

**UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
June 29, 2021**

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

Time	Item #	Agenda Item
Begin	End	
		OPEN MEETING:
9:00 a.m.	9:05 a.m.	1 Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of March 11, 2021 Meeting*
9:05 a.m.	9:10 a.m.	2 Discussion and Appropriate Action Related to Corporate Resolutions: - Election of Corporate Officers* - Committee Assignments*
9:10 a.m.	9:30 a.m.	3 UTIMCO Performance and Market Update
9:30 a.m.	9:50 a.m.	4 Real Return Presentation
9:50 a.m.	10:10 a.m.	5 Private Equity Presentation
10:10 a.m.	10:50 a.m.	6 Strategic Asset Allocation Review - Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements* ,**
10:50 a.m.	11:00 a.m.	7 Report from Policy Committee
11:00 a.m.	11:10 a.m.	8 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Engaging Corporate External Auditor*
11:10 a.m.	11:15 a.m.	9 Report from Risk Committee
11:15 a.m.	11:20 a.m.	10 Report from Cyber Risk Committee
11:20 a.m.	11:40 a.m.	11 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, including the CEO and Chief Investment Officer. Reconvene into Open Session Report from Compensation Committee - Discussion and Appropriate Action Related to the CEO's Base Salary for 2021-2022 Fiscal Year* - Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2022*
11:40 a.m.	11:55 a.m.	12 Discussion and Appropriate Action Related to UTIMCO 2021-2022 Budget* ,**
11:55 a.m.	12:00 p.m.	13 Discussion and Appropriate Action Related to CEO's Speaker Role at Various Engagements*
12:00 p.m.		Adjourn followed by Lunch

* Action by resolution required

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

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

Next Regularly Scheduled Meeting: September 16, 2021

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **March 11, 2021**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in an open meeting on **March 11, 2021**, 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; 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 9:02 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 December 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 December 10, 2020, be, and are hereby, approved.

Corporate Resolutions

Chairman Hildebrand presented a recommendation that the annual meeting of the Board of Directors of the Corporation be held on June 29, 2021. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

Chairman Hildebrand also presented a recommendation to the Board to approve a resolution acknowledging the services of R. Steven Hicks as a UTIMCO Board member. Director Hicks was recognized for his service as a Regental Director for UTIMCO since February 17, 2011 and as the longest tenured Director in UTIMCO's history. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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.

Performance and Market Update

Chairman Hildebrand asked Mr. Harris to present the Corporation's performance and market update. Mr. Harris reported that as of December 31, 2020, the Corporation had around \$57 billion of assets under management; almost \$40 billion in asset growth from 2009. Next, Mr. Harris reviewed the market dashboard, as well as endowment returns and alpha detail. He discussed the equity returns in different regimes and the

global monetary and fiscal stimulus, noting the US fiscal deficit was widest since WW2. He also reviewed the falling expected growth of GDP and discussed inflation rates. He then discussed climate change and CO2 emissions by region. He briefly noted that millennials are the largest generation in the work force and touched base on the polarization of US politics today. Mr. Harris concluded his presentation with a summary of his discussion and stating that servant leadership is UTIMCO's theme and resilient will be our key word moving forward. He then answered questions from the Board.

Strategic Asset Allocation Update

Chairman Hildebrand asked Rich Hall to present an update on the Strategic Asset Allocation ("SAA"). Mr. Hall began by acknowledging Dr. Yoeli and Mr. Standley's hard work on the project and thanking them for their efforts. He then highlighted three key takeaways with the first being that we are making steady progress. The second is that expected returns have declined and the level of uncertainty is largely due to Covid. Third, we are leveraging all resources both internally and externally. He then provided a detailed Executive Summary followed by a 2018 Strategic Asset Allocation recap and discussion on the progress being made. Mr. Hall then discussed market and economic environment changes, including monetary and fiscal policy as well as growth drivers and paths forward. He concluded his presentation with a 2021 project update. Mr. Hall and Mr. Harris answered questions from the Board.

Public Equity Presentation

Chairman Hildebrand invited Susan Chen to present an update on Public Equity. Ms. Chen reported that Public Equity is approximately \$16.3 billion of the total portfolio, roughly 33% of the Endowments and approximately 13% of ITF assets as of December 2020. Ms. Chen discussed market conditions and UTIMCO's performance, noting strong absolute and relative returns. She also noted alpha numbers were unusual with the highest calendar figures in both portfolios in ten years. Ms. Chen briefly addressed the team structure, discussed key contributions to UTIMCO's 2020 top accomplishments, and priorities for 2021. She further detailed the role in the portfolio and market conditions as well as Public Equity performance during 2020. Ms. Chen and Mr. Harris answered the Directors' questions.

Hedge Funds Presentation

Chairman Hildebrand asked Ryan Ruebsahm to present the Hedge Funds Review. Mr. Ruebsahm began by stating that performance has substantially improved due to changes over the last three years. Both directional and stable value portfolios are meeting or exceeding expectations. Mr. Ruebsahm introduced the Hedge Fund Team and recognized them for their efforts. Next, he noted that Hedge Funds are 20% of the Endowment. Mr. Ruebsahm highlighted that risk is being monitored and managed well and the Team is executing on their action plan. Mr. Ruebsahm answered questions from the Board.

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 via teleconference on March 4, 2021. At the meeting, the Committee considered one action item: the minutes of its December 10, 2020 meeting were approved as drafted. The Committee also met in executive session for the purpose of

deliberating individual personnel compensation and evaluation matters, but no action was taken at that meeting.

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 March 4, 2021. The Committee approved the minutes of its December 1, 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 Audit and Ethics Committee

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on March 4, 2021. At the meeting, the Committee considered four action items: the minutes of its December 1, 2020 meeting were approved as drafted; Deloitte & Touche LLP's Audit Results and Communications for the Corporation for the fiscal year ended August 31, 2020, were approved, subject to approval by the Board; the audit reports for the Corporation for the fiscal year ended August 31, 2020 were approved, subject to approval by the Board; and the Committee affirmed the continuance of Robert Cowley as the lead audit partner for Deloitte & Touche LLP for the fiscal years ended 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. 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 approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

Report from Policy Committee

Chairman Hildebrand asked Director Hicks to provide a report from the Policy Committee. Director Hicks reported that the Policy Committee met via teleconference on March 4, 2020. At the meeting, the Committee considered one action item: the minutes of its March 5, 2020 meeting and the Joint Meeting of the Policy and Risk Committees on June 4, 2020 were approved as drafted. The Committee also received an update on the Strategic Asset Allocation.

Report from Risk Committee

Chairman Hildebrand asked Director Gauntt to provide a report from the Risk Committee. Director Gauntt reported that the Risk Committee met via teleconference on March 4, 2021. At the meeting, the Committee considered one action item: the minutes of its December 1, 2020 meeting. The Committee also received a report on compliance matters for the quarter ended November 30, 2020, and a market and portfolio risk update.

Executive Session

Prior to going into executive session, Chairman Hildebrand announced that, "The Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to consider individual personnel compensation matters pursuant to *Texas Government Code* Section 551.074 and to consult with legal counsel regarding legal matters and pending and/or contemplated litigation pursuant to *Texas Government Code* Section 551.071. The date is March 11, 2021, and the time is now 11:20 a.m."

Reconvene in Open Session

The Board reconvened in open session and Chairman Hildebrand announced that, "The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is March 11, 2021, and the time is now 11:34 a.m. During the Executive Session, the Board deliberated individual compensation matters and consulted with legal counsel regarding legal matters, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:35 a.m.

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions:
- Election of Corporate Officers
- Committee Assignments

Developed By: Harris, Moeller

Presented By: Hildebrand

Type of Item: Action required by UTIMCO Board; Further action required by The University of Texas System Board of Regents related to the appointment of the Audit and Ethics Committee

Description: Chairman Hildebrand will present a recommendation for the Corporate Officers. As stated in the Bylaws, a purpose of the Annual Meeting is to elect Officers for the ensuing year. Employees that are designated as Officers by the UTIMCO Board meet the definition of Key Employees in the Corporation's Code of Ethics.

Chairman Hildebrand will propose new Board committee assignments. If a change is made in the composition of the Audit and Ethics Committee, Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of the members of the Audit and Ethics Committee of the UTIMCO Board.

Recommendation: Chairman Hildebrand will recommend approval of the election of Corporate Officers and approval of committee assignments.

Reference: None

RESOLUTION RELATED TO CORPORATE OFFICERS

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

<u>Name</u>	<u>Office or Offices</u>
_____	Chairman
_____	Vice Chairman
_____	Vice Chairman for Policy
Britt Harris	Chief Executive Officer, Chief Investment Officer and President
Rich Hall	Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director, COO, Treasurer and Secretary
Susan Chen	Managing Director
Carolina de Onis	Managing Director, General Counsel and Chief Compliance Officer
Mike Dean	Managing Director
Russ Kampfe	Managing Director
Edward Lewis	Managing Director
Pat Pace	Managing Director
Ryan Ruebsahm	Managing Director
Mike Sjolander	Managing Director and Chief Technology Officer
Scott Slayton	Managing Director
Uzi Yoeli	Managing Director

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:

Janet Handley
Jodie L. Jiles
Clifton L. Thomas, Jr.
James C. "Rad" Weaver

subject to approval by the Board of Regents of The University of Texas System at a future meeting, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Janet Handley is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Compensation Committee of the Board of Directors:

Robert Gauntt
Janet Handley
Ray Nixon
Ray Rothrock

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

FURTHER RESOLVED, that Ray Nixon is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Policy Committee of the Board of Directors:

Robert Gauntt
Jodie L. Jiles
Ray Nixon
Clifton L. Thomas, Jr.

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

FURTHER RESOLVED, that Robert Gauntt is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Risk Committee of the Board of Directors:

Janet Handley
Janiece Longoria
Ray Rothrock
James C. "Rad" Weaver

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

FURTHER RESOLVED, that James C. "Rad" Weaver is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Cyber Risk Committee of the Board of Directors:

Robert Gauntt
Janiece Longoria
Ray Rothrock
James C. "Rad" Weaver

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

FURTHER RESOLVED, that Ray Rothrock is hereby designated the Chair of the Cyber Risk Committee and shall preside at its meetings.

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: UTIMCO Performance and Market Update

Developed By: Hall

Presented By: Hall

Type of Item: Information Item

Description: Rich Hall will review UTIMCO's performance and provide an update on the financial markets.

Reference: *UTIMCO and Market Update* presentation



UTIMCO and Market Update

Rich Hall, Deputy Chief Investment Officer

June 29, 2021

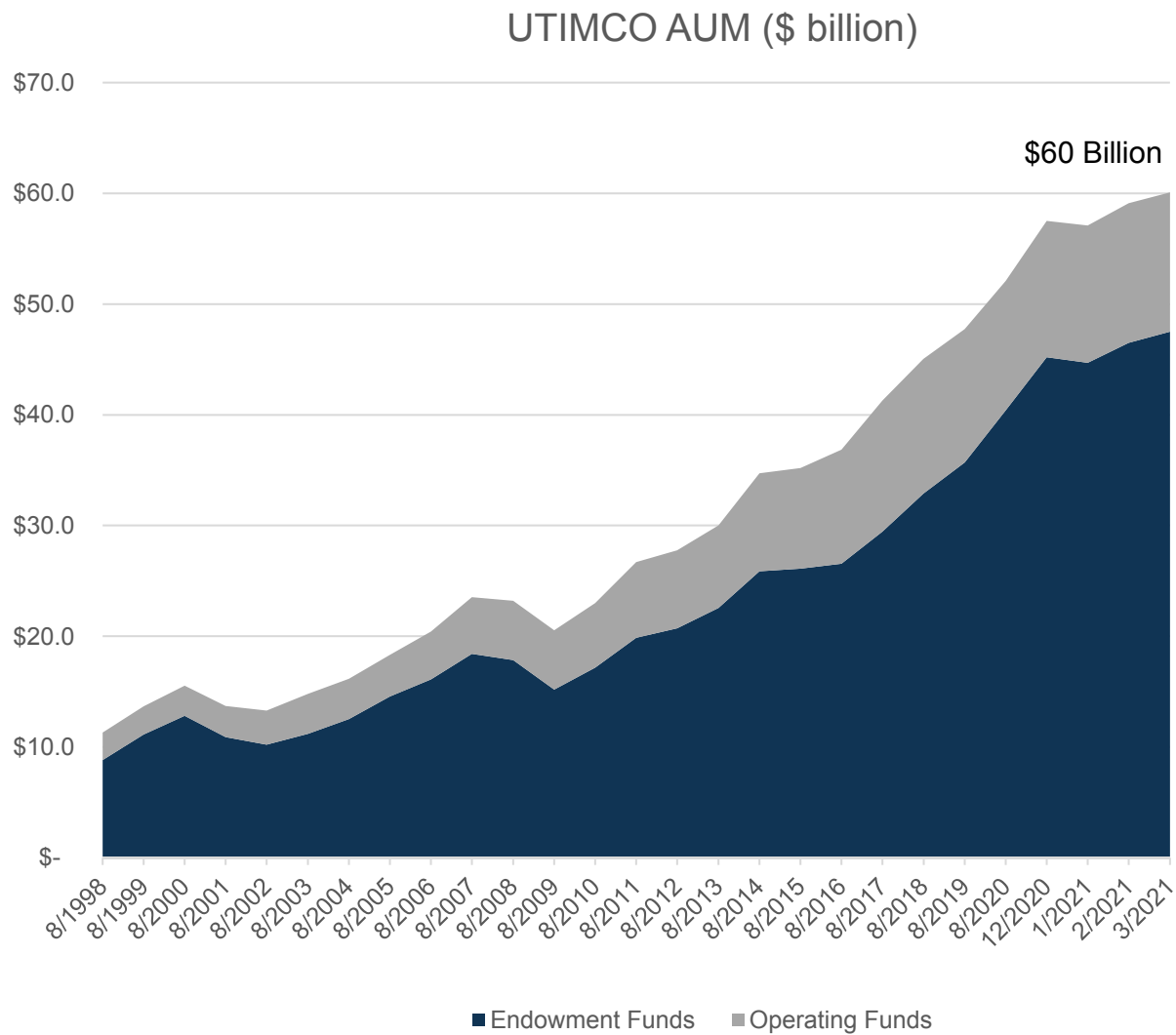
UTIMCO Performance





Growth in Assets Under Management

Total Assets through March 31, 2021



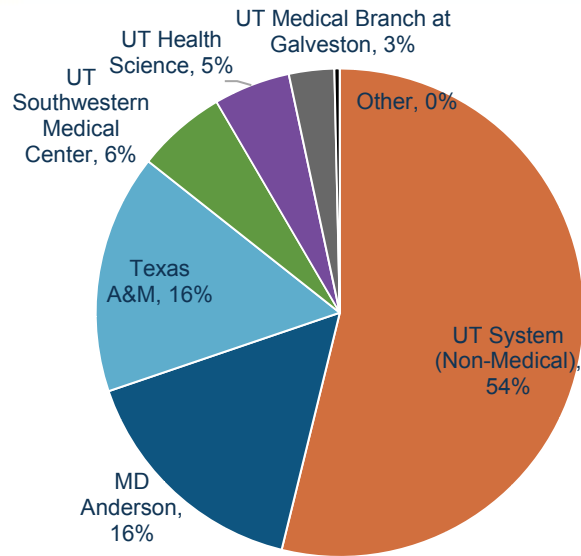
12 Month Change in AUM

	\$ Billion
Beginning NAV	46.1
Contributions	2.4
Net Investment Income	13.3
Distributions	-1.7
Ending NAV	60.1

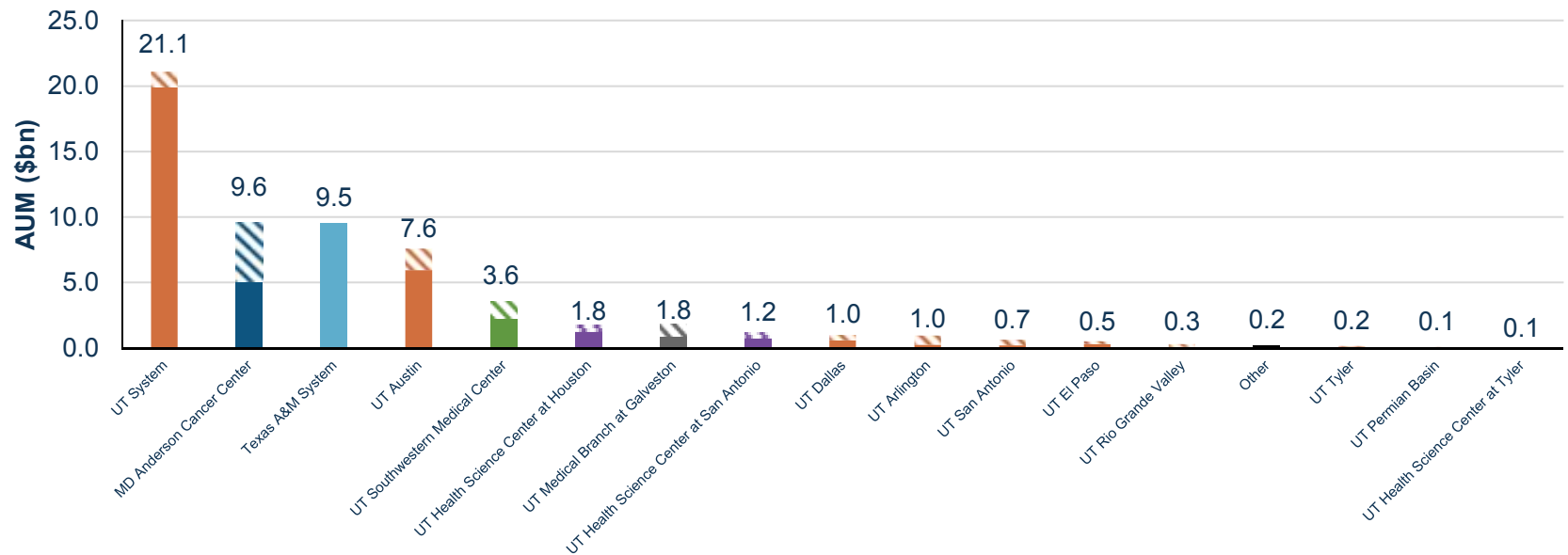
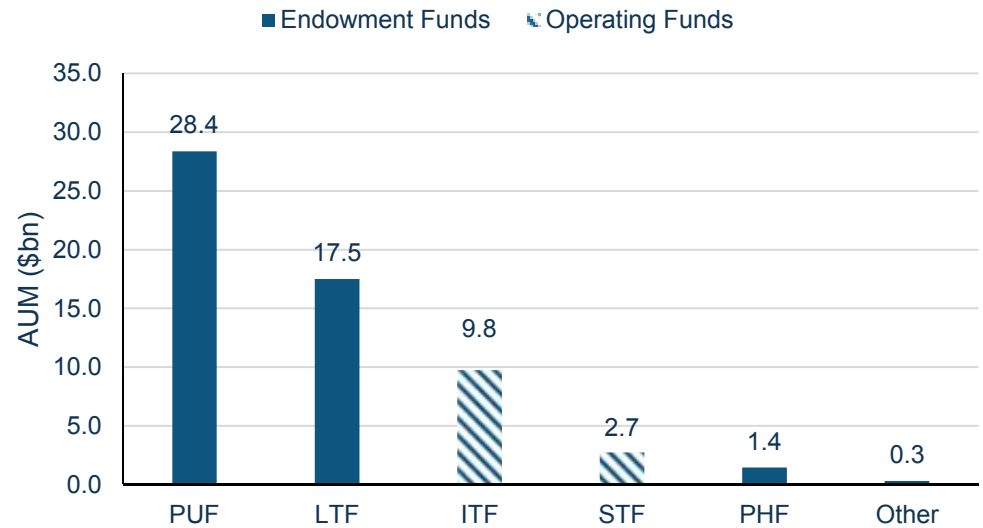


