

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA**

March 22, 2022

UTIMCO

210 West 7th Street, Suite 1700

Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the December 9, 2021 Meeting*
9:05 a.m.	9:15 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: -- Designation of Annual Meeting of the UTIMCO Board* -- Election of Corporate Officer* -- Designation of Plan Administrative Committee Member*
9:15 a.m.	9:45 a.m.	3	CEO Update
9:45 a.m.	10:15 a.m.	4	UTIMCO and Market Update
10:15 a.m.	10:35 a.m.	5	Public Equity Presentation
10:35 a.m.	10:55 a.m.	6	Hedge Funds Presentation
10:55 a.m.	11:10 a.m.	7	Human Resources Presentation
11:10 a.m.	11:20 a.m.	8	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2021*
11:20 a.m.	11:25 a.m.	9	Report from Investment Risk Committee
11:25 a.m.	11:30 a.m.	10	Report from Cyber Risk Committee
11:30 a.m.			Adjourn followed by Lunch

* Action by resolution required

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

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

Next Scheduled Meeting: June 10, 2022 (Annual Meeting)

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **December 9, 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 **December 9, 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
Jodie L. Jiles
Janiece Longoria
Ray Nixon
Clifton L. Thomas, Jr.

thus constituting a majority and quorum of the Board. Director James C. "Rad" Weaver was not in attendance. 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; Carolina de Onís, General Counsel and Chief Compliance Officer; Ken Standley, Senior Director – Strategic Partnerships; Gary Hill, Managing Director – Operations, Accounting and Reporting; Kim Bauer, Senior Director – Corporate Accounting; Mike Sjolander, Chief Technology Officer ("CTO"); 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; Robert Cowley and Aaron Dickson of Deloitte & Touche LLP; and Keith Brown of the McCombs School of Business at UT Austin. Chairman Hildebrand called the meeting to order at 9:08 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on September 16, 2021. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on September 16, 2021, be, and are hereby, approved.

Election of Corporate Officer and Amendment to Delegation of Authority Policy

Chairman Hildebrand asked Britt Harris to present a recommendation for the appointment of Rich Hall to the office of Chief Investment Officer of the Corporation. Mr. Harris also presented a change to the Delegation of Authority Policy. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that Richard Hall is appointed to the office of Chief Investment Officer of the Corporation, effective January 1, 2022, to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

FUTHER RESOLVED, that the Amendments to the Delegation of Authority Policy, as recommended, be and hereby is approved in the form submitted to the Corporation's Board of Directors.

Performance and Market Update

Chairman Hildebrand asked Rich Hall to present the Corporation's performance and market update. Mr. Hall reported that as of September 30, 2021, the Corporation had just shy of \$67 billion of assets under management, specifically: \$31.7 billion in the Permanent University Fund ("PUF"), \$20.1 billion in the Long Term Fund ("LTF"), \$1.6 billion in the Permanent Health Fund ("PHF"); \$10.3 billion in the Intermediate Term Fund ("ITF"), \$2.9 billion in the Short Term Fund ("STF"), and \$0.2 billion in Other funds. He discussed the diversification framework as well as returns and alpha followed by a performance comparison to our Trust Universe Comparison Service ("TUCS") peers, noting that we are in the lowest 10 percent in terms of risk and the top 20 percent in terms of returns. Mr. Hall then provided a detailed overview of economic indicators. Next, he discussed the market dashboard and S&P P/E ratio, concentration, and valuation dispersion. He discussed asset allocation returns and reflections on 2021, touching on Special Purpose Acquisition Company IPO activity and inflation. Mr. Hall also provided a Federal Reserve update and an update on China's technology sector and concluded his presentation with a 2022 outlook. He then answered questions from the Board.

Strategic Partnerships Presentation

Chairman Hildebrand asked Ken Standley to present an update on the Strategic Partnerships. Mr. Standley began with an Executive Summary, noting that we are well on our way to target exposures with JP Morgan and BlackRock and our strategic partners are delivering great performance and value-add. He reported that as of September 30, 2021, returns have been nearly 30 percent and exceeding the benchmark by almost 500 basis points. He shared other major accomplishments being the launch of Holistic Tactical Asset Allocation ("HTAA") and two successful summits and gave a brief introduction to the team. He continued with a discussion on performance and attribution and followed with a review of historical strategic partner tactical positioning. He provided a knowledge sharing update and concluded his presentation with a progress summary. He then answered questions from the Board.

Operations Presentation

Chairman Hildebrand invited Gary Hill and Kim Bauer to provide an overview of the Operations teams and their responsibilities. Mr. Hill began with an introduction of the Operations, Accounting and Reporting (“OAR”) team and complimented their talent and capabilities. He shared that the OAR team works across a multitude of teams and external parties to account for all assets managed by UTIMCO. The team also reports net asset value and performance information as well as Investment Fund reporting. The OAR team also manages reporting for Individual Endowment Accounts and maintains master securities files. Mr. Hill also discussed the efforts of the Operational Due Diligence team as well as Document Management, who he noted manages over 32,000 documents tagged and stored in the Data Repository per year. He concluded by recognizing the talent and efforts of the team before turning the presentation over to Ms. Bauer. Ms. Bauer began with an introduction to the four-member Corporate Accounting team and highlighted some of the responsibilities related to corporate business. She reviewed the teams’ management of general ledger accounting, budget and strategic planning, financial and tax reporting, corporate travel coordination, corporate insurance management as well as employee payroll and benefits. Ms. Bauer concluded by reporting on clean audits and taking questions from the Board.

Information Services & Security Presentation

Chairman Hildebrand invited Mike Sjolander to provide an overview of the Information Services & Security teams and their responsibilities. Mr. Sjolander began with an executive summary consisting of transforming the ISS team, talent management, a focus on customer service, and delivering on agreements. Next, he introduced the Information Services and Security team and highlighted organizational changes and additions that have contributed to team functional alignment. Mr. Sjolander also discussed roles and projects within the team as well as strategic imperatives. He also provided an overview of major accomplishments in 2021 as well as upcoming projects. He asked Mr. Hill to give an introduction of the Modernization Legacy Applications (“MLA”) which is a project covering 41 applications that require core code rewrite and will add minor feature enhancements, modern user interface and updated security. Mr. Sjolander followed with a detailed description of one of the MLAs, the Endowment Reporting application, reviewing the new design and enhancements. He then answered questions from the Board.

Legal and Compliance Presentation

Chairman Hildebrand asked Carolina de Onís to provide an update on Legal and Compliance. Mrs. de Onís began with a background of the previous team setup and the current cultural reorientation. She discussed the increased collaboration, communication, and cross-training under “One Team” and discussed the compliance redesign to focus on material risks, clarity and simplicity in monitoring and reporting. Next, she discussed the teams’ incorporation of servant leadership principles into their practice. She introduced the team and their roles within the organization, noting a majority of their work is done in-house. Mrs. de Onís concluded her presentation with the strategic priorities in place for 2022.

Report from Audit and Ethics Committee

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on December 2, 2021. At the meeting, the Committee considered three action items: the minutes of its September 8, 2021 meeting were approved as drafted; Deloitte & Touche LLP's Audit Results and Communications for the PUF, The University of Texas General Endowment Fund ("GEF"), PHF, LTF, ITF (collectively, the "Investment Funds") for the fiscal year ended August 31, 2021, were approved; the audit reports for the Investment Funds and the Statement of Investment Performance Statistics for the fiscal year ended August 31, 2021 were approved.

Director Handley asked Mr. Robert Cowley of Deloitte & Touche LLP to provide a brief report to the Board on the audits of the Investment Funds. After Mr. Cowley's presentation, Director Handley reported that the Committee also received an update on UTIMCO's compliance, reporting and audit matters, a report on new contracts, and the annual report of all contracts over \$250,000. She requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to the audits of the Investment Funds for Fiscal Year 2021. 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 Communication Letter on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2021, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2021, and August 31, 2020, and the Statement of Investment Performance Statistics for the year ended August 31, 2021, be, and are hereby approved in the form as presented to the Board.

Report from Investment Risk Committee

Chairman Hildebrand asked Director Handley to provide a report from the Investment Risk Committee. Director Handley reported that the Investment Risk Committee met via teleconference on December 2, 2021. The Committee approved the minutes of its September 8, 2021 meeting. The Committee also received a report on compliance matters for the quarter ended August 31, 2021, and a market and portfolio risk update.

Report from Cyber Risk Committee

Chairman Hildebrand asked Director Rothrock to provide a report from the Cyber Risk Committee. Director Rothrock reported that the Cyber Risk Committee met via teleconference on December 2, 2021. The

Committee approved the minutes of its September 8, 2021 meeting. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology.

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 deliberate individual personnel compensation matters, including the CEO and Chief Investment Officer pursuant to *Texas Government Code* Section 551.074. The date is December 9, 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 December 9, 2021, and the time is now 11:36 a.m. During the Executive Session, the Board deliberated individual compensation matters, including the CEO and Chief Investment Officer, but no action was taken, nor decisions made, and no vote was called for or had by the Board in Executive Session."

Report from Compensation Committee

Chairman Hildebrand asked Director Nixon to provide a report from the Compensation Committee. Director Nixon stated that the Compensation Committee (the "Committee") met on December 2, 2021 and December 9, 2021. At its meetings on December 2, 2021, the Committee approved the minutes of its September 8, 2021 meeting. The Committee also met in executive session to discuss performance awards for the CEO and other UTIMCO Compensation Program ("Plan") Participants for the Performance Period ended June 30, 2021, but no action was taken at that meeting.

At its December 9, 2021 meeting, the Committee approved the minutes of its December 2, 2021 meeting, convened in executive session to discuss the Performance Awards for Plan Participants, including the CEO, for the Performance Period ended June 30, 2021, and approved these Performance Awards, subject to approval by the Board.

Director Nixon recommended two resolutions for approval by the Board. The first resolution related to the Performance Award for the CEO for the Performance Period ended June 30, 2021, and the second resolution related to the Performance Awards for all other Plan Participants for the Performance Period ended June 30, 2021. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each Performance Period, the Board will approve the Performance Award of the CEO based upon a determination of the level of

achievement of the CEO with respect to his or her Performance Standards for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the CEO's Performance Award for the Performance Period ended June 30, 2021, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Compensation Committee's recommendation of the CEO's Performance Award for the Performance Period ended June 30, 2021.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Award for the Performance Period ended June 30, 2021, in the amount of \$3,062,772.

And,

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the Performance Period ended June 30, 2021, of his or her Performance Standards for such Performance Period; and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Awards for all Participants who have met or exceeded their performance benchmarks for the Performance Period ended June 30, 2021, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended June 30, 2021, in the total aggregate amount of \$16,263,379 and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended June 30, 2020, 28.9% (\$4,697,804) will be deferred pursuant to the Plan.

Concluding Remarks

Chancellor Milliken expressed his appreciation for the Board and the UTIMCO Team for all they do on behalf of UT System and congratulated UTIMCO on a successful year.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:40 a.m.

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item:	Discussion and Appropriate Action Related to Corporate Resolutions: (1) Designation of Annual Meeting of the UTIMCO Board; (2) Election of Corporate Officer; and (3) Designation of Plan Administrative Committee Member
Developed By:	Moeller
Presented By:	Hildebrand, Harris
Type of Item:	Action required by UTIMCO Board
Description:	<p>Chairman Hildebrand will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on June 10, 2022.</p> <p>Mr. Harris will request that Ken Reeves be appointed an officer of the Corporation. Managing Directors are considered officers of the Corporation. Mr. Reeves was hired as Managing Director – Human Resources effective December 13, 2021.</p> <p>Mr. Harris will recommend the appointment of Mr. Reeves to the Plan Administrative Committee. The Corporation maintains two deferred compensation plans for employees, the UTIMCO 403(b) Tax Sheltered Annuity Plan available to all employees and the UTIMCO 457(b) Deferred Compensation Plan for a select group of management and highly compensated employees (the “Plans”). General administration of the Plans is vested in a Plan Administrative Committee (“Committee”) of UTIMCO employees appointed by the UTIMCO Board. Mr. Harris, Rich Hall, Mike Dean, Joan Moeller and Kim Bauer are currently members of the Committee and will remain on the Committee except for Mr. Dean who will exit upon his retirement from UTIMCO in June 2022.</p>
Recommendation:	Chairman Hildebrand will recommend approval of the designation of the annual meeting and Mr. Harris will request that the Board approve the appointment of Mr. Reeves as a corporate officer and be designated as a member of the Plan Administrative Committee for both Plans.
Reference:	None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on June 10, 2022, in Austin, Texas.

RESOLUTION RELATED TO CORPORATION OFFICER

RESOLVED, that Ken Reeves is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

RESOLUTION RELATED TO PLAN ADMINISTRATIVE COMMITTEE

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

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item: CEO Update

Developed By: Harris, Wright

Presented By: Harris

Type of Item: Information Item

Description: Mr. Harris will present an update on UTIMCO and priorities.

Reference: *CEO Report* presentation



CEO Report

Britt Harris
CEO and President

March 22, 2022



CEO Report

Market Comments on New Regime

- Update on Super Factors

San Jacinto Project

UTIMCO Priorities

Organization Report

- Succession Planning
- Health Survey Results
- Training and Diversity

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item: UTIMCO 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, Chief Investment Officer

March 22, 2022

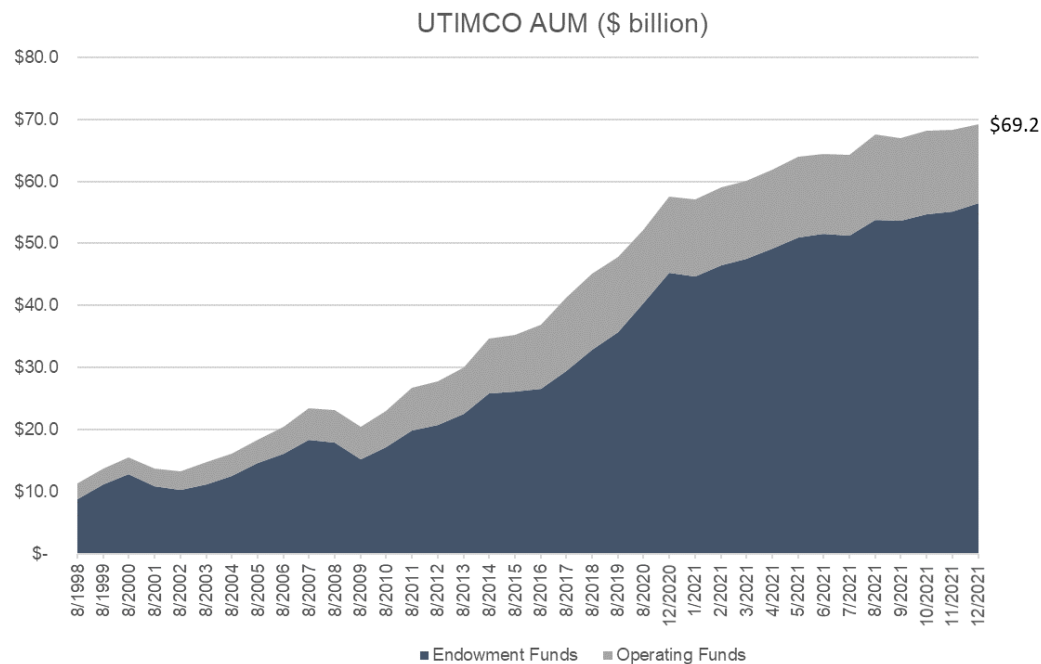
UTIMCO Performance





Growth in Assets Under Management (AUM)

Total Assets through December 31, 2021



12 Month Change in AUM

	\$ Billion
Beginning Net Asset Value	57.5
Contributions	3.9
Net Investment Income	10.0
Distributions	-2.2
Ending Net Asset Value	69.2

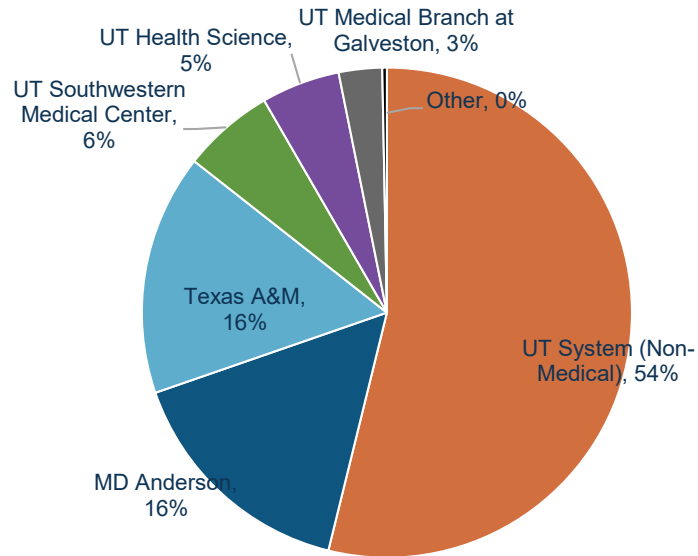
10 Year Change in AUM

	\$ Billion
Beginning Net Asset Value	25.7
Contributions	22.6
Net Investment Income	36.4
Distributions	-15.5
Ending Net Asset Value	69.2

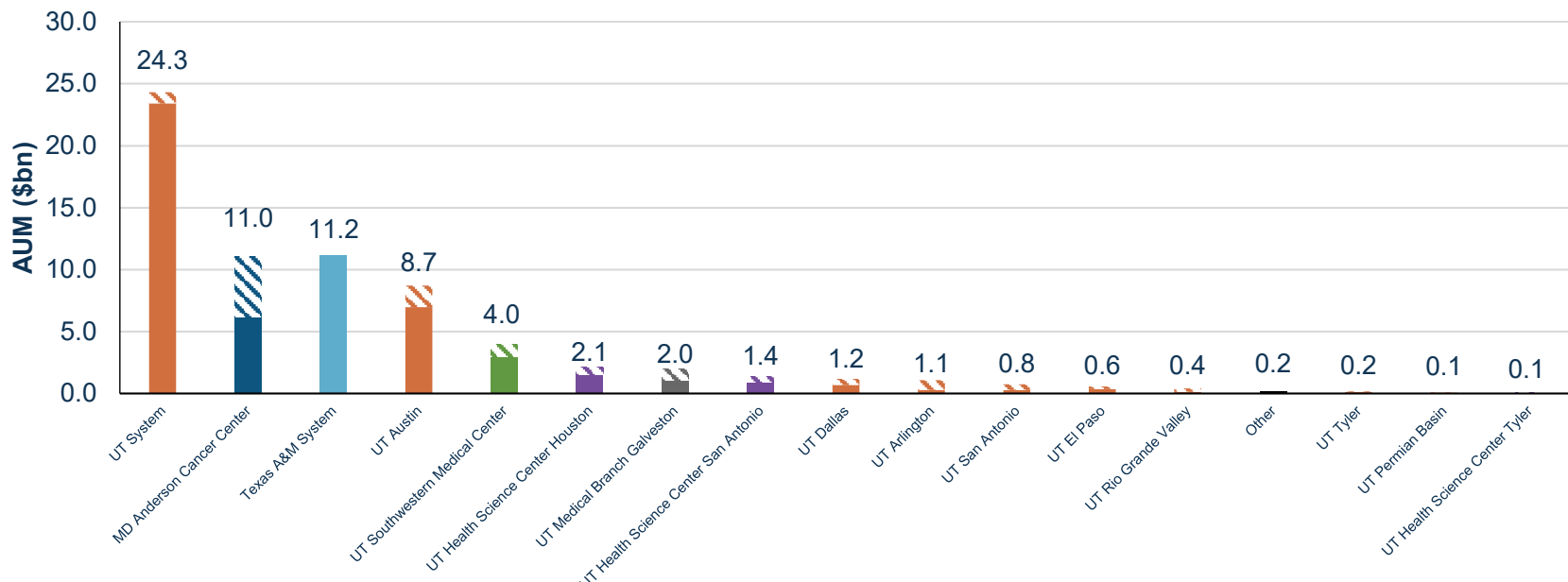
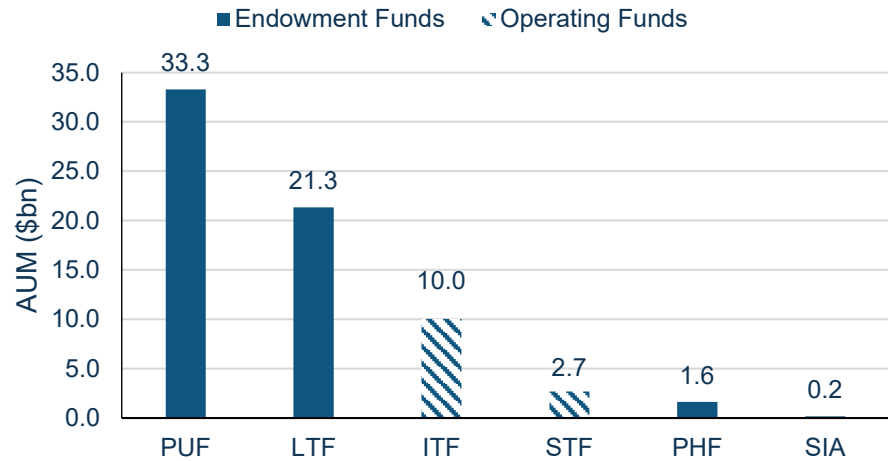


