirements have been maintained based on the activity performed by employees. CCO reviewed the documentation and workpapers supporting the various compliance reports prepared by the Responsible Parties.

Significant Findings: None

High-Risk Area #5: Conflicts of Interest

Assessment of Control Structure: *Well controlled*

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

Significant Findings: None

Section IV – General Compliance Training Activities

One new hire training session was held during the quarter.

Section V – Action Plan Activities

See updated Institutional Compliance Action Plan Fiscal Year 2021.

Section VI – Confidential Reporting

UTIMCO maintains a Compliance Hotline to receive and process complaints. UTIMCO has contracted with an outside vendor to provide the service. The chart below summarizes the calls received during the **FISCAL YEAR**:

Type	FYTD Number	% of Total
Employment Related	0	100.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	0	0.00%
Total	0	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.

Effective September 1, 2020, UTIMCO contracted with Lighthouse Services, LLC to provide hotline services. Reports may be made to the hotline via telephone, email, fax, website, or anonymous reporting app.

The University of Texas/Texas A&M Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2021

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Finalize Enterprise Risk Management Framework report (Second draft in process)	12/31/2020	<i>Final version provided to GC on 11/20/20</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Complete revision of Responsible Party Monitoring Plan for Tactical Asset Allocation (TAA)	12/31/2020	<i>Meeting with TAA to discuss monitoring plan with held on 10/5/20</i>
3.	Continual enhancement of compliance monitoring and reporting	Ongoing	<i>Ongoing</i>
4.	Review policies and procedures for needed revisions/updates and efficiencies	08/31/2021	<i>No activity</i>
5.	Review compliance program in conjunction with updated DOJ guidance for overall adequacy and effectiveness	08/31/2021	<i>Data gathering in process</i>
6.	Review third party risk management processes/standards related to initial onboarding and ongoing due diligence and monitoring	08/31/2021	<i>No activity</i>
7.	Review of Institutional Compliance Program by UT System Audit Office	08/31/2021	<i>No activity</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
8.	Develop relationships within the organization to identify opportunities to build trust and offer assistance	Ongoing	<i>Ongoing</i>
9.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/2021	<i>One new hire training session held 09/11/2020</i>
10.	Identify and network with similarly situated compliance professionals	Ongoing	<i>Council of Compliance Officers meeting 11/24/20; Compliance Roundtable meeting 09/02/20</i>
<i>D. REPORTING</i>			
11.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	<i>Quarterly meeting held 11/4/20</i>
12.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	Ongoing	<i>Annual report for 08/31/20 presented to A&E on 12/01/20; Annual report for 08/31/20 provided to UTS on 12/01/20</i>

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>E. OTHER / GENERAL COMPLIANCE</i>			
13.	Continual monitoring update of compilation of all laws and regulations applicable to UTIMCO and to the extent necessary, modify compliance processes and reporting	Ongoing	<i>Updates ongoing</i>
14.	Information Technology update to Business Continuity Plan	05/31/2021	<i>Ernst & Young LLP working on updates to BCP, BIAs and Disaster Recovery Plans</i>
15.	Review and monitor data privacy regulations and formalize data mapping procedures	08/31/2021	<i>No activity</i>
16.	Work with Information Technology Team to automate Code of Ethics compliance statements and Certificates of Compliance	08/31/2021	<i>No activity</i>
17.	Supervise and manage work of Compliance team; transition compliance activities to team members	Ongoing	<i>Ongoing</i>
18.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	<i>Fall Institutional Compliance Advisory Council meeting held 09/22/20; Quarterly meeting with UTS Compliance Officer on 10/28/20</i>
19.	Hotline reporting	Ongoing	<i>No Hotline activity</i>

CONTRACT REPORT

New Contracts, Leases, and Other Commercial Arrangements

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

November 11, 2020 through February 18, 2021

Agreement	Purpose	Contract Term	Annual Amount
eFront Financial Solutions (annual renewal)	eFront Financial Solutions is a software provider for the alternative investments and risk management areas of the financial services industry	1/1/2021 - 12/31/2021	\$257,655

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Report from Policy Committee

Developed By: Moeller, Gonzalez

Presented By: Hicks

Type of Item: Information item

Description: The Policy Committee (“Committee”) met on March 4, 2021. The Committee’s agenda included: (1) discussion and appropriate action related to the approval of minutes of March 5, 2020 and the June 4, 2020 Joint Meeting of the Policy and Risk Committees; and (2) Strategic Asset Allocation Update.

Discussion: The Committee was provided an interim update on the progress of the Strategic Asset Allocation project during its meeting. The *Strategic Asset Allocation Update* presentation is included in Tab 4 of the Board materials.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Report from Risk Committee

Developed By: Gonzalez, Moeller

Presented By: Gauntt

Type of Item: Information item

Description: The Risk Committee (“Committee”) met on March 4, 2021. The Committee’s agenda included (1) discussion and appropriate action related to the approval of minutes of its December 1, 2020 meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.

Discussion Ms. Gonzalez reviewed the quarterly compliance reporting with the Committee and Dr. Yoeli presented an update on the market and portfolio risk.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

Agenda Item: Report from Compensation Committee

Developed By: Moeller, Gonzalez

Presented By: Rothrock

Type of Item: Information Item

Description: The Compensation Committee (“Committee”) met on March 4, 2021. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of December 10, 2020 meeting. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
March 11, 2021

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 March 4, 2021. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of December 1, 2020 meeting. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology, including security assessments.

Recommendation: None

Reference: None