AUM by Institution

As of March 31, 2021

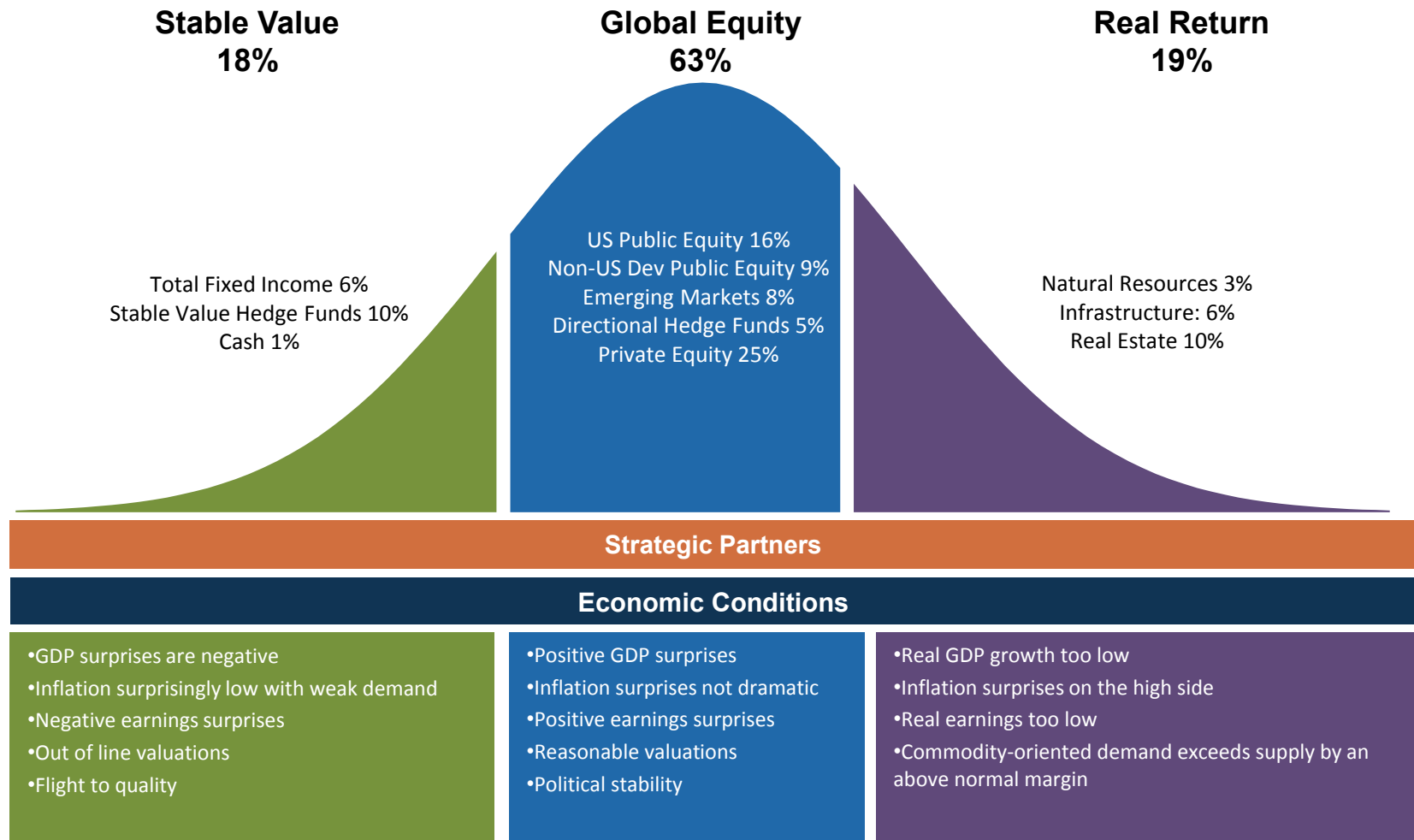


AUM by Fund





UTIMCO Diversification Framework



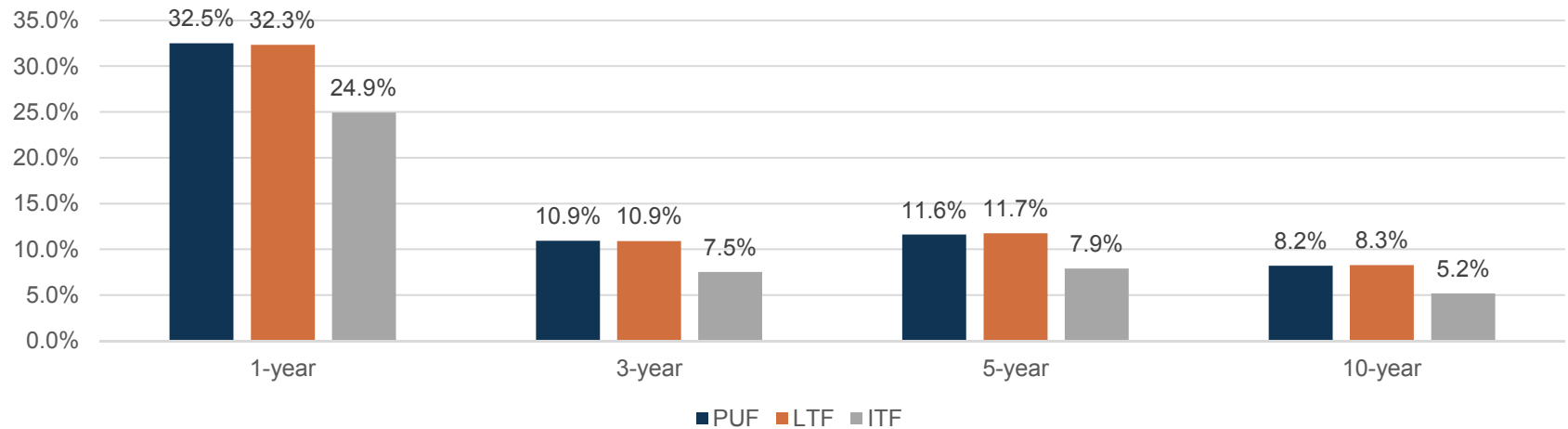
*LTSAA Policy Weights



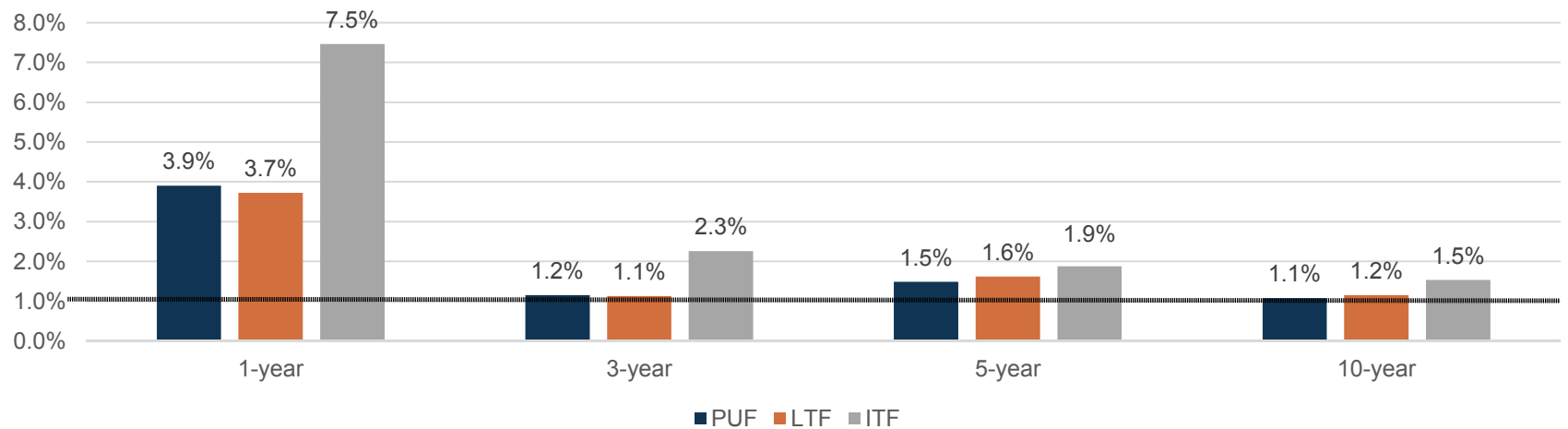
UTIMCO Returns and Alpha

As of March 31, 2021

Total Net Returns



Outperformance vs. Benchmarks





Endowment Returns and Alpha Detail

As of March 31, 2021

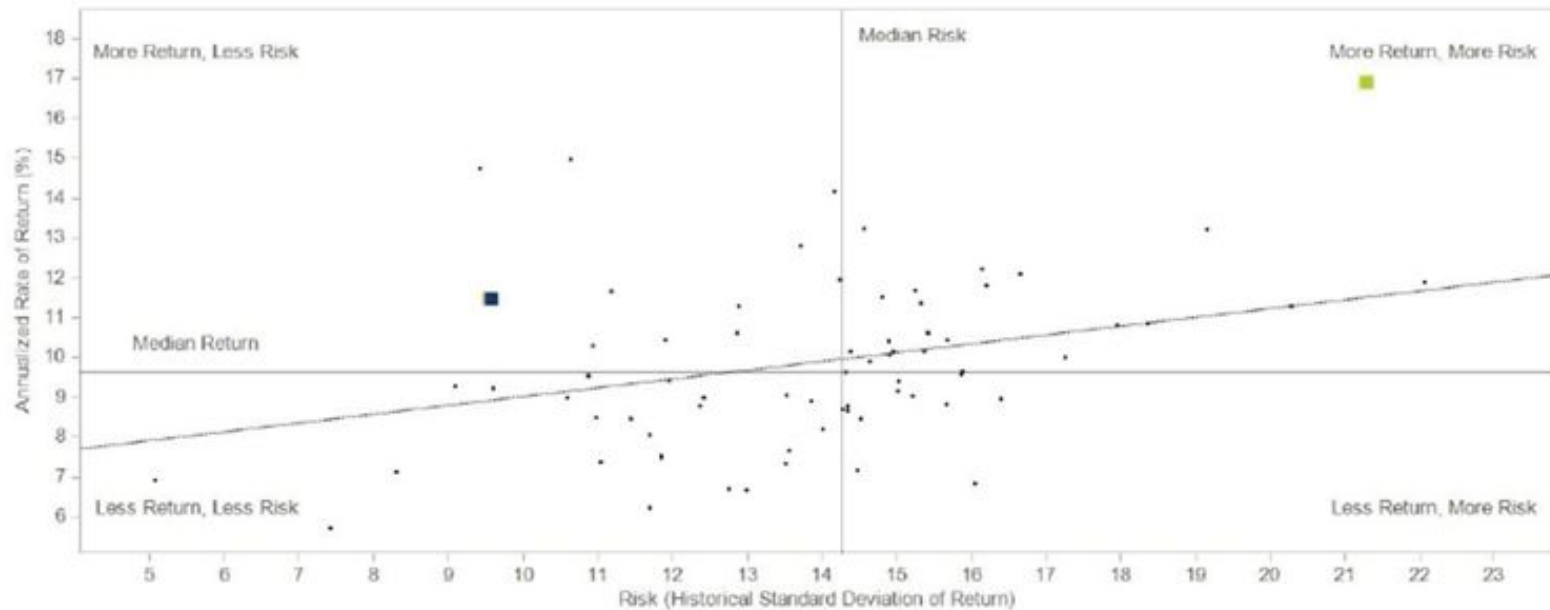
		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	67.7%	12.3%	14.1%	3.4%	14,961	31.6%	0.3%
	Directional Hedge Funds	32.3%	10.9%	9.5%	4.3%	3,966	8.4%	(1.7%)
	Total Private Equity	29.4%	-9.2%	18.4%	-1.7%	10,975	23.2%	0.8%
	Total Global Equity	47.3%	3.2%	14.8%	1.4%	29,902	63.1%	(0.5%)
Stable Value	Investment Grade Fixed Income	6.7%	5.2%	3.5%	0.3%	4,110	8.7%	1.4%
	Cash	0.2%	0.0%	1.4%	(0.0%)	846	1.8%	0.8%
	Stable Value Hedge Funds	16.6%	2.4%	6.6%	2.1%	3,830	8.1%	(1.6%)
	Total Stable Value	9.5%	1.3%	3.6%	(0.4%)	8,823	18.6%	0.6%
Real Return	Inflation Linked Bonds	4.6%	(2.9%)	-	-	695	1.5%	(0.1%)
	Gold	N/A	N/A	-	-	0	0.0%	0.0%
	Natural Resources	(6.6%)	4.8%	(6.5%)	(0.4%)	2,461	5.2%	(0.3%)
	Infrastructure	59.3%	35.6%	8.7%	(0.1%)	1,121	2.4%	0.0%
	Total Private Real Estate	2.6%	0.6%	9.5%	3.3%	2,799	5.9%	0.0%
	Total Real Return	7.6%	6.5%	2.7%	0.8%	7,097	15.0%	-0.3%
Strategic Partnerships	Total Strategic Partnerships	N/A	N/A	N/A	N/A	1,523	3.2%	0.2%
TAA	TAA	0.3%	0.0%	0.0%	0.0%	18	0.0%	0.0%
Total Fund	Endowment Total	32.5%	3.9%	10.9%	1.2%	47,363	100.0%	0.0%



Endowment Risk / Return

Three Years Ending March 31, 2021

Trust Universe Comparison Service Risk vs Total Returns of Master Trusts - Foundation & Endowment 3 Years Ending March 31, 2021



Alpha: 6.83
Beta: 0.22
R-Squared: 0.1

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.62	92	11.35	23
PUF TOTAL FUND	9.65	91	11.34	25
S&P 500	21.35	2	16.78	1
Median	14.27		9.63	



ITF Returns and Alpha Detail

As of March 31, 2021

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	66.4%	11.0%	14.0%	3.2%	1,200	12.3%	(0.7%)
	Directional Hedge Funds	32.3%	10.9%	9.5%	4.3%	4,211	43.2%	0.2%
	Total Global Equity	40.8%	11.3%	10.6%	3.9%	5,411	55.5%	(0.5%)
Stable Value	Investment Grade Fixed Income	6.6%	5.1%	3.5%	0.3%	3,294	33.8%	(1.2%)
	Cash	0.2%	0.0%	1.4%	(0.0%)	365	3.8%	1.8%
	Stable Value Hedge Funds	16.6%	2.4%	6.7%	2.3%	700	7.0%	0.2%
	Total Stable Value	7.5%	4.1%	3.5%	0.4%	4,328	44.4%	0.4%
TAA	TAA	0.1%	0.1%	0.0%	(0.0%)	7	0.1%	0.1%
Total Fund	Endowment Total	24.9%	7.5%	7.5%	2.3%	9,756	100.0%	0.0%

UTIMCO Update





Recent Public Listings



coinbase



UTIMCO Summer Interns, 2021

Growing Investment Leaders Program



Neel Agarwal
UT Austin '23

BBA, Finance
Business Honors



Mike Grimes
College of Charleston '22

BS, Business & Economics



George Rao
UT Austin '23

BBA, Finance
BA, Economics



Anish Arumala
UT Austin '23

BBA, Finance



Marcus Howard
Arizona State '20

BA, Business Sustainability



Ian Raphael
Texas A&M '22, '21

MS, Finance
BS, Economics



Jose Cura
Texas A&M '21, '20

MS, Finance
BS, Economics



Jovahn Jones
Huston-Tillotson '21

BBA, Marketing



Jack Rickert
Texas A&M '23, '22

MS, Finance
BS, Economics



Drew Gambrell
Texas A&M '22, '21

MS, Finance
BBA, Marketing



Rohit Mandava
UT Austin '23

BBA, Finance
Business Honors



Katelyn Sparks
UGA '24

BBA, Business



Goitom Ghebrehiwot
Huston-Tillotson '22

BBA, Accounting



Irika Nalla
UT Austin '23

BBA, Finance
Business Honors



Walker Wade
Texas A&M '21, '20

MS, Finance
BBA, Accounting



UTIMCO Scholars



UTIMCO Scholars

Summer mentoring with over 40 students from 10 UT & A&M Institutions



Market Update





Market Dashboard: Year to Date

As of June 15, 2021

Rates

	12/31/2020	Today 6/15/2021	Change
Fed Funds	0.25	0.25	0.00
10-yr Treasury	0.91	1.49	0.58
30-yr Treasury	1.64	2.19	0.54
Investment Grade Bonds	1.83	2.04	0.21
High Yield	4.59	4.26	-0.33

Equities

	12/31/2020	6/15/2021	Change
S&P 500	3,756	4,247	14%
Forward P/E	22.7x	21.3x	-1.4x
Trailing P/E	30.5x	29.9x	-.5x
Shiller P/E	30.8x	35.0x	4.2x
Forward Earnings Yield	4.4%	4.7%	0.3%
Developed: MSCI World	8,008	9,049	13%
Emerging: MSCI EM	624	671	8%
Global: MSCI ACWI	328	368	12%

Inflation

	12/31/2020	6/15/2021	Change
5-yr TIPS	-1.63	-1.73	-0.10
5-yr TIPS Breakeven	2.0	2.5	0.5
10-yr TIPS	-1.09	-0.91	0.19
10-yr TIPS Breakeven	2.0	2.4	0.4

Commodities

	12/31/2020	6/15/2021	Change
Gold	1,898	1,859	-2%
Oil	49	72	49%
Copper	352	433	23%
Bloomberg Commodities Index	167	200	20%

Source: Bloomberg



Economic Forecasts

As of June 18, 2021

Estimates as of 6/18/21

	Quarterly Real GDP		Real GDP		S&P 500 EPS		Unemployment		Core PCE	
	Q2	Q3	2021	2022	2021	2022	2021	2022	2021	2022
AGMR	11.4%	13.3%	9.4%	3.4%	\$187		3.8%	3.0%	2.5%	2.3%
Barclays	11.0%	8.0%	7.1%	3.8%	\$190		4.6%	4.1%	2.7%	2.0%
BofA	10.0%	9.0%	7.0%	5.5%	\$185	\$205	4.2%	3.5%	2.7%	2.3%
Citi	10.4%	4.7%	6.4%	3.3%	\$184	\$202	4.3%	3.7%	2.9%	2.5%
Credit Suisse	7.6%	11.7%	6.9%		\$200	\$215	4.8%		2.7%	
Goldman	9.5%	9.0%	6.9%	4.7%	\$193	\$202	4.0%	3.5%	3.0%	2.0%
ISI	10.0%	10.0%	8.0%	4.0%	\$182	\$245	4.0%	3.2%	2.5%	2.5%
JP Morgan	10.0%	8.3%	6.7%	4.1%	\$200	\$225	4.7%	4.0%	2.8%	2.3%
Morgan Stanley	10.8%	8.4%	7.1%	4.9%	\$189	\$200	5.0%	3.9%	2.4%	2.1%
UBS	8.0%	8.9%	7.9%	3.8%	\$206	\$232	4.8%	4.2%	3.3%	1.5%
Yardeni	9.0%	4.0%	6.1%		\$195	\$205	4.5%		2.3%	

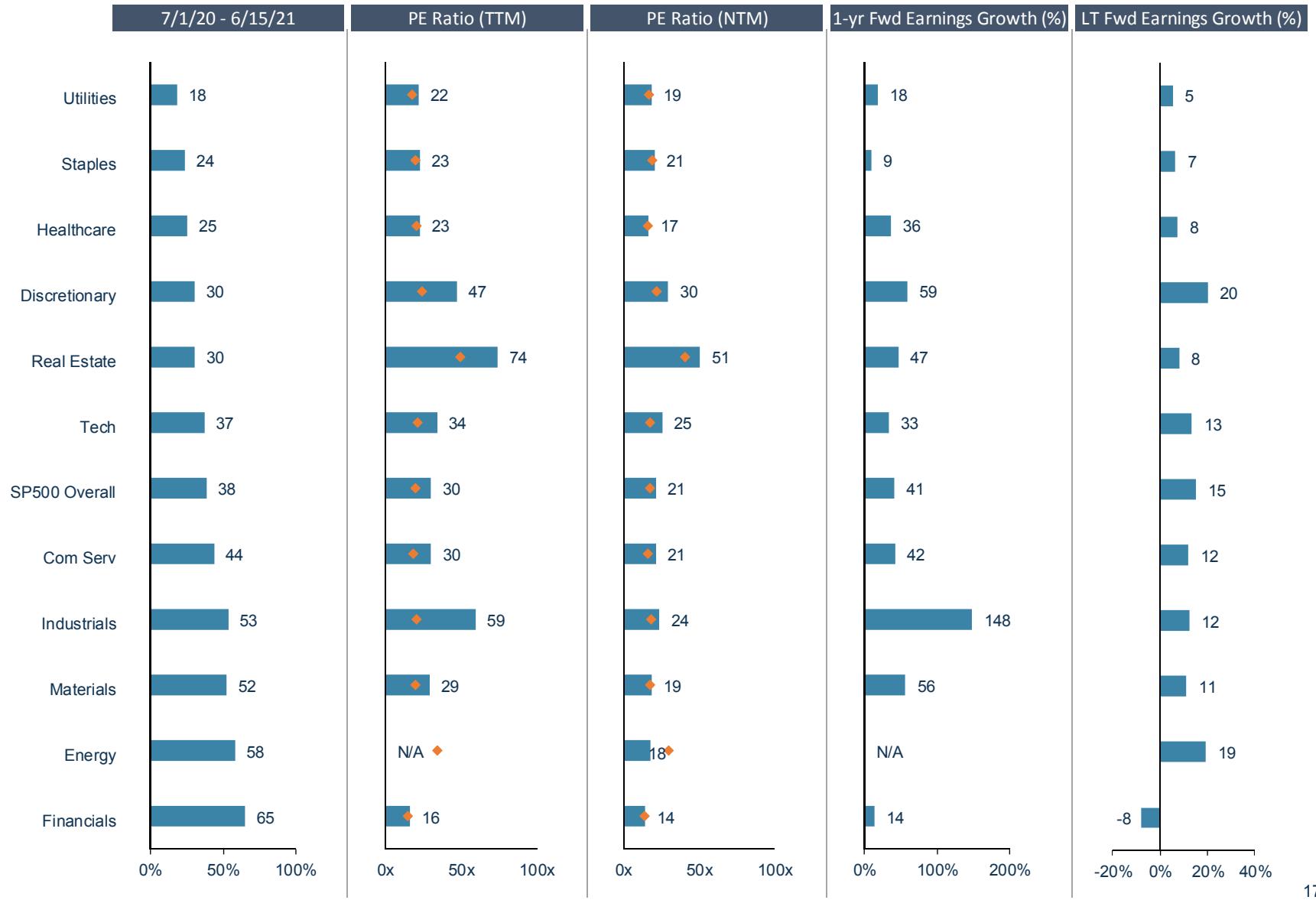
Median	10.0%	8.9%	7.0%	4.0%	\$190	\$205	4.5%	3.7%	2.7%	2.3%
Average	9.8%	8.7%	7.2%	4.2%	\$192	\$215	4.4%	3.7%	2.7%	2.2%
FOMC			7.0%	3.3%			4.5%	3.8%	3.0%	2.1%

	2019	2020	2019	2020	2019	2020	2019	2020
Prior Years	2.2%	-3.5%	\$163	\$140	3.6%	6.7%	1.6%	1.4%



Sector Return Dispersion

As of June 15, 2021



◆ 10-year Average P/E Ratios



Market Cap & Style Return Dispersion

As of June 15, 2021

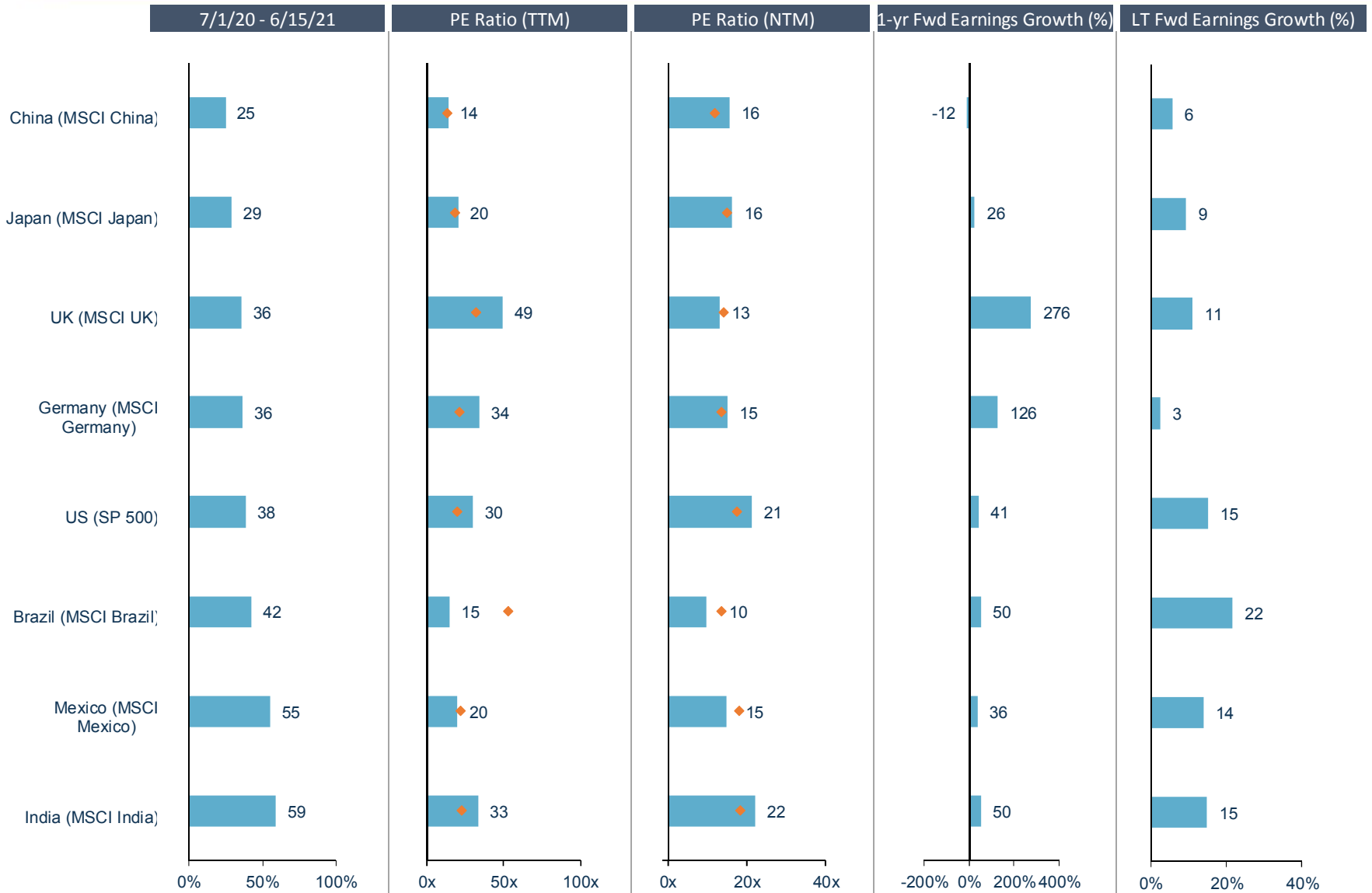


◆ 10-year Average P/E Ratios



Country Return Dispersion

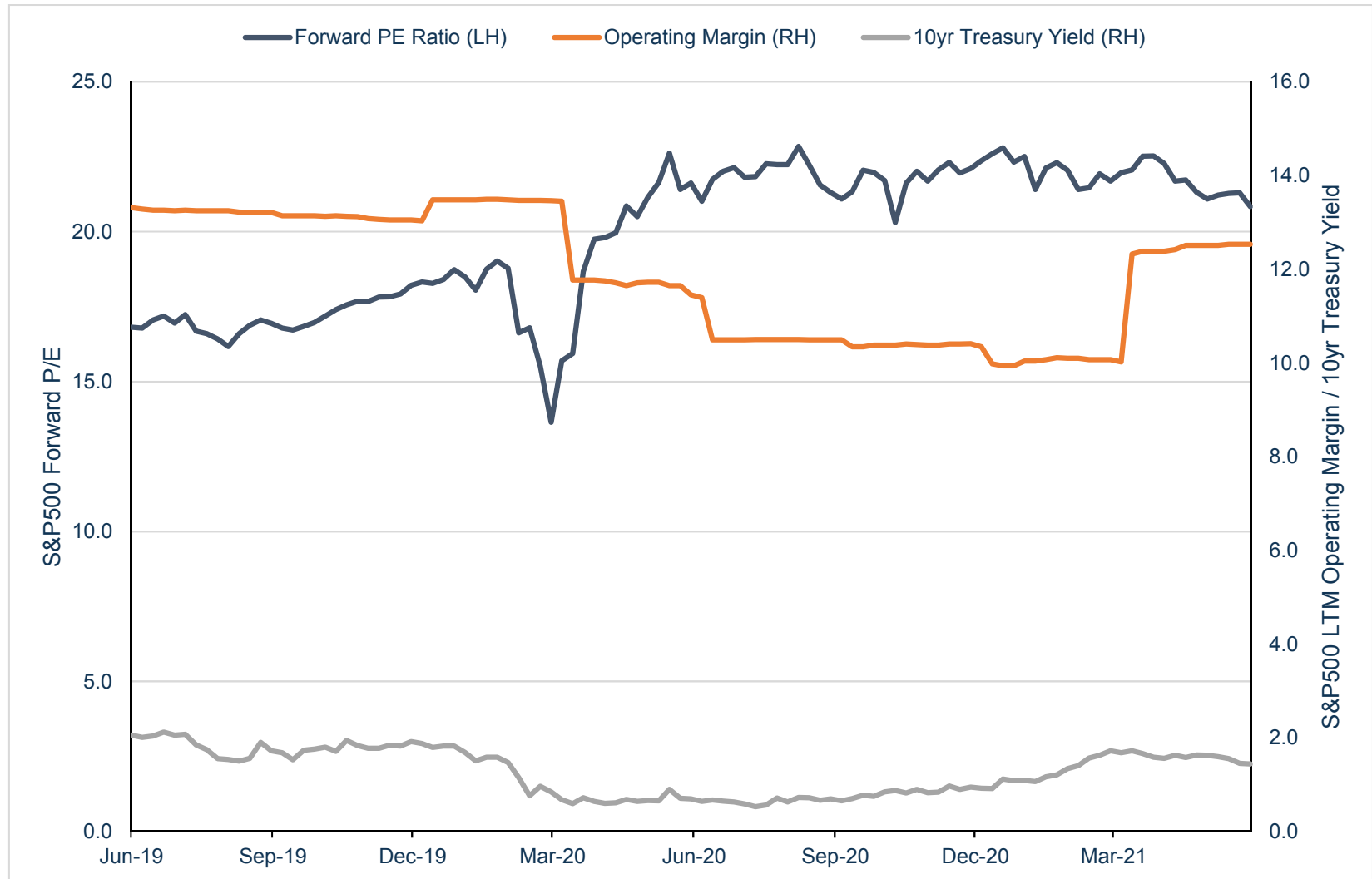
As of June 15, 2021



◆ 10-year Average P/E Ratios



P/E vs. Operating Margin





Federal Reserve Update

2020

- “We’re not even thinking about—thinking about raising rates” – Powell July 2020
- FOMC Supportive Policy Actions
 - Policy rate to zero lower bound
 - Aggressive asset purchases
 - Facilities to provide market stability
 - Central Bank USD Swap Lines
- “Seek to achieve inflation that averages 2% over time” – implying inflation can be higher short term
- “The outlook for the economy is extraordinarily uncertain and will depend in large part on the success of efforts to keep the virus in check” – Powell Nov FOMC

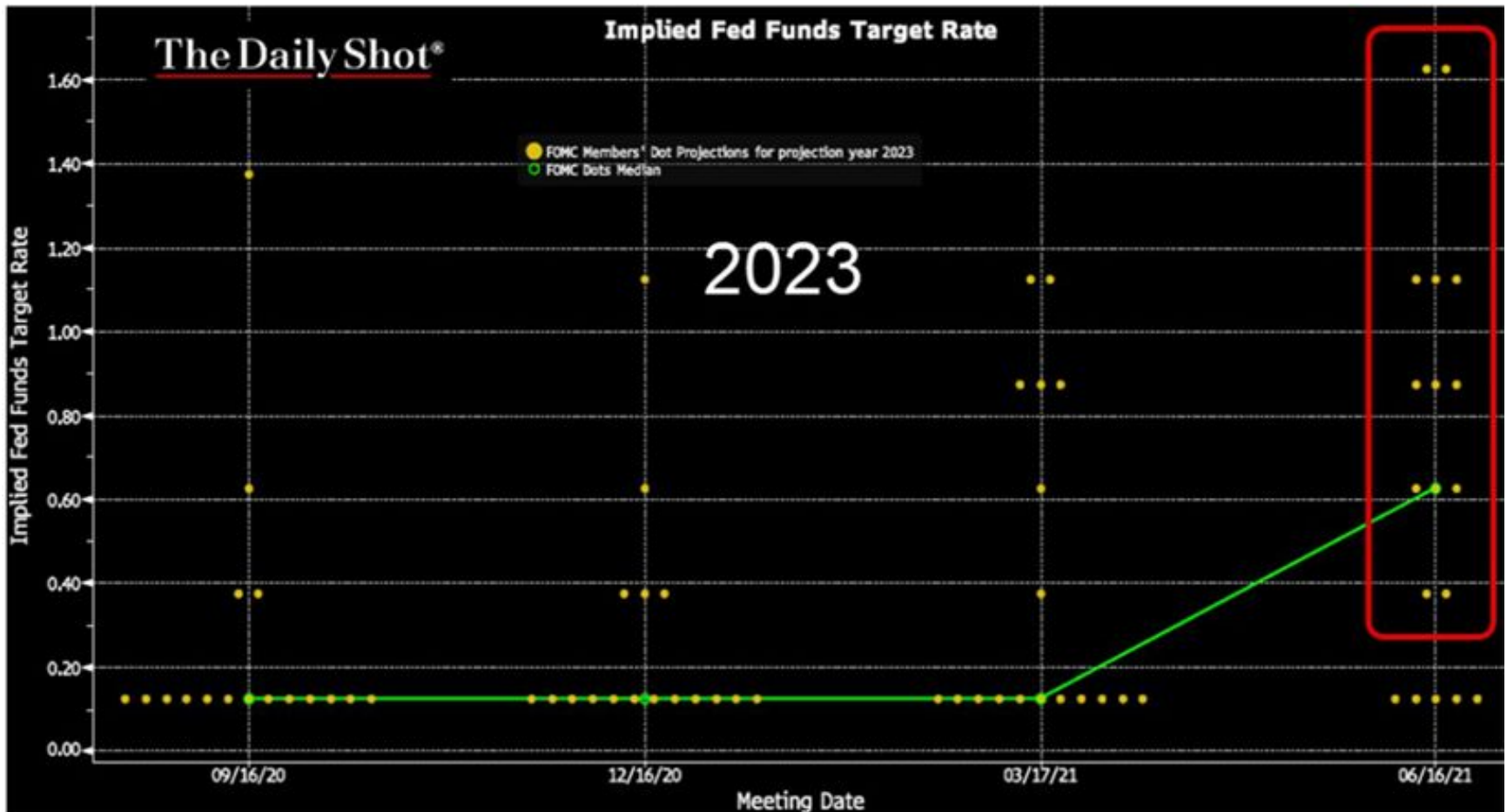
June 2021

- “You can think of this meeting that we had as the talking about talking about [tapering] meeting” – Powell June 2021
- Removed references to the pandemic bringing economic hardship and focuses on vaccination progress supporting the recovery
- “I am confident that we are on a path to a very strong labor market” - Powell
- Median dot for 2023 now has 2 hikes

- **Hawkish View:** Real pivot and phase of being super accommodative is ending. Most hawkish meeting since late 2018. Markets are pricing in first hikes in mid to late 2022. Commodities were down, dollar was up, inflation expectations fell, and yield curve flattened.
- **Dovish View:** Fed is communicating first hikes are still 1-2 years way. Equity market reaction and moves in long term rates were mild (for now).