AUM by Institution

As of December 31, 2021

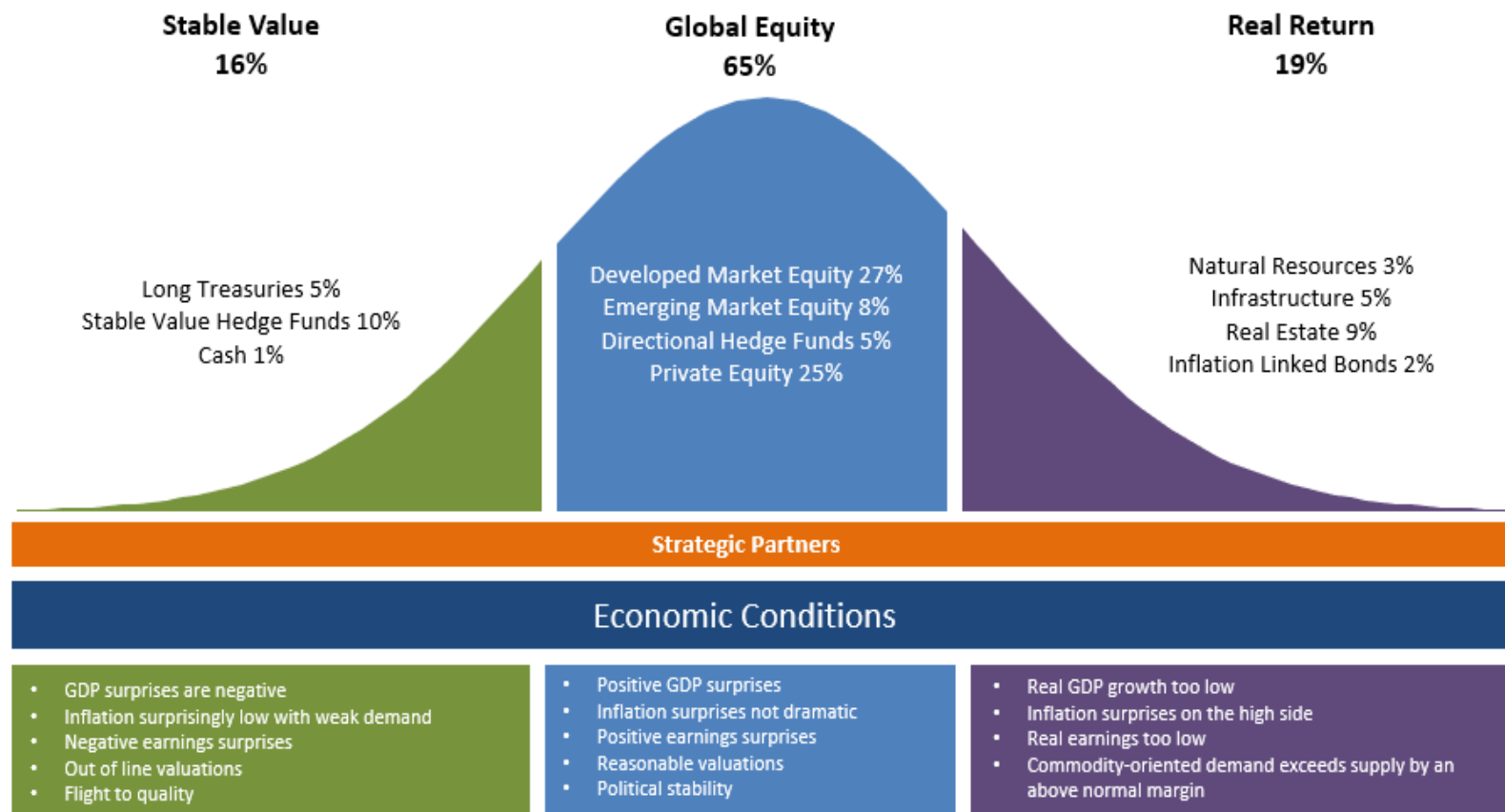


AUM by Fund





UTIMCO Diversification Framework



*LTSAA Policy Weights

Annualized Returns		
1 Yr	3 Yr	10 Yr
2.7	5.3	2.7

Annualized Returns		
1 Yr	3 Yr	10 Yr
27.5	22.8	12.7

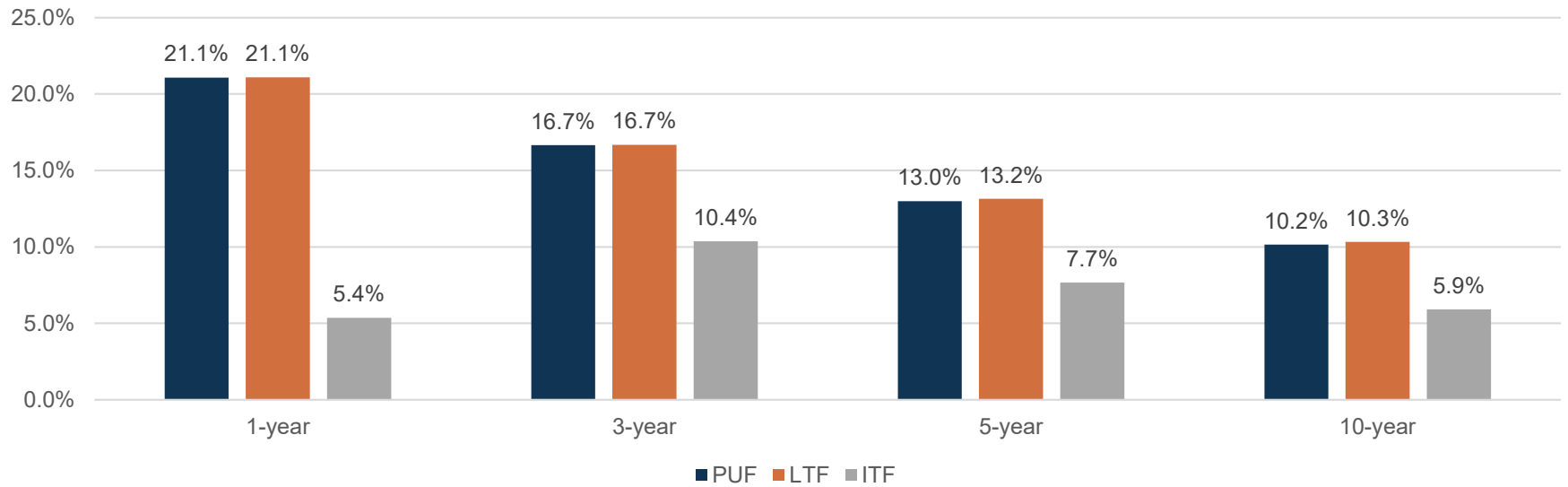
Annualized Returns		
1 Yr	3 Yr	10 Yr
21.7	7.7	6.6



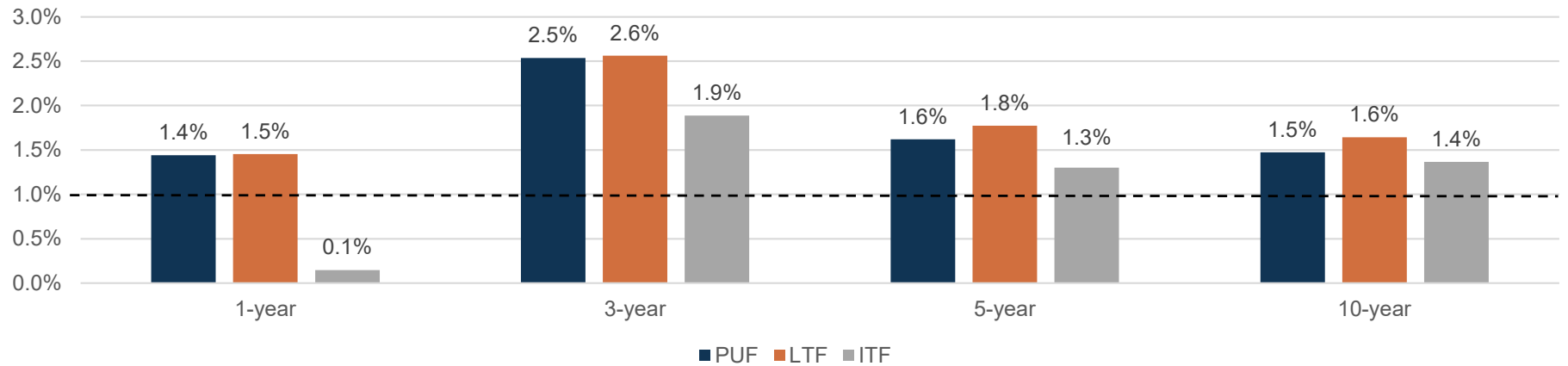
UTIMCO Returns and Alpha

As of December 31, 2021

Total Net Returns



Outperformance vs. Benchmarks





Endowment Returns and Alpha Detail

As of December 31, 2021

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	9.6%	(5.8%)	21.3%	2.6%	16,898	30.0%	1.9%
	Directional Hedge Funds	9.9%	2.8%	12.0%	3.4%	4,354	7.7%	-0.6%
	Total Private Equity	62.5%	18.4%	28.8%	5.3%	14,547	25.9%	-1.3%
	Total Global Equity	27.5%	3.6%	22.8%	3.6%	35,799	63.6%	0.0%
Stable Value	Investment Grade Fixed Income	-1.6%	-0.2%	5.1%	1.0%	3,814	6.8%	1.0%
	Credit Related Fixed Income	-1.3%	-2.3%	6.5%	-0.2%	38	0.1%	0.1%
	Long Treasuries					423	0.8%	0.0%
	Cash	0.0%	(0.0%)	0.9%	(0.1%)	419	0.7%	-0.3%
	Stable Value Hedge Funds	9.2%	(0.1%)	8.0%	0.8%	5,197	9.2%	-0.2%
	Total Stable Value	2.7%	(1.7%)	5.3%	(0.5%)	9,869	17.5%	0.6%
Real Return	Inflation Linked Bonds	5.9%	(0.1%)	0.0%	0.0%	1,012	1.8%	0.0%
	Natural Resources	24.8%	-4.8%	(1.0%)	1.3%	2,631	4.7%	-0.1%
	Infrastructure	27.9%	13.7%	22.4%	12.8%	1,273	2.3%	0.0%
	Real Estate	21.1%	-1.7%	9.8%	0.5%	3,544	6.3%	-0.1%
	Total Real Return	21.7%	-0.4%	7.7%	2.4%	8,460	15.0%	-0.2%
Strategic Partnerships	Total Strategic Partnerships	11.9%	0.2%			2,157	3.8%	-0.4%
TAA	TAA	0.0%	0.0%	0.1%	0.1%			
Total Fund	Endowment Total	21.1%	1.4%	16.7%	2.5%	56,285	100.0%	0.0%



UTIMCO Returns and Alpha by Asset Class - ITF

December 31, 2021

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	8.4%	(5.9%)	20.9%	2.4%	1,331	13.3%	-0.1%
	Directional Hedge Funds	9.9%	2.8%	12.0%	3.4%	4,118	41.0%	-0.3%
	Total Global Equity	9.6%	0.8%	14.8%	3.3%	5,449	54.3%	-0.4%
Stable Value	Investment Grade Fixed Income	-1.5%	-0.1%	5.1%	1.0%	3,106	30.9%	2.3%
	Long Treasuries					137	1.4%	0.0%
	Cash	-4.9%	(5.0%)	-4.2%	(5.2%)	23	0.5%	-1.5%
	Stable Value Hedge Funds	8.7%	(0.5%)	8.2%	1.0%	975	9.7%	-0.3%
	Total Stable Value	0.0%	(0.4%)	4.8%	0.5%	4,240	42.2%	0.2%
Real Return	Inflation Linked Bonds					171	1.7%	0.0%
	Commodities					87	0.9%	0.0%
	Real Estate					91	0.9%	0.1%
	Total Real Return					349	3.5%	0.1%
Total Fund	ITF Total	5.4%	0.1%	10.4%	1.9%	10,038	100.0%	0.0%

Market Update





Economic Indicators

Estimates as of 3/14/22

	Real GDP		S&P 500 EPS		Unemployment		Core PCE	
	2022	2023	2022	2023	2022	2023	2022	2023
AGMR	4.2%		\$227		3.2%		3.4%	
Barclays	3.5%	2.3%	\$235		3.7%	3.4%	4.4%	2.1%
BofA	3.3%	1.9%	\$220		3.2%	3.2%	4.3%	2.6%
Citi	3.3%	2.1%	\$226		3.5%	3.5%	4.8%	2.6%
Credit Suisse	3.5%		\$235	\$255	3.4%		4.3%	
Goldman	2.9%	2.2%	\$221	\$233	3.5%	3.2%	3.9%	2.4%
ISI	3.0%	3.0%	\$228	\$252	3.5%		4.0%	3.0%
JP Morgan	3.3%	2.3%	\$240	\$250	3.4%	3.3%	4.8%	2.8%
Morgan Stanley	4.5%	3.7%	\$227	\$245	3.1%	3.0%	4.3%	2.3%
PIMCO	3.9%	2.5%			3.5%	3.3%	2.2%	2.0%
UBS	2.6%	2.0%	\$242	\$252	3.4%	3.3%	2.6%	2.0%
Yardeni	3.2%		\$225	\$250	3.4%		5.6%	

Median	3.3%	2.3%	\$227	\$250	3.4%	3.3%	4.3%	2.4%
Average	3.4%	2.4%	\$230	\$248	3.4%	3.3%	4.1%	2.4%
FOMC	4.0%	2.2%			3.5%	3.5%	2.7%	2.3%

2020	2021	2020	2021	2020	2021	2020	2021
-3.4%	5.7%	\$142	\$208	6.7%	3.9%	1.5%	4.9%



Market Dashboard: CY2021 and YTD 2022

Rates

	12/31/2020	12/31/2021	Change 2021	YTD 3/11/2022	Change YTD
Fed Funds	0.25	0.25	0.00	0.25	0.00
2-yr Treasury	0.12	0.73	0.61	1.75	1.02
5-yr Treasury	0.36	1.26	0.90	1.95	0.68
10-yr Treasury	0.91	1.51	0.60	1.99	0.48
30-yr Treasury	1.64	1.90	0.26	2.35	0.45
Investment Grade Bonds	1.83	2.34	0.51	3.39	1.05
High Yield	4.59	4.61	0.02	6.26	1.65

Equities

	12/31/2020	12/31/2021	Change	3/11/2022	Change
S&P 500	3,756	4,766	29%	4,204	-12%
Forward P/E	22.6x	21.4x	-1.2x	18.3x	-3.1x
Trailing P/E	30.7x	24.6x	-6.1x	21.6x	-3.0x
Shiller P/E	30.8x	38.1x	7.3x	31.2x	-6.9x
Forward Earnings Yield	4.4%	4.7%	0.2%	5.5%	0.8%
Nasdaq	12,888	15,645	22%	12,844	-18%
MSCI Europe	132	162	17%	143	-14%
MSCI Japan	1,106	1,232	2%	1,102	-12%
MSCI China	109	84	-22%	68	-19%
Developed: MSCI World	8,008	9,756	22%	8,595	-12%
Emerging: MSCI EM	624	608	-3%	537	-12%
Global: MSCI ACWI	328	389	19%	343	-12%

Inflation

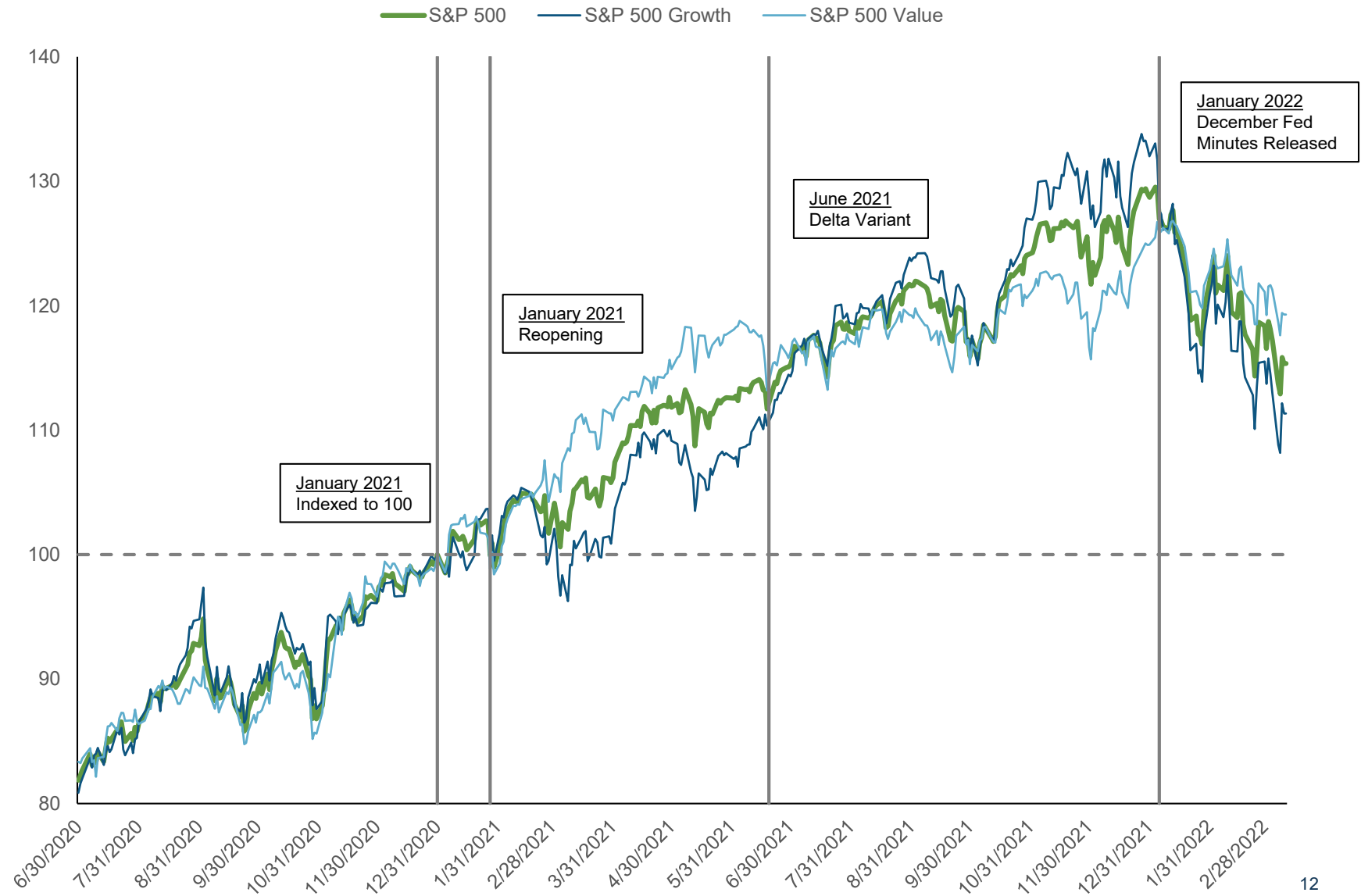
	12/31/2020	12/31/2021	Change	3/11/2022	Change
5-yr TIPS	-1.63	-1.66	-0.03	-1.66	0.00
5-yr TIPS Breakeven	2.0	2.9	0.9	3.6	0.7
10-yr TIPS	-1.09	-1.10	-0.01	-0.98	0.12
10-yr TIPS Breakeven	2.0	2.6	0.6	3.0	0.4

Commodities

	12/31/2020	12/31/2021	Change	3/11/2022	Change
Gold	1,898	1,829	-4%	1,988	9%
Oil	49	75	55%	109	45%
Copper	352	446	27%	459	3%
Bloomberg Commodities Index	167	212	27%	270	28%