Implied Fed Funds 2023 Target Rate



Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Real Return Presentation

Developed By: Real Return Team

Presented By: Lewis

Type of Item: Information Item

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

Recommendation: None

Reference: *Real Return* presentation



Real Return

Edward Lewis, Managing Director

June 29, 2021



Key Highlights

- Performance Summary:
 - The Real Return team continues to deliver alpha despite challenging headwinds particularly in Natural Resources and Real Estate
 - For calendar year 2020, Real Return generated a one-year 5.7% point-to-point Internal Rate of Return (“IRR”) and 9.2% Time-Weighted Return (“TWR”), contributing 775 basis points of alpha when compared on an IRR basis to a NAV-weighted benchmark across Real Estate, Natural Resources, and Infrastructure
- Market Conditions:
 - Real estate markets sold off precipitously in Q1 2020, followed by a rebound in the remainder of the year
 - Further market improvements anticipated as travel rebounds, retail activity picks up, and workers return to office buildings
 - Although steadily improving, travel still lags below pre-pandemic levels which continues to weigh on hospitality performance in real estate
 - WTI bottomed at -\$36.98 in 2020, before rebounding to \$63.50 as of April 30, 2021 as inventories approach the 5-year average, and with increased optimism that global demand will outpace the production recovery
- Team:
 - Added three new team members and transitioned one team member to Private Equity
 - Fully staffed team that is in-line with long-term strategic staffing plan
- Contributions to UTIMCO’s 2020 Top Accomplishments:
 - Performance and Portfolio: Alpha generated in Real Return despite challenging headwinds
 - Organization: D&I Initiative, SAA Optimization, University Lands Collaboration
- Total Alignment with 2021 Priorities:
 - Performance: Continue delivering alpha for the endowments over rolling 3-year periods
 - Decision-making: Contribution to the Strategic Asset Allocation
 - Communication: Collaboration with Investment, Risk and Operations Teams
 - Innovation: Exploring emerging investment opportunities and partnerships with University Lands



Real Return Team

Hired two new Analysts and one Associate Director in 2020



Edward Lewis
Managing Director
MBA, U. of Chicago



Mukund Joshi, CFA
Senior Director
MBA, UT Austin



Spencer Branch
Associate Director
MBA, UT Austin



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



Matt Saverin
Associate Director
MBA, UC-Berkeley



Adam Harrison
Associate
BBA, UT Austin



Steve Muenzen
Associate
BE, Dartmouth



Cam Powell
Analyst
MSc, London School of Economics



Tara Hamilton
Investment Team
Coordinator
BA, Eastern Washington University



Tyler Sevcik
Analyst
MSF, Texas A&M

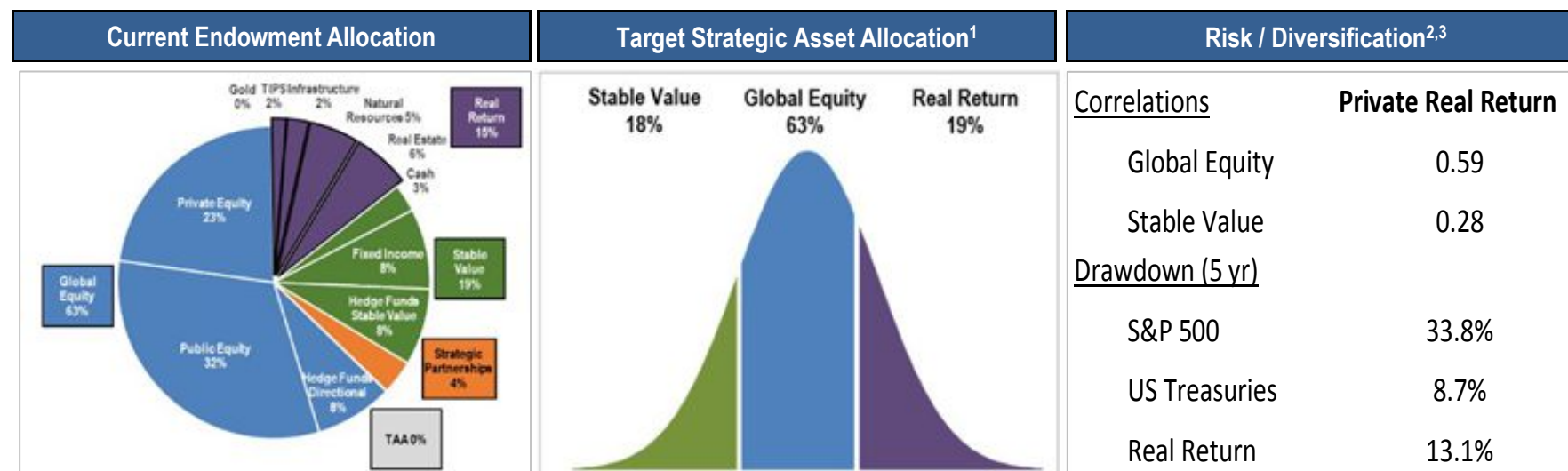
 2020 New Team Members



Role in Total Portfolio

Investment Results as of 4/30/21 and Exposure as of 4/30/21; (\$ millions)

Real Return Portfolio	Investment Results (TWR)				NAV	Exposure		
	1-Year	3-Year	5-Year	10-Year		% of RR Portfolio	% of Endowments	Target Weighting
Real Estate	3.5%	7.5%	11.3%	11.4%	\$2,700	42.0%	5.9%	10.0%
Natural Resources	(6.1%)	(6.5%)	3.8%	4.9%	\$2,527	39.3%	5.1%	5.0%
Infrastructure	65.6%	19.5%	20.6%	20.1%	\$1,199	18.7%	2.2%	4.0%
Total Private RR	9.2%	3.7%	9.8%	11.0%	\$6,426	100.0%	13.2%	19.0%



- 1) Strategic Partners exposures are consolidated into the Long-Term Strategic Asset Allocation target weightings based on projected 80% stock, 20% bond portfolios
- 2) Correlations account for the lagged nature of private investments and reflect quarterly returns from 2009 to 2020
- 3) The Real Return drawdown is based on monthly returns; the S&P 500 and US Treasuries drawdowns are based on daily returns

Sources: Burgiss, Mellon; Real Return portfolio does not include Gold or TIPS



Real Return Performance Over Time

Total Real Return is generating positive alpha across all time periods measured

Sector Portfolio	Exposure		Investment Results				Existing Managers ¹
	NAV (\$M)	% of Endowments	1-Year (IRR)	3-Year (IRR)	5-Year (IRR)	10-Year (IRR)	Premier List
Private Real Estate²	\$2,700	5.9%	1.9%	7.6%	11.3%	11.6%	22
CA RE Benchmark (Pooled IRR)	--	--	1.4%	5.6%	7.5%	9.6%	
RE Alpha (RE vs CA Benchmark)	--	--	0.5%	2.0%	3.8%	2.0%	---
Private RE (TWR)	--	--	3.5%	7.5%	11.3%	11.4%	
FTSE EPRA NAREIT Developed Index	--	--	-9.0%	1.5%	3.7%	5.4%	
Private Natural Resources	\$2,527	5.1%	-6.9%	-6.4%	4.4%	5.6%	7
CA NR Benchmark (Pooled IRR)	--	--	-13.5%	-6.9%	0.2%	0.5%	
NR Alpha (NR vs CA Benchmark)	--	--	6.6%	0.5%	4.2%	5.1%	---
Private NR (TWR)	--	--	-6.1%	-6.5%	3.8%	4.9%	
MSCI World Natural Resources Index	--	--	-18.4%	-7.9%	2.4%	-2.7%	
Private Infrastructure	\$1,199	2.2%	44.2%	15.6%	17.6%	18.0%	7
CA Infra Benchmark (Pooled IRR)	--	--	10.0%	9.0%	10.9%	9.1%	
Infra Alpha (Infra vs CA Benchmark)	--	--	34.2%	6.6%	6.7%	8.9%	---
Private Infrastructure (TWR)	--	--	65.6%	19.5%	20.6%	20.1%	
MSCI World Infrastructure Index	--	--	0.1%	4.9%	6.4%	5.8%	
Total Private Real Return Portfolio	\$6,426	13.2%	5.7%	3.2%	9.6%	11.2%	35
Weighted Avg Asset Class Benchmark	--	--	-2.0%	1.4%	5.4%	6.0%	
RR Alpha (RR vs CA Benchmark)	--	--	7.7%	1.8%	4.3%	5.2%	---

1) One partner is a Premier List Manager covering both Real Estate and Infrastructure

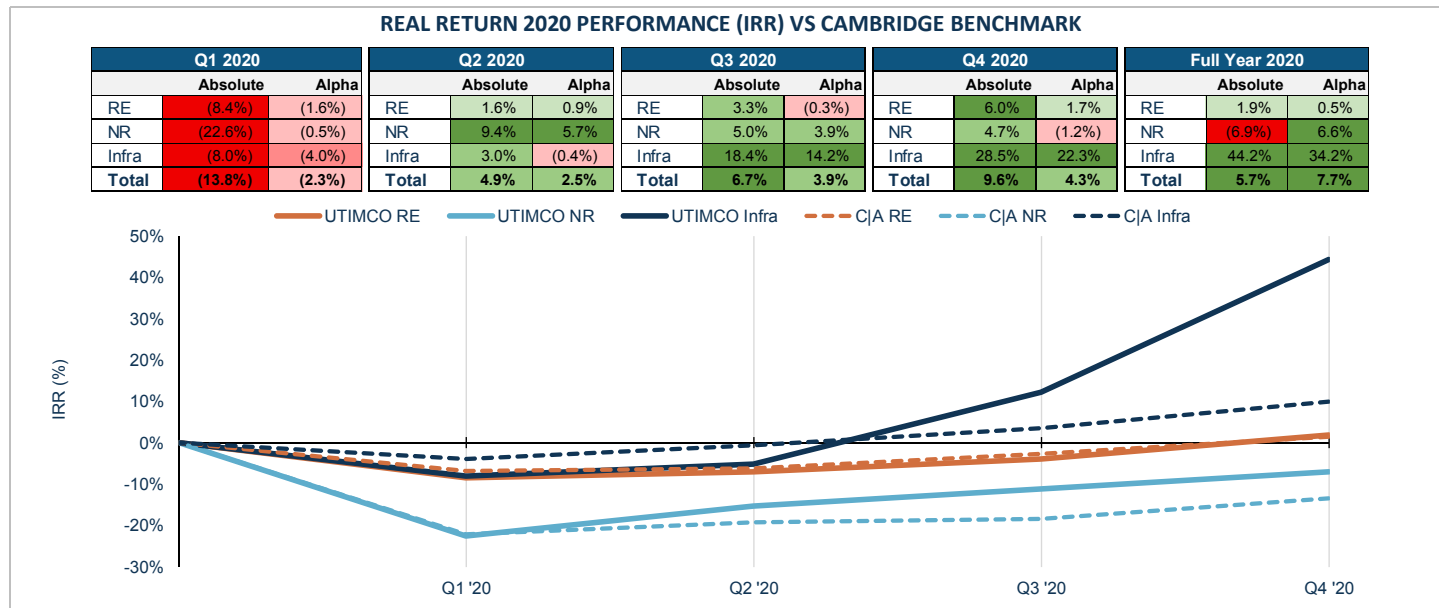
2) FTSE EPRA NAREIT Developed geographic exposures: 56% US/Canada, 19% Europe, 25% AsiaPac, 0% LatAM; UTIMCO geographic exposures: 62% US/Canada, 27% Europe, 4% AsiaPac, 7% LatAM

Note: Performance returns and benchmarks as of 12/31/20; exposures as of 4/30/21



2020 – Steep Decline followed by a Recovery

- The Real Return portfolio declined 13.8% in Q1 2020 resulting in \$855 million of write-downs
 - Real Estate declined 8.4% in Q1 led by selloffs in hospitality and retail, both of which suffered declines of greater than 20% and which constituted 28% of the portfolio at the time
 - Natural Resources fell 22.6% in Q1 as upstream energy investments lost 31% of their value and midstream energy declined 14%
 - Infrastructure lost 8% in Q1 from a broad-based valuation reset in diversified infrastructure and power assets
- By the end of 2020, Real Return retraced Q1 losses and ended the year with \$395 million of gains
 - Real Estate ended 2020 with a small 1.9% gain as write-ups in industrial and housing investments allowed the portfolio to erase the Q1 losses and fully eliminate the -1.6% Q1 2020 alpha and end the year with 0.5% alpha
 - Natural Resources lost 6.9% in 2020 but generated 6.6% alpha as gains of 20% in the final three quarters of 2020 were not enough to offset the steep Q1 losses
 - Infrastructure performance was exceptional and ended the year with a 44.2% gain and 34.2% alpha as a result of strong realizations in the renewables portfolio





Renewable Infrastructure: Co-Investment Case Study

Co-Investment in a Single-Axis Solar Tracker Manufacturer

Company Overview & Strengths

- Invested in a leading manufacturer of solar tracking equipment used in utility-scale installations to allow solar panels to track the sun throughout the day, increasing energy output and efficiency
- Systems with trackers allow significantly greater energy production at a modest premium to fixed-tilt systems and therefore have been gaining market share
- Highly-profitable business model with strong cash flows; international growth and complementary products/services
- Compelling value proposition versus competing products, including superior site design flexibility, simpler and lower installation cost, fewer components, greater reliability, and lower maintenance

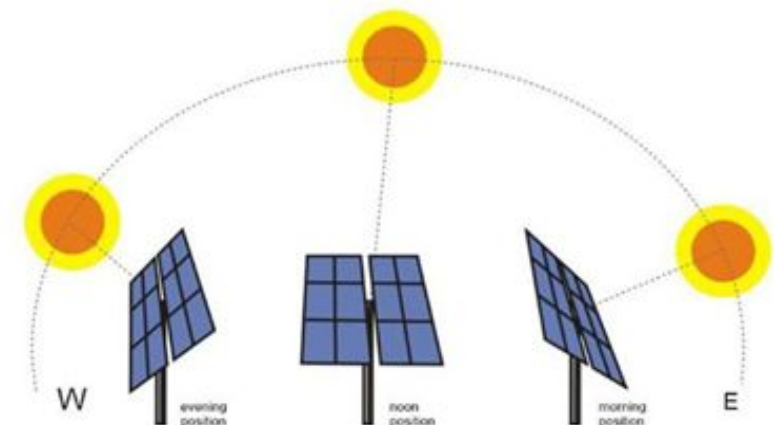


Investment Timeline

- Jul 2016: Company acquired by Fund + co-investors
- Dec 2018: Fund + co-investors inject follow-on capital
- Oct 2020: Company IPO
 - Implied fully distributed enterprise value of ~\$3.8B at IPO
- Dec 2020 – Mar 2021: Follow-on secondary offerings

UTIMCO Co-Investment Returns

- \$48M invested (\$40M initial + \$8M follow-on)
- \$348M distributions received (\$148M at IPO + \$200M in follow-on offerings)
- 7.2x realized MOIC

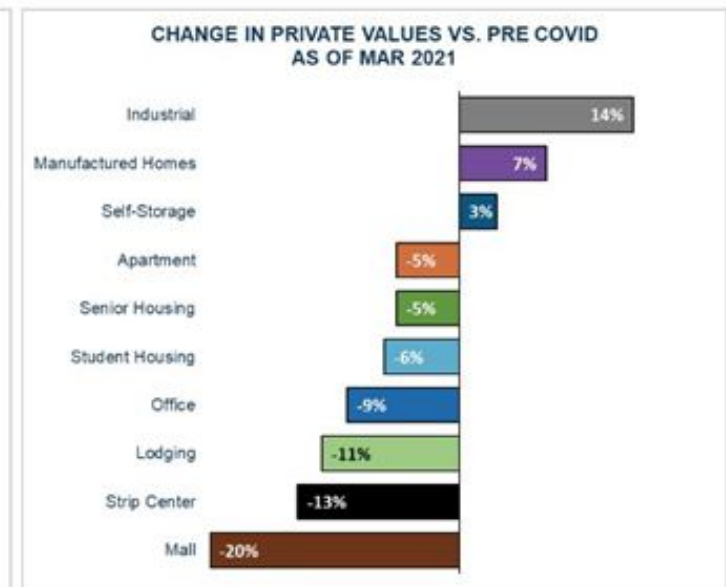




Covid-19 Impact on Commercial Real Estate

Acceleration of Secular Trends

- All real estate sectors declined in value in Q1 2020 at the onset of the pandemic, with industrial, self storage, and manufactured housing recovering to finish higher reflecting shift to online distribution channels and defensive characteristics of low-cost housing
- All forms of retail, office, and hospitality fared poorly in 2020, only hospitality is showing signs of value increases as leisure travel rebounds



Source: Green Street



Unlevered Return Expectations in Real Estate

Go-forward Perspectives

- Unlevered projected returns of various real estate sectors expected to be in the ~6%+ range with the exception of office where anemic rent growth combined with high capex costs is expected to weigh on returns

Property Type	'21 NOI Cap Rate	Cap Ex % of NOI	Economic Yield	Estimated LT Inflation	Same-Store '22-'25	NOI Growth Long Term	Risk Adjustment ¹	Risk-Adjusted Expected Return ²
Manuf Home	4.3%	9%	3.9%	2.1%	5.4%	3.2%	0.3%	7.7%
Self-Storage	5.2%	5%	5.0%	2.1%	2.6%	1.6%	0.1%	6.8%
Strip Center	6.5%	23%	5.0%	2.1%	4.1%	1.3%	0.0%	6.8%
Senior Housing	4.5%	23%	3.5%	2.1%	11.2%	1.7%	0.1%	6.7%
Lodging	1.7%	30%	1.2%	2.1%	53.7%	1.0%	-0.5%	6.4%
Industrial	4.2%	15%	3.6%	2.1%	4.4%	2.5%	0.0%	6.3%
Mall	6.9%	25%	5.2%	2.1%	2.3%	0.8%	-0.1%	6.2%
Student Housing	4.2%	10%	3.7%	2.1%	5.5%	1.6%	0.2%	6.1%
Apartment	4.2%	13%	3.6%	2.1%	3.9%	2.1%	0.1%	6.1%
Office	5.4%	28%	3.9%	2.1%	1.9%	1.1%	-0.1%	5.0%
U.S. Wtd Avg³	5.2%	14%	4.5%	2.1%	5.0%	1.7%	-0.1%	6.5%

1) Property types with less risk (i.e., those less sensitive to changes in markets/economic growth) have their returns increased, and vice versa

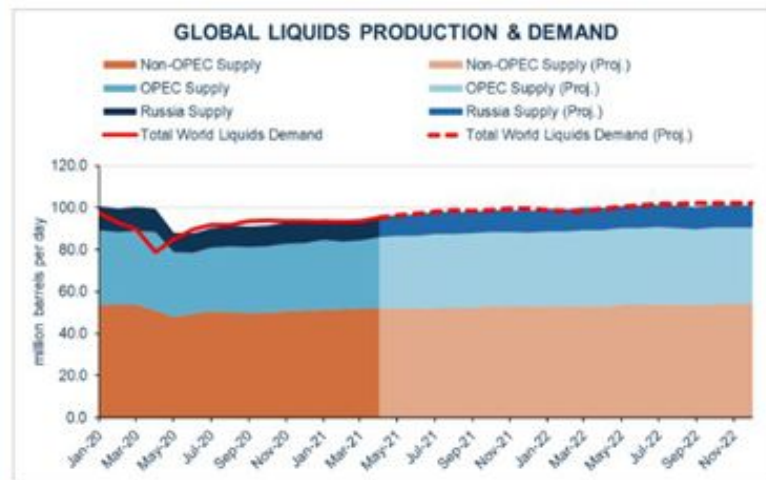
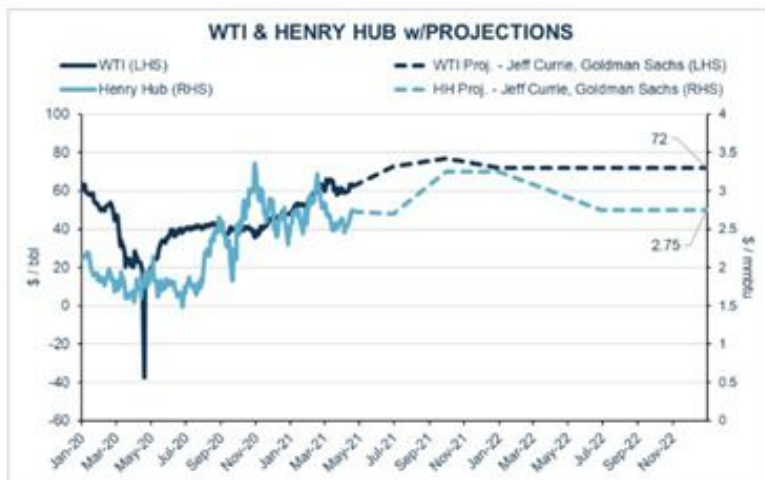
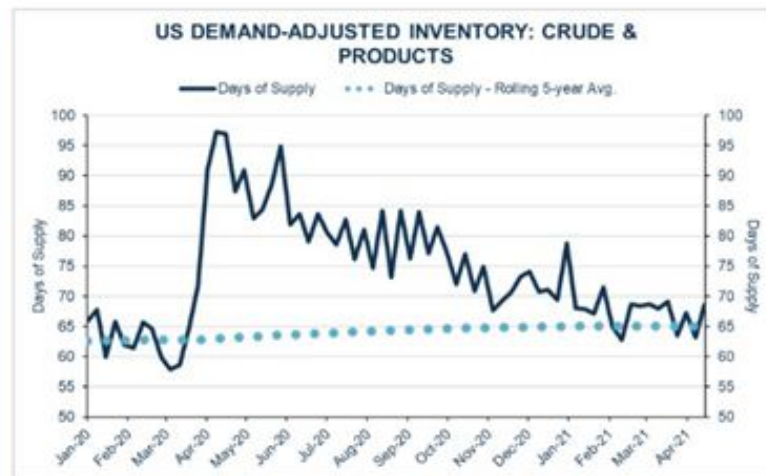
2) Buy-and-hold returns. Assumes cash flows grow at the long-term rate in perpetuity

3) Includes property types not shown in this report: Cold Storage, Data Center, Life Science, Net Lease, Single-Family Rental & Tower



Oil & Gas Market Conditions

The market is now balanced, and easing into the next cycle



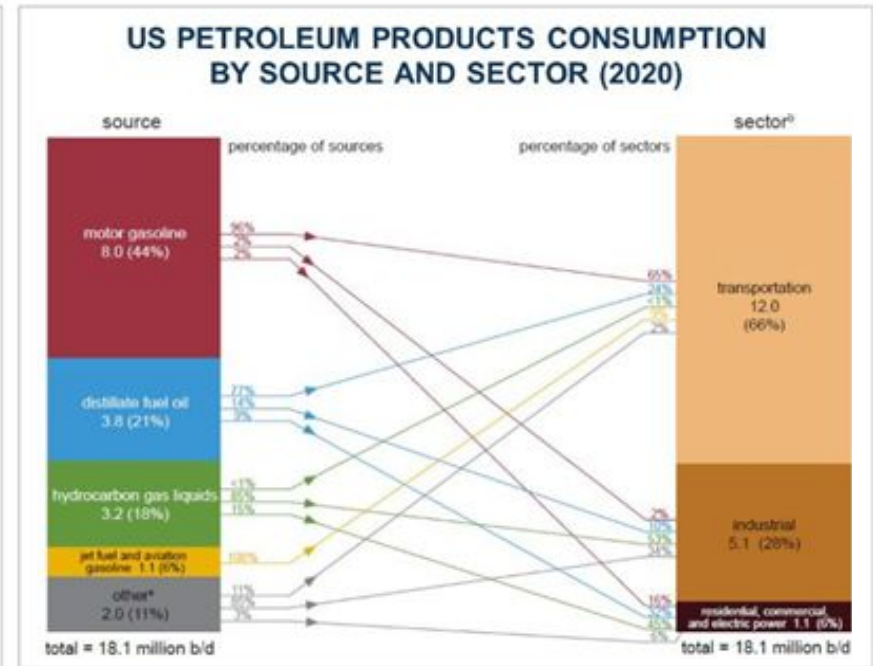
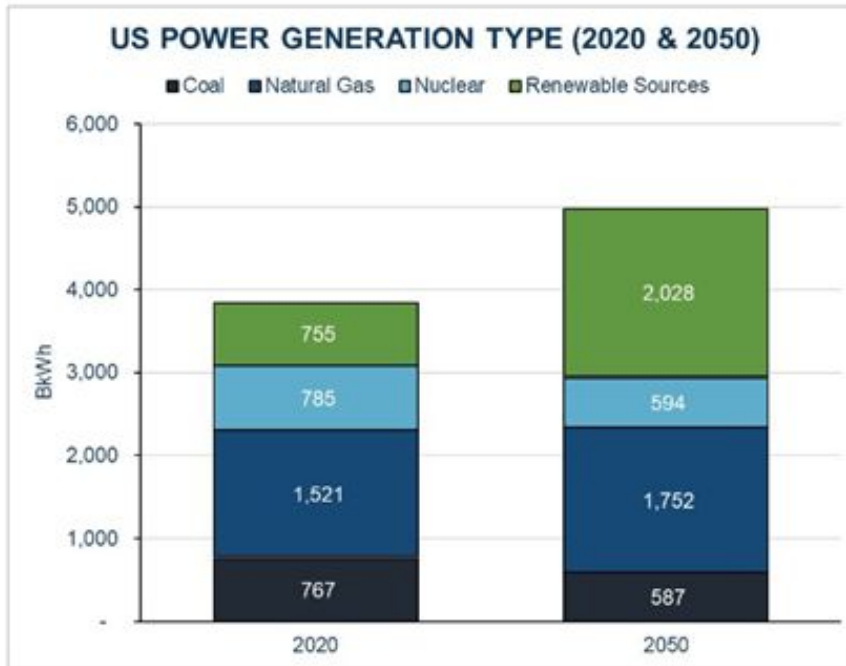
Sources: IHS Markit, EIA, Baker Hughes, Goldman Sachs, Bloomberg



A Long Road – Energy Transition

>\$100T required for global decarbonization (>\$3.5T/year or 4% of 2019 GDP¹)

- Renewable power generation in the US is expected to grow at a 3.3% CAGR through 2050. Natural gas is expected to continue to be an important feedstock for US power generation.
- Transportation is the largest contributor to US petroleum consumption. Bloomberg BNEF estimates imply that in order to have 31% of the global passenger vehicle fleet be electric (EV) by 2040, new EV sales need to grow at a CAGR of ~23% with EV's reaching nearly 60% of annual new car sales by 2040.