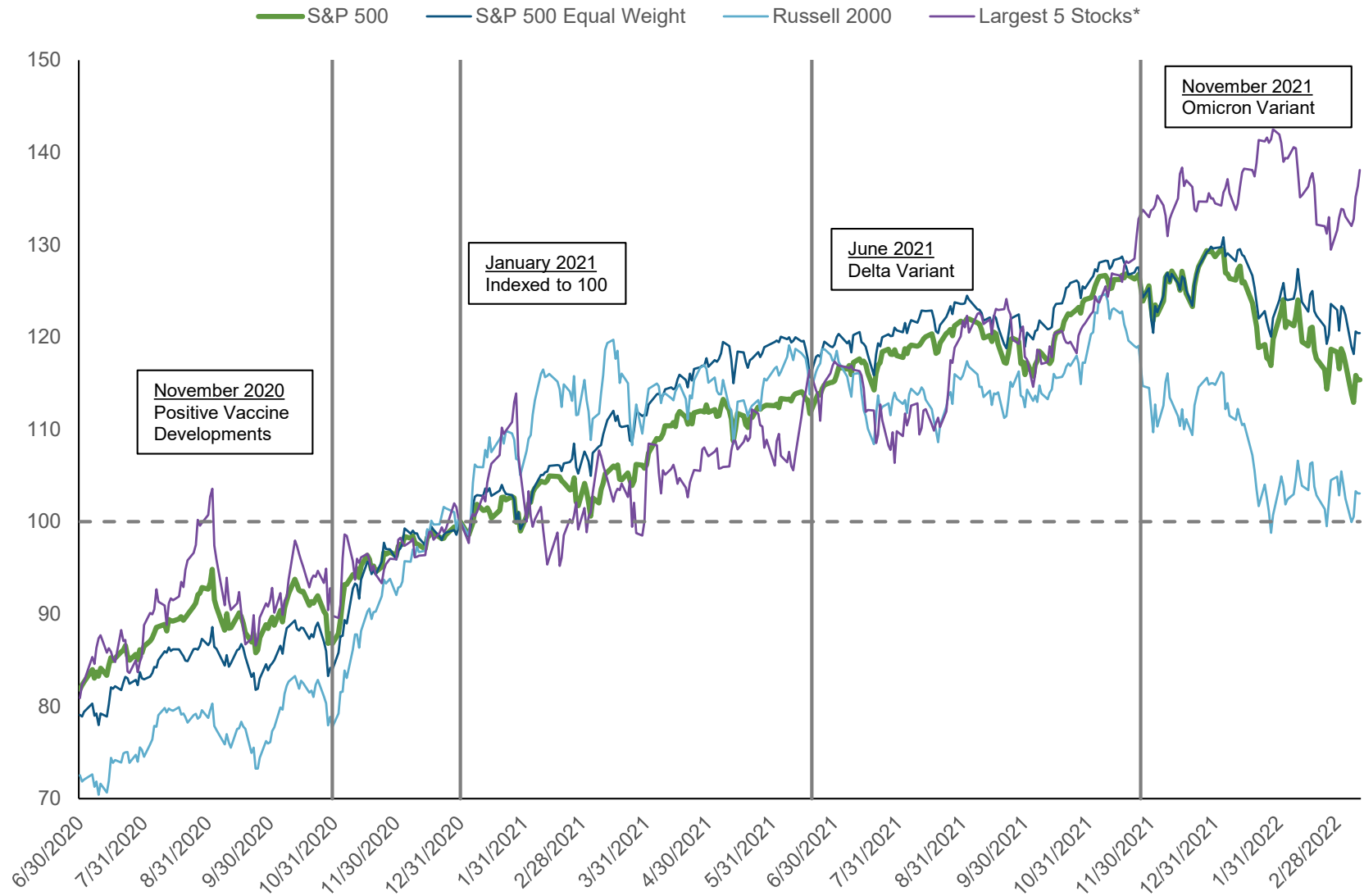


US Equity Market Performance





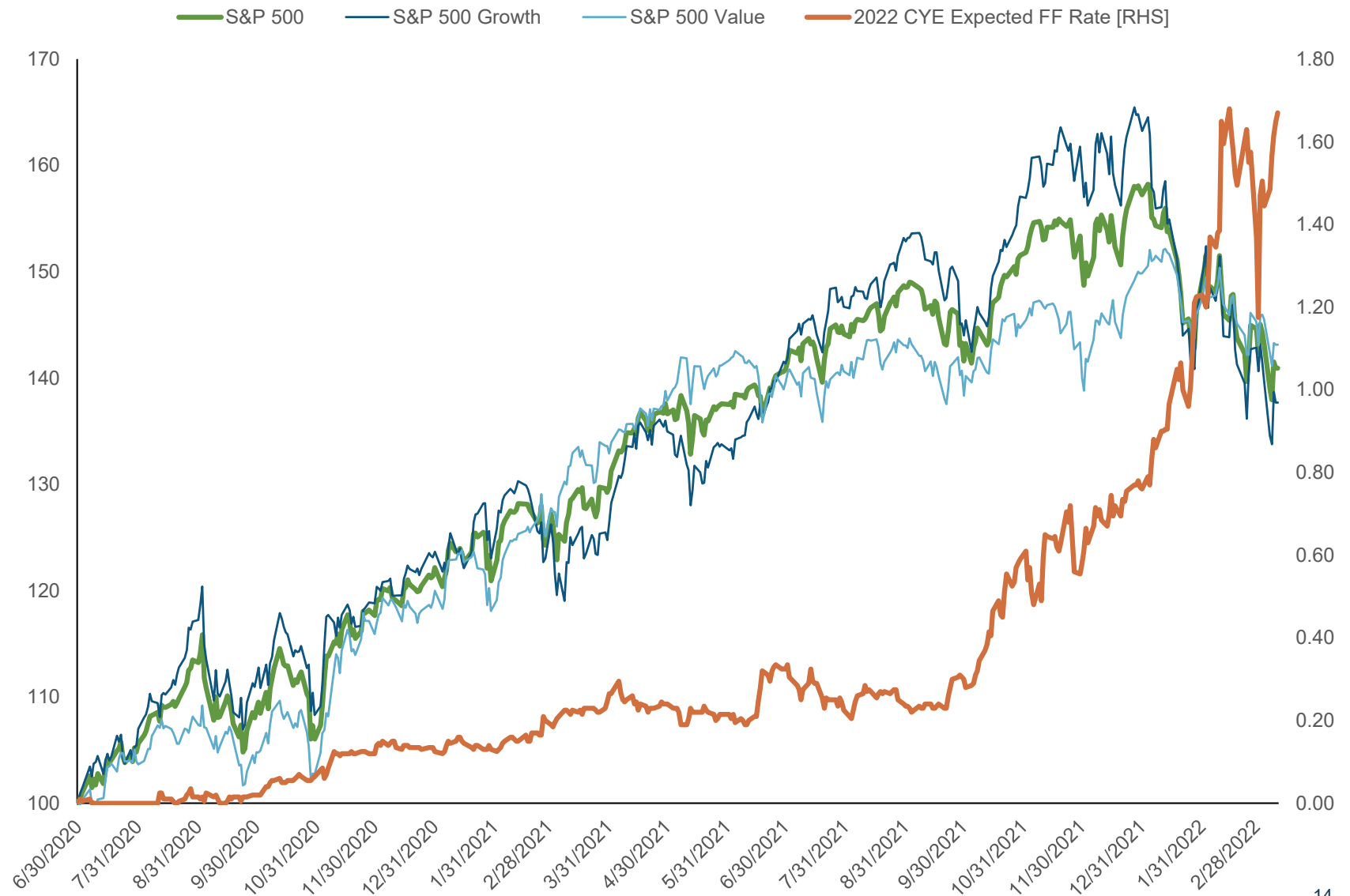
US Equity Market Performance



* Market-cap weighted return of the 5 largest stocks as of 1/1/2021 (Apple, Microsoft, Amazon, Google, and Meta)



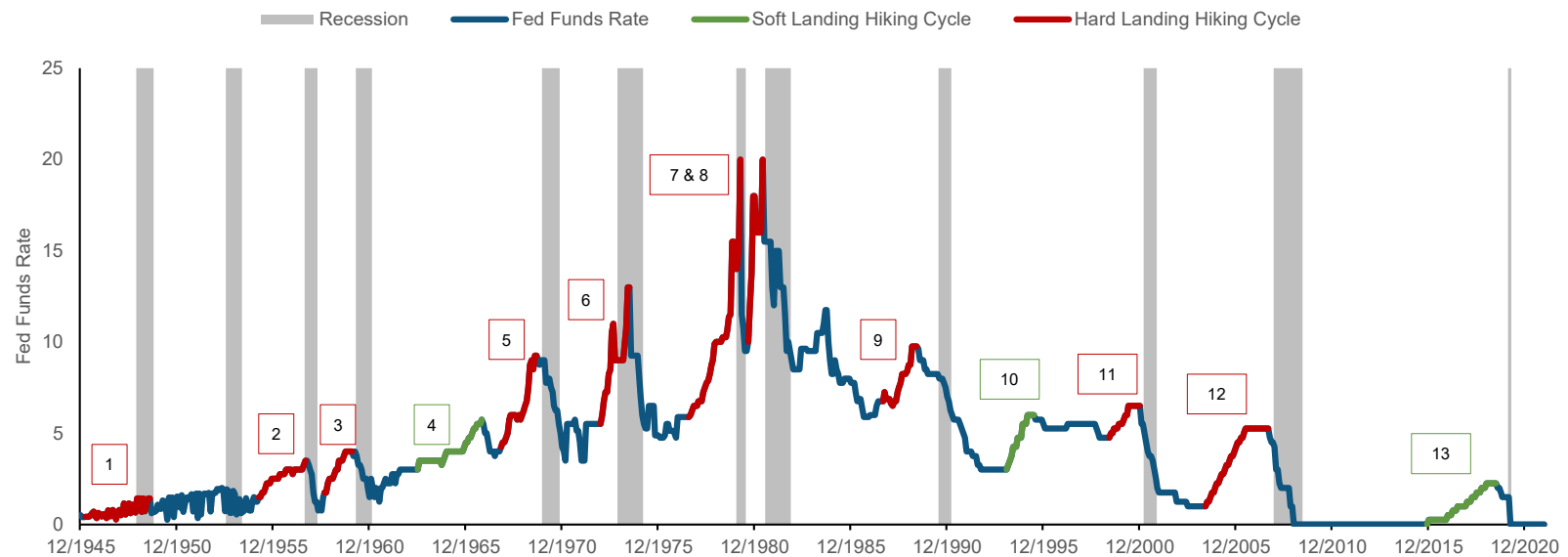
US Equity Market vs. Rate Hike Expectations





Rate Hike Cycles

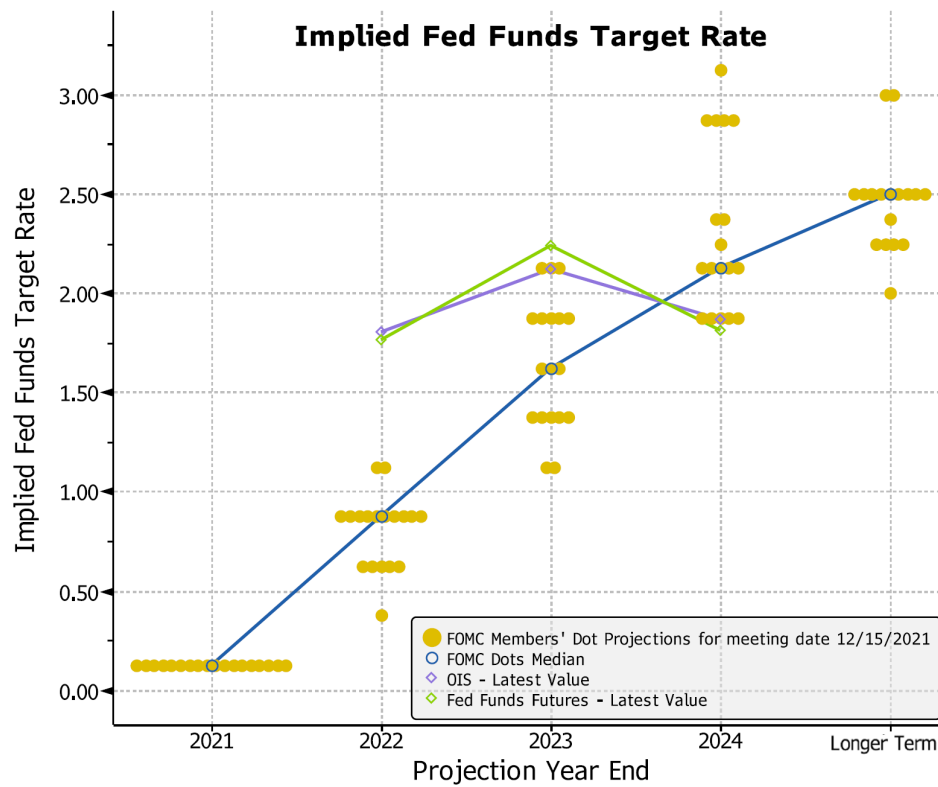
Hiking Cycle	Date of First hike	Pace of Cycle	Number of Hikes	Starting Fed Funds Rate (%)	Ending Fed Funds Rate (%)	Fed Funds Change (%)	Recession Start Date	Months to Recession Start From First Hike
1	4/25/1946	Slow	4.0	0.41	1.41	+1.00	11/1/1948	31
2	4/15/1955	Slow	8.0	1.50	3.50	+2.00	8/1/1957	28
3	9/12/1958	Slow	7.0	1.75	4.00	+2.25	4/1/1960	19
4	7/17/1963	Slow	11.0	3.00	5.75	+2.75	-	-
5	11/20/1967	Fast	14.0	4.25	9.25	+5.00	12/1/1969	25
6	1/15/1973	Fast	10.0	5.50	13.00	+7.50	11/1/1973	10
7	8/31/1977	Slow	20.0	6.00	20.00	+14.00	1/1/1980	29
8	9/26/1980	Fast	4.0	10.00	20.00	+10.00	7/1/1981	10
9	9/4/1987	Fast	9.0	6.75	9.75	+3.00	7/1/1990	34
10	2/4/1994	Fast	7.0	3.00	6.00	+3.00	-	-
11	6/30/1999	Fast	6.0	5.00	6.50	+1.50	3/1/2001	21
12	6/30/2004	Fast	17.0	1.25	5.25	+4.00	12/1/2007	42
13	12/16/2015	Slow	9.0	0.00	2.25	+2.25	-	-
Average		-	9.7	3.72	8.20	+4.48	-	25





Current Expectations for Hikes in 2022-2024

Fed Dot Plot (Dec 2021)

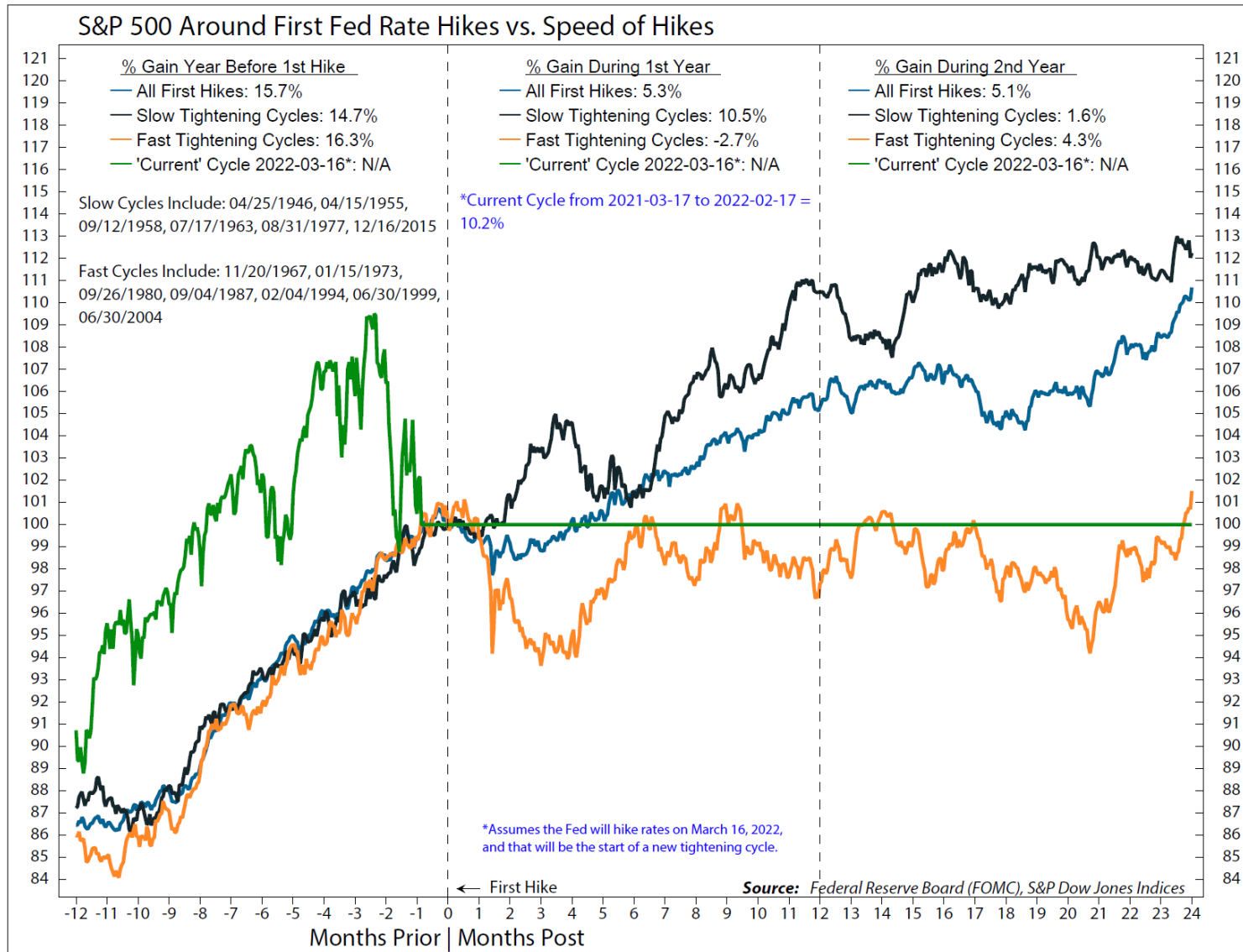


Fed Fund Futures





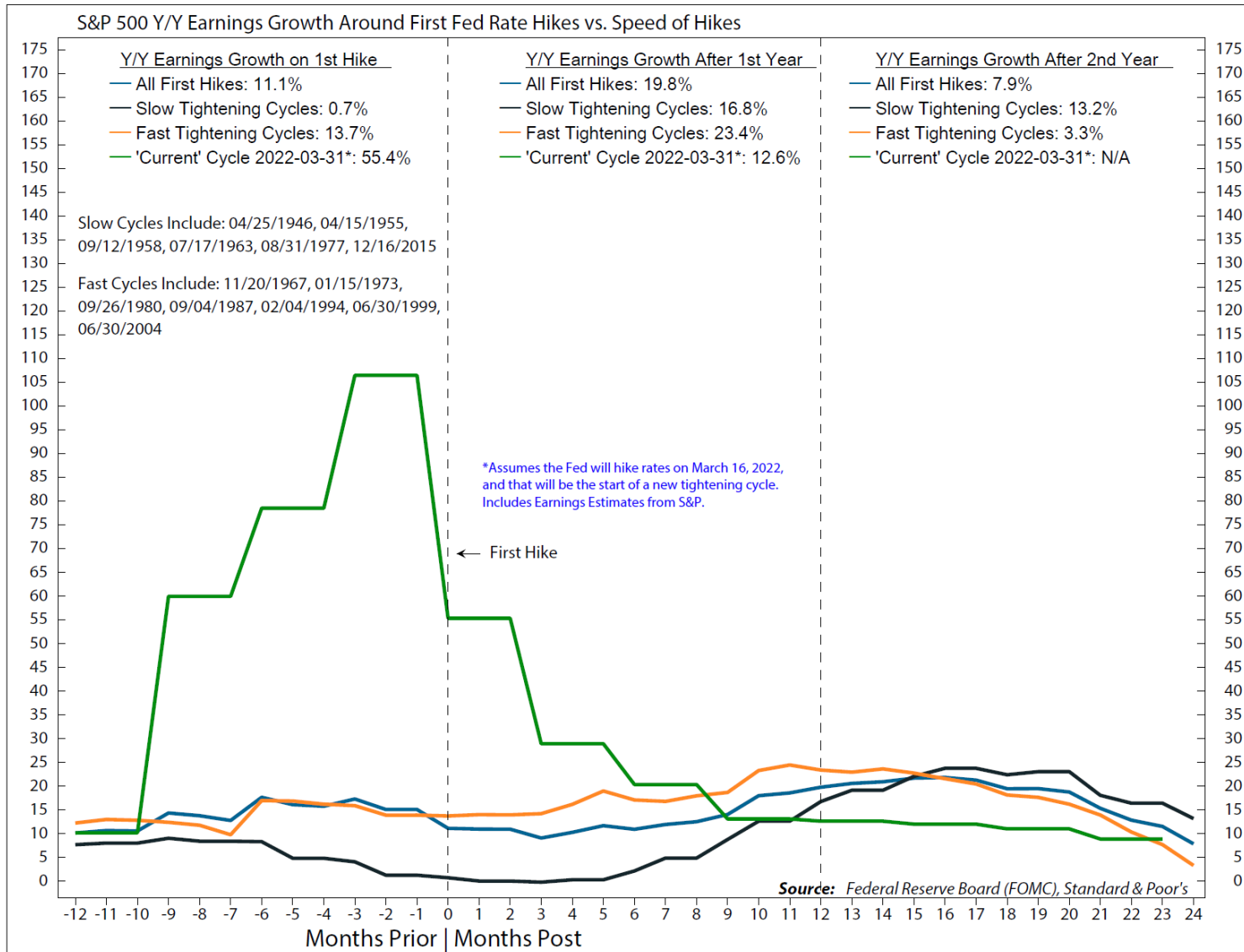
S&P Around First Fed Hike vs. Speed of Hikes