1) Assumes straight line cost (~\$100T over 30 years) divided by 2019 global GDP. GDP figure used (\$88T) sourced from World Bank

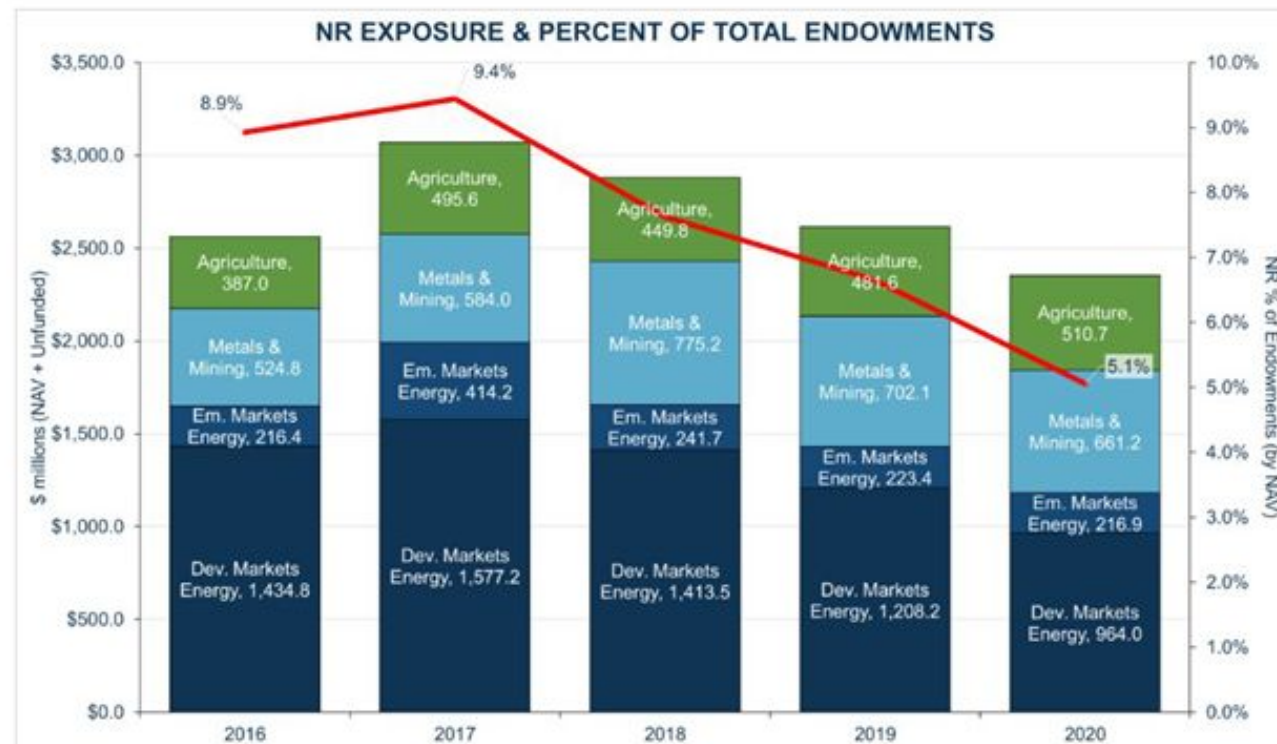
Sources: EIA, Bloomberg BNEF



Restructuring the Natural Resources Portfolio

Right-sizing Sector and Geographic Allocations

- Over the past three years, Real Return has reduced commitments and focused on distributions in an effort to reduce portfolio overweight positions to emerging market energy, mining, and agriculture





2020 Key Accomplishments

Performance & Portfolio

- Despite unprecedented headwinds facing the energy and real estate markets due to Covid-19, the Real Return team was able to:
 - Generate positive absolute one-year return for the endowments of 5.7% IRR
 - Deliver 775 basis points of one-year alpha
 - Distribute⁽¹⁾ \$1,767 million of total proceeds to the endowments, of which \$664.3 million were profits⁽²⁾
- Significantly improved previously underperforming areas of Natural Resources and Infrastructure
- Continued reduction of Natural Resources portfolio to 5.1% of the endowments to maintain alignment with asset allocation

Transparency and Alignment of Portfolios

- Reclassification exercise meant to fully align investments with proper portfolios across Real Return
 - Energy midstream investments from Infrastructure to Natural Resources, reflecting the midstream sector's underlying exposure to oil & gas production
 - Communications from Real Estate to Infrastructure as communications has become an important part of the Infrastructure investment strategy

Organization

- Edward Lewis co-led the Diversity & Inclusion Council
- Collaborated to create the Servant Leadership presentation
- Active engagement in recruiting initiatives
- Maintained board position on Texas A&M MSF program where UTIMCO has become the top financial services recruiter over firms such as Goldman Sachs, Texas TRS, and others

1) Gross distributions during calendar year 2020

2) Distributions above since-inception paid-in capital that were received by the endowments during calendar year 2020



2021 Top Priorities

Real Return Top Priorities are aligned with UTIMCO's

- Performance and Portfolio
 - Continue Real Return tradition of outperforming agreed-upon performance benchmarks on rolling 3-year periods

Three-Year Ending	2018	2019	2020
3-Year UTIMCO	12.4%	8.7%	3.2%
CA Weighted Benchmark	8.8%	5.8%	1.4%
Rolling 3-Year Alpha	3.6%	2.9%	1.8%

- People
 - Co-leadership of Diversity and Inclusion initiative
 - Exemplify Servant Leadership through consistent focus on our customers, meeting our agreements, showing empathy to each other, and developing our talent
- Strategic Asset Allocation
 - Key contributor during the research and input phase of SAA project
 - Manager outreach
 - Internal research and providing sector-specific expertise on ability to implement allocation objectives
 - Transition to implement new SAA targets within Real Return

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Private Equity Presentation

Developed By: Private Equity Team

Presented By: Pace

Type of Item: Information Item

Description: Dr. Pace will lead the presentation on Private Equity investments.

Recommendation: None

Reference: *Private Equity* presentation



Private Equity

Patrick Pace, Managing Director

June 29, 2021



Key Highlights

Role in Endowment and Team

- Private Equity NAV is \$11.0 billion as of April 30, 2021
 - \$4.2 billion in Venture Capital (8.6%), \$3.8 billion in Buyouts and Growth (7.7%), \$2.1 billion in Emerging Markets (4.2%), and \$1.0 billion in Private Credit (2.1%)
 - ~22.5% of total Endowment assets as of April 2021; long-term Strategic Asset Allocation (“SAA”) target of 25%
- Managed by eight-person investment team, with average of twelve years of experience and four years at UTIMCO

Market Conditions

- Investment and exit activity rebounded in the second half of the year after the abrupt COVID-19 induced slowdown
- Similarly, the UTIMCO PE portfolio's 6% Q1 decline was followed by 8-15% increases in each of the three subsequent quarters
- Valuations, leverage, and dry powder are again at or near all-time high levels

Performance Summary

- Private Equity generated a 30.4% Internal Rate of Return (“IRR”) over the past 12 months yet underperformed by 116 basis points when compared to a NAV-weighted benchmark across Buyouts / Growth, Venture Capital, Emerging Markets, and Private Credit
- Over the past 10 years, Private Equity generated a 14.4% IRR contributing 218 basis points of alpha when compared to the same benchmark
- In a PME analysis over the same 10-year period, the portfolio generated 413 basis points of alpha or \$3.9 billion of value-add in excess of the MSCI World Index return

2021 Priorities

- **Decision-making:** Contribute to Strategic Asset Allocation recommendation
- **Communication:** Executed a successful sale of stock from a large direct listing exposure alongside the Public Markets investment team
- **Innovation:** Successful co-investment partner program launch



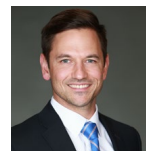
Private Equity Team



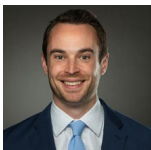
Patrick Pace, MD
Managing Director
M.D., University of Texas Medical School at Houston
Prior: EDG Partners / Citadel



Brad Thawley
Senior Director
BA, Bucknell University
Prior: TRS



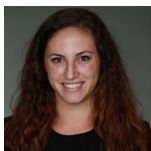
Will Mirshak
Senior Director
MBA, University of Chicago
Prior: Mesirow Advanced Strategies



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



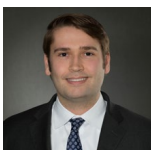
Henry Glenn
Associate Director
MBA, The University of Texas at Austin
Prior: Corrum Capital Management



Tori Lee
Associate
BBA, The University of Texas at Austin



Nicole Wang
Associate
MBA, The University of Texas at Austin
Prior: Galaxy Capital



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



Tracy Stewart
Investment Team Coordinator
MA, University of South Florida
Prior: Sage Advisory

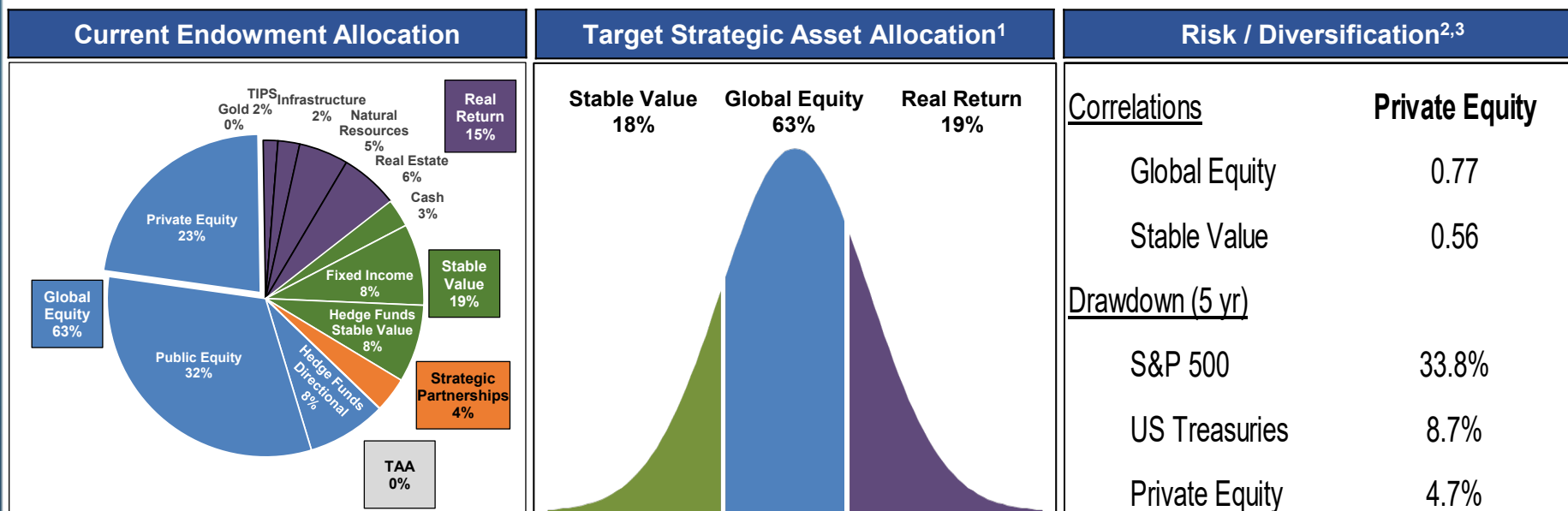
 2020 New Team Member



Role in Endowments

Investment Results and Exposure as of April 30, 2021; (\$ millions)

Private Equity Portfolio	Investment Results (TWR)				Exposure			
	1-Year	3-Year	5-Year	10-Year	NAV	Exposure	NAV % of PE Portfolio	NAV % of Endowments
Buyouts and Growth	19.1%	12.0%	13.1%	12.8%	\$3,752	\$7,374	34.0%	7.7%
Venture Capital	76.7%	36.2%	25.0%	22.3%	\$4,208	\$5,232	38.1%	8.6%
Emerging Markets	24.2%	16.0%	14.2%	8.2%	\$2,057	\$2,582	18.6%	4.2%
Private Credit	16.1%	5.9%	7.9%	9.1%	\$1,022	\$1,487	9.3%	2.1%
Total	38.9%	20.4%	17.1%	14.5%	\$11,038	\$16,675	100.0%	22.5%



Sources: Burgiss, BNY Mellon

(1) Strategic Partner exposures are consolidated into the Long-Term Strategic Asset Allocation target weightings based on projected 80% stock, 20% bond portfolios

(2) Correlations take into account the lagged nature of private investments and reflect quarterly returns from 2009 to 2020

(3) The Private Equity drawdown is based on monthly returns; the S&P 500 and US Treasuries drawdowns are based on daily returns



Performance and Key Highlights

Investment Results (IRR) and Cambridge Associates Indices as of December 31, 2020

Private Equity Portfolio	Investment Results (IRR)				Existing Managers - 46 Premier List Partners				
	1-Year	3-Year	5-Year	10-Year	Platinum	Gold	Silver	Bronze	Other
Buyouts and Growth	19.0%	13.1%	13.7%	13.5%	0	7	13	6	
CA Buyouts Benchmark (Pooled IRR)	23.2%	15.8%	16.5%	13.8%					
Alpha	-4.2%	-2.8%	-2.8%	-0.3%					
Venture Capital	53.3%	31.8%	22.2%	21.9%	0	2	4	7	
CA Venture Capital Benchmark (Pooled IRR)	49.8%	28.0%	19.0%	17.8%					
Alpha	3.4%	3.8%	3.2%	4.2%					
Emerging Markets	23.1%	14.1%	13.9%	9.6%	0	1	0	1	
CA Emerging Markets PE & VC (Pooled IRR)	25.6%	13.2%	12.8%	11.0%					
Alpha	-2.5%	0.8%	1.2%	-1.4%					
Private Credit	7.5%	6.3%	8.4%	10.2%	0	0	5	0	
CA Credit Opportunities (Pooled IRR)	2.1%	3.5%	7.1%	7.9%					
Alpha	5.4%	2.8%	1.3%	2.3%					
Total	30.4%	18.9%	16.1%	14.4%	0	10	22	14	
Weighted Avg. Asset Class Policy Benchmark ¹	31.5%	17.5%	15.0%	12.3%					
Alpha	-1.2%	1.4%	1.1%	2.2%					

Buyouts and Growth

- The Buyouts and Growth portfolio experienced challenging returns due to energy services exposure

Venture Capital

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

Emerging Markets

- The Emerging Markets portfolio is underweight Asia and overweight other emerging geographies relative to its benchmark, delivering mixed results.

Private Credit

- The Private Credit portfolio has generated consistent alpha over the time periods

(1) Total benchmark return is the weighted average of the sub-asset class specific benchmarks using UTIMCO beginning NAV.



2020 Highlights

Response to COVID-19 Pandemic

- Shifted to remote work while maintaining relationships and health

Strengthened and deepened relationships

- Generated goodwill with our managers by leaning into 2020 fundraises with strong hands

Continual improvement in portfolio construction

- Switched to a new portfolio analytics provider for better transparency and assessment of the portfolio



2021 Priorities

Decision-making: Contribute to Strategic Asset Allocation recommendation

- Gathered feedback from our partners to discuss how future economic scenarios might impact Private Equity

Communication: Increased collaboration throughout the firm

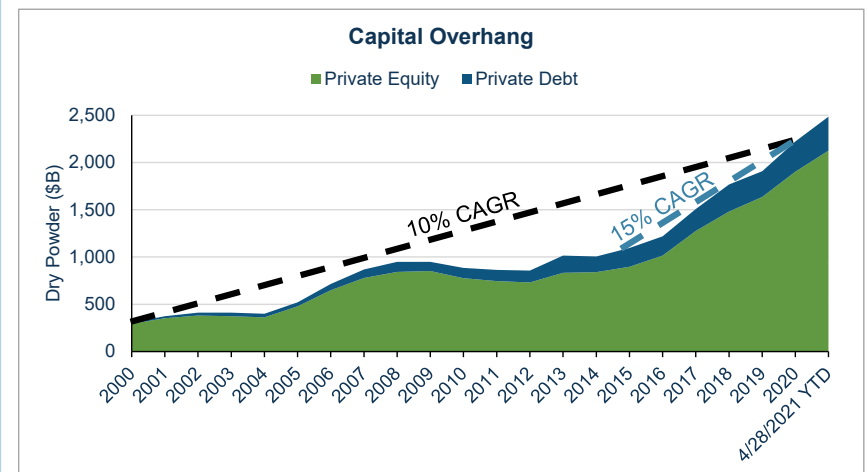
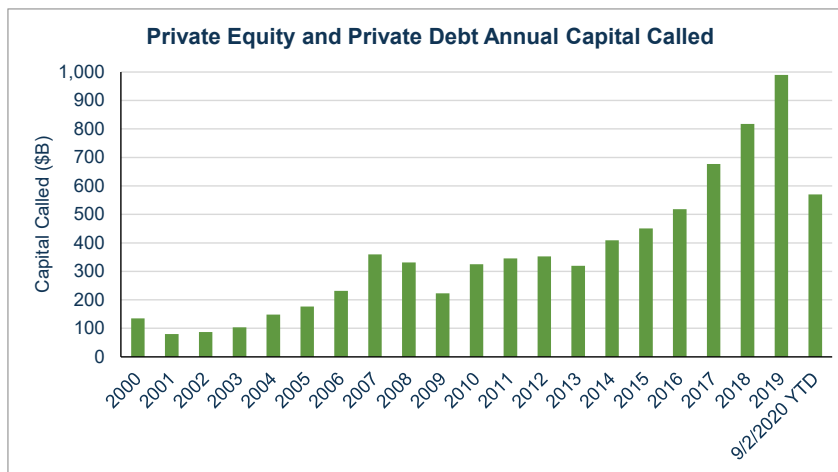
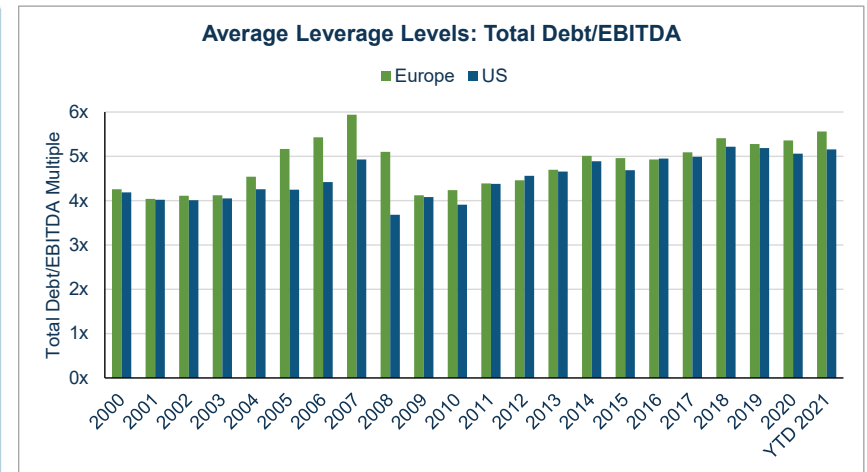
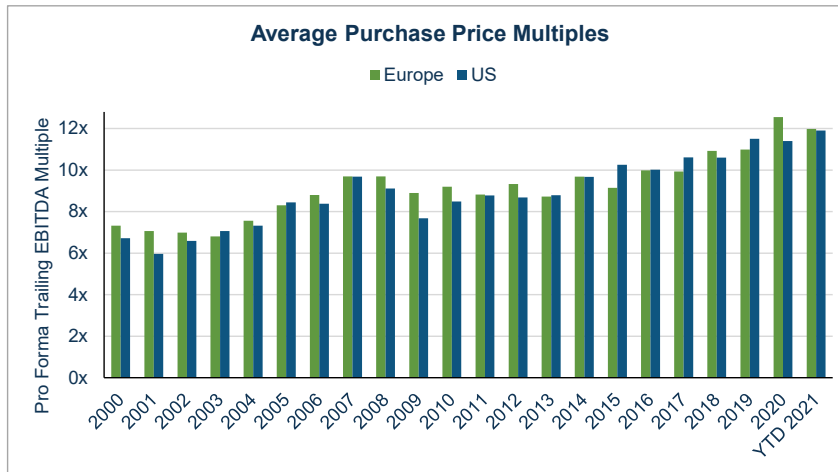
- Executed a successful sale of stock from a large direct listing exposure alongside the Public Markets investment team

Innovation: Successful co-investment partnership launch

- Increasing UTIMCO's external brand as a "go-to" co-investment partner with clear target deal characteristics



Market Conditions: Peak Levels



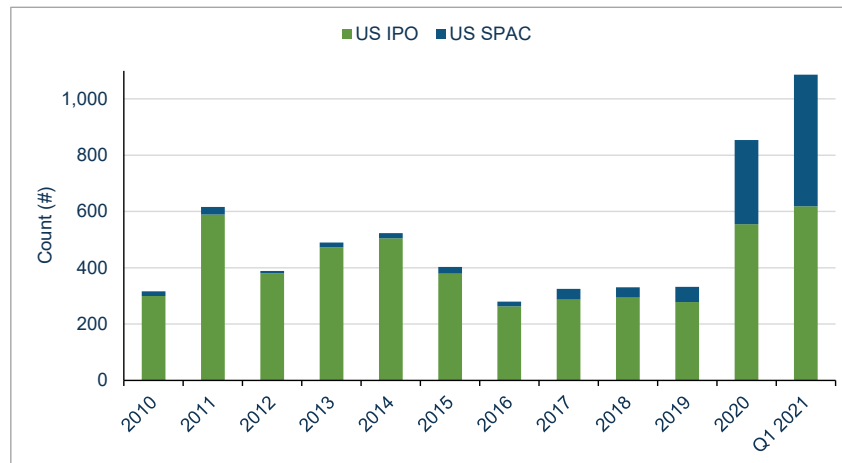
Sources: Preqin and S&P LCD



Market Conditions: IPOs and SPACs

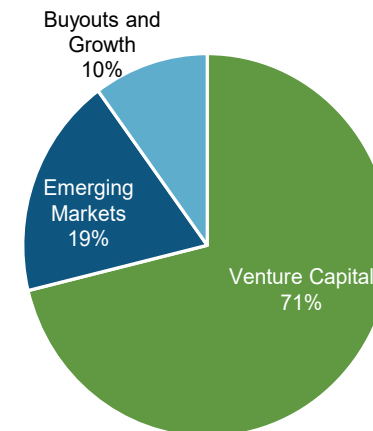
The Rise of SPACs

- SPAC activity increased substantially in 2020
- SPACs have risen to a over third of US offerings by count in 2020 compared to just 6% in the 2010-2019 period



Public Exposure within PE

- Since 9/30/2020
- 23 IPOs, 1 SPAC, 1 direct listing
- >\$800 million in distributions, including a large direct listing in April
- The direct listing had a 940 bps positive impact, which will appear in 2Q results

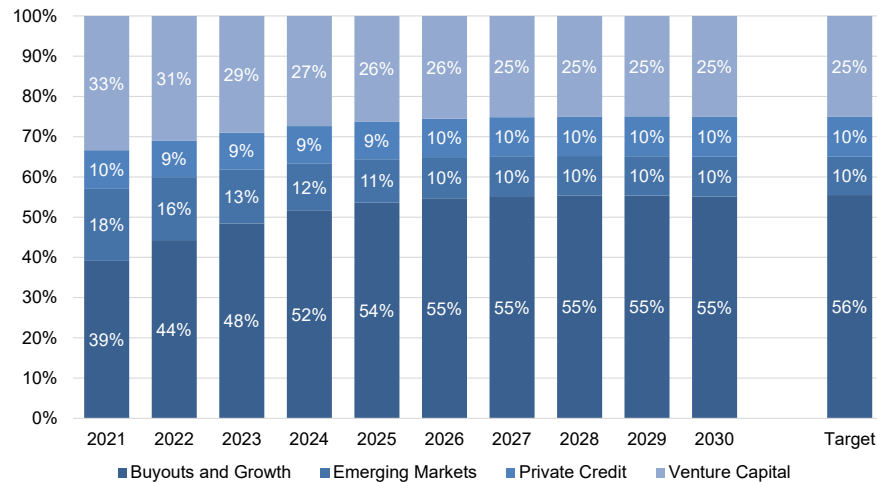




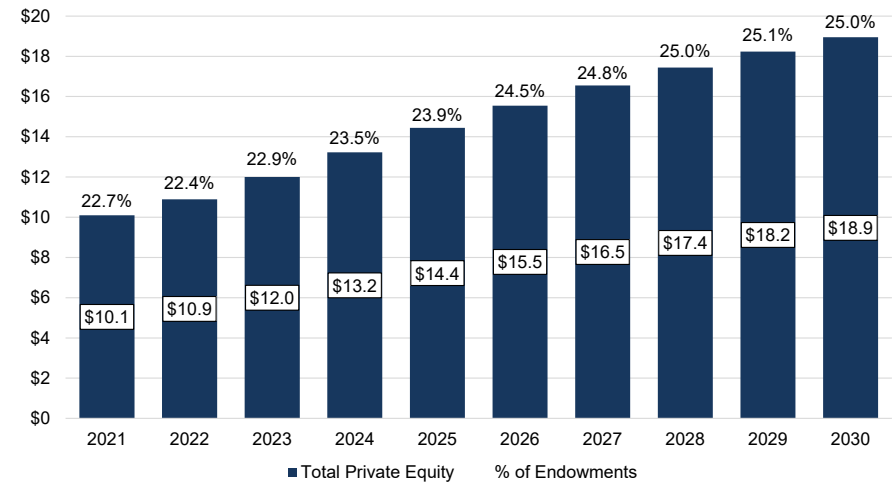
Commitment Plan

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

Sub-Strategy Glidepath to Target



Portfolio Glidepath to SAA Target (\$ in billions)





Conclusions

- The PE portfolio generated a 30% return in 2020, overcoming COVID-19-related disruptions
- The portfolio experienced several successful IPOs and exits that enhanced liquidity throughout the year, including a record-breaking direct listing in April 2021
- The Team laid the foundation for a robust co-investment strategy, which is off to a strong start in 2021
- The portfolio continues to trend toward the SAA target of 25%, as the Team steadily deploys capital with a long-term focus

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Strategic Asset Allocation Review: Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements

Developed By: Team

Presented By: Harris, Hall, Yoeli, Standley

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

Description: The 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, expected returns for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the UT Board or its staff designees may request.

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. UTIMCO provided an interim update on the progress of the review and shared preliminary results of the analysis conducted at the Board's March 11, 2021, meeting. The Policy Committee met jointly with the Risk Committee on June 17, 2021, to discuss proposed amendments to the Investment Policy Statements, but did not take any action. This presentation reviews the Team's results and recommendations.

Discussion: Mr. Harris, Mr. Hall, Dr. Yoeli and Mr. Standley will present the Strategic Asset Allocation Review.

The Investment Policy Statements of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF) are being amended to reflect the proposed changes effective September 1, 2021.

The PUF Investment Policy Statement is included in the materials with the proposed tracked changes. These proposed changes will also be made in the GEF Investment Policy Statement and are as follows:

Pages 4 -5; collapses U.S. Public Equity, Non-U.S. Developed Public Equity, and Global Developed Public Equity into a new comprehensive category: Developed Public Equity.

Agenda Item

UTIMCO Board of Directors Meeting
June 29, 2021

Page 6; adds Long Treasuries as a new, separate asset class.

Page 6; amends the definition of Cash to reference and conform to the definition of Cash provided in the Liquidity Policy.

Page 6; clarifies Commodities asset class to include “any other instrument defined by regulators as a commodity.”

Page 7-8; collapses Public Real Estate and Private Real Estate into a singular comprehensive Real Estate Asset Class.

Other minor edits.

The ITF Investment Policy Statement will include the same changes as the PUF except the ITF will continue to exclude Private Real Estate as an Asset Class.

Exhibits A of the PUF, GEF, and ITF, and Exhibits B of the PHF and LTF Investment Policy Statements are being amended to reflect changes to the asset allocation framework and set forth revised Asset Class targets and ranges effective September 1, 2021.

There are no recommended amendments to any other investment policies.

Recommendation: Mr. Harris recommends that the UTIMCO Board approve the proposed amendments to the Investment Policy Statements and associated Exhibits for the PUF, GEF, PHF, LTF and ITF for the fiscal year beginning September 1, 2021.

Reference: *Strategic Asset Allocation Review* presentation
PUF Investment Policy Statements, effective September 1, 2021
ITF Investment Policy Statement, effective September 1, 2021

RESOLUTION RELATED TO INVESTMENT POLICIES

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



Strategic Asset Allocation Review

Britt Harris, CEO, CIO and President

Richard Hall, Deputy CIO

Uzi Yoeli, Managing Director

Ken Standley, Senior Director

June 29, 2021



Presentation Contents

SAA Review

- Summary Recommendations
- Investment Framework
 - Asset Diversification Framework
 - Investment Returns
 - Role of Bonds
 - Overshoot
 - Future Funding
- Policy Adjustments Recommended
 - Endowments (\$50.2 billion)
 - Operating Funds / ITF (\$12.8 billion)
 - Portfolio Benchmarks
 - Contribution Analysis
- Future Research
 - Scenario Portfolios
 - Markov Optimization
- Conclusions

Bonus Sections

- End of an Era
 - Beginnings & Endings
 - Risk Premiums
 - COVID Attack & Outcome
 - Paths Forward
 - Inflation Resurrection?
 - Future Superfactors
- Current Conditions
 - Internal Model Signals
- History of Bear Markets



UTIMCO Conclusion: Endowments

Across Regimes	SV	Global Equity	RR
Current	18%	63%	19%
Proposed	<u>16%</u>	<u>65%</u>	<u>19%</u>
Change	-2%	2%	0%

Within Regimes

Global Equity	Public Dev	EM	Dir HF	PE	Total
Current	25.0%	8.0%	5.0%	25.0%	63.0%
Proposed	<u>27.0%</u>	<u>8.0%</u>	<u>5.0%</u>	<u>25.0%</u>	<u>65.0%</u>
Change	2.0%	0.0%	0.0%	0.0%	2.0%

Stable Value	Global Agg	LT Treas	Cash	SV HF	Total
Current	7.0%	0.0%	1.0%	10.0%	18.0%
Proposed	<u>0.0%</u>	<u>5.0%</u>	<u>1.0%</u>	<u>10.0%</u>	<u>16.0%</u>
Change	-7.0%	5.0%	0.0%	0.0%	-2.0%

Real Return	Real Estate	NR	Infra	TIPS	Cmnty	Total
Current	10.0%	3.0%	6.0%	0.0%	0.0%	19.0%
Proposed	<u>9.0%</u>	<u>3.0%</u>	<u>5.0%</u>	<u>2.0%</u>	<u>0.0%</u>	<u>19.0%</u>
Change	-1.0%	0.0%	-1.0%	2.0%	0.0%	0.0%

Benchmarks (Endowments)

- 1) Collapse US + EAFE into MSCI World Index
- 2) Add Long Treasury Index
- 3) Add MSCI US REIT Index and create blended public/private RE index

Total Expected Return	Beta	Alpha	Total	Sharpe
Current	5.40%	1.40%	6.80%	0.47
New	<u>5.44%</u>	<u>1.35%</u>	<u>6.79%</u>	<u>0.48</u>
Change	0.04%	-0.05%	-0.01%	0.01



Contribution Analysis: Endowments

	Returns			FY21 Policy	Contribution Analysis					Proposed Weights	Contribution Analysis				
	Beta	Alpha	Total		Beta	Alpha	Total Return	Risk	Liquidity*		Beta	Alpha	Total Return	Risk	Liquidity*
Global Developed	5.2%	0.7%	5.9%	23.0%	23.5%	10.5%	20.6%	27.3%	(-37.2%)	27.0%	25.8%	13.4%	23.3%	31.4%	(-43.7%)
US Large Cap	4.9%	0.5%	5.4%	14.8%	14.2%	5.0%	12.2%	16.6%	(-24.0%)	-	-	-	-	-	-
EAFE	5.8%	1.0%	6.8%	8.2%	9.3%	5.5%	8.4%	10.7%	(-13.2%)	-	-	-	-	-	-
Emerging	7.3%	1.5%	8.8%	8.1%	11.6%	8.2%	10.8%	13.1%	(-13.1%)	8.0%	10.7%	8.9%	10.4%	12.6%	(-13.0%)
Directional Hedge Funds	1.5%	4.1%	5.6%	9.2%	2.7%	25.7%	7.8%	4.4%	12.3%	5.0%	1.4%	15.3%	4.1%	2.3%	6.7%
Private Equity	8.1%	1.0%	9.1%	22.8%	36.2%	14.6%	31.4%	34.3%	(-8.7%)	25.0%	37.2%	17.6%	33.3%	36.3%	(-9.5%)
Total Global Equity				63.1%	74.0%	59.1%	70.6%	79.2%	(-46.7%)	65.0%	75.1%	55.3%	71.2%	82.6%	(-59.5%)
Global Aggregate Bonds	1.2%	0.4%	1.6%	7.4%	1.7%	2.0%	1.8%	(-0.7%)	49.7%	-	-	-	-	-	-
Long Treasuries	2.3%	0.1%	2.4%	-	-	-	-	-	-	5.0%	2.1%	0.4%	1.8%	(-2.0%)	57.0%
Cash	1.1%	0.0%	1.1%	1.0%	0.2%	-	0.2%	0.0%	9.9%	1.0%	0.2%	-	0.2%	0.0%	9.9%
Stable Value Hedge Funds	1.1%	3.8%	4.9%	9.5%	2.0%	24.4%	7.1%	4.3%	22.3%	10.0%	2.0%	28.2%	7.2%	4.4%	14.1%
Total Stable Value				17.9%	4.0%	26.4%	9.0%	3.6%	81.9%	16.0%	4.3%	28.6%	9.2%	2.4%	81.0%
Real Estate	6.1%	1.5%	7.6%	7.9%	9.4%	8.0%	9.1%	7.6%	(-2.6%)	9.0%	10.1%	10.0%	10.1%	8.3%	(-3.0%)
Natural Resources	6.3%	1.0%	7.3%	6.1%	7.5%	4.1%	6.8%	7.5%	(-2.0%)	3.0%	3.5%	2.2%	3.2%	3.6%	(-1.0%)
Infrastructure	7.0%	1.0%	8.0%	3.3%	4.5%	2.2%	4.0%	2.0%	(-1.1%)	5.0%	6.4%	3.7%	5.9%	2.9%	(-1.7%)
TIPS	1.5%	0.1%	1.6%	1.7%	0.5%	0.1%	0.4%	0.1%	5.7%	2.0%	0.6%	0.1%	0.5%	0.1%	6.7%
Commodities	2.3%	0.0%	2.3%	-	-	-	-	-	-	-	-	-	-	-	-
Total Real Return				19.0%	22.0%	14.5%	20.3%	17.2%	(-0.1%)	19.0%	20.5%	16.1%	19.7%	15.0%	1.1%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%	100.0%	-
Portfolio Expectations															
Beta Returns				5.1%						5.4%	Change				
Alpha Returns				1.5%						1.3%	(-0.2%)				
Total Returns				6.6%						6.8%	0.2%				
Total Risk				11.6%						12.0%	0.4%				
Sharpe Ratio				0.47						0.48	0.01				

*Liquidity needs required to rebalance, make distributions, and meet net capital calls in market stress periods. Does not sum to zero due to distributions out of the Endowment and additional rebalancing to replenish bonds and cash.

Orange asset classes include policy changes: Global Developed replacing US and Non-US Public Equity, Long Treasuries benchmarked to Bloomberg US Treasury: Long Index, Real Estate benchmarked to blended MSCI US REIT Index (RMZ) and Cambridge Total Real Estate.



UTIMCO Conclusions: ITF

Across Regimes	SV	Global Equity	RR
Current	56%	44%	0%
Proposed	<u>50%</u>	<u>40%</u>	<u>10%</u>
Change	-6%	-4%	10%

Within Regimes

Global Equity	Public Dev	EM	Dir HF	PE	Total
Current	9.2%	3.8%	43.0%	0.0%	56.0%
Proposed	<u>11.5%</u>	<u>3.5%</u>	<u>35.0%</u>	<u>0.0%</u>	<u>50.0%</u>
Change	2.3%	-0.3%	-8.0%	0.0%	-6.0%

Stable Value	Global Agg	LT Treas	Cash	SV HF	Total
Current	35.0%	0.0%	2.0%	7.0%	44.0%
Proposed	<u>6.0%</u>	<u>7.0%</u>	<u>2.0%</u>	<u>25.0%</u>	<u>40.0%</u>
Change	-29.0%	7.0%	0.0%	18.0%	-4.0%

Real Return	Public REITS	TIPS	Cmdty	Total
Current	0.0%	0.0%	0.0%	0.0%
Proposed	<u>2.5%</u>	<u>5.0%</u>	<u>2.5%</u>	<u>10.0%</u>
Change	2.5%	5.0%	2.5%	10.0%

Benchmarks (ITF)

- 1) Collapse US + EAFE into MSCI World Index
- 2) Add Long Treasury Index
- 3) Add MSCI US REIT Index
- 4) Add Bloomberg Commodities Index
- 5) Add TIPS Index

Total Expected Return	Beta	Alpha	Total	Sharpe
Current	1.91%	2.30%	4.21%	0.64
New	<u>2.19%</u>	<u>2.59%</u>	<u>4.77%</u>	<u>0.60</u>
Change	0.28%	0.28%	0.56%	-0.04



Contribution Analysis: ITF

	Returns			FY21 Policy	Contribution Analysis				Proposed Weights	Contribution Analysis			
	Beta	Alpha	Total		Beta	Alpha	Total Return	Risk		Beta	Alpha	Total Return	Risk
Global Developed	5.2%	0.7%	5.9%	9.2%	25.2%	2.7%	12.9%	25.0%	11.5%	23.9%	2.6%	12.3%	21.6%
US Large Cap	4.9%	0.5%	5.4%	5.8%	14.9%	1.3%	7.4%	14.7%	-	-	-	-	-
EAFE	5.8%	1.0%	6.8%	3.4%	10.3%	1.5%	5.5%	10.3%	-	-	-	-	-
Emerging	7.3%	1.5%	8.8%	3.8%	14.5%	2.5%	7.9%	14.0%	3.5%	16.7%	2.9%	9.2%	15.2%
Directional Hedge Funds	1.5%	4.1%	5.6%	43.0%	33.1%	77.1%	57.2%	55.2%	35.0%	23.5%	55.9%	41.1%	35.1%
Total Global Equity				56.0%	72.8%	82.4%	78.0%	94.2%	50.0%	64.1%	61.4%	62.6%	71.9%
Global Aggregate Bonds	1.2%	0.4%	1.6%	35.0%	22.0%	6.1%	13.3%	(-1.9%)	6.0%	3.3%	0.9%	2.0%	(-0.5%)
Long Treasuries	2.3%	0.1%	2.4%	-	-	-	-	-	7.0%	7.4%	0.3%	3.5%	(-2.6%)
Cash	1.1%	0.0%	1.1%	2.0%	1.2%	-	0.5%	0.0%	2.0%	1.0%	-	0.5%	0.0%
Stable Value Hedge Funds	1.1%	3.8%	4.9%	7.0%	4.0%	11.6%	8.1%	7.8%	25.0%	12.6%	36.7%	25.7%	23.0%
Total Stable Value				44.0%	27.2%	17.6%	22.0%	5.8%	40.0%	24.2%	37.9%	31.7%	20.0%
Public REITs	4.9%	0.5%	5.4%	-	-	-	-	-	2.5%	5.6%	0.5%	2.8%	2.4%
TIPS	1.5%	0.1%	1.6%	-	-	-	-	-	5.0%	3.4%	0.2%	1.7%	1.5%
Commodities	2.3%	0.0%	2.3%	-	-	-	-	-	2.5%	2.6%	-	1.2%	4.3%
Total Real Return				-	-	-	-	-	10.0%	11.7%	0.7%	5.7%	8.1%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Portfolio Expectations				Change
Beta Returns		1.9%	2.2%	0.3%
Alpha Returns		2.3%	2.6%	0.3%
Total Returns		4.2%	4.8%	0.6%
Total Risk		4.9%	6.1%	1.2%
Sharpe Ratio		0.64	0.60	(0.04)

Orange asset classes include policy changes: Global Developed replacing US and Non-US Public Equity, Long Treasuries benchmarked to Bloomberg US Treasury: Long Index, Real Estate benchmarked to MSCI US REIT Index (RMZ).



Supported Institutions

14 Academic Institutions | 8 Healthcare Institutions | 336,000 Total Students



TEXAS A&M UNIVERSITY
SAN ANTONIO

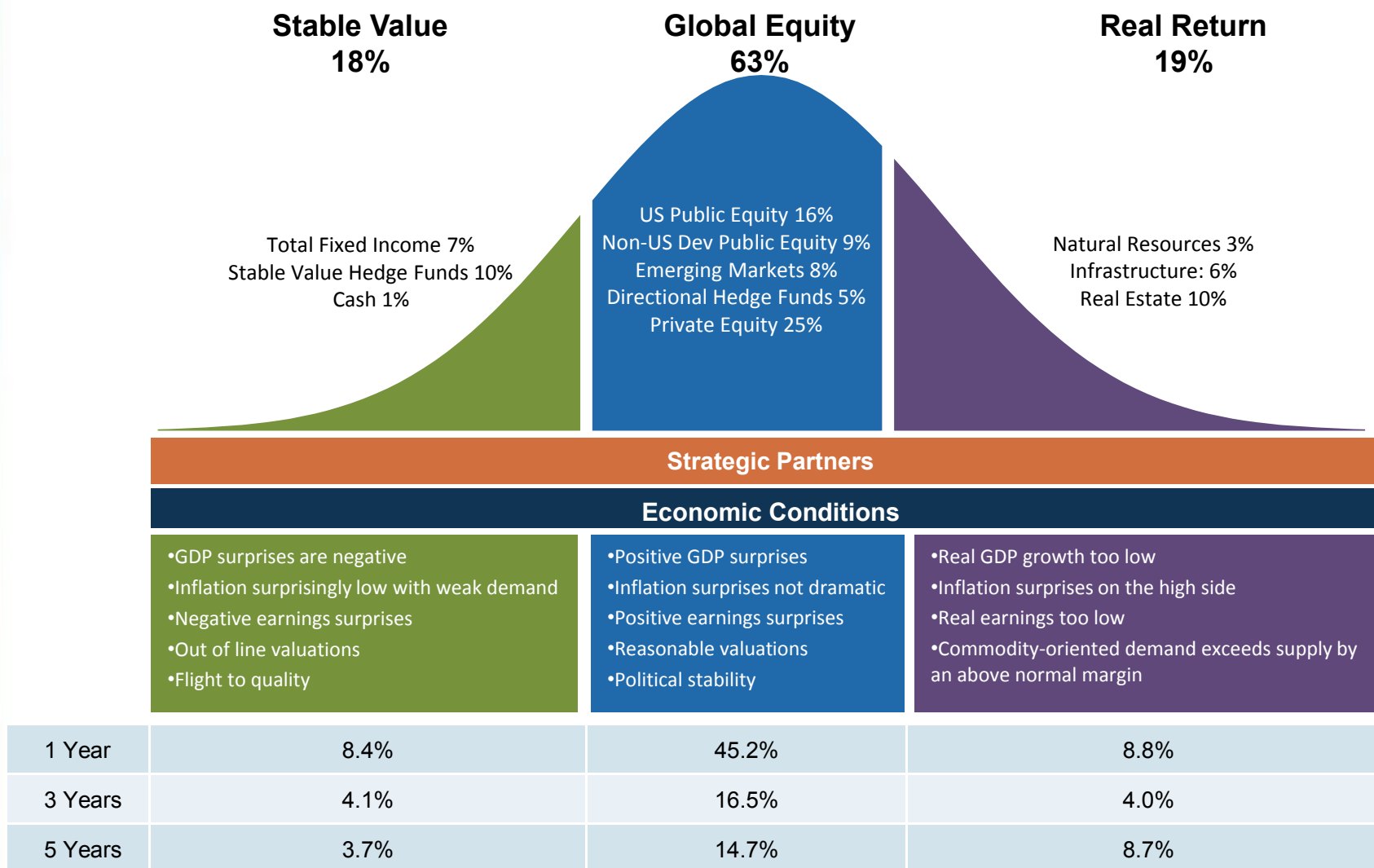


TEXAS A&M
UNIVERSITY
CENTRAL TEXAS.





UTIMCO Diversification Framework



*LTSAA Policy Weights
PUF Returns as of 4/30/2021



Capital Market Assumptions

Looking forward vs History

Returns	Historical Average ¹	Forward Expectations	Spread
Inflation	3.9%	2.3%	-1.6%
Real GDP	2.6%	1.8%	-0.8%

Capital Markets Expectations	Historical Average ¹	Forward Expectations	Spread
Cash	4.6%	1.1%	-3.5%
Long Treasuries	8.6%	2.3%	-6.3%
Corporate Bonds	8.1%	1.2%	-6.9%
High Yield	9.3%	4.8%	-4.5%
US Large Cap Equity	9.7%	4.9%	-4.8%
US Small Cap Equity	9.2%	4.6%	-4.6%
Private Equity	13.8%	8.1%	-5.7%
Real Estate	7.3%	6.1%	-1.2%
Hedge Funds	9.3%	1.3%	-8.0%

Risk Premiums	Historical Average	Forward Expectations	Spread
Inflation (Cash-Inflation)	0.8%	-1.2%	-2.0%
Duration (Long Treasuries - Cash)	3.9%	1.2%	-2.7%
Credit (IG Bonds - Long Treasuries) ²	-0.5%	-1.1%	-0.6%
Credit Risk (HY Bonds - IG Bonds)	1.2%	3.6%	2.4%
Large Cap (US Large Cap Equity - HY Bonds)	0.3%	0.1%	-0.2%
Size (US Small Cap - US Large Cap)	-0.4%	-0.3%	0.1%
Illiquidity (Private Equity - US Small Cap)	4.5%	3.5%	-1.0%

¹ Historical data from 1970 to 2020 except for Real Estate and Hedge Funds (1970)

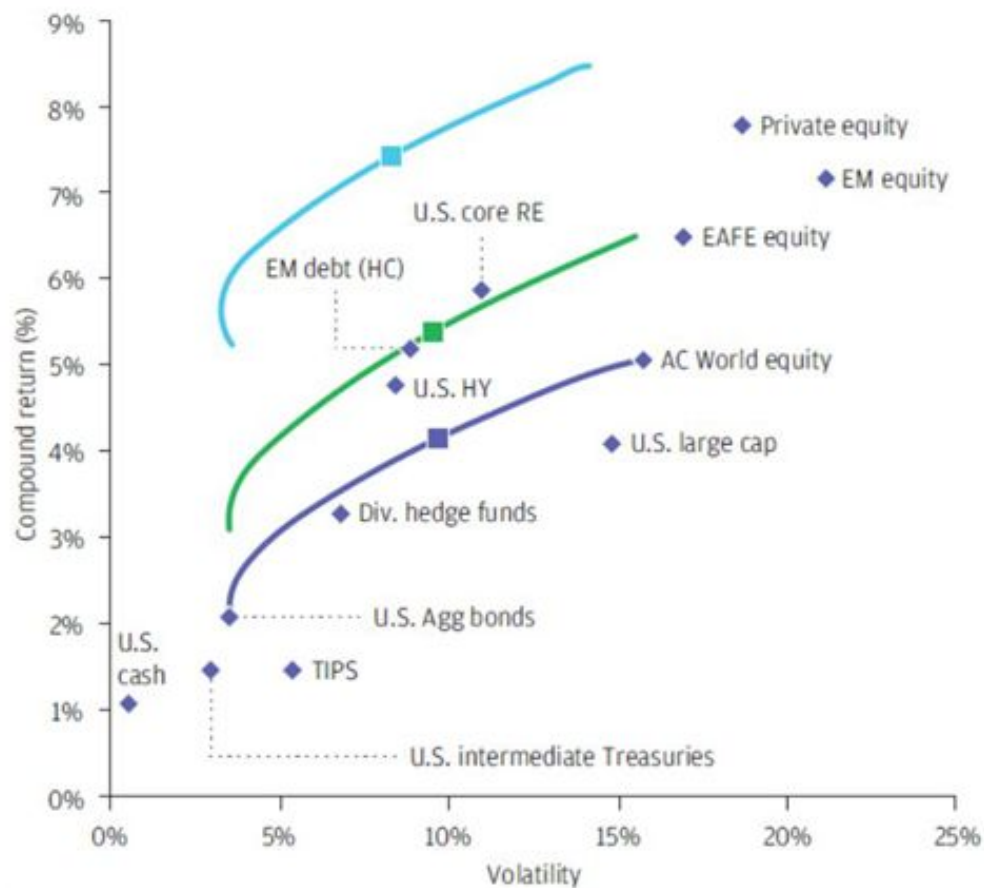
² Note there is a duration mismatch between Long Treasuries (20y) and IG Bonds (7y)



Declining Forward Looking 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.



Capital Market Expectations vs. 2018

Asset Class	FY 21 Policy		Long Term Expected Beta Return			Benchmark
	Endowment	ITF	2018	2021	Diff	
US Large Cap	14.8%	5.8%	6.3%	4.9%	(-1.4%)	MSCI USA
EAFE	8.2%	3.4%	6.4%	5.8%	(-0.6%)	MSCI EAFE + Canada
Emerging	8.1%	3.8%	8.0%	7.3%	(-0.7%)	MSCI Emerging Markets
Directional Hedge Funds	9.2%	43.0%	1.9%	1.5%	(-0.4%)	HFRI FoF Composite
Private Equity	22.8%	-	8.6%	8.1%	(-0.5%)	Blended Cambridge Benchmarks
Private Credit	-	-	8.6%	5.5%	(-3.1%)	Cambridge Credit Opportunities
Total Global Equity	63.1%	56.0%				
Global Aggregate Bonds	7.4%	35.0%	2.6%	1.2%	(-1.4%)	Bloomberg Global Agg
Long Treasuries	-	-	3.0%	2.3%	(-0.7%)	Bloomberg US Treasury: Long Index
Cash	1.0%	2.0%	1.6%	1.1%	(-0.5%)	3 month T-Bills
Stable Value Hedge Funds	9.5%	7.0%	1.6%	1.1%	(-0.5%)	HFRI FoF Conservative
Total Stable Value	17.9%	44.0%				
Private Real Estate	7.9%	-	6.5%	6.1%	(-0.4%)	Cambridge Total Real Estate
Natural Resources	6.1%	-	8.6%	6.3%	(-2.3%)	Cambridge Natural Resources
Infrastructure	3.3%	-	8.6%	7.0%	(-1.6%)	Cambridge Infrastructure
TIPS	1.7%	-	2.6%	1.5%	(-1.1%)	Bloomberg Global Inflation Linked: U.S. TIPS Index
Total Real Return	19.0%	-				

Expected Returns from Beta

2018 Expectations	6.0%	2.8%
2021 Expectations	5.1%	1.9%
Change	(-0.9%)	(-0.8%)

Note: Expected returns for Directional Hedge Funds calculated as 0.3 * US Large Cap, Long Treasuries calculated as the Yield to Worst on the Long Treasuries index at the time of review, Stable Value Hedge funds calculated as Cash return



Issues: Zero Lower Bound





Role of Fixed Income – Declining Yields

Illustrative 70/30 Portfolio 1 Year Return - Equity Return Hurdle Rate

Portfolio Size	\$10,000
Target Return (Nominal)	7.5%

<u>SAA</u>	%	\$
10 Yr UST	30%	\$3,000
Equities	70%	\$7,000

	1990	2000	2010	Now
10 Yr UST YTW	9%	5%	4%	1%
Needed \$ Return	\$750	\$750	\$750	\$750
Bond \$ Return	270	150	120	30
Balance	\$480	\$600	\$630	\$720
Equity Hurdle Rate	6.9%	8.6%	9.0%	10.3%

Note: Assumes no compounding or rebalancing.