Source: Ned Davis Research



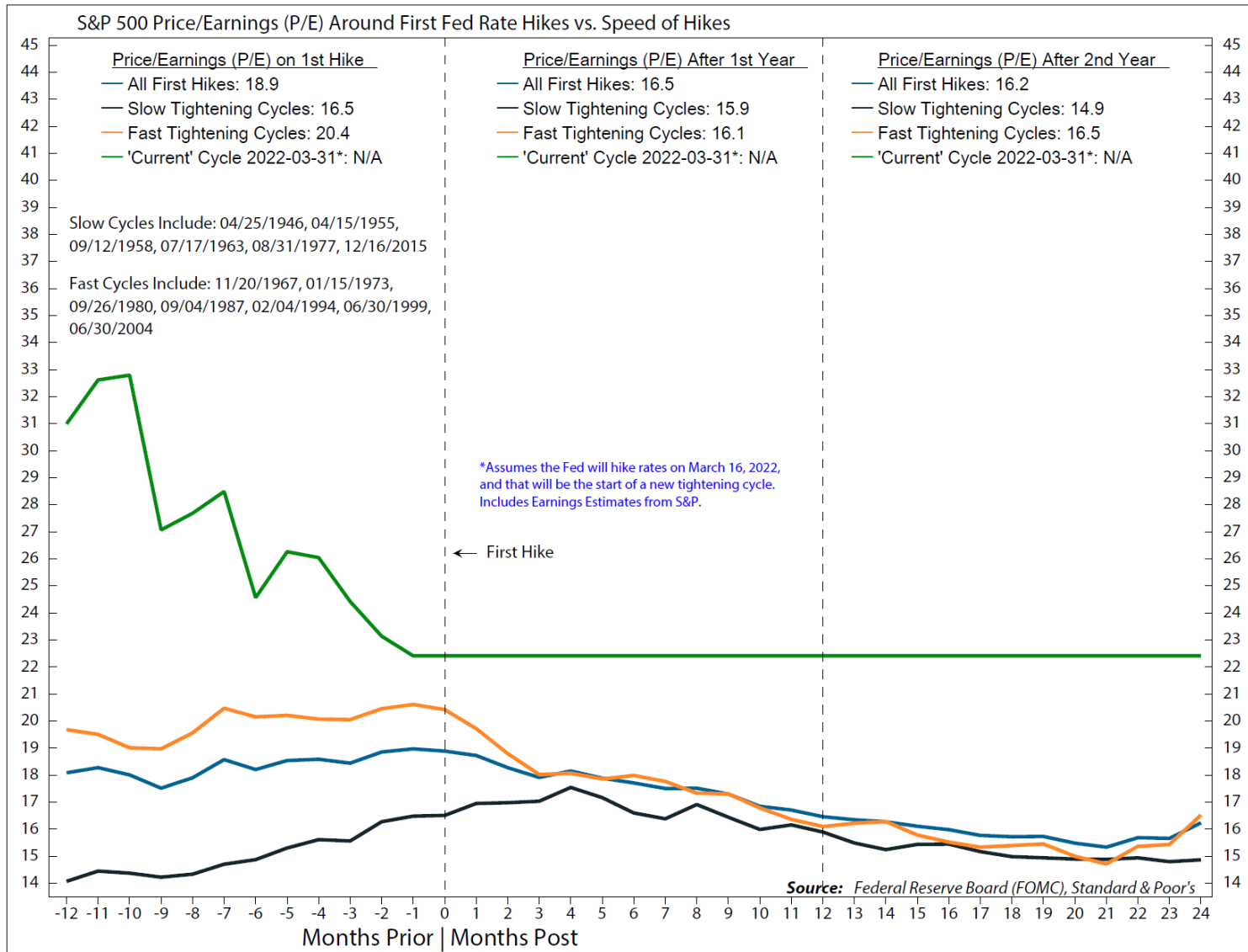
Y/Y Earnings Growth After Rate Hikes



Source: Ned Davis Research



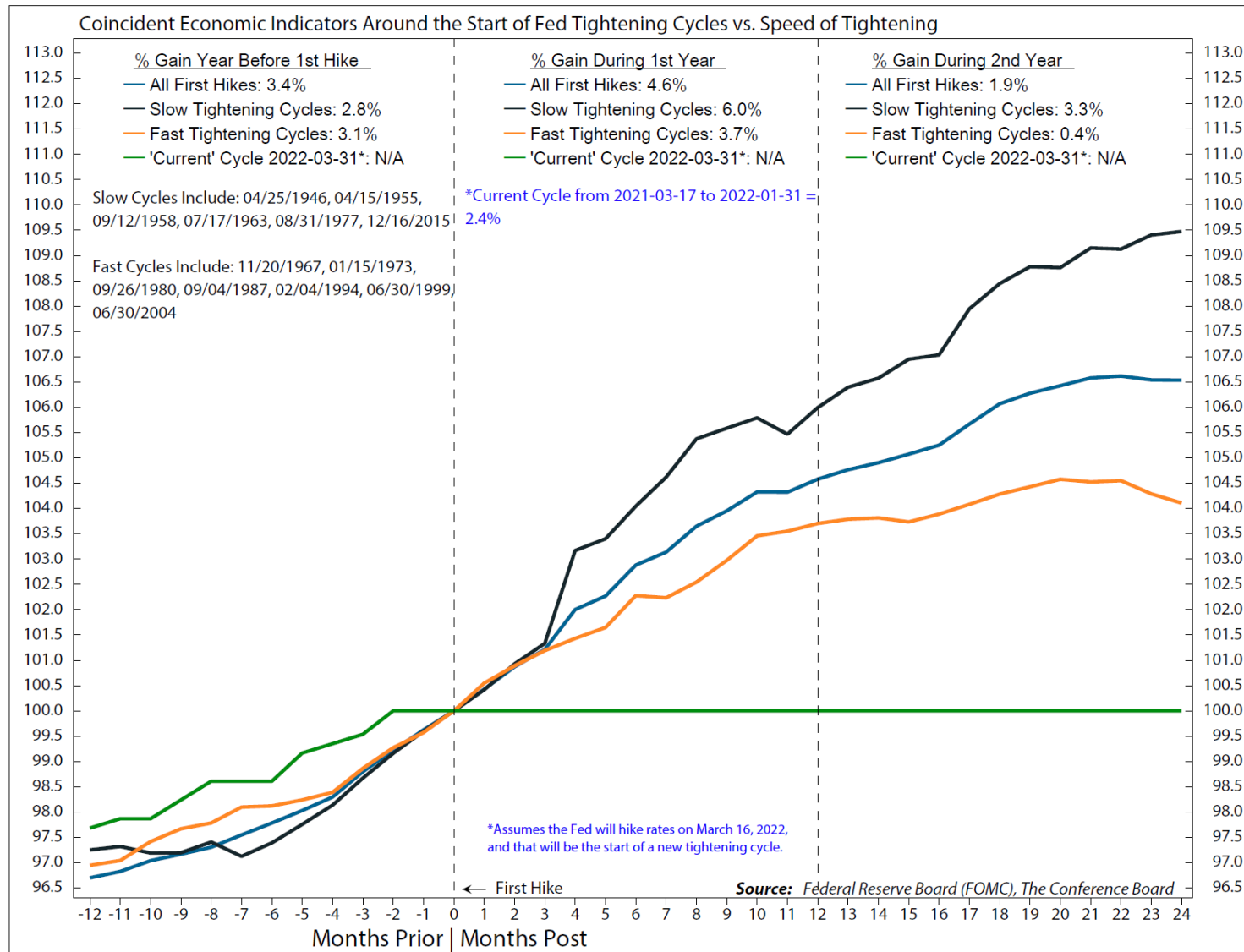
Y/Y P/E After Rate Hikes



Source: Ned Davis Research

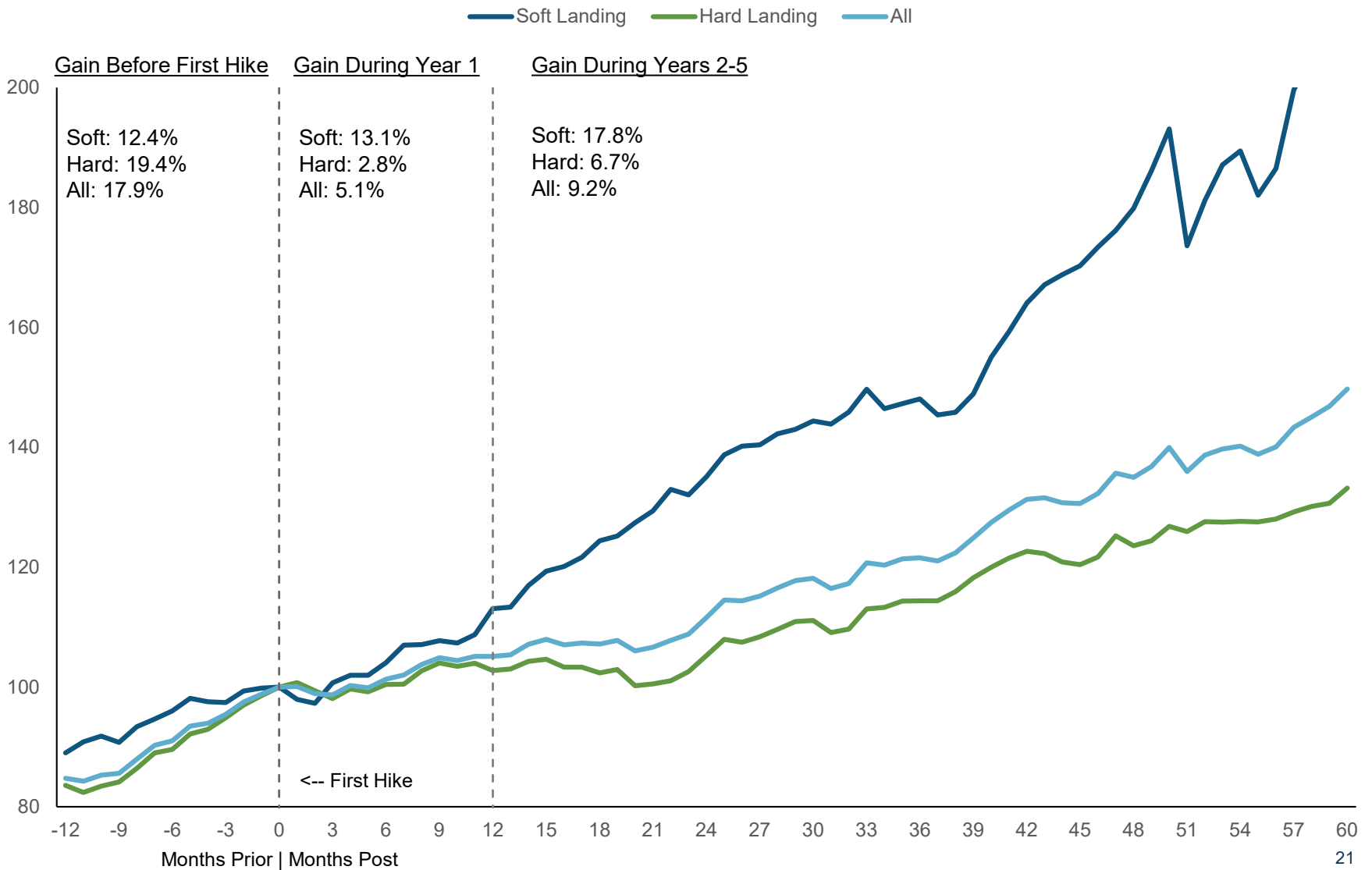


Coincident Economic Indicators After Rate Hikes



Source: Ned Davis Research

Stock Performance after Soft and Hard Landings

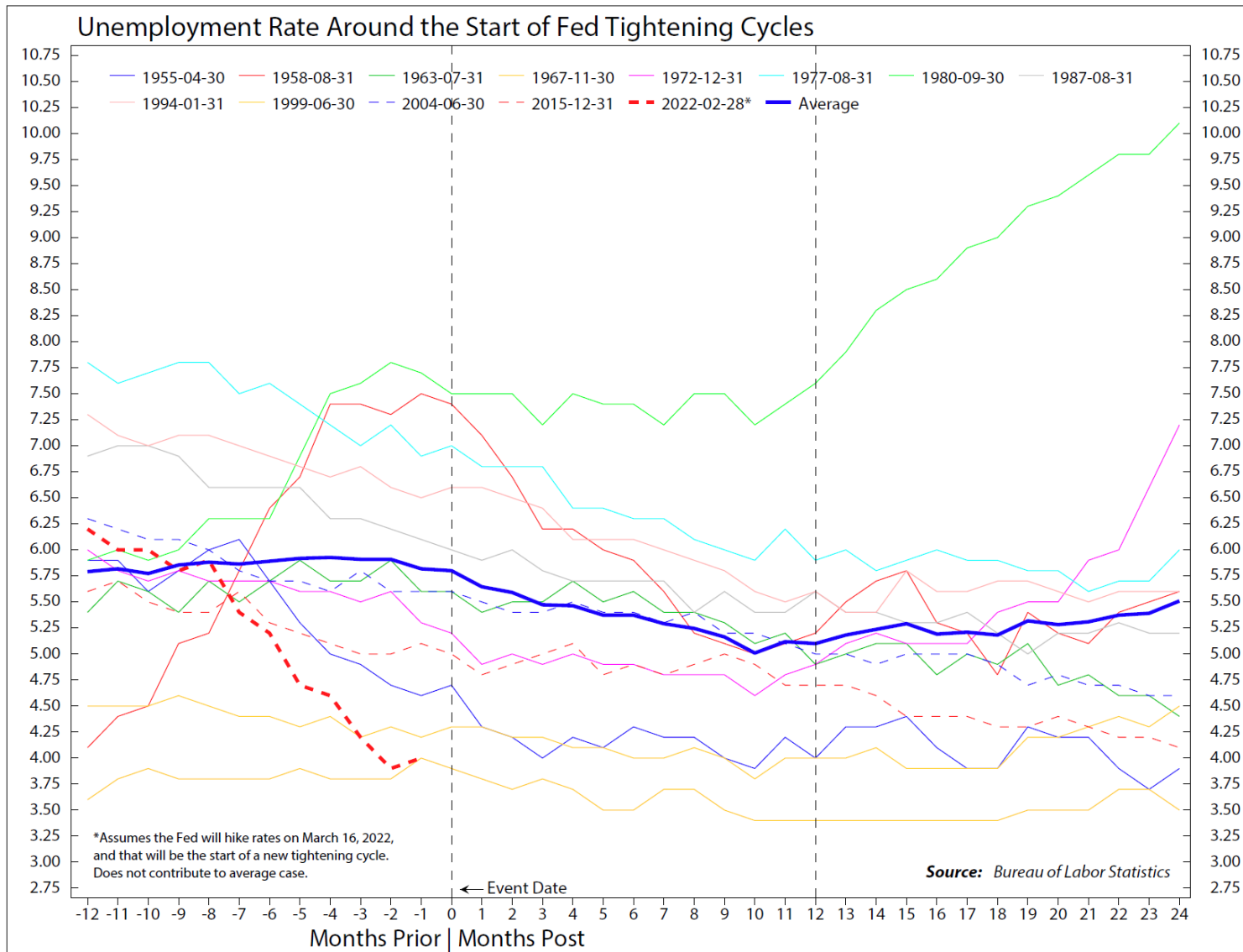


Appendix





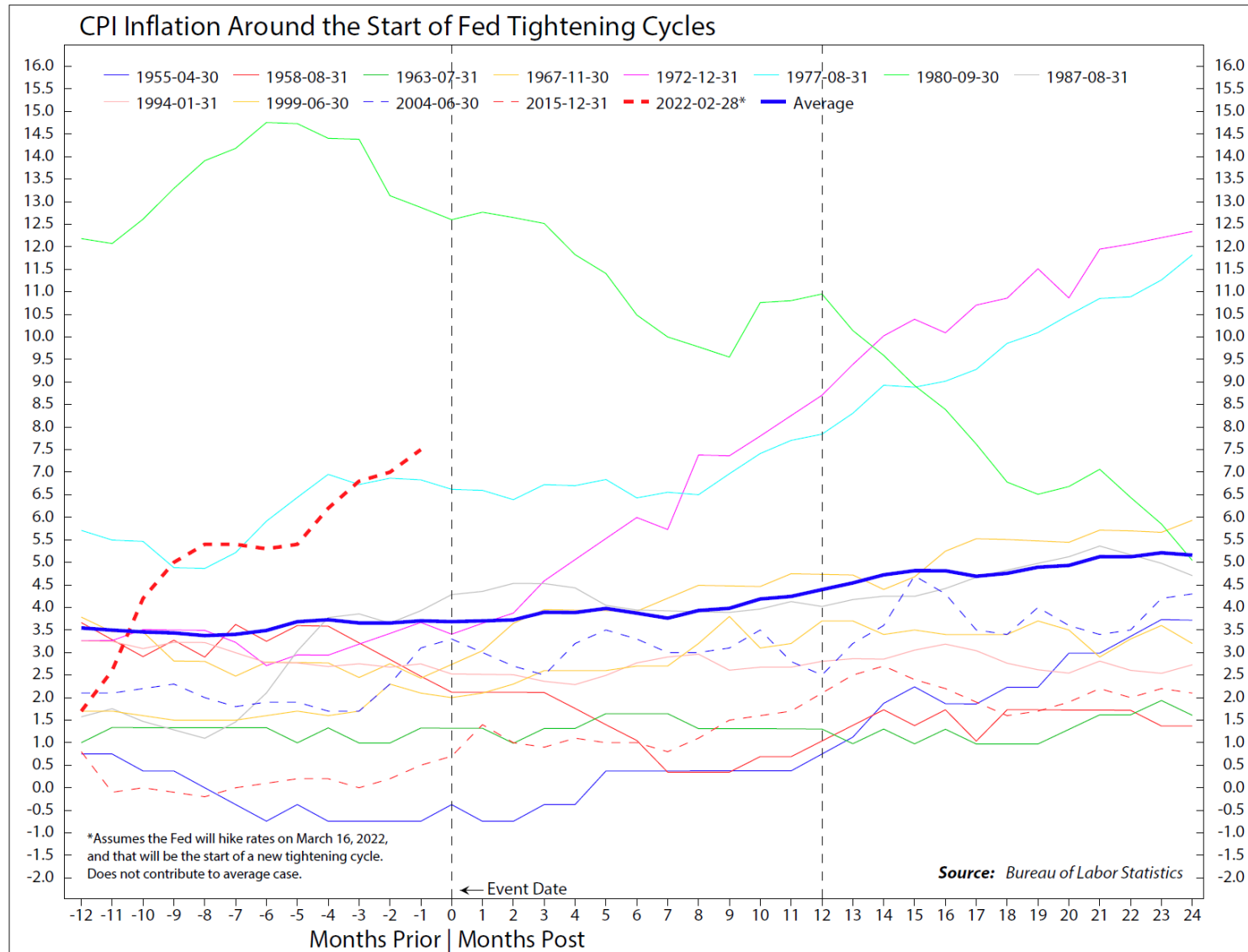
Unemployment Around Tightening Cycles



Source: Ned Davis Research



Inflation Around Tightening Cycles



Source: Ned Davis Research



Sector Return Dispersion

As of February 28, 2022





Market Cap and Style Return Dispersion

As of February 28, 2022



◆ 10-year Average P/E Ratios



Country Return Dispersion

As of February 28, 2022



◆ 10-year Average P/E Ratios

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item: Public Equity Presentation