Overshoot

Market performance has generally exceeded 2018 Assumptions

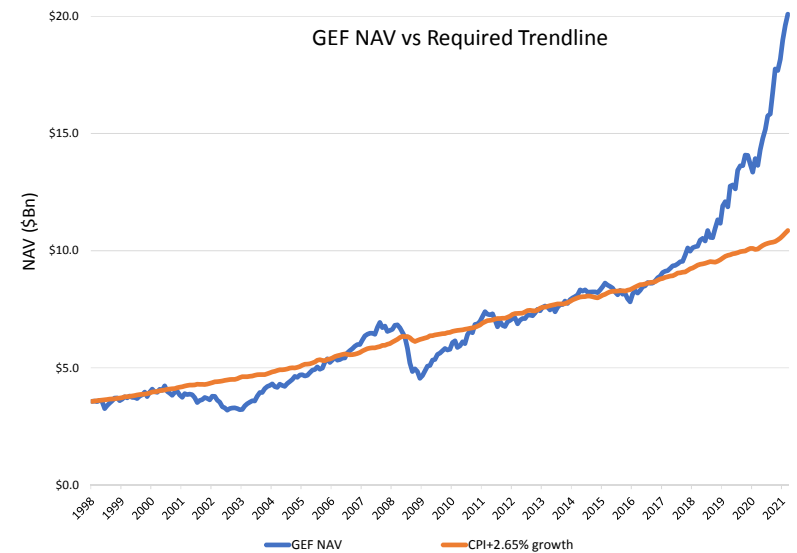
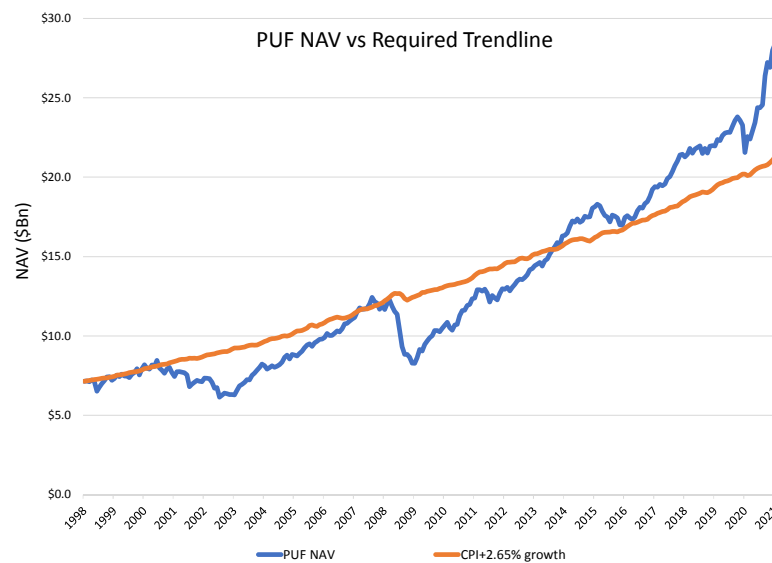
Asset Class	2018 Exp Return	Actual Return ¹	Difference
US Public Equity	6.3	17.0	10.7
Non US Developed Public Equity	6.4	8.5	2.1
Emerging Markets Public Equity	8.0	12.0	4.0
Directional Hedge Funds	1.9	6.7	4.8
Private Equity	8.6	23.7	15.2
Total Fixed Income	2.6	4.8	2.1
Cash	1.6	1.4	(0.2)
Stable Value Hedge Funds	1.6	5.6	4.0
Private Real Estate	6.5	5.3	(1.1)
Natural Resources	8.6	(-8.9)	(17.5)
Infrastructure	8.6	11.0	2.4
TIPS	2.6	6.2	3.6
Total Commodities	4.1	4.2	0.1
Endowment Return	7.5	12.8	5.3
Endowment Volatility²	11.0	8.5	-2.5
Endowment Sharpe	0.4	1.3	1.0
ITF Return	5.3	9.5	4.2
ITF Volatility²	6.8	8.1	1.3
ITF Sharpe	0.5	1.0	0.5

¹ Annualized returns through 4/30/21 from inception of current SAA targets (9/1/2018)

² Realized volatility is lower than theoretical volatility in endowments due to smoothed nature of private returns.



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



Risk of Regime Change Never Higher

Could this...



be transitioning into this?

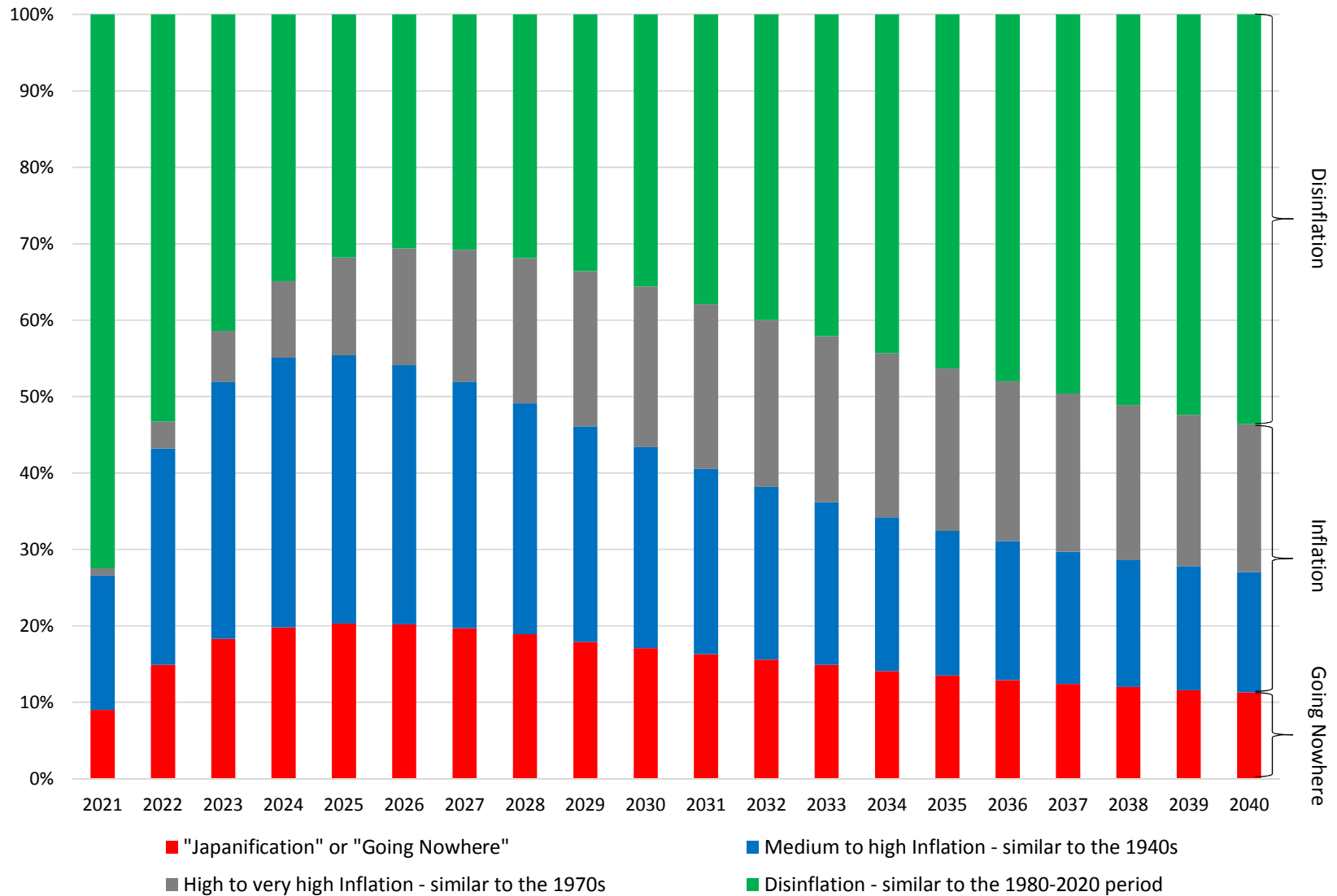


4 Corner Analysis from March Board Meeting

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



Markov Expected States of Economy





Markov Recommended Portfolios

Asset Class	Endowments			ITF	
	FY2021 Policy	Long-term SAA	Risk Portfolio	FY2021 Policy / LTSAA	Risk 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.



Conclusions

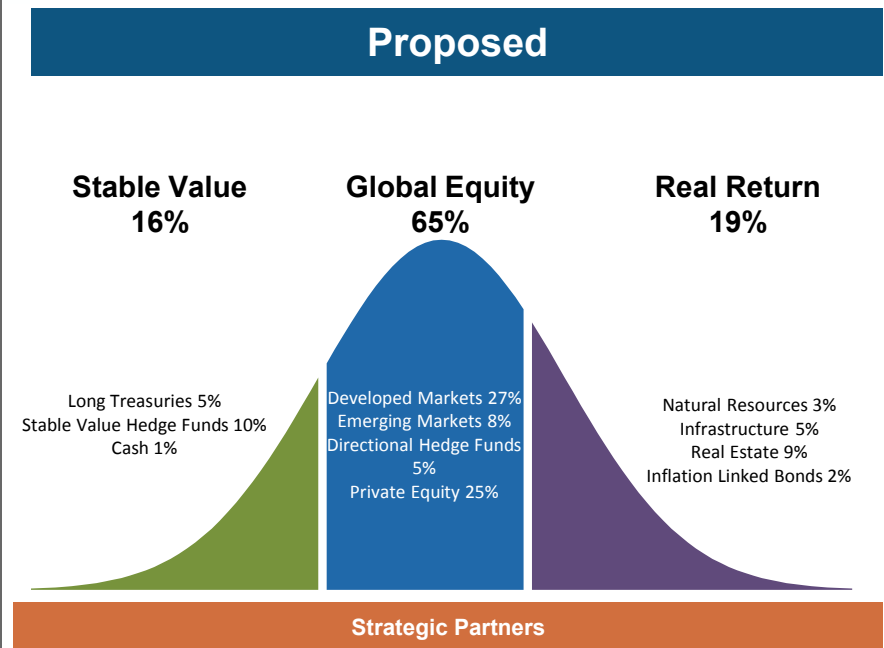
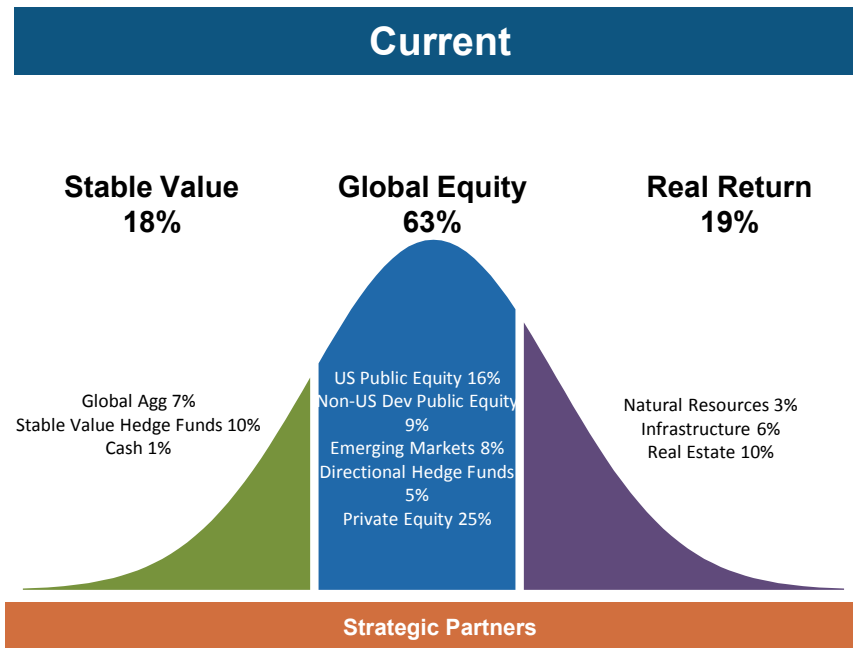
- Uncertain times
- Ending the familiar
- Overshoot to surplus
- Stimulative bubble
- Lower returns
- Existential risks
- Interim report
- New policy / new tools
- This is the kick-off
- Stay tuned



Appendix



Current and Proposed Endowment SAA



Portfolio Stats (as of April 30, 2021)

PUF	One Year	Three Years	Five Years
Return	31.3%	12.0%	12.0%
Risk	7.7%	8.1%	6.5%
Alpha	3.0%	1.0%	1.5%

Regime

Global Equity	45.2%	16.5%	14.7%
Stable Value	8.4%	4.1%	3.7%
Real Return	8.8%	4.0%	8.7%

SAA Changes

Asset Class	Benchmark
US Public Equity	Combine to Global Developed,
Non-US Public Equity	benchmark to MSCI World
Long Treasuries	Bloomberg US Treasury: Long Index
Real Estate	Blended MSCI US REIT Index (RMZ) and Cambridge Total Real Estate



UTIMCO Conclusion: Endowments

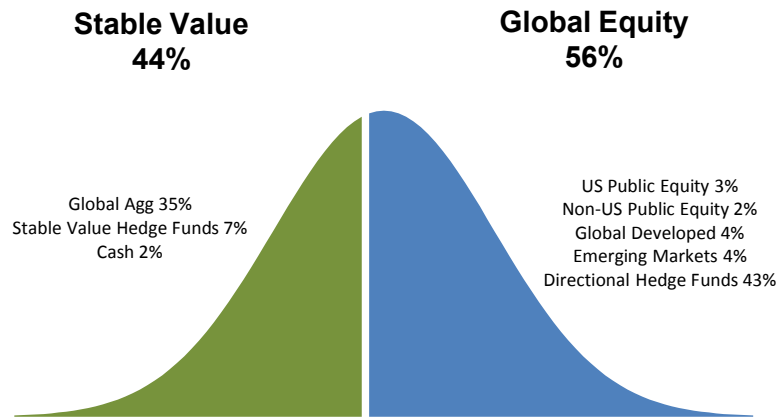
Asset Class	Current SAA		Proposed		Diff	
	FYE2021	Long-Term	FYE2022	Long-Term	2021 vs 2022	LT vs LT
Developed Public Equity	23.0%	25.0%	27.0%	27.0%	+4.0%	+2.0%
<i>US Public Equity</i>	14.8%	16.4%	-	-	-	-
<i>Non-US Public Equity</i>	8.2%	8.6%	-	-	-	-
Total EM Public Equity	8.1%	8.0%	8.0%	8.0%	(-0.1%)	-
Directional Hedge Funds	9.2%	5.0%	6.5%	5.0%	(-2.7%)	-
Total Private Equity	22.8%	25.0%	24.2%	25.0%	+1.4%	-
Total Global Equity	63.1%	63.0%	65.7%	65.0%	+2.6%	+2.0%
Global Aggregate Bonds	7.4%	7.0%	4.5%	-	(-2.9%)	(-7.0%)
<i>Long US Treasuries</i>	-	-	2.8%	5.0%	+2.8%	+5.0%
Cash	1.0%	1.0%	1.0%	1.0%	-	-
Stable Value Hedge Funds	9.5%	10.0%	9.2%	10.0%	(-0.3%)	-
Total Stable Value	17.9%	18.0%	17.5%	16.0%	(-0.4%)	(-2.0%)
Real Estate	7.9%	10.0%	7.3%	9.0%	(-0.6%)	(-1.0%)
Natural Resources	6.1%	3.0%	4.5%	3.0%	(-1.6%)	-
Infrastructure	3.3%	6.0%	3.0%	5.0%	(-0.3%)	(-1.0%)
TIPS	1.7%	-	2.0%	2.0%	+0.3%	+2.0%
Commodities	-	-	-	-	-	-
Total Real Return	19.0%	19.0%	16.8%	19.0%	(-2.2%)	-
<i>Total Privates</i>	40.1%	44.0%	39.0%	42.0%	(-1.1%)	(-2.0%)
<i>Total Alternatives</i>	58.8%	59.0%	54.7%	57.0%	(-4.1%)	(-2.0%)
Portfolio Expectations						
Beta Returns	5.1%	5.4%	5.2%	5.4%	+0.1%	+0.0%
Alpha Returns	1.5%	1.4%	1.4%	1.3%	(-0.1%)	(-0.1%)
Total Returns	6.6%	6.8%	6.6%	6.8%	(-0.0%)	(-0.0%)
Volatility	11.6%	12.0%	11.8%	12.0%	+0.2%	(-0.0%)
Sharpe	0.47	0.47	0.46	0.48	(-0.01)	+0.01

*Strategic Partnerships was not an explicit input of the SAA optimization. Rather, once the optimal exposures are decided, a portion of the public equity and fixed income allocations will be allocated to the Strategic Partnerships.

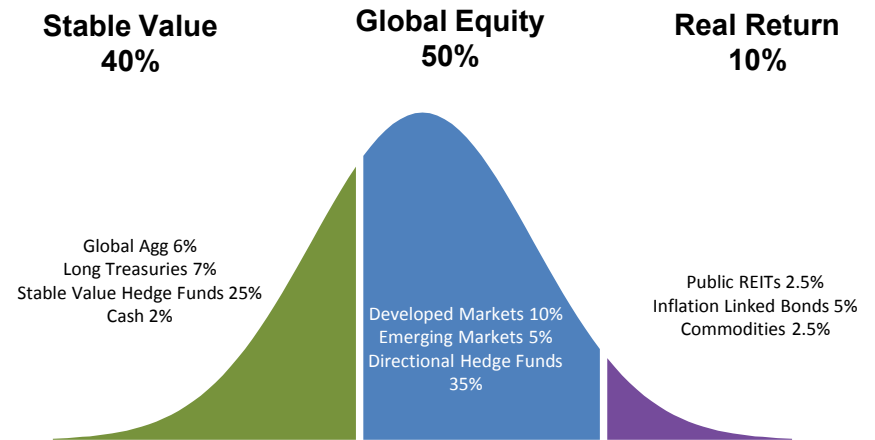


Current and Proposed ITF SAA

Current



Proposed



Portfolio Stats (as of April 30, 2021)

ITF	One Year	Three Years	Five Years
Return	21.0%	8.3%	7.9%
Risk	5.7%	7.7%	6.3%
Alpha	5.4%	2.2%	1.8%

Regime

Global Equity	34.8%	11.6%	11.3%
Stable Value	5.7%	4.1%	3.5%

SAA Changes

Asset Class	Benchmark
US Public Equity	Combine to Global Developed,
Non-US Public Equity	benchmarked to MSCI World
Long Treasuries	Bloomberg US Treasury: Long Index
Public Real Estate	MSCI US REIT Index (RMZ)
Commodities	Bloomberg Commodity TRI
Inflation Linked Bonds	Bloomberg Global Inflation Linked: US TIPS Index

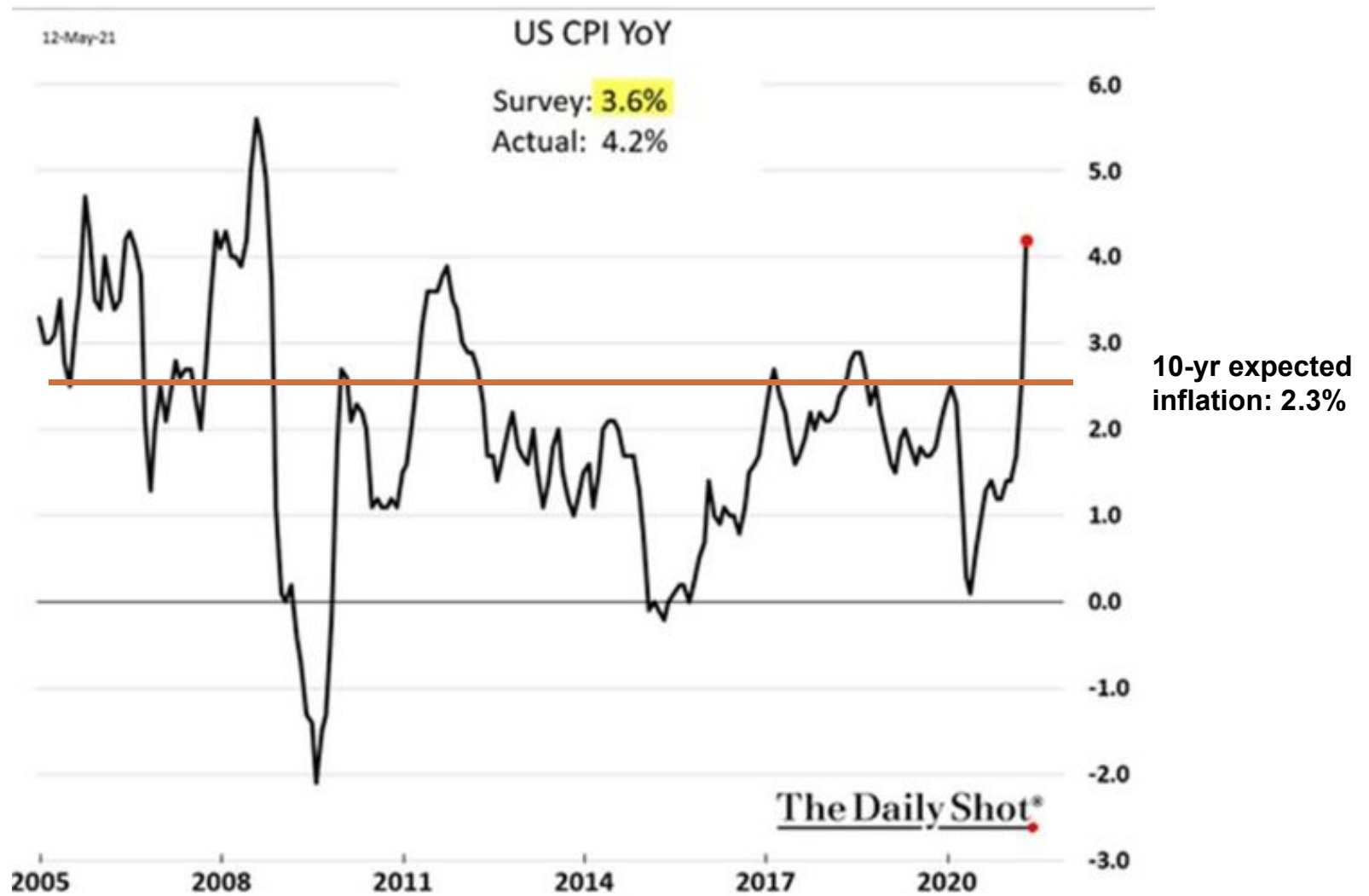


UTIMCO Conclusion: ITF

Asset Class	Current SAA	Proposed		Diff	
	FYE2021 / Long-Term	FYE2022	Long-Term	2021 vs 2022	LT vs LT
Developed Public Equity	9.2%	10.8%	11.5%	+0.3%	+2.3%
US Public Equity	5.8%	-	-	-	-
Non-US Public Equity	3.4%	-	-	-	-
Total EM Public Equity	3.8%	3.2%	3.5%	(-0.6%)	-0.3%
Directional Hedge Funds	43.0%	38.0%	35.0%	(-5.0%)	(-8.0%)
Total Private Equity	-	-	-	-	-
Total Global Equity	56.0%	52.0%	50.0%	(-5.3%)	(-6.0%)
Global Aggregate Bonds	35.0%	16.0%	6.0%	(-19.0%)	(-29.0%)
Long US Treasuries	-	4.0%	7.0%	+4.0%	+7.0%
Cash	2.0%	2.0%	2.0%	-	-
Stable Value Hedge Funds	7.0%	16.0%	25.0%	+9.0%	+18.0%
Total Stable Value	44.0%	38.0%	40.0%	(-6.0%)	(-4.0%)
Public REITs	-	2.5%	2.5%	+2.5%	+2.5%
TIPS	-	5.0%	5.0%	+5.0%	+5.0%
Commodities	-	2.5%	2.5%	+2.5%	+2.5%
Total Real Return	0.0%	10.0%	10.0%	+10.0%	+10.0%
<i>Total Privates</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>+0.0%</i>	<i>+0.0%</i>
<i>Total Alternatives</i>	<i>50.0%</i>	<i>54.0%</i>	<i>60.0%</i>	<i>+4.0%</i>	<i>+10.0%</i>
Portfolio Expectations					
Beta Returns	1.9%	2.1%	2.2%	+0.2%	+0.3%
Alpha Returns	2.3%	2.4%	2.6%	+0.1%	+0.3%
Total Returns	4.2%	4.5%	4.8%	+0.3%	+0.6%
Volatility	4.9%	5.7%	6.1%	+0.8%	+1.3%
Sharpe	0.64	0.60	0.60	(-0.04)	(-0.04)

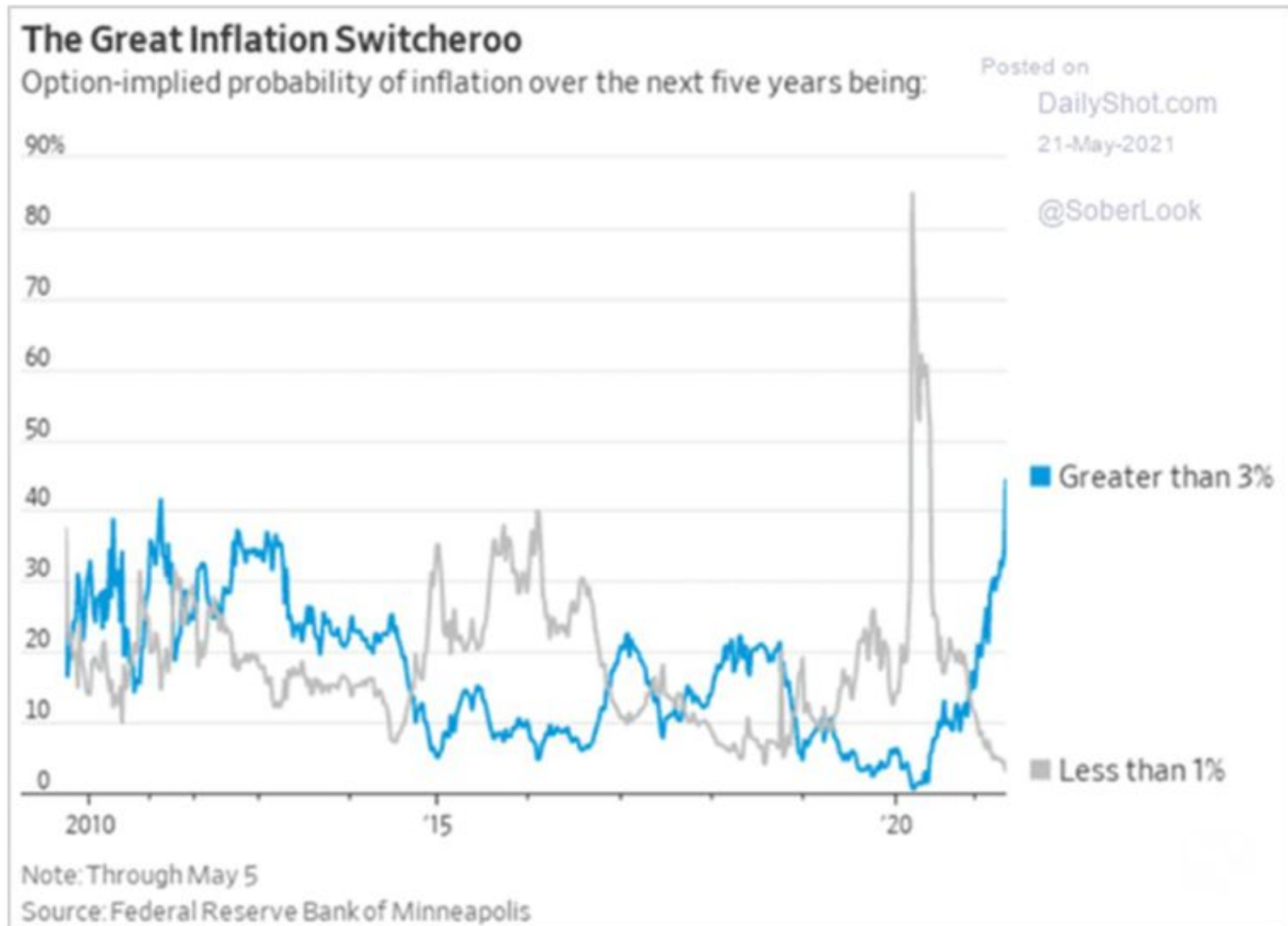


US CPI Overshooting Expectations





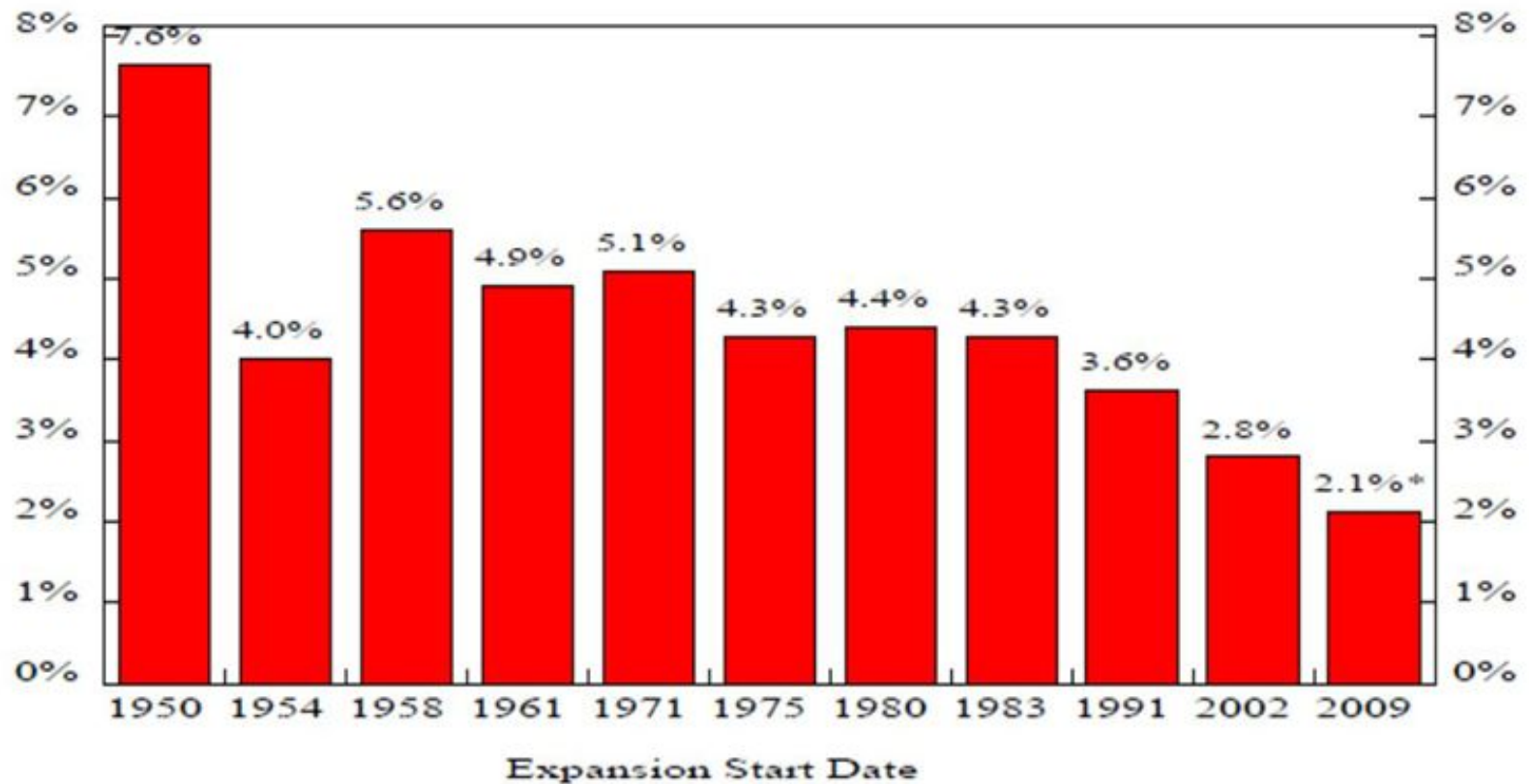
40% Chance of 3%+ 5-year Inflation





Real Growth Has Fallen Every Cycle

Real GDP Growth During Expansions
annualized rates of expansion from NBER trough to peak