Developed By: Chen

Presented By: Chen

Type of Item: Information Item

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

Reference: *Public Equity* presentation



Public Equity

Susan Chen, Senior Managing Director

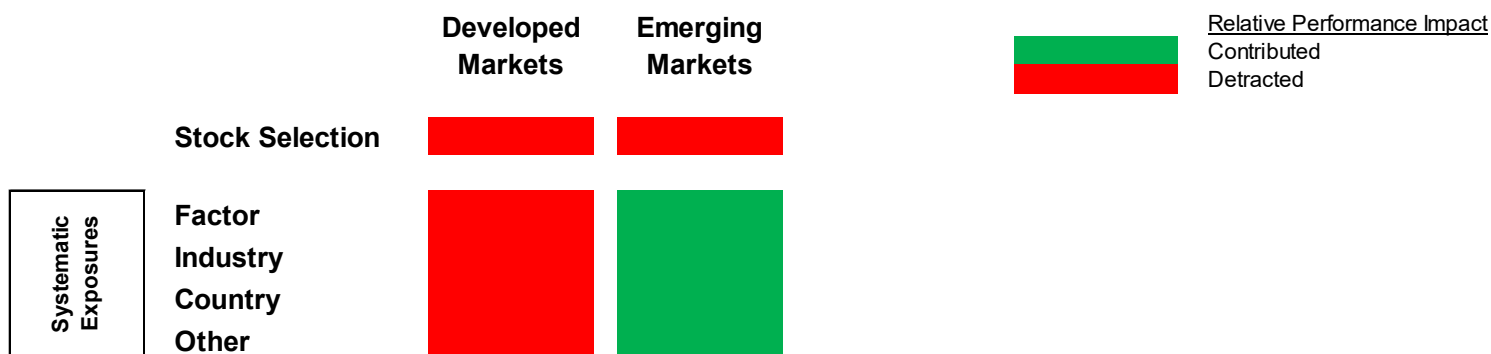
March 22, 2022



Executive Summary (1 of 3)

- **Public Equity NAV:** \$18.2 billion as of December 31, 2021 (~30% of the Endowments, ~13% of ITF)
- **Market Conditions:**
 - Developed markets appreciated over **+22%** during the calendar year.
 - US markets appreciated **+29%**
 - Europe and developed Asia appreciated **+12%**
 - Emerging markets declined **-2%**, led by offshore China markets which declined **-22%**
- **UTIMCO Performance:** Reasonable absolute—but poor relative—returns in calendar 2021
 - **Developed Markets:** **+14.2%** return, **-7.5%** alpha
 - **Emerging Markets:** **-3.4%** return, **-0.9%** alpha
 - Challenging year follows strong alpha in calendar 2020 (**+6.6%** for DM, **+12.2%** for EM)
 - 3-year rolling alpha through December 2021 remains high (**+1.2%** for DM; **+6.2%** for EM)

Relative Performance Drivers in CY 2021





Executive Summary (2 of 3)

■ Team Update

- Public Equity, Strategic Partnership and Tactical Asset Allocation groups combined to form one business unit
- Amanda Hopper continues as portfolio manager of Developed Markets (focus: **Global** and **single-country/region**)
- Russ Brown continues as portfolio manager of **Emerging Markets**
- Drury Morris joined in January 2022 as portfolio manager of Developed Markets (focus: **US** and **EMEA**)
- Sam Gujrathi joined as Analyst in February 2022

■ Strategy Update

- Refining Developed Markets strategy to expand risk budgeting approach from US to rest of Developed Markets portfolio
- Using Barra platform to establish exposure ranges that reflect factors' long-term return and risk profiles
- Evaluating additional sources of alpha for Public Equity (these are permitted under the current Investment Policies but may grow)
 - Portable alpha (public equity beta + alpha from other asset classes)
 - Late-stage privates (currently ~1% of Public Equity)



Executive Summary (3 of 3)

- **2021 Accomplishments**

- **Investments:**

- ❑ Invested or received IIC approval for \$1.6 billion in new active strategies; \$2.4 billion redeemed
- ❑ Achieved annualized 3-year alpha of **+2.6%**

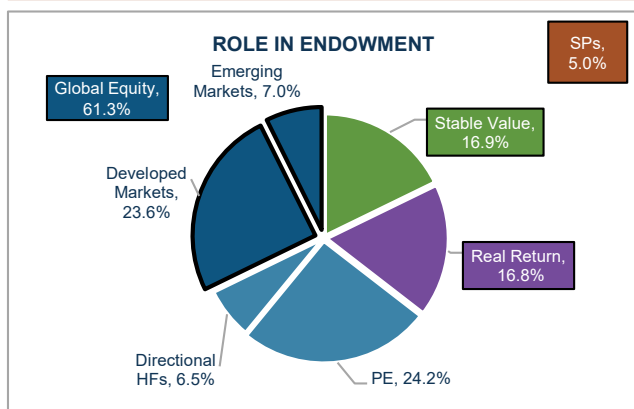
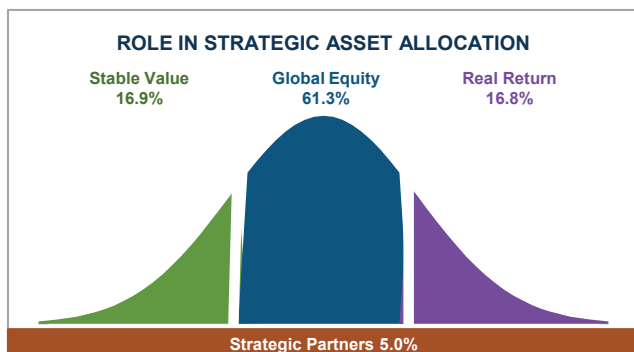
- **Decision-making:** provided substantial input to Internal Risk Committee on strategic asset allocation
- **Communication:** collaborated with investment, risk, OAR and IS teams on rebalancing flows and data requirements
- **Innovation:** transitioned to Barra risk models; provided leadership on DEI and student fund initiatives

- **2022 Priorities**

- Aligned with firm-wide priorities and Essentialism theme
- **Strategy:** refine Developed Markets strategy; contribute to digital assets and data strategies
- **People:** integrate new team members; support continuation of DEI strategy
- **Systems:** streamline and improve investment processes; fully deploy Barra platform



Role in Total Portfolio

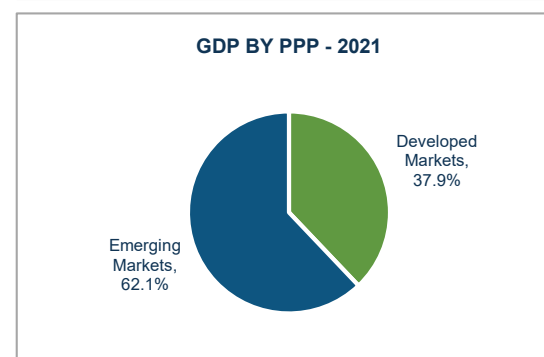
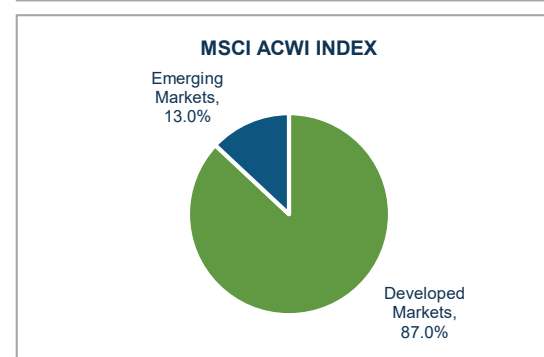
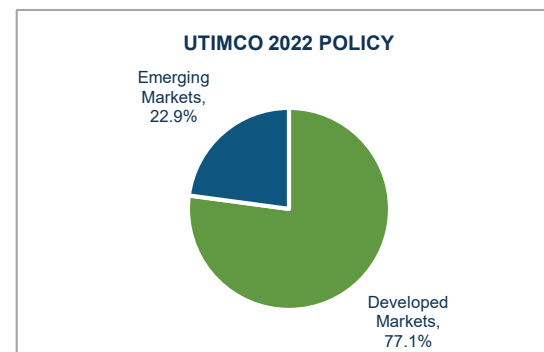


RISK / DIVERSIFICATION

Correlations ¹		Total PubEq
Stable Value		0.08
Real Return		0.52
Drawdowns (5 yr)		
S&P		33.9%
Treasuries		8.7%
Total PubEq		23.2%

Reflects correlation among proxy returns for each asset class, quarterly from 2011 to 2021.

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



Source: International Monetary Fund



Market Conditions during Calendar 2021

Performance as of December 31, 2021

	Developed Markets		
	Returns (in USD)		
	H1 21	H2 21	2021
Factors			
MSCI World <u>Growth</u>	11.3	9.1	21.4
MSCI World Value	15.2	6.7	22.8
Growth vs Value	(3.9)	2.4	(1.4)
MSCI World <u>Quality</u>	13.9	10.3	25.7
MSCI World	13.3	8.0	22.4
Excess Return	0.6	2.3	3.3
MSCI World <u>Momentum</u>	7.5	7.0	15.0
MSCI World	13.3	8.0	22.4
Excess Return	(5.9)	(1.0)	(7.4)
Size			
MSCI World Large Cap	13.5	8.6	23.2
MSCI World Small Cap	15.1	1.0	16.2
Large Cap vs. Small Cap	(1.6)	7.7	7.1
Sectors			
<u>MSCI World</u>			
Energy	33.2	6.5	41.8
Information Technology	13.2	15.0	30.1
Real Estate	17.2	10.6	29.5
Financials	21.1	6.3	28.7
Healthcare	10.2	9.2	20.3
Consumer Discretionary	10.4	7.1	18.2
Industrials	12.5	4.1	17.1
Materials	11.6	4.8	17.0
Communication Services	16.9	(1.8)	14.8
Consumer Staples	5.6	7.7	13.7
Utilities	0.3	10.6	11.0
Geographies			
North America	15.1	10.3	27.0
Europe	12.3	4.4	17.2
Asia Pacific	4.1	(0.9)	3.2

	Emerging Markets		
	Returns (in USD)		
	H1 21	H2 21	2021
Factors			
MSCI EM Growth	5.0	(12.7)	(8.4)
MSCI EM Value	10.0	(5.1)	4.4
Growth vs Value	(5.0)	(7.6)	(12.8)
MSCI EM <u>Quality</u>	8.1	0.5	8.6
MSCI EM	7.5	(9.1)	(2.3)
Excess Return	0.6	9.6	10.9
MSCI EM <u>Momentum</u>	9.9	(10.4)	(1.5)
MSCI EM	7.5	(9.1)	(2.3)
Excess Return	2.4	(1.2)	0.8
Size			
MSCI EM Large Cap	6.4	(9.9)	(4.1)
MSCI EM Small Cap	19.9	(0.6)	19.1
Large Cap vs. Small Cap	(13.4)	(9.3)	(23.2)
Sectors			
<u>MSCI EM</u>			
Energy	15.4	5.5	21.7
Utilities	4.0	8.6	13.0
Information Technology	8.4	1.3	9.8
Materials	18.4	(7.3)	9.8
Financials	7.7	0.9	8.7
Industrials	16.3	(6.6)	8.7
Consumer Staples	1.7	(6.2)	(4.6)
Communication Services	7.6	(15.6)	(9.1)
Healthcare	8.9	(26.3)	(19.8)
Real Estate	(0.5)	(21.4)	(21.8)
Consumer Discretionary	0.3	(29.2)	(29.0)
Geographies			
EMEA	16.2	1.9	18.4
Asia	6.0	(10.3)	(4.9)
Latin America	9.0	(15.3)	(7.7)



Portfolio Performance

Performance Summary - Dec 2021

	UTIMCO Performance				Alpha vs. Benchmark			
	6mo	1y	3y	5y	6mo	1y	3y	5y
	Total Developed Public Equity (PUF)	1.8%	14.2%	22.8%	15.0%	(5.9%)	(7.5%)	1.2%
Tracking Error	3.2%	4.1%	4.2%	3.8%	--	--	--	--
Information Ratio	0.84	1.08	0.42	0.57	--	--	--	--
Total Emerging Markets Equity (PUF/GEF)	(7.9%)	(3.4%)	17.2%	13.4%	1.4%	(0.9%)	6.2%	3.5%
Tracking Error	4.7%	4.9%	5.0%	4.7%	--	--	--	--
Information Ratio	0.10	0.46	1.04	0.68	--	--	--	--
Total Public Equity (PUF/GEF)	(0.6%)	9.6%	21.3%	14.9%	(3.9%)	(5.8%)	2.6%	1.1%

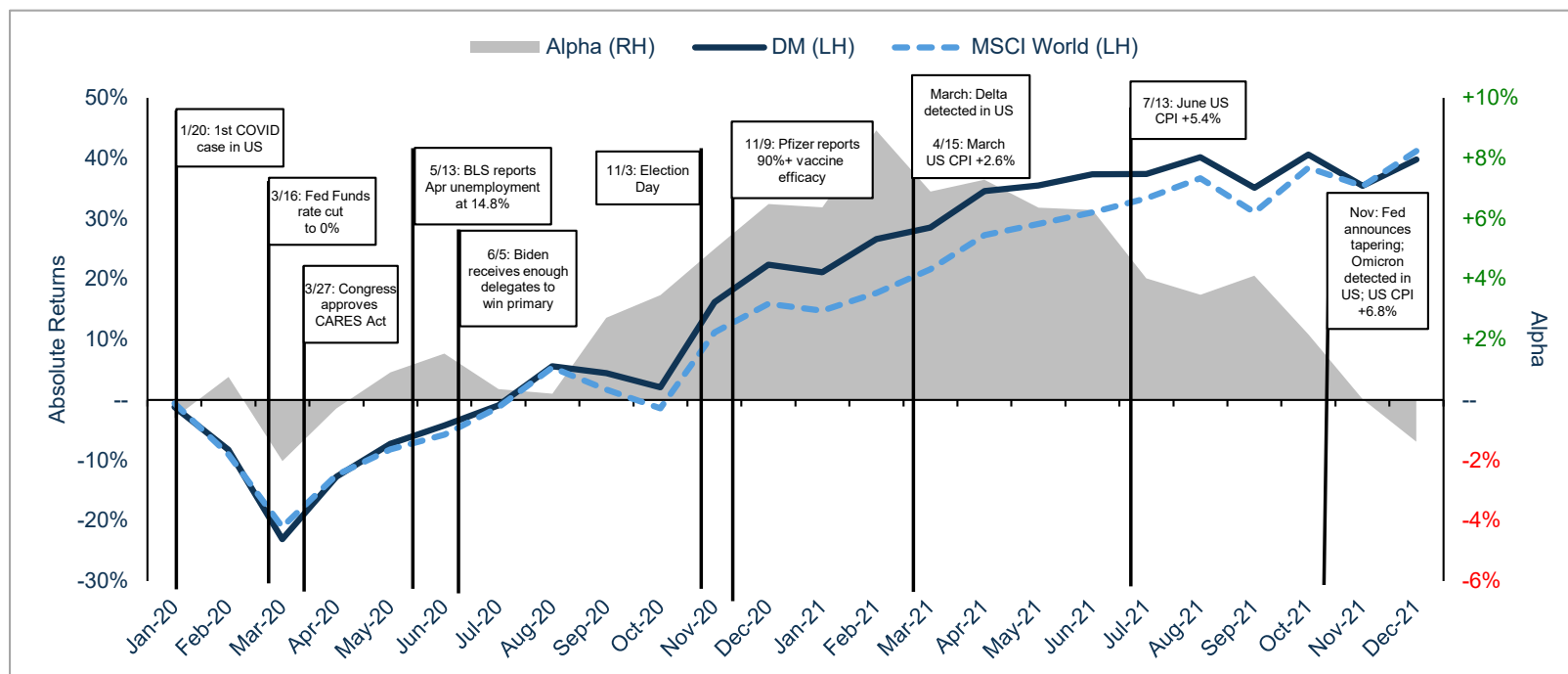
Note: Performance as of December 31, 2021; Returns data for periods longer than 1 year are annualized.

The Developed Markets Benchmark is MSCI World.
The Emerging Markets Benchmark is MSCI Emerging Markets.



Developed Markets Portfolio

Cumulative Performance, Jan. 2020 – Dec. 2021

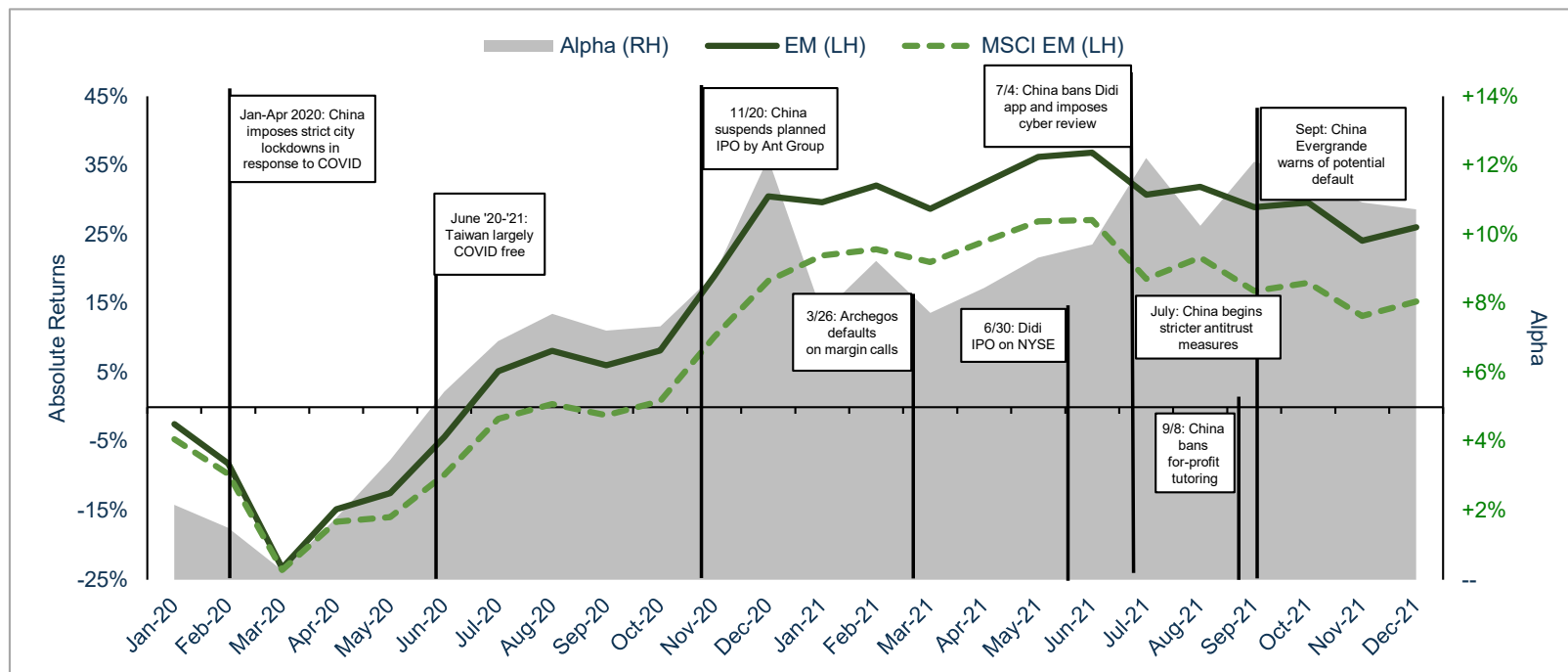


CY 2020 Top Alpha Contributors and Detractors		CY 2021 Top Alpha Contributors and Detractors	
Stock Selection		Stock Selection	
Industry		Industry	
			Overweight biotechnology
			Underweight semiconductors and semiconductor equipment
			Underweight oil and gas exploration and production
Country		Country	
	Overweight China		Overweight China
Factors		Factors	
	Overweight Market Sensitivity		Overweight Residual Volatility
	Underweight Size		Underweight Momentum
	Underweight Dividend Yield		Underweight Investment Quality
			Underweight Earnings Yield