* Through 1Q 2020

Source: Bureau of Economic Analysis and National Bureau of Economic Research



Future Superfactors

Conventional

	Extreme		
	1980's	2010's	Future
Inflation	5.1%	1.8%	2.3%
Labor Force Growth	1.7%	1.4%	0.4%
Productivity	1.4%	0.9%	1.4%
GDP - Real	3.1%	2.3%	1.8%
Demographics	Boomer	Millennial	Mill/GenZ

Climate Change

	Projected Costs (2020-2050)
Without Transition	\$300 Trillion
With Transition	\$100-150 Trillion

China: Cooperation vs Competition

	1980	2021	2035
GDP			
USA	\$2.9T	\$22.1T	\$38.0T
China	\$0.2T	\$15.7T	\$41.0T
Relative Size (\$)	-\$2.7T	-\$6.4	+\$3.0T
Relative Size (%)	-93%	-29%	+8%

Proj. Real GDP Growth

USA GDP	1.8%
China GDP	4.0%

Pandemic Effect

	\$Fiscal Stimulus	% of GDP
USA	\$4.2T	20%
China	\$1.2T	8%

Government

USA	Democratic
China	Autocratic

Technology

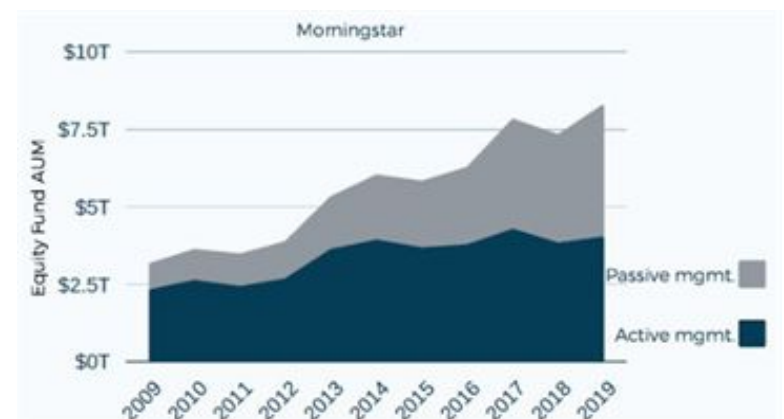
	1980	2021
Computing power	Conventional	Quantum
High Tech	HP PC	AI/Robots
Labor Replaced	Physical	Mental
Timing	(End)	Start

Capitalism

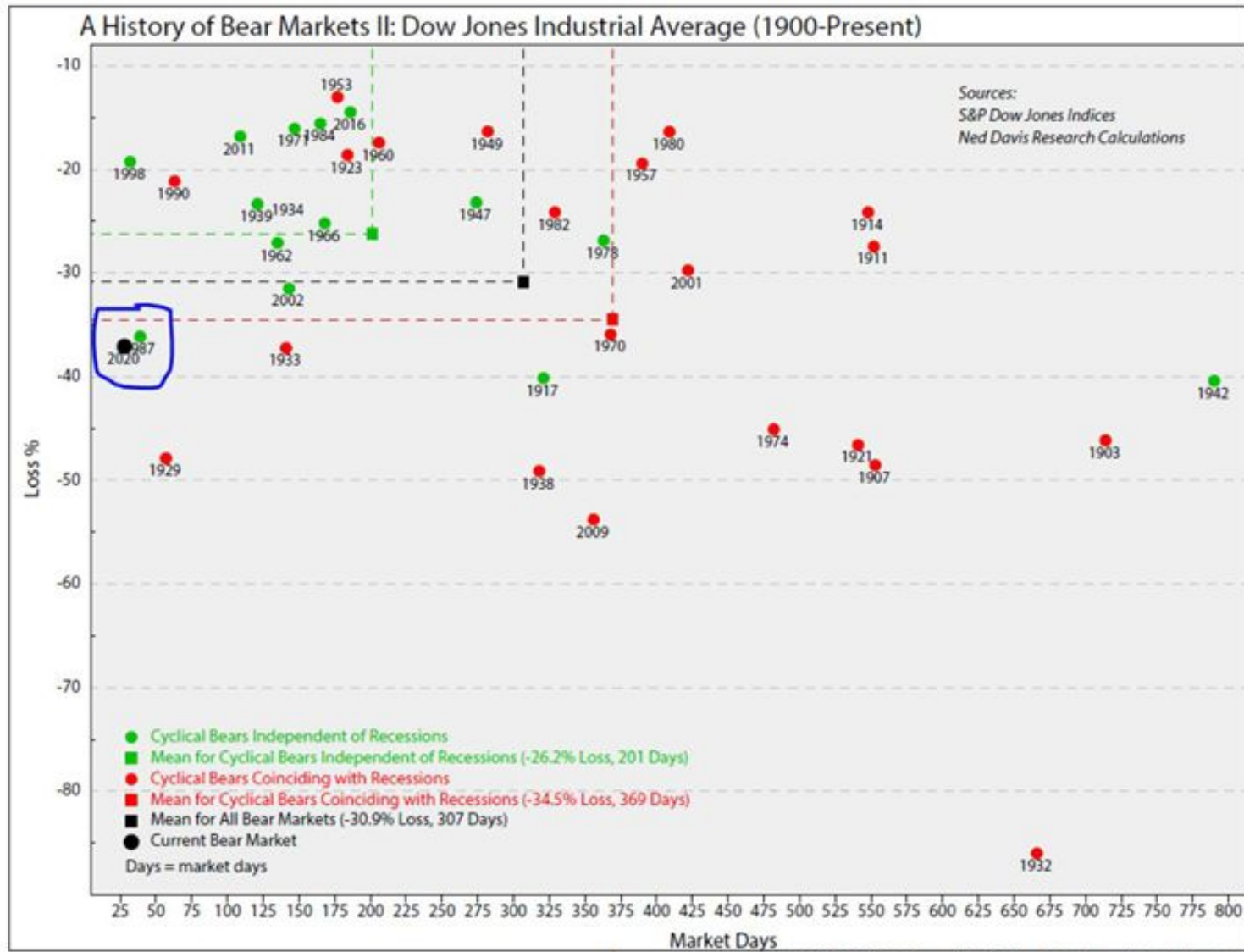
Shareholder Stakeholder

Ownership

Fragmented Concentrated



History of Bear Markets



Source: Ned Davis

**THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT**

Purpose

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

PUF Organization

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

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

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

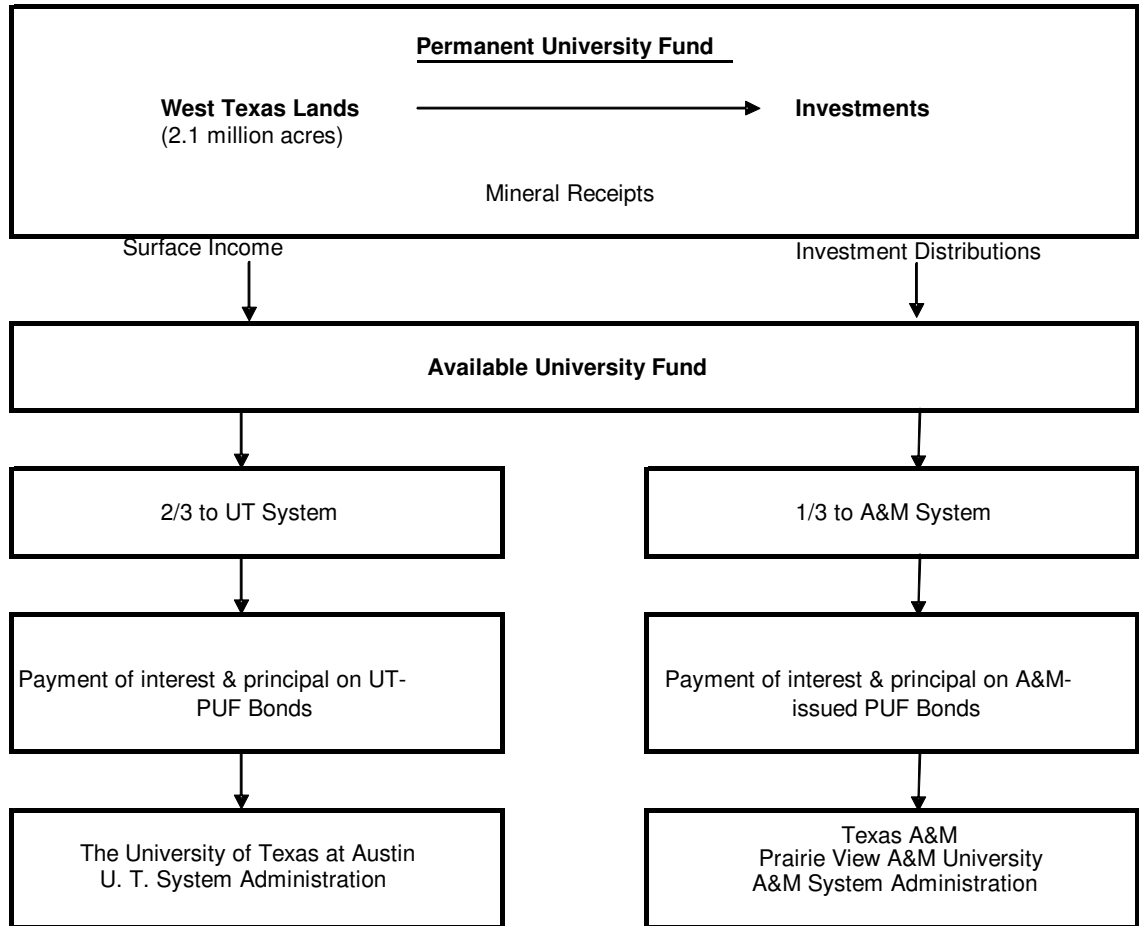
First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the “Board of Regents”) and the Texas A&M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

UTIMCO ~~09/01/2020~~09/01/2021

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

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

Exhibit 1



PUF Management

Article VII, Section 11b of the *Texas Constitution* assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and

subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

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

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

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

PUF Administration

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

PUF Investment Objectives

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

Investments must be prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by

UTIMCO's risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

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

Asset Class Allocation and Policy

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

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

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

Global Equity:

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

~~Non-U.S. Developed Public Equity – Non-U.S. Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (other than including the U.S.) that are part of the MSCI World Index. These securities are traded in public markets (on an~~

exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. ~~Non-U.S.~~ Developed Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

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

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

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

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

Stable Value:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, U.S. and non-U.S., that are rated investment grade. These include debt issued by the Sovereign Governments, various government enterprises and agencies, and corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as Investment Grade Fixed Income.

Long Treasuries – Long Treasuries represents ownership of fixed income instruments across long-dated maturities issued by the U.S. government. The principal securities may include bonds, notes and bills. In addition, derivative applications that serve as a fixed income substitute may be classified as Long Treasuries.

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

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

Cash – Cash ~~consists of internal and external pooled investment funds, cash in foreign~~ has the same meaning as given to the term “Cash” in the Liquidity Policy and includes, for example, cash in any currencies, and other overnight funds that have not been allocated to a specific asset class.

Real Return:

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

Commodities – Commodities investments represent ownership of ~~bulk physical~~ fungible goods such as metals, grains, foods and energy products or any other investment defined by regulators as a commodity. These investments can be made through actual physical ownership of the goods, or through financial ownership of the underlying goods achieved through the purchase of derivatives based on commodities or commodities indices.

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

Infrastructure – Infrastructure investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in ownership of companies or assets that provide an essential service that contributes to the economic or social productivity of an organization, community, or society at large with real assets in the water, transportation, energy, communication or social sectors. Investments generally have structure features that include a monopolistic or oligopolistic market position with high barriers to entry; a low elasticity of demand due to their essential functions; stable, predictable, and long-term revenue contracts; or inflation protection through inflation adjustment mechanisms in underlying contracts. Some Infrastructure investments may have transfer restrictions and may not be as liquid as publicly-traded securities.

~~Public~~ Real Estate – ~~Public~~ Real Estate ~~invests~~ investments may be public, made principally in companies that are part of the ~~FTSE/EPRA NAREIT Developed~~ MSCI US REIT (RMZ) Index and that own or manage equity or debt interests in portfolios of real estate ~~or~~ Public Real ~~assets. These securities are traded~~ Estate investments generally trade in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. ~~Public~~ Real Estate ~~includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).~~ investments may also be private. Private Real Estate – Private Real Estate investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in a controlling or minority ownership interest in a real asset or a real estate focused company. Private Real Estate investments are acquired by purchasing physical real assets, physical real estate or publicly-traded or privately-issued securities including, but not limited to: common or preferred stock, secured or subordinated debt, mortgage-related investments, master limited partnerships (“MLPs”) and real estate investment trusts (“REITs”). Some Private Real Estate investments may have transfer restrictions and may not be as liquid as publicly-traded securities. ~~Private~~ Real Estate investments may be made by purchasing or selling: physical real estate; privately issued securities such as interests in private limited partnerships, joint ventures or other special purpose vehicles (which in each case could result in a controlling or minority ownership interest in a real estate focused company); common or preferred stocks; depositary

receipts; exchange traded funds; secured or subordinated debt; mortgage-related investments; real estate investment trusts (“REITs”) or any other instrument commonly used by institutional investors and derivatives based on any of the foregoing. Real Estate investments are often classified by strategy including: core, core-plus, value-added, opportunistic and special situations.

Strategic Partnerships:

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

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

Performance Measurement

The investment performance of the PUF will be measured by the PUF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board and compared against the stated Policy Benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will ~~be comprised of~~ comprise a blend of Asset Class indices weighted to reflect PUF’s Asset Class allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO’s Chief

Investment Officer prior to investment of PUF assets in such investments.

- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of PUF value.

Investment Grade and Credit-Related Fixed Income

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

Public Real Estate, and Public Equity

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

Stable Value

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

PUF Distributions

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

- provide a predictable, stable stream of distributions over time;

- ensure that the inflation adjusted value of distributions is maintained over the long term; and
- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

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

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

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

PUF Accounting

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

Valuation of Assets

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

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

Compliance

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

UTIMCO ~~09/01/2020~~[09/01/2021](#)

The effective date of this Policy shall be September 1, ~~2020~~2021.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2020/2021

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾⁽³⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
U.S. Public Equity	-5.0%	7.0%	+5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	-5.0%	3.8%	+5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	-5.0%	10.0/23.6%	+5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	-5.0%	20.8%	+5.0%	
Emerging Markets Public Equity	-5.0%	7.2/0%	+5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	-5.0%	28.0/30.6%	+5.0%	
Directional Hedge Funds	-5.0%	9.2/6.5%	+5.0%	HFRI Fund of Funds Composite
Private Equity ⁽³⁾	12.8/14.2%	22.8/24.2%	32.8/34.2%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	-7.0%	60.0/61.3%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	6.7/4.5%	+5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Long Treasuries	-5.0%	2.2%	+5.0%	Bloomberg US Treasury Long Index
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	-5.0%	6.7%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	3 month T-Bills
Stable Value Hedge Funds	-5.0%	9.5/9.2%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	17.2/16.9%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	1.7/2.0%	+5.0%	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI
Total Commodities	-5.0%	0.0%	+5.0%	
Natural Resources ⁽³⁾	11.0/0%	6.4/4.5%	11.4/9.5%	Cambridge Natural Resources
Infrastructure ⁽³⁾	0.0%	3.3/3.0%	8.3/8.0%	Cambridge Infrastructure
Public Real Estate	-5.0%	0.0%	+5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate ⁽³⁾	2.9/2.3%	7.9/7.3%	12.9/12.3%	Blended MSCI US REIT Index (RMZ) and Cambridge Total Real Estate
Total Real Return	-6.0%	49.0/16.8%	+6.0%	
Strategic Partnerships	-5.0%	3.8/5.0%	+5.0%	Blended Bloomberg Barclays Global Aggregate Index - Hedged, Bloomberg US Treasury Long Index, MSCI US with Net Dividends, MSCI EAFE and Canada World Index with Net Dividends, and MSCI Emerging Markets Index with Net Dividends
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	
Expected 10-Year Annual Real Return (Benchmark/Policy Portfolio Beta)	4.333/2.22%
Expected 10-Year Annual Real Return (Policy Portfolio Total Return)	4.57%
One Year Downside Volatility	10.94/9.35%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) When preceded by a "-" or "+", in relation to the Asset Class Target; with the exception of Cash, "Min" will not be below zero

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

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

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose

The University of Texas System Intermediate Term Fund (the “ITF”) was established by the Board of Regents of The University of Texas System (the “Board of Regents”) as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

ITF Organization

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

ITF Management

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

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

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

conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

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

ITF Administration

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

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate.

The secondary investment objective is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling five-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3% and to generate average annual returns net of all investment-related expenses, in excess of the approved Policy Portfolio over rolling five-year periods. Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund.

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

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

Asset Class Allocation and Policy

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

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

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

Global Equity:

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

~~Non-U.S. Developed Public Equity – Non-U.S. Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (other than including the U.S.) that are part of the MSCI World Index. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but~~

expected to become public or otherwise freely marketable within three years after the initial investment. ~~Non-U.S.~~ Developed Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

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

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

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

Stable Value:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, U.S. and non-U.S., that are rated investment grade. These include debt issued by the Sovereign Governments, various government enterprises and agencies, and corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as Investment Grade Fixed Income.

Long Treasuries – Long Treasuries represents ownership of fixed income instruments across long-dated maturities issued by the U.S. government. The principal securities may include bonds, notes and bills. In addition, derivative

applications that serve as a fixed income substitute may be classified as Long Treasuries.

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

Cash – Cash ~~consists of internal and external pooled investment funds, cash in foreign~~ has the same meaning as given to the term “Cash” in the Liquidity Policy and includes, for example, cash in any currencies, and other overnight funds that have not been allocated to a specific asset class.

Real Return:

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

Commodities – Commodities investments represent ownership of ~~bulk physical~~ fungible goods such as metals, grains, foods and energy products or any other investment defined by regulators as a commodity. These investments can be made through actual physical ownership of the goods, or through financial ownership of the underlying goods achieved through the purchase of derivatives based on commodities or commodities indices.

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

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

Performance Measurement

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated Policy Benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will ~~be comprised of~~ **comprise** a blend of Asset Class indices reported by the independent custodian and weighted to reflect ITF's approved Asset Class allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The ITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of ITF assets in such investments.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce exposure to an Asset Class or hedge against risk shall not exceed 50 basis points of ITF value.

Investment Grade Fixed Income

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

Public Real Estate and Public Equity

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

Stable Value

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

ITF Accounting

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

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

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

Compliance

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

ITF Distributions

The ITF shall provide monthly distributions to the unit holders. The Board of Regents will approve an annual distribution amount. Distributions from the ITF to the unit holders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unit holder's account, determined as follows:

- Net asset value of each unit holder's account on the last business day of the second prior month;
- Plus value of each unit holder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unit holder's account on the first business day of the prior month.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~March~~September 1, ~~2020~~2021.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~MARCH~~ SEPTEMBER 1, 2020 ~~2021~~

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
U.S.-Public Equity	-5.0%	3.1%	+5.0%	MSCI U.S. with Net Dividends
Non-U.S.-Developed Public Equity	-5.0%	1.9%	+5.0%	MSCI EAFE and Canada with Net Dividends
Global-Developed Public Equity	-5.0%	4.210.8%	+5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	-5.0%	9.2%	+5.0%	
Emerging Markets Public Equity	-5.0%	3.83.2%	+5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	-5.0%	13.014.0%	+5.0%	
Directional Hedge Funds	-5.0%	43.038.0%	+5.0%	HFRI Fund of Funds Composite
Total Global Equity	-7.0%	66.052.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	35.016.0%	+5.0%	Bloomberg Barclays -Global Aggregate Index - Hedged
<u>Long Treasuries</u>	<u>-5.0%</u>	<u>4.0%</u>	<u>+5.0%</u>	<u>Bloomberg US Treasury: Long Index</u>
Total Fixed Income	-5.0%	20.0%	+5.0%	
Cash	-5.0%	2.0%	+5.0%	3 month Tbills
Stable Value Hedge Funds	-5.0%	7.016.0%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	44.038.0%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	0.02.5%	+5.0%	Bloomberg Barclays -Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.02.5%	+5.0%	Bloomberg Commodity TRI
Total Commodities	-5.0%	0.02.5%	+5.0%	
Public Real Estate	-5.0%	0.05.0%	+5.0%	FTSE EPRA/NAREIT Developed Net TRI USD <u>MSCI US REIT (RMZ) Index</u>
Total Real Return	-6.0%	0.010.0%	+6.0%	
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS⁽²⁾	
Expected 10-Year Annual Real Return (Benchmark <u>Policy Portfolio Beta</u>)	2.38 <u>0.12%</u>
<u>Expected 10-Year Annual Real Return (Policy Portfolio Total Return)</u>	<u>2.51%</u>
One Year Downside Volatility	3.84 <u>4.47%</u>
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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

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

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Report from Policy Committee

Developed By: Team

Presented By: Gauntt

Type of Item: Information item

Description: The Policy Committee (Committee) met jointly with the Risk Committee on June 17, 2021. The Joint Committee meeting agenda included the discussion and appropriate action related to proposed amendments to the Investment Policy Statements. The Committees did not take any action at their June 17, 2021, meeting.

Discussion: Mr. Harris, Mr. Hall, Dr. Yoeli and Mr. Standley reviewed the *Strategic Asset Allocation Review* presentation at the Joint Meeting. The presentation is included under Tab 6 of these Board materials.

Recommendation: None

Reference: *Strategic Asset Allocation Review* presentation

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

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

Developed By: Moeller, de Onis

Presented By: Handley

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

Description: The Audit and Ethics Committee (the “Committee”) met on June 17, 2021. The Committee’s agenda included (1) approval of Committee minutes; (2) discussion and appropriate action related to engaging corporate external auditor; (3) report from UT System Audit Office; (4) an update on UTIMCO’s compliance, reporting, and audit matters; (5) a presentation of unaudited financial statements for the Investment Funds and the Corporation; (6) discussion and appropriate action related to the Chief Executive Officer’s Nominee for Chief Compliance Officer; and (7) discussion and appropriate action related to the base salary for the General Counsel and Chief Compliance Officer for the 2021-2022 Fiscal Year. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Discussion: The Committee will report on its action related to the hiring of Deloitte and Touche LLP as the corporate auditor and request that the Board take appropriate action related to hiring Deloitte and Touche LLP as the corporate auditor. If approved by the Board, FY 2021 will be the 15th year that Deloitte serves as the Corporation’s independent auditor. Estimated fees for the FY 2021 audit services are \$48,000 plus out-of-pocket expenses. This is a \$1,700 increase over the FY 2020 fee.

J. Michael Peppers, Chief Audit Executive and Eric Polonski, Director of Audits of the UT System Audit Office, reviewed the Audit of UTIMCO’s Compliance Program. The UT System Audit Office completed the audit of UTIMCO’s Compliance Program to determine whether the compliance program is effective, using the United States Department of Justice’s guidelines.

The Committee reviewed the unaudited financial statements for the Funds and UTIMCO Corporation and the quarterly compliance reports. In addition to the routine update on compliance, reporting, and audit issues, Ms. de Onis reported on the annual disclosure statements filed by outside financial advisors and service providers that were filed with the State Auditor’s Office on April 15th and the annual report on Director Private Investments. The Master Investment Management Services Agreement between UTIMCO and the Board of Regents of The University of Texas System requires UTIMCO to maintain a log of (1) all agreements or transactions between UTIMCO or a “UTIMCO entity” and a “Director entity” or an “Employee entity”, and (2) all investments in the private investments of a business entity in which a “Director” or “Employee” then owns a private investment, or is then co-investing, in the same business entity that must

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

be reviewed annually by the UTIMCO Board of Directors and reported to the U.T. Board.

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. There were no new contracts, leases, or other commercial arrangements of \$250,000 or more from the prior reporting end date of February 18, 2021, through June 4, 2021.

Recommendation: The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to engaging the corporate external auditor for the fiscal year ending August 31, 2021.