Emerging Markets Portfolio

Cumulative Performance, Jan. 2020 – Dec. 2021



CY 2020 Top Alpha Contributors and Detractors	CY 2021 Top Alpha Contributors and Detractors
Stock Selection	Stock Selection
Industry	Industry
Overweight healthcare	Underweight consumer services and media and retailing
Underweight semiconductors	Overweight consumer durables and apparel
Underweight computers and electronics	Country
Country	Overweight China onshore
Overweight China onshore	Overweight India
	Overweight U.S.
Factors	Factors
Overweight Residual Volatility	Underweight Size
Underweight Market Sensitivity	Underweight Market Sensitivity
Underweight Book/Price	



2021 Top Alpha Contributors and Detractors

By Systematic Exposures

Portfolio	Attribution	Drivers
Developed Markets	-7.5%	
Stock-Specific	-1.2%	
Factor	-2.7%	Residual Volatility ¹ , Momentum ² , Investment Quality ² , E/Y ²
Industry	-2.2%	Biotechnology ¹ , Semiconductors ² , Oil and Gas Exploration and Production ²
Country	-1.0%	China Offshore ¹
Other	-0.3%	Cash ¹
Emerging Markets	-0.9%	
Stock-Specific	-8.3%	
Factor	+1.5%	Dividend Yield ² , Size ² , Market Sensitivity ² , Downside Beta ¹
Industry	+0.7%	Consumer Services and Media and Retailing ² , Consumer Durables and Apparel ¹
Country	+2.1%	China Offshore ² , India ¹ , US ¹
Other	+3.2%	Cash ¹

By Manager

Portfolio	Attribution	Drivers
Developed Markets	-7.5%	
Manager A	+0.5%	Value, Size
Manager B	+0.4%	Stock selection, Value
Manager C	-1.2%	Country, Volatility, Momentum
Manager D	-1.3%	Stock selection, Growth, Momentum
Manager E	-1.7%	Industry, Momentum
All Others	-4.2%	
Emerging Markets	-0.9%	
Manager A	+2.1%	Size, Momentum
Manager B	+1.7%	Country, stock selection, Value
Manager C	+1.2%	Country, stock selection, Value
Manager D	-1.7%	Stock selection
Manager E	-3.1%	Stock selection
All Others	-1.1%	

¹ Overweight
² Underweight




2022 Strategy Adjustments

- Expand risk budgeting approach from US to total Developed Markets
- Establish exposure ranges that reflect factors' long-term return and risk profiles
- Addition of value-oriented active manager(s) in Developed Markets
- Evaluate additional sources of alpha
 - Portable alpha (public equity beta + alpha from other asset classes)
 - Late-stage privates (currently ~1% of Public Equity)
 - These are permitted under the current Investment Policies but may grow over time




Team


	<p>Susan Chen Senior Managing Director MBA; JD, Harvard University</p>
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Public Equity

Strategic Partnerships / TAA


	<p>Amanda Hopper Managing Director <i>PM, Developed Markets</i> MBA, U. Chicago</p>
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	<p>Drury Morris, CFA, CAIA Senior Director <i>PM, Developed Markets</i> BA, Rhodes College</p>
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	<p>Russ Brown, CFA, CPA Director <i>PM, Emerging Markets</i> MS, UT Austin</p>
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	<p>Ken Standley, CFA, CAIA Senior Director <i>PM, Strategic Partnerships/TAA</i> BA, George Washington Univ.</p>
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	<p>David Huang, CFA Associate Director MS, NYU</p>
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	<p>Andres Delgado, CFA, FRM Associate BBA, Texas State University</p>
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	<p>Patrick Zerda Associate Director <i>TAA, Trading</i> MPA, UT Austin</p>
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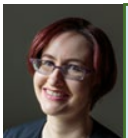
	<p>Anson Chuah, CFA Associate <i>Strategic Partnerships</i> BBA, UT Austin</p>
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	<p>RJ Dymke, CFA Senior Analyst BBA, Texas State University</p>
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	<p>Kayla Young Analyst BA, Cornell University</p>
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	<p>Sam Gujrathi Analyst MS, Columbia University</p>
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	<p>Fernanda Rice Analyst MBA, UT Permian Basin</p>
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	<p>Victoria Salinger, PhD. Portfolio Analytics Specialist * MPA, UT Austin</p>
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	<p>Kathy Simons Team Coordinator Texas A&M</p>
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	<p>Jenna Hudson Team Coordinator * BA, UT Austin</p>
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* Shared with other teams (Hedge Funds, Risk)
- - - - * New in 2022



2021 Top Accomplishments

PUBLIC EQUITY CONTRIBUTIONS TO UTIMCO PRIORITIES

- **Performance and Portfolio**

- Generated annualized 3y alpha of +2.6%; remained within risk parameters
- Invested or received IIC approval for \$1.6 billion in new active strategies; redeemed \$2.4 billion

- **Decision-making**

- Substantial engagement with Internal Risk Committee on Strategic Asset Allocation

- **Communication**

- Collaborated with investment, risk, OAR and IS teams on rebalancing flows (new floating-weight benchmarks) and data requirements
- Collaborated with HF team on beta/alpha optimization

- **Innovation**

- Transitioned to Barra risk models
- Leadership on DEI and student fund initiatives



2022 Top Priorities

PUBLIC EQUITY PRIORITIES ARE ALIGNED WITH UTIMCO PRIORITIES

- **Performance and Portfolio:**

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

Portfolio	Tracking	
	Alpha	Error
Developed Markets	1.5%	3.5%
Emerging Markets	2.3%	4.5%

- **Strategy**

- Refine Developed Markets strategy
- Contribute to formalization of digital assets and data strategies

- **People**

- Integrate new team members
- Support continuation of DEI strategy

- **Systems**

- Streamline and improve investment processes (Essentialism)
- Fully deploy Barra platform

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item: Hedge Funds Presentation

Developed By: Hedge Funds Team

Presented By: Powers, Caruso

Type of Item: Information Item

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

Reference: *Hedge Funds Review* presentation



Hedge Funds Review

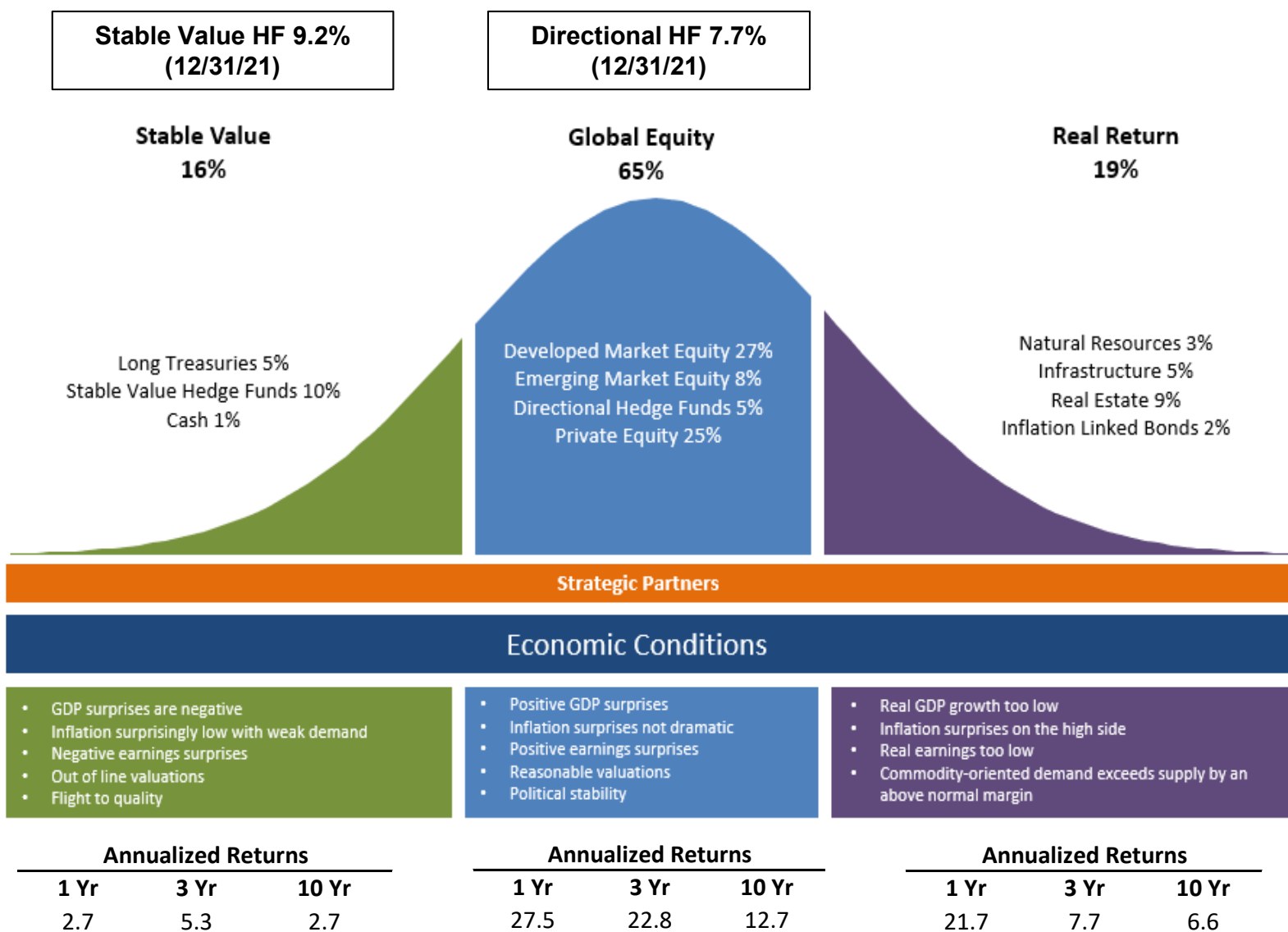
Courtney Powers, Managing Director

Tony Caruso, Senior Director

March 22, 2022



UTIMCO Diversification Framework





Hedge Funds Executive Summary

- Performance continues to be strong due to changes made starting in 2018

Portfolio	Return			Alpha vs. Policy Bench		
	1yr	3yr	5yr	1yr	3yr	5yr
Directional HF	9.9%	12.0%	8.6%	2.8%	3.4%	3.0%

Portfolio	Return			Alpha vs. Policy Bench		
	1yr	3yr	ITD	1yr	3yr	ITD
Stable Value HF	9.0%	8.1%	8.2%	-0.3%	0.9%	2.4%

Stable Value HF ITD = September 2018 - present

- Directional HF **meeting or exceeding its objectives**
 - Stable Value HF has **met expectations since program inception**
 - 8% returns since inception exceed benchmark of 6% and bonds of 4%, and SAA forecast of 5%**
 - Slightly underperformed in 2021 as the higher beta benchmark benefited from the strong rally in equities
- HF Team is strong and fully built out** at 10 people
 - Welcomed Fixed Income team to unify a single “Stable Value” team
- Meaningful contributions to 2021 firmwide priorities:
 - Successfully grew SV HF from \$4.4B to \$6.2B**, on track with policy target
 - Improved investment analytics** – 100% of HF portfolios currently modeled on MSCI Risk Metrics
 - Development and Culture:** 2 LDP participants; Servant Leadership implemented; strong culture survey results
- Total Alignment with 2022 firmwide priorities:
 - Continue to execute the SAA plan**, growing SV HF in ITF from 7% in FY21 to 16% by FY22 and 25% by FY23
 - Adopt and apply Essentialism** into HF workflow, improving efficiency of the team
 - Innovation:** 1) Continue to build and improve upon MSCI RiskMetrics analytics and reporting; 2) collaborate with Risk to further improve CUSUM review process, and 3) improve portfolio diversification



Team Structure

Welcomed Fixed Income Team to create new Stable Value Team (HF+FI)

EXPERIENCE SUMMARY: 6 MBAs, 4 CFAs, 1 PHD, 1 MPA



Ryan Ruebsahm
Senior Managing Director
MBA, UT Austin



Tony Caruso, CFA
Senior Director
MBA, University of Chicago



Russell Kampfe
Managing Director
MBA, UT Austin



Courtney Powers
Managing Director
MBA, UT Austin



Jared Brimberry
Associate Director
BBA, Baylor University



Harland Doak, CFA
Senior Director
MBA, St. Edward's University



Kyle Burhop, CFA
Director
BS, Virginia Tech



Jim Ricker
Associate
BA, Hamilton College



Melanie Cass, CFA
Senior Analyst
MBA, UT Austin



Will Haynes
Analyst
BBA, UT Austin



Lori Shaver
Executive Assistant
BS, Sam Houston State



Victoria Salinger, PhD
Senior Analyst
MPA, UT Austin



Directional Hedge Funds – Execution Update

- Met or exceeded all objectives
- SAA reduction is slightly ahead of schedule
- Optimizing manager weights to increase alpha and reduce volatility

Directional Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on equity and market sensitive hedge funds	✓	<ul style="list-style-type: none"> • Return: 12.0%¹ • Directional HF Volatility: 9.7% • Sharpe Ratio: 1.1
Market Sensitivity and Risk Core strategies have moderate market sensitivity (beta) and lower risk (volatility) than equities	✓	<ul style="list-style-type: none"> • Correlation to MSCI World: 0.8⁴ • Beta to MSCI World: 0.3⁴ • MSCI World Volatility: 17.3%
Market Regime Performance Expected to outperform equities when markets are down, but will underperform strong markets	✓	<ul style="list-style-type: none"> • 80% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: 2.3% • 3-year ann. return of 12.0% vs. MSCI World 21.7%
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓	<ul style="list-style-type: none"> • 12.0% return vs. Treasuries 4.0% (current 10-year YTM 2.0%) • 9.7% volatility vs. Treasuries 3.9%
Performance vs. Benchmark HFRI Fund of Funds Composite benchmark	✓	<ul style="list-style-type: none"> • Ann. Outperformance of 3.4% over last 3 years³ • Tracking Error: 4.3%³

(1) Dates: Directional HF returns and details reflective of trailing three-year period (January 2019 through December 2021).

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

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

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



Directional Hedge Funds – 2021 Results

As of December 31, 2021

Asset Allocation

- **\$8.5B**
- 8% of PUF/GEF; 41% of ITF
- -\$530mm net redemptions

Performance

- **1-yr alpha +2.8%; 3-yr alpha +3.4%.**
- 1-yr and 3-yr portfolio Sharpe ratio of 1.1
- **All strategies performing**
- Long/Short Equity largest driver
- Credit underperformance explained by o/w to lending and u/w to distressed

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$56,280	\$10,038	\$66,318
Public Equity	16,898	1,331	18,229
Private Equity	14,547	-	14,547
Directional Hedge Funds	\$4,354	\$4,118	\$8,473
Global Regime AUM	35,799	5,449	41,248
Global Equity Regime % of Total Fund	64%	54%	62%
Directional Hedge Funds % of Total Fund	8%	41%	13%
Directional Hedge Funds % of Regime	12%	76%	21%

			RETURN	ALPHA	VOLATILITY	SHARPE
Directional HF	\$8,473	1yr	9.9%	2.8%	8.6%	1.1
		3yr	12.0%	3.4%	9.7%	1.1
Long/Short Equity	\$5,952	1yr	9.9%	-1.7%	11.5%	0.9
		% DIR HF Weight	70%	3yr	14.6%	0.2%
Multi-Strategy	\$1,466	1yr	8.1%	2.0%	5.1%	1.6
		% DIR HF Weight	17%	3yr	7.6%	-0.8%
Credit	\$1,040	1yr	13.5%	-2.1%	6.5%	2.1
		% DIR HF Weight	12%	3yr	6.8%	-3.2%

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



Stable Value HF Execution Update

- Scaled from **\$4.4B to \$6.2B in 2021** while preserving attractive return and risk characteristics
- **Met or exceeded all objectives**; fell just shy of 1% alpha target vs benchmark but significantly outperformed Treasuries
- Actual results vs. the “frozen portfolio” of 3 years ago:
 - **Return and alpha increased by 2.9%**
 - **Beta fell by 58% to .1 and volatility fell by 38% to 4.0%**

Stable Value Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on absolute return hedge funds	✓	<ul style="list-style-type: none"> • Return: 8.1%¹ • Stable Value HF Volatility: 4.0% • Sharpe Ratio: 1.7
Market Sensitivity and Risk Core strategies have low to negative market sensitivity	✓	<ul style="list-style-type: none"> • Beta to MSCI World: 0.1⁴ • Correlation to MSCI World: 0.4⁴
Market Regime Performance Expected to have positive returns when markets are down	✓	<ul style="list-style-type: none"> • 100% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: 5.1% • Positive absolute returns in 70% of 10 down equity months
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓ +	<ul style="list-style-type: none"> • 8.1% return vs. Treasuries 4.0%² (current 10-year YTM 2.0%) • 4.0% volatility vs. Treasuries 3.9%
Performance vs. Benchmark HFRI Fund of Funds Conservative benchmark	✓ -	<ul style="list-style-type: none"> • Ann. Outperformance of 0.9% over last 3 years³ • Tracking Error: 2.8%³

(1) Dates: Stable Value HF returns and details reflective of trailing 3-year period (January 2019 through December 2021).

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

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

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



Stable Value Hedge Funds – 2021 Results

As of December 31, 2021

Asset Allocation

- **\$6.2B**
- 9% of PUF/GEF; 10% of ITF
- \$1.4B of net additions

Performance

- **1-yr Alpha -.3%; 3-yr Alpha +.9%**
- High Sharpe Ratio of 1.8 over 3-yr, 3.6 over 1-yr
- Strong performance from most strategies
- Insurance underperformed in 2021 due to numerous catastrophe events weighing on returns; 3-yr alpha still strong
- Macro continues to be reduced
- **Portfolio is built out and will continue to be optimized as it scales to new SAA target**

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$56,280	\$10,038	\$66,318
Cash	398	23	420
Fixed Income			
Stable Value Hedge Funds	\$5,197	\$975	\$6,172
Stable Value Regime AUM	9,869	4,240	14,109
Stable Value Regime % of Total Fund	18%	42%	21%
Stable Value Hedge Funds % of Total Fund	9%	10%	9%
Stable Value Hedge Funds % of Regime	53%	23%	44%

			RETURN	ALPHA	VOLATILITY	SHARPE
Stable Value HF	\$6,172	1yr	9.0%	-0.3%	2.4%	3.6
		3yr	8.1%	0.9%	4.0%	1.7
RV-Multi	\$2,047	1yr	12.8%	5.3%	1.8%	7.1
% SV HF Weight	33%	3yr	13.5%	6.7%	3.2%	3.9
Equity Market Neutral	\$1,906	1yr	7.9%	0.8%	6.7%	1.2
% SV HF Weight	31%	3yr	11.9%	8.8%	4.6%	2.3
Credit	\$709	1yr	13.2%	-2.5%	3.3%	3.9
% SV HF Weight	11%	3yr	10.3%	0.3%	5.6%	1.7
Niche RV	\$660	1yr	13.5%	5.9%	4.6%	2.9
% SV HF Weight	11%	3yr	-	-	-	-
Insurance	\$523	1yr	-3.9%	-1.4%	3.9%	-1.0
% SV HF Weight	8%	3yr	4.4%	2.8%	3.0%	1.1
Macro	\$328	1yr	4.1%	-3.6%	9.1%	0.4
% SV HF Weight	5%	3yr	-1.2%	-7.7%	10.7%	-0.2

Sharpe Ratio is a risk-adjusted measure of performance that is calculated as the ratio of a portfolio's return in excess of the risk-free rate and the portfolio's volatility. Alpha is reflective of excess return over each strategy's respective strategy benchmark. SV HF alpha is relative to the HFRI Fund of Funds Conservative Policy. Return data is not provided for Niche RV (3yr) as strategy track records are shorter than relevant periods. 3-year return data for RV-Multi is based on 35 months which marks its inception date.