Reference: Deloitte & Touche LLP Engagement Letter
Director Private Investment Log FY 21

**RESOLUTION RELATED TO INDEPENDENT AUDITOR
FOR THE CORPORATION**

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2021.



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May 27, 2021

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

Dear Ms. Moeller:

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

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

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

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Company’s financial statements for the year ending August 31, 2021, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”).

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

D&T Reports

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

Management’s Responsibilities

Appendix B describes management’s responsibilities.

Communications with the Audit and Ethics Committee

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

Fees

We estimate that our fees for this engagement will be \$48,000, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
October 2021	\$28,000
December 2021	\$20,000

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

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

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

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

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

in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Company and D&T.

* * * * *

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

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

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

Yours truly,

Deloitte & Touche LLP

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

By: _____

Title: _____

Date: _____

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

APPENDIX A

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

This Appendix A is part of the engagement letter dated May 27, 2021, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Auditor's Responsibilities

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

Scope of an Audit

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated May 27, 2021, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Financial Statements

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

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of all instances of identified or suspected noncompliance with such laws or regulations
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Company from whom we determine it necessary to obtain audit evidence

Management's Representations

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

Independence Matters

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

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

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

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

APPENDIX C

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE

This Appendix C is part of the engagement letter dated May 27, 2021, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

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

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

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

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

Texas State Auditor's Office

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

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

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

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

APPENDIX D

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated May 27, 2021, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

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

APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated May 27, 2021, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

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

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

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

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

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

Director Private Investment Log

As of June 17, 2021

Director	Fund Name	Interest	Owned Prior to Board Appointment
Mr. Rothrock	Underscore VC (fka Assemblies, VC)	Less than a pecuniary interest	Yes
Mr. Thomas	EnCap Flatrock Midstream Fund III	Interest owned by C.L. Thomas Holdings Investments, LLC; less than a pecuniary interest	Yes
Mr. Gauntt	Longvue Capital Partners III LP	Less than a pecuniary interest	Yes

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item:	Report from Risk Committee
Developed By:	de Onis, Moeller
Presented By:	Gauntt
Type of Item:	Information item
Description:	The Risk Committee (“Committee”) met jointly with the Policy Committee and separately on June 17, 2021. The Committee’s agenda for the joint meeting included a discussion and appropriate action related to proposed amendments to the Investment Policy Statements. Its separate meeting included (1) discussion and appropriate action related to the approval of minutes of its March 4, 2021, meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.
Discussion	The Committee approved the minutes of its March 4, 2021, meeting, reviewed the quarterly compliance reporting and heard an update on the market and portfolio risk. Director Gauntt will report on the discussion of the proposed amendments to the Investment Policy Statements during his report from the Policy Committee in Tab 7.
Recommendation:	None
Reference:	None

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item: Report from Cyber Risk Committee

Developed By: Moeller

Presented By: Rothrock

Type of Item: Information Item

Description: The Cyber Risk Committee (the “Committee”) met on June 17, 2021. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of March 4, 2021, 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

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

- Agenda Item:** Report from Compensation Committee: Discussion and Appropriate Action Related to CEO's Base Salary for 2021-2022 Fiscal Year; and Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2022
- Developed By:** Moeller
- Presented By:** Rothrock
- Type of Item:** Action item; Action required by UTIMCO Board
- Description:** The Compensation Committee (the Committee) met on June 17, 2021. The Committee's agenda included the following (1) approval of minutes of the March 4, 2021, meeting; (2) discussion and appropriate action related to base salaries for the UTIMCO officers and other UTIMCO Compensation Program (Plan) Participants for 2021-2022 Fiscal Year; and (3) discussion and appropriate action related to the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2022. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters.
- Discussion:**
- (1) Base Salaries.** The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants (other than the CEO) for the 2020-2021 Fiscal Year. The Committee will report on its recommendation and request that the Board take appropriate action related to the CEO's base salary.
- (2) CEO Qualitative Performance Standards.** Section 5.4(b) of the Plan states that the CEO's Qualitative Performance Standards will be determined and approved by the Board. The Committee presents and recommends the approval of the CEO's Qualitative Performance Standards to the UTIMCO Board. The two categories of Performance Standards are Quantitative Performance and Qualitative Performance.
- Recommendation:** The Committee will recommend the Board approve (1) the CEO's Base Salary for the 2021-2022 Fiscal Year; and (2) the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2022.
- Reference:** Materials provided for Executive Session

RESOLUTION REGARDING CEO'S BASE SALARY

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2021-2022 in the amount of \$_____.

**RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE
STANDARDS FOR PERFORMANCE PERIOD ENDING JUNE 30, 2022**

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Standards for the Performance Period ending June 30, 2022, as prepared by the CEO, and recommended by the Compensation Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Standards for the CEO for the Performance Period ending June 30, 2022, as set forth in the document presented to the Board.

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

- Agenda Item:** Discussion and Appropriate Action Related to UTIMCO 2021-2022 Budget
- Developed By:** Hall, Moeller, Bauer
- Presented By:** Harris, Hall
- Type of Item:** Action Item; Action required by UTIMCO Board; further action required by Board of Regents of The University of Texas System (UT Board)
- Description:** The Master Investment Management Services Agreement with UTIMCO (IMSA) sets forth the annual budget and management fee requirements. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes all operating expenses associated with the general management of the Funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the UT Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.
- During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT Board back to the Funds that generated the surplus. UTIMCO team projects UTIMCO's available cash reserves to be \$6 million as documented on page 9 of the presentation, and UTIMCO is recommending that \$6 million be distributed back to the Funds. Mr. Hull and Mr. Hah of the UT System Office of Finance, concur with the recommendation.
- Discussion:** Mr. Harris and Mr. Hall will present the UTIMCO Proposed FY2022 Budget presentation.
- Recommendation:** Mr. Harris recommends that the UTIMCO Proposed 2021-2022 Annual Budget, Management Fee Request, and Allocation Schedule be approved as presented.
- Reference:** *FY22 Budget* presentation

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Management Fee of \$60,631,074 and the Other Direct Fund Costs of \$8,058,631 resulting in Total Fees of \$68,689,705, Capital Budget of \$135,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2021, through August 31, 2022, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



FY22 Budget

Britt Harris, CEO, CIO, President

Richard Hall, Deputy CIO

Joan Moeller, COO

June 29, 2021



Executive Summary

• Strategic Plan Update: 2021 vs. 2019

- UTIMCO diverged from the 2019 Strategic Plan in response to COVID in H1 2020
- Paused hiring, senior promotions and raises for FY21
- Developed revised Strategic Plan as market recovered from the COVID shock
- UTIMCO ahead on AUM, lower on people and on target for budget when comparing the original and revised Strategic Plans

FY22 as Presented in 5-Year Strategic Plans	2019 Plan	2021 Plan	Current Status
FTE	127	122	115 (includes 5 vacant)
AUM (\$B)	\$57.0	\$63.0	\$62.8
Personnel Expenses	\$48.3	\$45.5	\$41.9
UTIMCO Services Budget	\$59.9	\$61.0	\$55.6
Total Budget	\$68.6	\$68.5	\$62.8

• FY22 Proposed Budget vs. Revised Strategic Plan

- Total Proposed Budget of \$68.7M vs. \$68.5M are closely aligned
- 10.9 bps of Total Budget Costs for FY22 which aligns with Revised Strategic Plan and is down from 13bps in FY21 Budget
- UTIMCO Services Costs of \$60.6M vs. \$61.0M, .6% less than projected
- Direct Fund Costs of \$8M vs. \$7.5Mi, \$500K or 7% more than projected and primarily driven by an increase in legal expenses



FY22 Summary Budget

	FY 2021	FY 2022			FY 2022 Budget Proposed v FY22 Projected in Strategic Plan		FY 2022 Budget Proposed v FY 2021 Budget	
	Budget	Budget	% of Total Budget	Projected in Strategic Plan	\$	%	\$	%
UTIMCO Personnel Costs:								
Salaries	18,774,406	20,552,099	30%	20,595,510	(43,411)	-0.2%	1,777,693	9.5%
Performance Compensation	17,650,561	18,981,580	28%	19,325,805	(344,225)	-1.8%	1,331,019	7.5%
Benefits & Taxes (3)	5,485,510	6,064,557	9%	5,598,964	465,593	8.3%	579,047	10.6%
Total UTIMCO Personnel Costs (1) (2)	\$ 41,910,477	\$ 45,598,236	66%	\$ 45,520,279	\$ 77,957	0.2%	\$ 3,687,759	8.8%
Other UTIMCO Costs:								
Data & Subscriptions (4)	4,153,165	4,706,004	7%	4,452,263	253,741	5.7%	552,839	13.3%
Travel	954,702	1,108,004	2%	1,324,317	(216,313)	-16.3%	153,302	16.1%
Lease	3,222,992	3,322,198	5%	3,315,000	7,198	0.2%	99,206	3.1%
Depreciation	1,900,000	2,100,000	3%	2,100,000	-	0.0%	200,000	10.5%
Other Costs (5)	3,468,875	3,796,632	6%	4,293,559	(496,927)	-11.6%	327,757	9.4%
Total Other UTIMCO Costs:	\$ 13,699,734	\$ 15,032,838	22%	\$ 15,485,139	\$ (452,301)	-2.9%	\$ 1,333,104	9.7%
Total UTIMCO Services Costs:	\$ 55,610,211	\$ 60,631,074	88%	\$ 61,005,418	\$ (374,344)	-0.6%	\$ 5,020,863	9.0%
Bps of AUM	11.59	9.62		9.68				
Direct Fund Costs:								
Custodian Fees	4,201,000	4,278,000	6%	4,400,000	(122,000)	-2.8%	77,000	1.8%
Other (6)	3,007,101	3,780,631	6%	3,127,385	653,246	20.9%	773,530	25.7%
Total Direct Fund Costs	\$ 7,208,101	\$ 8,058,631	12%	\$ 7,527,385	\$ 531,246	7.1%	\$ 850,530	11.8%
Grand Total UTIMCO Budget:	\$ 62,818,312	\$ 68,689,705		\$ 68,532,803	\$ 156,902	0.2%	\$ 5,871,393	9.3%
Bps of AUM	13.09	10.90		10.88				

AUM projected (\$ billion)	\$48	\$63	\$63
UTIMCO Headcount	115	122	122

NOTES:

- (1) FY22 Budgeted Personnel Costs are slightly less but closely aligned with the Revised Strategic Plan.
- (2) FY22 Budgeted Personnel Costs increased from the FY21 Budget due to the increases in headcount (8 FTE), promotions, market adjustments, and normal raises.
- (3) FY22 Budgeted Benefits and Taxes are higher compared to the Strategic Plan because the Employee Leadership Development costs are included in "Benefits & Taxes" in the budgets but in "Other Costs" in the Strategic Plan (\$426k in FY21 and \$318k in FY22).
- (4) The FY22 increase in Data & Subscriptions is driven by a shift to more Subscription-based Information Technology Arrangements (SBITAs). Consequently, costs for capitalized fixed assets (servers and software) will be substantially less going forward as well the maintenance costs associated with the servers and software.
- (5) Other costs include: Hiring, Recruiting & Relocation (\$436k); Consulting Services for IT (\$1.98 mil); IT Service Agreements (\$308k)
- (6) Other Direct Costs include: Barra Risk System (\$726k), Fund Auditors (\$878k), Legal Fees (\$715k), Tax Consultants (\$155k), Background Searches (\$304k), Performance Attribution Costs-MSCI (\$140k), Consultants (\$308k)



FY22 Budget vs. FY21 Budget

- Total Personnel Costs of \$45.6M vs. \$41.9M, an increase of \$3.7M or 8.8% (includes salaries, performance compensation, payroll taxes, benefits and employee development)
 - 8 New FTE - \$1M
 - 24 Promotions - \$1.6M
 - Market Adjustments and Merit Raises - \$1.8M
 - Adjustments (decreases) to vacant positions and elimination of one position - (\$.9M)
 - Increase in earnings on deferrals, excise taxes, and PTO accrual - \$.4M
 - Decrease in employee development costs and net decrease for performance compensation deferral period conversion from 3 to 2 years - (\$.2M)
- Data & Subscriptions increased by \$553k or 13%
 - Shift to utilizing more Subscription-Based Information Technology - \$358k
 - Realized savings of around \$500k every 3 to 5 years in hardware costs that are no longer needed for Disaster Recovery or office phone system
 - Maintenance Agreements Costs decreased by \$181k or 37% as the result of this shift
 - New investment research & trade support services - \$139k
 - Additional licenses for team members to have access to various financial data services - \$35k
- Travel Costs increased by \$153k or 16% primarily because of reduced COVID-related restrictions and the anticipation of returning to a more normal travel schedule
- Office space expansion resulted in Lease Expense increasing by \$99k (3%) and Depreciation Expense by \$200k (10%)



FY22 Budget vs. FY21 Budget Continued

- Other Costs increased by \$328k or 9%
 - Contract Services increased by \$414k or 23.8% due to the implementation of E&Y Best Practices recommendations and various development and infrastructure projects
 - Hiring, Recruiting and Relocation increased by \$150k
 - IT Maintenance Service Agreements decreased by \$181k
 - Various other costs decreased by \$55k
- Direct Fund Costs increased by \$851k or 11.8%
 - Legal Expenses increased by \$490k
 - Performance Attribution Costs (MSCI) of \$140k were added
 - Risk Measurement Expenses increased by \$67k
 - Custodian-Related Costs increased by \$77k



Potential Savings Opportunities (\$1.4M)

One-time expenses, temporary redundancies and other cost saving opportunities

- E&Y recommended projects are expected to incur “one-time” expenses.
 - Implement Security Metrics: Define and create the metrics to measure security processes; Budget of \$720k based on high end of estimated project hours; possible to be \$600k
 - Information Classification: Define a data classification strategy and implement it; Budget of \$960k based on estimated project hours, but, with some internal work already completed, may come in around \$600k
- Bloomberg REC module – The REC tool is a screen in Bloomberg that compares UTIMCO’s BNY Mellon Account holdings to Bloomberg AIM holdings for the TAA team. The OAR team is currently building an internal process to accomplish the comparison effectively and efficiently. If achieved, budgeted expenditure of \$55k will not be required
- Barra implementation will run in parallel with existing systems (IFS) for 9 months in FY22. This accounts for \$224k of the total Risk Measurement costs in the “Direct Fund Costs Budget” and will not be included in future budgets.
- Barra should also lead to elimination of FactSet and Bond Edge. Eliminating FactSet and Bond Edge will save \$536k and \$105k annually, respectively.



FY22 Capital Budget

(\$ in thousands)	FY 2021		FY 2022	FY 2022 Budget v FY 2021 Budget		Description
	Budget	Forecast	Budget	\$	%	
Server Room/Telecom/AV Equipment	\$650	\$119	\$30	\$ (620)	-95.4%	Servers, Storage, Audio Video Equipment
Computer Equipment & Software Licenses	250	89	105	(145)	-58.0%	Laptops, Desktops, Monitors, Perpetual Software Licenses
Total Capital Budget before Build-out	\$900	\$208	\$135	\$ (765)	-85.0%	
Leasehold, Furniture & Office Equipment*	3,170	2,775	-	(3,170)	-100.0%	Office expansion build-out and remodel
	\$4,070	\$2,983	\$135	\$ (3,935)	-96.7%	

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

- FY21 Actual Capital Expenditures expected to be \$1.1m below budget due to savings on the office expansion and server/telecom purchases.
- Significant decrease in the Capital Budget going forward expected to be realized from a shift to more subscription-based information technology arrangements (cloud-based) that reduce the need to invest in capital equipment every three years. Expected savings in FY22 of around \$500k in hardware purchases that are no longer necessary due to this transition.



Annual Fee and Allocation Schedule

UTIMCO Management Fee and Direct Budgeted Investment Expenses Annual Fee and Allocation Schedule For the fiscal year ending August 31, 2022

<u>Proposed Budget</u>	<u>Fund Name</u>						<u>Separate</u>	<u>Debt</u>	<u>Total</u>
	PUF	PHF	LTF	GEF	ITF	STF	<u>Funds</u>	<u>Proceeds</u>	
<u>Market Value 4/30/21 (\$ millions)</u>	29,388			19,493	10,045	2,587	245	64	61,822
<u>UTIMCO Management Fee</u>									
Dollars	30,238,367			20,057,046	10,335,661				60,631,074
Basis Points	10.3			10.3	10.3				9.8
<u>Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund</u>									
Dollars	3,943,643	25,272	28,272	2,672,543	1,388,901				8,058,631
Basis Points	1.3	0.2	0.0	1.4	1.4				1.3



Cash Reserves

Projected Cash Reserves at August 31, 2021:

Cash	\$	33,500,000
Prepaid Expenses		1,200,000
Less: Accounts Payable, Accrued Liabilities		(15,500,000)

Expected Cash Reserves at August 31, 2021

2022 Proposed Operating Budget	60,631,074	
Applicable Percentage	25%	15,157,768
Capital Budget Expenditures		135,000
Depreciation Expense		(2,100,000)

Required Cash Reserves at August 31, 2021

Balance Available for Rebate \$ 6,007,232

Conclusion: Rebate \$6M back to the Investment Funds (PUF, GEF, ITF)

- UTIMCO maintains a cash reserve of 25% of the annual operating budget and any excess amounts are returned to the funds
- Conclusion: Rebate \$6 million back to the Investment Funds (PUF, GEF, ITF)



Appendix 1:

Strategic Plan



5-Year Strategic Plan – 2021 Update

Despite increases, UTIMCO budget at or below 10bps of AUM – the low end of peers.

	Approved Budget	Approved Budget	Approved Budget	UTIMCO Projected Budget				
	2019	2020	2021	2022	2023	2024	2025	2026
UTIMCO Personnel Costs:								
Base Salary	15,876,073	17,889,310	18,774,406	20,595,510	23,130,143	24,821,485	26,327,368	27,997,169
		13%	5%	10%	12%	7%	6%	6%
Performance Comp	12,907,738	15,592,053	17,650,560	19,325,805	22,202,057	24,160,649	25,851,133	27,677,327
		21%	13%	9%	15%	9%	7%	7%
Benefits and Taxes	3,884,425	4,736,765	5,060,218	5,598,964	6,357,841	6,869,744	7,318,035	7,655,243
Total UTIMCO Personnel Costs	\$ 32,668,236	\$ 38,218,128	\$ 41,485,184	\$ 45,520,280	\$ 51,690,041	\$ 55,851,879	\$ 59,496,536	\$ 63,329,739
Y-O-Y Increase (%)		17%	9%	10%	14%	8%	7%	6%
Total UTIMCO FTE	98	114	115	122	130	133	135	135
Other UTIMCO Costs:								
Data & Subscriptions	3,209,125	3,647,004	4,088,161	4,452,263	4,921,496	5,136,253	5,452,682	5,589,000
Travel & Meetings	1,242,016	1,333,956	1,015,722	1,324,317	1,446,436	1,516,811	1,578,111	1,617,564
Lease	2,630,324	2,663,724	3,222,992	3,315,000	3,316,000	3,317,000	3,312,000	3,307,000
Depreciation	1,600,000	1,675,000	1,900,000	2,100,000	2,100,000	2,050,000	2,000,000	1,750,000
Other Costs	2,439,310	2,330,884	3,898,152	4,293,559	3,122,648	3,037,215	3,007,270	2,952,827
- Contract Svcs & Maint	900,296	954,801	2,652,612	3,080,000	1,850,000	1,850,000	1,750,000	1,750,000
- Hiring, Relo, Mercer Comp	543,000	474,000	375,600	350,000	380,000	275,000	325,000	250,000
- Legal	215,004	215,004	125,004	100,000	110,000	110,000	110,000	110,000
- Other / Miscellaneous	781,010	687,079	744,936	763,559	782,648	802,215	822,270	842,827
Total Other UTIMCO Costs	11,120,775	11,650,568	14,125,027	15,485,139	14,906,581	15,057,278	15,350,063	15,216,390
Total UTIMCO COSTS	\$ 43,789,011	\$ 49,868,696	\$ 55,610,211	\$ 61,005,419	\$ 66,596,622	\$ 70,909,157	\$ 74,846,599	\$ 78,546,129
Y-O-Y Increase (%)		14%	12%	10%	9%	6%	6%	5%
Bps of AUM	9.80	9.15	9.47	9.68	10.04	10.13	10.17	10.28
Fund Costs								
Custodian Fees	8,947,724	4,100,000	4,200,000	4,400,000	4,600,000	4,800,000	4,800,000	4,800,000
Other	2,577,450	3,001,269	3,008,101	3,127,385	3,252,480	3,382,580	3,517,883	3,658,598
Total Fund Costs	\$ 11,525,174	\$ 7,101,269	\$ 7,208,101	\$ 7,527,385	\$ 7,852,480	\$ 8,182,580	\$ 8,317,883	\$ 8,458,598
Y-O-Y Increase (%)		-38%	2%	4%	4%	4%	2%	2%
Bps of AUM	2.45	1.30	1.23	1.19	1.18	1.17	1.13	1.11
Grand Total UTIMCO Budget	\$ 55,314,185	\$ 56,969,965	\$ 62,818,312	\$ 68,532,804	\$ 74,449,102	\$ 79,091,737	\$ 83,164,482	\$ 87,004,727
Y-O-Y Increase (%)		3%	10%	9%	9%	6%	5%	5%
Bps of AUM	12.25	10.45	10.70	10.88	11.23	11.30	11.30	11.39
Projected AUM (\$B)	\$47	\$55	\$59	\$63	\$66	\$70	\$74	\$76



Strategic Plan Comparison 2019 v. 2021

Strategic Plan updated annually to provide five-year forecast

	<u>2019 Strategic Plan</u>	<u>2021 Plan Update</u>
Actual AUM at time of Plan (\$B)	\$43.2	\$58.5
Projected AUM for end of 2022 (\$B)	\$57.0	\$63.0
Actual FTE at time of Plan	99	115
Projected FTE for end of 2022	127	122
Personnel Expense at time of Plan (\$M)	\$32.6	\$41.5
Projected Personnel Expense at end of 2022 (\$M)	\$48.3	\$45.5
Total UTIMCO Services Budget at time of Plan (\$M)	\$43.8	\$55.6
Projected UTIMCO Services Budget at end of 2022 (\$M)	\$59.9	\$61.0
Total UTIMCO Services Budget at time of Plan (bps)	9.8	9.47
Projected UTIMCO Services Budget at end of 2022 (bps)	10.45	9.68



5-Year Strategic Plan - 2019

	UTIMCO Projected Budget					
	2019	2020	2021	2022	2023	2024
UTIMCO Personnel Costs:						
Base Salary	15,876,073	18,748,097	20,883,879	22,379,064	24,252,130	26,017,209
Performance Comp	12,907,738	16,017,576	19,056,289	20,630,884	22,588,370	24,593,696
Benefits and Taxes	3,884,425	4,387,055	4,886,828	5,236,701	5,674,998	6,088,027
Total UTIMCO Personnel Costs	\$ 32,668,236	\$ 39,152,727	\$ 44,826,995	\$ 48,246,648	\$ 52,515,498	\$ 56,698,932
<i>Y-O-Y Increase (%)</i>		20%	14%	8%	9%	8%
<i>Total UTIMCO FTE</i>	99	115	123	127	130	132
Other UTIMCO Costs:						
Data & Subscriptions	3,209,125	3,369,581	3,538,060	3,714,963	3,900,711	4,095,747
Travel	1,242,016	1,188,180	1,302,607	1,378,592	1,446,436	1,505,407
Lease	2,630,324	2,700,000	2,750,000	2,800,000	2,850,000	2,900,000
Depreciation	1,600,000	1,675,000	1,700,000	1,700,000	1,600,000	1,500,000
Other Costs	2,439,310	2,190,535	2,045,549	2,096,062	2,161,089	2,204,641
- Contract Svcs & Maint	900,296	1,000,000	820,000	840,000	860,000	880,000
- Hiring, Relo, Mercer Comp	543,000	300,000	308,000	315,000	323,000	331,000
- Legal	215,004	90,000	97,000	100,000	116,000	110,000
- Other / Miscellaneous	781,010	800,535	820,549	841,062	862,089	883,641
Total Other UTIMCO Costs	11,120,775	11,123,297	11,336,216	11,689,618	11,958,237	12,205,795
Total UTIMCO COSTS	\$ 43,789,012	\$ 50,276,024	\$ 56,163,211	\$ 59,936,266	\$ 64,473,735	\$ 68,904,727
<i>Y-O-Y Increase (%)</i>		15%	12%	7%	8%	7%
Bps of AUM	9.80	9.87	10.45	10.45	10.51	10.52
Fund Costs						
Custodian Fees	8,947,724	4,501,000	4,950,000	5,445,000	5,989,500	6,588,450
Other	2,577,450	3,001,269	3,121,320	3,246,173	3,376,019	3,511,060
Total Fund Costs	\$ 11,525,174	\$ 7,502,269	\$ 8,071,320	\$ 8,691,173	\$ 9,365,519	\$ 10,099,510
<i>Y-O-Y Increase (%)</i>		-35%	8%	8%	8%	8%
<i>Bps of AUM</i>	2.44	1.47	1.50	1.52	1.53	1.54
Grand Total UTIMCO Budget	\$ 55,314,186	\$ 57,778,293	\$ 64,234,531	\$ 68,627,439	\$ 73,839,255	\$ 79,004,237
<i>Y-O-Y Increase (%)</i>		4%	11%	7%	8%	7%
Bps of AUM	12.24	11.35	11.95	11.97	12.04	12.06
Projected AUM (\$B)	\$47	\$51	\$54	\$57	\$61	\$65



Benchmarking: Summary Metrics

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

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

Agenda Item
UTIMCO Board of Directors Meeting
June 29, 2021

Agenda Item:	Discussion and Appropriate Action Related to CEO's Speaker Role at Various Engagements
Developed By:	Harris
Presented By:	Harris
Type of Item:	Action required by UTIMCO Board
Description:	The UTIMCO Code of Ethics requires the CEO to obtain advance approval from the Board of any outside employment. From time to time, Mr. Harris is asked to speak at various functions and is occasionally offered fees for these engagements. While these fees have been declined in the past, Mr. Harris is requesting prior approval by the Board to accept these fees directly and/or direct these fees to charitable organizations, provided that he obtains written approval from the Chair of Board and prior disclosure of such fees to the Chair of the Audit and Ethics Committee. In addition, these fees will be disclosed by the Chief Compliance Officer in the next scheduled Audit and Ethics Committee meeting.
Recommendation:	Mr. Harris will recommend approval of his external employment as a speaker at various functions.
Reference:	None

**RESOLUTION RELATED TO CEO'S SPEAKER ROLE AT
VARIOUS ENGAGEMENTS**

RESOLVED, that the Board of Directors hereby approves external employment for Mr. Britt Harris, President, CEO and Chief Investment Officer of the Corporation, as a Speaker at various engagements for which he is paid a fee; and be it

FURTHER RESOLVED, that Mr. Harris will obtain approval from the UTIMCO Board Chairman and will disclose nature of the speaking engagement and the fee to the Chair of the Audit and Ethics Committee and the Chief Compliance Officer before accepting the paid speaking engagement; and be it

FINALLY RESOLVED, that the Chief Compliance Officer will determine that the paid speaker engagements meet all requirements of the Code of Ethics prior to Mr. Harris's acceptance of the paid speaking engagement, and will report on such paid speaking engagements at the next scheduled meeting of the Audit and Ethics Committee.