Stable Value Hedge Funds – Diversification Benefits

- Uncorrelated returns to the rest of the Endowment
- Represents 9% of Endowment NAV but contributes only 1.4% of total risk
- Capital has been preserved during five notable equity sell-offs

SV HF - CORRELATION TO STRATEGY POLICY BENCHMARKS (3yr)	
Global Fixed Income	-0.06
Internal Fixed Income	-0.03
Emerging Markets Public Equity	0.35
Total Developed Public Equity	0.38

SV HF - CORRELATION TO DIR HF (3yr)	
Directional Hedge	0.61

PERIOD	MSCI World	STABLE VALUE HF
Oct-18	-7.3%	1.7%
Dec-18	-7.6%	1.9%
Q1-20	-21.1%	-4.2%
Sep-21	-4.2%	1.2%
Jan-22	-5.3%	0.6%

Correlations calculated for the period January 2019- December 2021. Correlations to strategy policy benchmarks based on weekly data. Correlations to DIR HF based on bi-monthly data.



2022 Strategic Plan Accountability

- **PUF/GEF – No change to Hedge Fund SAA targets**

	FY20	FY21	FY22	FY23	FY24
Stable Value HF					
SAA Plan	10.0%	9.5%	9.2%	10.0%	10.0%
Actual / Est.	8.7%	8.3%	9.2%	10.0%	10.0%
Directional HF					
SAA Plan	11.2%	9.2%	6.5%	5.0%	5.0%
Actual / Est.	10.3%	8.2%	6.1%	5.0%	5.0%

- Stable Value now equal weight and on target
- Directional reduction is slightly ahead of schedule

- **ITF – New Hedge Fund SAA Targets**

	FY20	FY21	FY22	FY23	FY24
Stable Value HF					
SAA Plan	7.0%	7.0%	16.0%	25.0%	25.0%
Actual / Est.	8.7%	8.3%	16.0%	25.0%	25.0%
Directional HF					
SAA Plan	43.0%	43.0%	38.0%	35.0%	35.0%
Actual / Est.	40.4%	42.0%	38.0%	35.0%	35.0%

- ITF allocation to Stable Value is on track to double to 16% this year and 25% next year
- DIR is on track to reduce to 38% this year and 35% next year

- Fee update: **71% total HF AUM has “1 or 30 Alignment”**
- Improved Risk Management Capabilities: **100% of HF AUM modeled on MSCI platform**
- 3-year total HF performance was 10.9%, well ahead of the SAA “cyclical” forecast of 5.4%; **volatility and risk impact are meeting expectations**



Where Do We Go from Here?

- Focus on **optimizing performance and alpha generation in both HF portfolios**
- **Implement SAA** by increasing SV HF and reducing DIR HF
- **Improve risk management** with RiskMetrics and Power BI tool
- **Commitment to Servant Leadership and implement Essentialism:**
 - **Better communication and improved work-flow management to enhance team productivity**
- Continued **Culture and Development** by mentoring team and Ryan's executive coaching



Summary

- **Directional HF generated return of 9.9%** and alpha of 2.8%
- **Stable Value HF generated return of 9.0%** and alpha of -0.3%
- Both portfolios are **preserving capital as expected**
- We are on track to successfully implement the new SAA targets in the ITF with Stable Value allocation growing from 7% to 25% and Directional shrinking from 43% to 35% by FY23
- **Risk is being monitored and managed well**, with 100% participation on RiskMetrics
- We are **executing our Action Plan** that is meaningful to firmwide initiatives

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item: Human Resources Presentation

Developed By: Reeves, Dean

Presented By: Reeves, Dean

Type of Item: Information Item

Description: Mr. Reeves and Mr. Dean will report on 2022 HR initiatives and 2021 accomplishments.

Reference: *Human Resources Review* presentation



Human Resources Review

Ken Reeves, Managing Director

Mike Dean, Managing Director

March 22, 2022



Human Resources Executive Summary

- Successful transitioning of HR leadership
- Completed the Organization Health Checkup
- UTIMCO is not experiencing the “Great Resignation”
- We continue to successfully recruit top talent during the pandemic
- Re-onboarding colleagues who have spent a significant amount of time working from home and acculturating new hires
- Exploring new approaches to recruiting/acquiring IT Developers
- Formulating an approach to increases in cost of living (inflation) and cost of labor (hot market)



Organizational Health Check Checkup

COMPLETED WITH FOCUS CONSULTING GROUP

- **SURVEY RESULTS WERE STRONG**
 - 97% participation rate
 - UTIMCO scored in top 1% of firms included in the FCG database
 - Healthy organization culture
 - Strong DE&I results in a short period of time – Need to sustain
- **SURVEY SCOPE**
 - Every team was above 80% positive
 - FCG organizational health categories were exceptional
 - Half of the survey questions scored 15% over the FCG benchmark
- **AREAS OF CONTINUED INTEREST**
 - Decision making process
 - Operationalizing servant leadership
 - Learning and development – Internal mobility and cross training



Team Structure



Mike Dean
Managing Director
BS & MS, University of Akron



Ken Reeves
Managing Director
BS & MS, Texas A&M



Ashley Fleming, SHRM-CP
Associate Director
BA, UT Austin
MA, St. Edward's University



Alexa Piggott, SHRM-CP
Associate
BS, UT Austin



Ti Le, SHRM-CP
Senior Analyst
BS, UT Austin



2021 Accomplishments

TALENT MANAGEMENT RESULTS

- Talent Acquisition
 - Hired and onboarded 20 new colleagues and 21 interns
 - Launched UTIMCO Scholars Pilot Program
 - Expanded the Growing Investment Leaders Internship Program by 50%
 - Hired Ken Reeves as new Head of HR
- Talent Development
 - Learning Institute – 2498 hours of formal training
 - Leadership Development Program – 1064 hours of development
 - Executive Coaching with 5 Leadership Team members
 - Re-launched the formal Mentoring Program
- Talent Retention
 - Turnover remained stable at 15% vs 20+% in Financial Services
 - Turnover was 13% in 2020 and 14% in 2019
 - IT Developers are an ongoing concern



2021 Accomplishments Cont'd

- Diversity, Equity & Inclusion
 - Initiated Phase II of our strategy
 - DE&I Council established 4 workstreams
- Work from Home/Return to Office
 - Adopted a hybrid work model – Based on professionalism and flexibility
 - 3/2 Support
 - 4/1 Investments
- HR Voice of the Customer Feedback Survey
 - 4.6 rating
 - 4.3 rating in 2020
 - Highest value
 - Recruiting
 - Development
 - Communication



2022 Priorities

- Organizational Health Check Survey next steps
- Continued emphasis on the DE&I strategy
- Complete the HR leadership transition
- Support the implementation of essentialism
- Optimize the onboarding process
- Scaling the L&D platform through utilizing the learning management system
- Support UTIMCO Scholars 2.0
- Continue to build the capacity and capability of the HR Team



Appendix



2022 HR Team Action Plan

ATTRACT			DEVELOP			RETAIN			ENABLE		
Talent Acquisition/Onboarding			Talent Development			Managing Performance/Change			HR Administration		
Action	Metric	Timing	Action	Metric	Timing	Action	Metric	Timing	Action	Metric	Timing
Enrich onboarding plan template	Update doc and educate hiring managers	Q2	Relaunch Skillsoft online learning platform	Spotlight @ All Hands & provide training to employees	Q1	Optimization of RTO and the hybrid work model	Survey LT, monitor protocols & communicate any changes	Q1	Educate colleagues on benefits	Spotlight @ All Hands, provide learning sessions and resources	Ongoing
Assimilate new Head of HR	Execute onboarding plan	Ongoing	Scale and implement 2022 L&D Plan	Create LI & LDP schedules, provide quality control & feedback	Ongoing	Support the administration of FCG Culture Survey	Conduct survey Communicate results Implement changes	Q1 Q2 Q3	Research and identify benefits improvements	Complete Alliant survey to learn opportunities	Ongoing
Support UTIMCO Scholars 2.0	Update process & expand relationships	Ongoing	Continue individual and team development of HR members	Fulfill IDPs & capabilities	Ongoing	Support Essentialism theme	Define & incorporate into core processes	Ongoing	Create and maintain formal HR semi-annual dashboard	Create report via UKG BI	Ongoing
Enhance GIL Program	Implement changes to projects & onboarding	Ongoing	Pilot and implement UKG Learning Management System	Establish programs & transition from SharePoint	Ongoing	Support and improve internal mobility and transitions	Re-onboarding of employees, communicate & support transitions	Ongoing			
Support & execute the updated five-year staffing plan	Ensure recruiting process is timely and effective	Ongoing									



Organizational Health Check Survey Scores

FCG BUILDING BLOCKS OF HEALTH

- **EXCELLENT = 5.10+**
- **Very Good = 4.80 – 5.10**
- **Good = 4.40 – 4.79**
- **Average = 4.00 – 4.39**

Purpose/Meaning: AVG. SCORE = 5.16

Mastery/Development: AVG. SCORE = 5.07

Belonging/Connection: AVG. SCORE = 5.29

Safety/Security: AVG. SCORE = 4.88



2021 Talent Management Scorecard

Category	Rating	Details
HIRING	Green	Hired and onboarded 20 new hires, 21 interns, and 4 internal mobility. On track with the strategic staffing plan. Expanded GIL by 50% to 15 interns.
ONBOARDING	Green	Onboarding process still evolving. Needs continuous emphasis. It is the first step in the employee development process. Accelerates productivity and acculturation. Re-onboarding colleagues from extended work from home.
DEVELOPMENT	Green	Total training hours: Leadership Development Program = 1,064 & Learning Institute = 2,498. IDPs for all employees were enhanced for 2021. Executive Coaching completed for Rich Hall and Joan Moeller and Gary Hill, Ryan Ruebsahm and Susan Chen. Carolina de Onis, Pat Pace, and Eddie Lewis next. Added significant technical training in programming (Python) and data visualization (Power BI). Relaunched the Mentorship Program including mentor training and declared September as Mentoring Month.
PERFORMANCE	Green	Converted the 360-feedback process to an open platform. Invested 600 hours in feedback. Simplified the Manager Scorecards. 2021 an exceptional performance year for UTIMCO.
CAREER PATH & PROMOTIONS	Green	IT/ISS Career Path completed. Incorporated the UTIMCO distinctives into the promotions process. Working on process improvements in promotions framework.
EMPLOYEE ENGAGEMENT & RETENTION	Yellow	Survey results identified 35% of the workforce dealing with some level of stress and anxiety. Launched a "Beat the Virus" initiative to maintain connection and awareness. Re-onboarding everyone since June RTO. Shifted to 2 days per week WFH in August. Began Phase II of DE&I strategy. Launched UTIMCO Scholars.
REWARDS	Green	Completed the semi-annual Mercer compensation study. Reconciled market disparity. Implemented market adjustments.
WORKFORCE PLANNING	Green	Communicated the Mature Organization Structure. Updated the Succession Plan with the Leadership Team. Completed the ITC workload balancing project. Updated the Strategic Staffing Plan.



UTIMCO's Talent Strategy

To **attract, develop, and retain** A Players to deliver exceptional **performance** for UTIMCO.

ATTRACT

Branding
Sourcing
Interviewing
Assessment
Selection
Hiring
Orientation
Onboarding
Acculturation

DEVELOP

360 Process
IDP
Learning Institute
Leadership Dev.
Internal mobility
Cross training
Self-development
Coaching
Mentoring
Career Paths

RETAIN

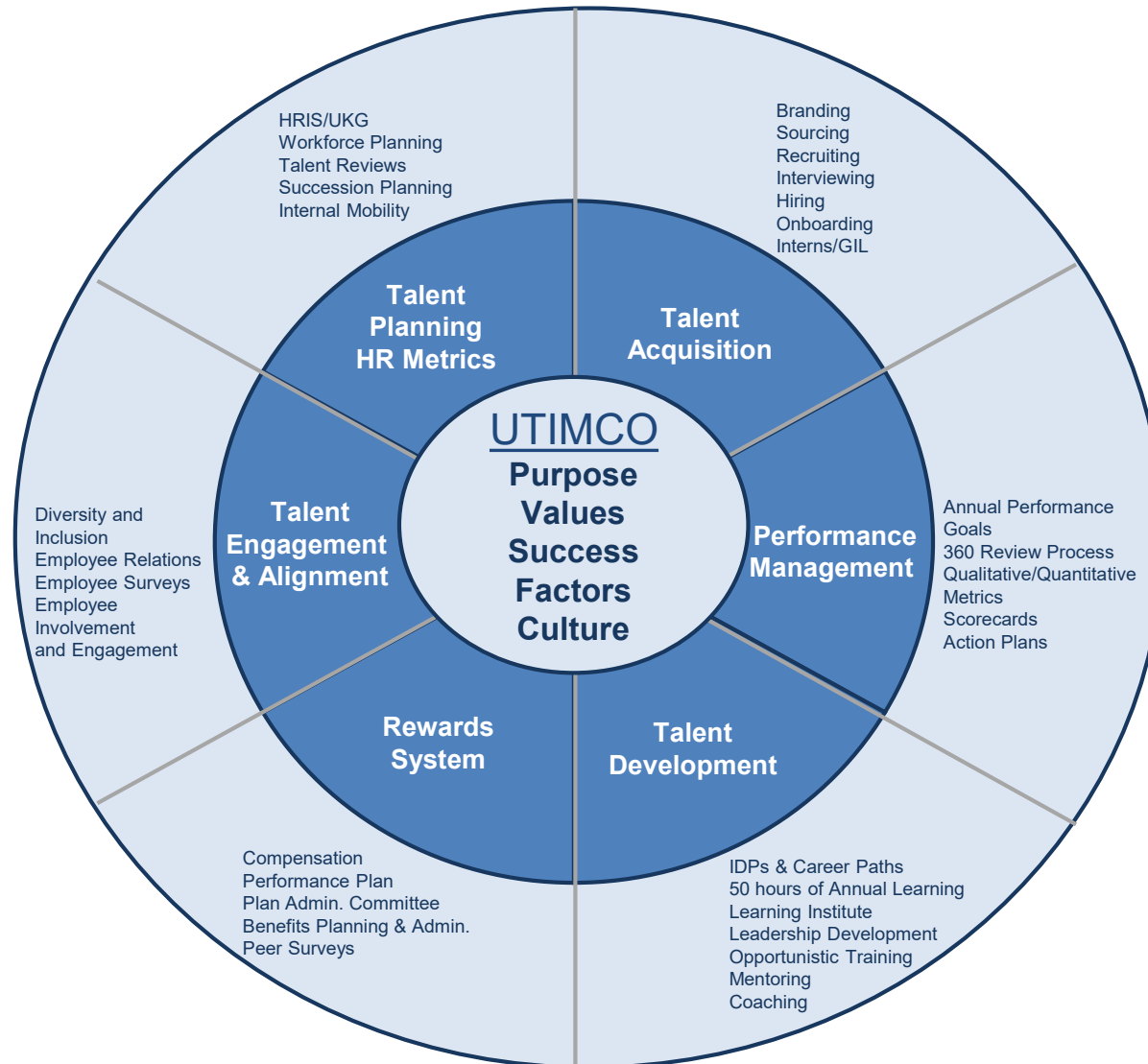
Purpose
Culture
Results
Compensation
Benefits
Leadership
Management
Practices
Wellness
Quality of work Life

PERFORMANCE

Goal Setting
Metrics
Benchmarks
Annual Reviews
Feedback
Success Factors
Scorecards
Reporting
Ratings
Link to Pay



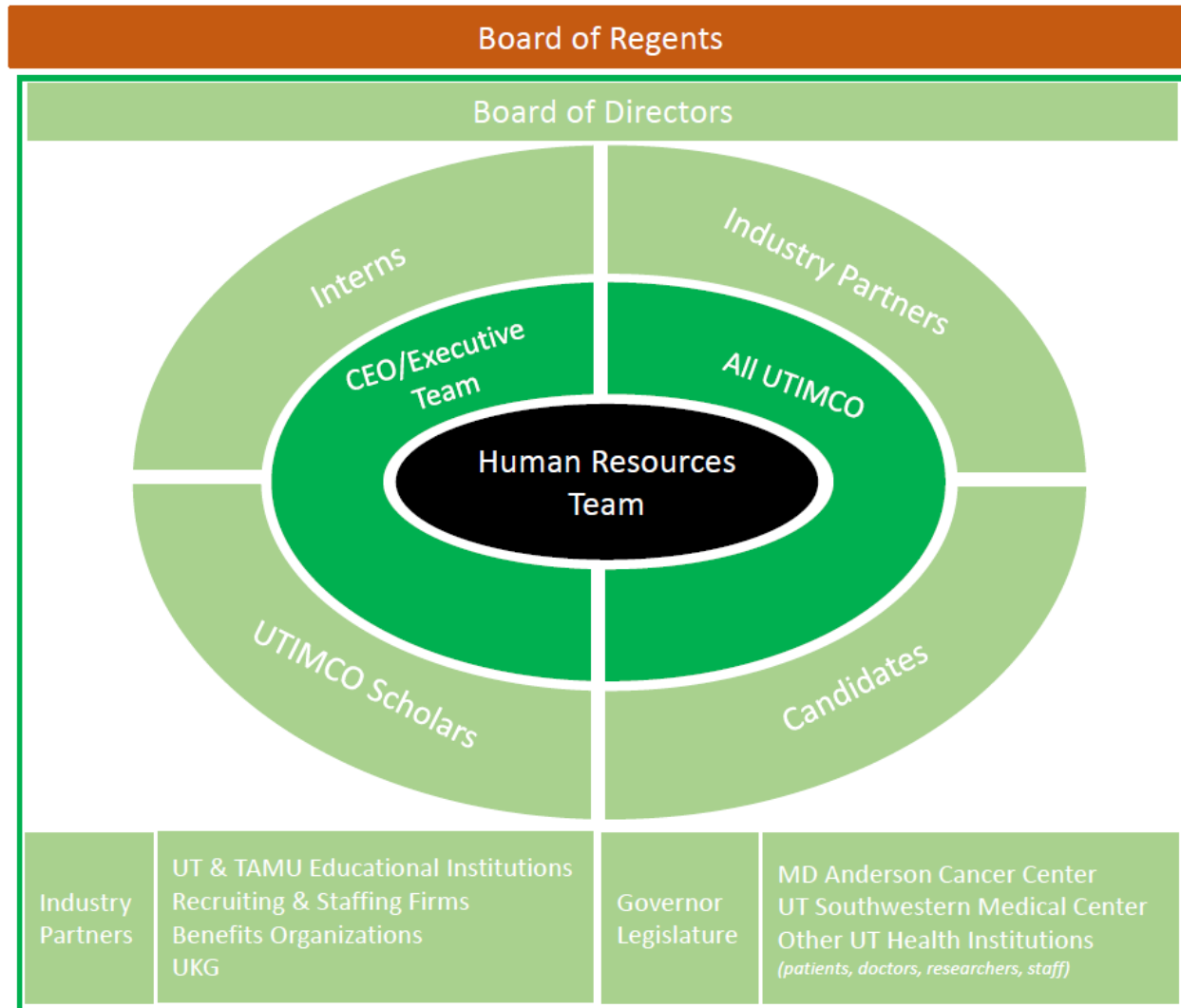
Talent Management Cycle





HR Team Customer Map

Client and Customers

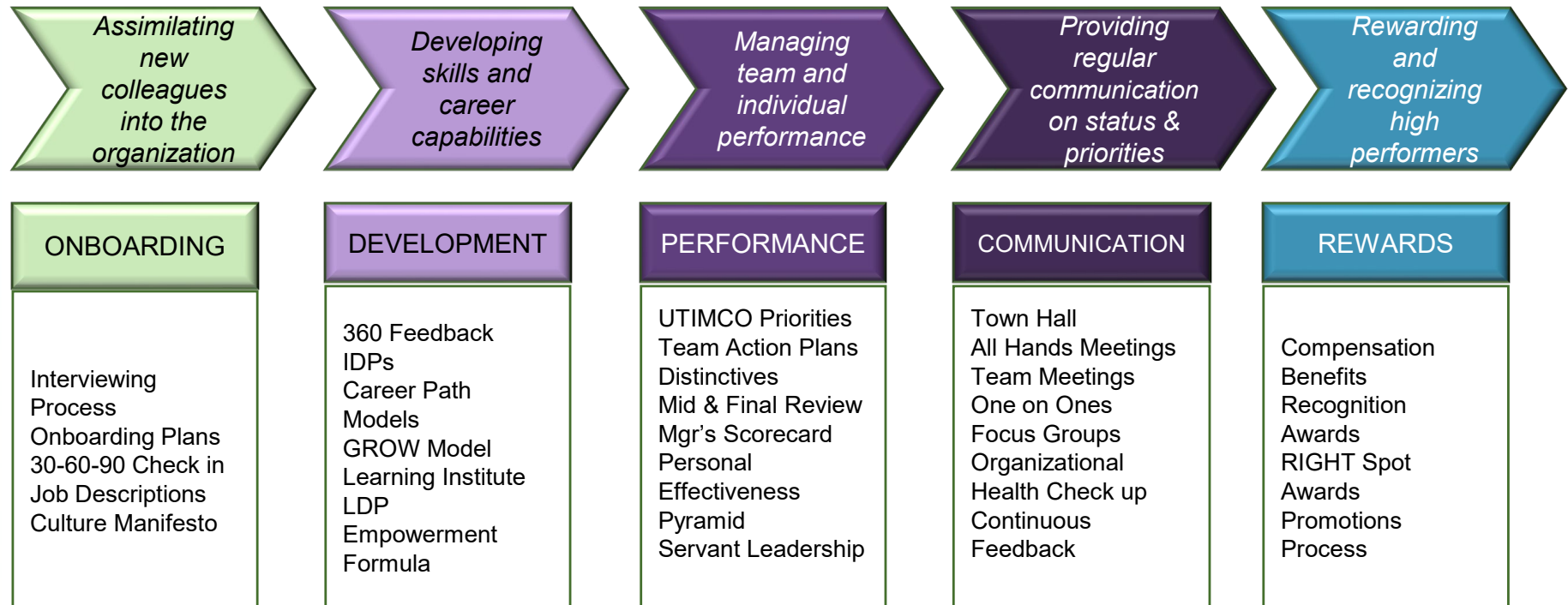


- Client
- Primary customers
- Selected other customers



UTIMCO Manager's Toolkit

THE TOOLS OF GOOD MANAGEMENT PRACTICES



"All management is change management"

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

- Agenda Item:** Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2021
- Developed By:** Moeller, de Onís
- Presented By:** Handley
- Type of Item:** Action required by UTIMCO Board related to Audit; Information item on other items
- Description:** The Audit and Ethics Committee (the “Committee”) met on March 3, 2022. The Committee’s agenda included (1) discussion and appropriate action related to the approval of minutes of December 2, 2021 meeting; (2) discussion and appropriate action related to financial statement audit results and communications and audited financial statements for the Corporation; (3) an update on UTIMCO’s compliance, reporting, and audit matters; and (4) a presentation of unaudited financial for the Investment Funds and the Corporation.
- Discussion:** The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2021 and 2020 financial statements. Robert Cowley, the engagement partner, presented to the Committee the Deloitte & Touche LLP’s Audit Results and Communications letter and answered questions related to the financial statements. A copy of the Audit Results and Communications Letter and the audited financial statements are included.
- Eric Polonski, Director of Audits of the UT System Audit Office, provided an update on the upcoming audit of UTIMCO’s information technology (IT) asset management program.
- Routine activities of the Committee included a report from Mrs. de Onís related to the quarterly compliance reports. The Committee reviewed the unaudited financial statements for the Funds and the UTIMCO Corporation. The Committee also was provided the Contracts Report. In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases or other commercial arrangements of \$250,000 or more to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more.
- Recommendation:** The Committee will request the UTIMCO Board take appropriate action based on the Committee’s action from its meeting related to approval of Deloitte and Touche LLP Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.
- Reference:** Deloitte & Touche LLP’s Audit Results and Communications Letter
Audited Financial Statements and Audit Report for the Corporation
Contract Report

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2021**

RESOLVED, that Deloitte & Touche LLP Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2021, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2021 and August 31, 2020, be, and are hereby approved in the form as presented to the Board.



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

Results of the Audit



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January 21, 2022

Mr. Britt Harris

President and Chief Executive Officer of
The University of Texas/ Texas A&M Investment Management Company

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

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

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

We have performed an audit of the financial statements of The University of Texas/ Texas A&M Investment Management Company (the "Company") as of and for the year ended August 31, 2021 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated January 21, 2022.

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

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

Yours truly,

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

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated May 27, 2021, a copy of which has been provided to you. As described in that letter, 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 Audit and Ethics Committee are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the financial statements does not relieve management or Audit and Ethics Committee of their responsibilities. We considered internal control relevant to the Company’s preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

Significant Accounting Policies

The Company’s significant accounting policies are set forth in Note 2 to the Company’s 2021 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended August 31, 2021.

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

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company’s 2021 financial statements include the recoverability of long-term assets such as property and equipment and liabilities, as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2021, we are not aware of any significant changes in accounting estimates or in management’s judgments relating to such estimates.

Uncorrected Misstatements

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

Material Corrected Misstatements

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

Other Information Included in the Annual Report

When audited financial statements are included in documents containing other information such as the Management Discussion & Analysis (the “MD&A”), we read such other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. We have read the other information in the MD&A and have compared selected amounts or other items in the other information with such amounts or other items in the financial statements. While reading the other information, we remained alert for indications that (1) a material inconsistency exists between the other information and our knowledge obtained in the audit and (2) a material misstatement of fact exists or the other information is otherwise misleading. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to communicate the matter to you, request that the correction be made, and, if not corrected, describe it in our report. We did not note any uncorrected material misstatements of the other information.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Company’s 2021 financial statements.

Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2021.

Significant Findings or Issues Arising from the Audit Discussed, or Subject of Correspondence, with Management

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

Significant Difficulties Encountered in Performing the Audit

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

Management’s Representations

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

Other-Matter Paragraph

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

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

Appendix A – Management Representation Letter



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

January 21, 2022

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

We are providing this letter in connection with your audits of the financial statements of The University of Texas/Texas A&M Investment Management Company (the "Company"), which comprise the statements of net position as of August 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements (the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

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

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

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

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

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

9. There are no transactions that have not been properly recorded and reflected in the financial statements.
10. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

11. Regarding related parties:
 - a. We have disclosed to you the identity of the Company's related parties and all the related-party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
12. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
13. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
15. The Company has complied with all aspects of contractual agreements that may affect the financial statements.
16. The performance incentive awards approved for the year ended August 31, 2021 and approved on December 9, 2021, totaled \$19,326,151.
17. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

18. No events have occurred after August 31, 2021 but before January 21, 2022, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.



Britt Harris
President and Chief Executive Officer



Joan Moeller
Senior Managing Director and Chief Operating Officer



Kim Bauer
Senior Director – Corporate Accounting

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2021 and 2020

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

Financial Statements

Years Ended August 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas/Texas A&M Investment Management Company ("UTIMCO"), which comprise the statements of net position as of August 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UTIMCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Texas/Texas A&M Investment Management Company as of August 31, 2021 and 2020, and the results of its changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Deloitte & Touche LLP

January 21, 2022

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

Our discussion and analysis of the financial performance for The University of Texas/Texas A&M Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2021. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$67 billion as of August 31, 2021. UTIMCO is governed by a nine-member Board of Directors consisting of at least three members of the UT Board and four other members appointed by the UT Board, and two members appointed by The Texas A&M University System Board of Regents (A&M Board). At least three members appointed by the UT Board and at least one member appointed by the A&M Board must have substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for most investments to UTIMCO.

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

Financial Highlights

Net position was relatively flat at \$25 million for the year ended August 31, 2021, as UTIMCO's expenses were in line with its budget. Net position increased approximately \$2.9 million from \$22.1 million to \$25 million, or approximately 13%, for the year ended August 31, 2020. Although year-over-year net position remained flat in FY 2021, certain expenses exceeded the budget while other expenses were under budget. Primarily, performance compensation was higher than budgeted because exceptional investment performance exceeded maximum performance measurement standards in almost all quantitative categories prescribed in the UTIMCO Compensation Program (the "Plan") which resulted in higher-than-normal performance awards. Expenses that were less than budgeted included travel, contract services and maintenance costs. Contract services and maintenance costs were less than budgeted due to project cost savings and travel was less than budgeted because of the travel restrictions related to the COVID-19 pandemic. The increase in net position in FY20 was primarily the result of employee-related expenses that were less than budgeted because new and open positions were filled later in the year or remained unfilled. Additionally, travel was less than budgeted because of the travel restrictions related to the COVID-19 pandemic.

Use of Financial Statements and Notes

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

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

Statements of Net Position

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

The following summarizes the Statements of Net Position:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 36,376,444	\$ 32,421,890	\$ 26,027,943
Prepaid expenses and other assets	<u>1,448,217</u>	<u>2,085,049</u>	<u>1,448,125</u>
Total Current Assets	37,824,661	34,506,939	27,476,068
Non-Current Assets			
Assets of the 457(b) deferred compensation plan	3,562,712	2,712,919	2,417,291
Capital assets, net of accumulated depreciation	<u>10,682,056</u>	<u>9,649,854</u>	<u>10,976,414</u>
Total Non-Current Assets	<u>14,244,768</u>	<u>12,362,773</u>	<u>13,393,705</u>
Total Assets	<u>\$ 52,069,429</u>	<u>\$ 46,869,712</u>	<u>\$ 40,869,773</u>
Liabilities and Net Position			
Current Liabilities	\$ 20,406,166	\$ 15,883,976	\$ 13,365,081
Non-Current Liabilities	<u>6,692,643</u>	<u>5,989,661</u>	<u>5,461,995</u>
Total Liabilities	<u>27,098,809</u>	<u>21,873,637</u>	<u>18,827,076</u>
Net Position	<u>24,970,620</u>	<u>24,996,075</u>	<u>22,042,697</u>
Total Liabilities and Net Position	<u>\$ 52,069,429</u>	<u>\$ 46,869,712</u>	<u>\$ 40,869,773</u>

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

- Net position was relatively flat and overall, on budget in FY 2021 and increased in FY 2020 by \$2,953,378. In FY 2021, performance compensation was higher than budgeted because of the exceptional investment results. However, this was offset by lower than budgeted travel, contract services and maintenance costs. The increase in net position for FY 2020 was primarily the result of lower than budgeted salaries, performance compensation, employee benefits, travel, contract services and unbudgeted interest income. Employee-related expenses were less than budgeted because of the timing of new hires and unfilled vacancies. Travel was affected by the pandemic.
- Cash & cash equivalents increased between FY 2020 and FY 2021 by \$3,954,554 and increased between FY 2019 and FY 2020 by \$6,393,947. The increase for FY 2021 is primarily due to the timing of payments for the FY 2021 performance compensation awards. The increase for FY 2020 was primarily the result of operating expenses that were less than budgeted as described above. Other contributing factors in FY 2020 include unbudgeted interest income receipts and the timing of payments for operating costs.
- Prepaid expenses and other assets decreased in FY 2021 by \$636,832 and increased in FY 2020 by \$636,924. The decrease in FY 2021 primarily resulted from the culmination of two one-time occurrences from the prior year, expensing the construction deposits and receipt of the 457(b) deferred compensation plan distribution receivable. The increase in FY 2020 was primarily the result of deposit payments related to the construction of the office space remodel and expansion and a 457(b) deferred compensation plan distribution receivable.
- Non-current assets increased in FY 2021 by \$1,881,995 and decreased in FY 2020 by \$1,030,932. The increase in FY 2021 was the result of an increase in net capital assets related to the office space remodel and expansion, and an increase in the assets of the 457(b) deferred compensation plan. The decrease in FY 2020 was the result of a decrease in net capital assets from depreciation offset by an increase in the assets of the 457(b) deferred compensation plan.
- Current liabilities increased in FY 2021 by \$4,522,190 and in FY 2020 by \$2,518,895. The increase in FY 2021 was mainly the result of an increase in the performance compensation liability due to the strong investment performance which resulted in achieving the maximum performance measurement standards in almost all the quantitative categories as prescribed in the UTIMCO Compensation Program. The increase in FY 2020 was the result of an increase in the performance compensation liability due to normal raises and promotions, compensation plan participant vesting and the change in the compensation plan to a shorter deferral period.
- Non-current liabilities increased in FY 2021 by \$702,982 and in FY 2020 by \$527,666. The increases in both FY 2021 and FY 2020 were the result of an increase in the liabilities of the 457(b) deferred compensation plan.

Statements of Revenues, Expenses and Changes in Net Position

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue			
Management fees and advisory board fees	\$ 55,617,711	\$ 49,881,196	\$ 43,801,512
Net non-operating revenues	18,012	362,878	560,046
Total Revenue	<u>55,635,723</u>	<u>50,244,074</u>	<u>44,361,558</u>
Expenses			
Salaries, benefits, payroll & excise taxes	23,206,384	21,080,241	20,173,218
Performance compensation	19,986,731	15,184,902	11,271,195
General operating	6,290,081	5,552,875	5,406,563
Depreciation	1,776,348	1,646,105	1,669,890
Lease	3,206,892	2,744,234	2,474,161
Other	1,194,742	1,082,339	793,296
Total Expenses	<u>55,661,178</u>	<u>47,290,696</u>	<u>41,788,323</u>
Net Position, beginning of year	<u>24,996,075</u>	<u>22,042,697</u>	<u>19,469,462</u>
Net Position, end of year	<u>\$ 24,970,620</u>	<u>\$ 24,996,075</u>	<u>\$ 22,042,697</u>

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

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. The revenue fluctuations are the direct result of these approved budgets.
- Total Expenses increased in FY 2021 by \$8,370,482 and in FY 2020 by \$5,502,373. The increases in both FY 2021 and FY 2020 were primarily the result of an increase in salaries, employee benefits, and payroll taxes. In both FY 2021 and FY 2020, these employee-related expenses increased mainly as a result of normal raises and promotions. In FY 2021, performance compensation primarily increased because of the exceptional investment performance, resulting in achieving maximum award opportunities in almost all the quantitative categories. In FY 2020, the increase in performance compensation was also a result of compensation plan participant vesting and a change in the compensation plan to a shorter deferral period.

- Other expenses also contributed to the total expense increases in FY 2021 and FY 2020. Specifically, lease expense related to the office space remodel and expansion was a component of the increases in both FY 2021 and FY 2020. In FY 2021, contract services increased as a result of enhancements made to the cyber risk program based on an external review and report of UTIMCO's security program. Increases in online data and subscriptions were also contributing factors.

Statements of Cash Flows

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from Operating Activities			
Proceeds from management fees and advisory board fees	\$ 55,617,711	\$ 49,881,196	\$ 43,801,512
Payments to and for employees	(38,677,343)	(33,634,129)	(29,864,326)
Other payments	(10,195,276)	(9,896,453)	(8,400,792)
Net cash provided by Operating Activities	6,745,092	6,350,614	5,536,394
Cash flows from Capital and Related Financing Activities			
Purchase of capital assets, net	(2,809,995)	(319,545)	(181,060)
Net cash used for Capital and Related Financing Activities	(2,809,995)	(319,545)	(181,060)
Cash flows from Investing Activities			
Interest	19,457	362,878	560,046
Net cash provided by Investing Activities	19,457	362,878	560,046
Net Change in cash & cash equivalents	3,954,554	6,393,947	5,915,380
Cash & cash equivalents, beginning of year	<u>32,421,890</u>	<u>26,027,943</u>	<u>20,112,563</u>
Cash & cash equivalents, end of year	<u>\$ 36,376,444</u>	<u>\$ 32,421,890</u>	<u>\$ 26,027,943</u>

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

- Proceeds from management fees increased in FY 2021 and FY 2020. The increases in both years were mainly due to an increase in employee-related expenses. The UTIMCO budget is approved in advance each year by both the UTIMCO Board, and the UT Board and the management fee fluctuates as the direct result of the approved budget.

- Payments to and for employees increased in fiscal years 2021 and 2020 mainly because of the increase in salaries and other personnel expenses that are directly related to compensation. These expenses increased as a result of normal raises and promotions.
- Purchases of capital assets increased in FY 2021 because of the office space remodel and expansion and increased slightly in FY 2020 because of the replacement of obsolete server room equipment and the addition of new computer equipment needed to accommodate employees working remotely.

Contacting UTIMCO

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

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

Statements of Net Position

August 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 36,376,444	\$ 32,421,890
Prepaid expenses and other assets	1,448,217	2,085,049
Total Current Assets	37,824,661	34,506,939
Non-Current Assets		
Assets of the 457(b) deferred compensation plan	3,562,712	2,712,919
Capital assets, net of accumulated depreciation of \$6,677,547 and \$5,010,199, respectively	10,682,056	9,649,854
Total Non-Current Assets	14,244,768	12,362,773
Total Assets	\$ 52,069,429	\$ 46,869,712
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 20,259,355	\$ 15,800,726
Current portion - unamortized rent	146,811	83,250
Total Current Liabilities	20,406,166	15,883,976
Non-Current Liabilities		
457(b) deferred compensation plan obligations	3,562,712	2,712,919
Long-term portion - unamortized rent	3,129,931	3,276,742
Total Non-Current Liabilities	6,692,643	5,989,661
Total Liabilities	27,098,809	21,873,637
Net Position		
Net investment in capital assets	10,682,056	9,649,854
Unrestricted	14,288,564	15,346,221
Total Net Position	24,970,620	24,996,075
Total Liabilities and Net Position	\$ 52,069,429	\$ 46,869,712

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

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

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Management Fees	\$ 55,617,711	\$ 49,876,196
Advisory Board Fees	-	5,000
Total Operating Revenues	<u>55,617,711</u>	<u>49,881,196</u>
Operating Expenses		
Salaries	18,193,968	16,966,760
Performance Compensation	19,986,731	15,184,902
Employee Benefits	2,938,869	2,725,600
Payroll Taxes	2,073,547	1,387,881
General Operating	6,290,081	5,552,875
Depreciation	1,776,348	1,646,105
Lease	3,206,892	2,744,234
Professional Fees	975,083	873,625
Insurance	219,659	208,714
Total Operating Expenses	<u>55,661,178</u>	<u>47,290,696</u>
Operating (Loss)/Income	(43,467)	2,590,500
Non-Operating Revenues		
Interest	19,457	362,878
Loss on Disposal of Equipment	(1,445)	-
Net Non-Operating Revenues	<u>18,012</u>	<u>362,878</u>
(Decrease)/Increase in Net Position	(25,455)	2,953,378
Net Position at beginning of year	24,996,075	22,042,697
Net Position at end of year	<u>\$ 24,970,620</u>	<u>\$ 24,996,075</u>

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

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

Statements of Cash Flows

For the years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from Operating Activities:		
Proceeds from management fees and advisory board fees	\$ 55,617,711	\$ 49,881,196
Payments to suppliers for goods and services	(6,905,135)	(7,310,801)
Payments for facility	(3,290,141)	(2,585,652)
Payments to employees	(34,229,379)	(29,527,301)
Payments for employees	<u>(4,447,964)</u>	<u>(4,106,828)</u>
Net Cash provided by Operating Activities	6,745,092	6,350,614
 Cash flows from Capital and Related Financing Activities:		
Purchases of capital assets	<u>(2,809,995)</u>	<u>(319,545)</u>
Net cash used in Capital and Related Financing Activities	(2,809,995)	(319,545)
 Cash flows from Investing Activities:		
Interest	<u>19,457</u>	<u>362,878</u>
Net cash provided by Investing Activities	19,457	362,878
 Net increase in cash and cash equivalents:	3,954,554	6,393,947
Cash and cash equivalents at beginning of year	<u>32,421,890</u>	<u>26,027,943</u>
Cash and cash equivalents at end of year	<u><u>\$ 36,376,444</u></u>	<u><u>\$ 32,421,890</u></u>

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

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

Statements of Cash Flows, Continued

For the years ended August 31, 2021 and 2020

**Reconciliation of operating income to net cash provided by/
(used in) Operating Activities:**

	<u>2021</u>	<u>2020</u>
Operating (Loss)/Income:	\$ (43,467)	\$ 2,590,500
Adjustments to reconcile operating income to net cash provided by Operating Activities		
Depreciation	1,776,348	1,646,105
Changes in assets and liabilities:		
Decrease/(increase) in prepaid expenses and other assets	636,832	(636,924)
Increase in assets of 457(b) deferred compensation plan	(849,793)	(295,628)
Increase in accounts payable and accrued expenses	4,458,629	2,592,351
Increase in liabilities of 457(b) deferred compensation plan	849,793	295,628
(Decrease)/increase in unamortized rent	(83,250)	158,582
Net cash provided by Operating Activities	<u>\$ 6,745,092</u>	<u>\$ 6,350,614</u>

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

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

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Cash and cash equivalents

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

Prepaid expenses and other assets

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

Capital assets, net of accumulated depreciation

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

The following is a schedule of the capital assets as of August 31, 2021 and 2020:

	Balance 8/31/2020	Additions/ Transfers	Deletions	Balance 8/31/2021
Office furniture	\$ 2,815,083	\$ 370,401	\$ (8,893)	\$ 3,176,591
Office equipment	2,336,531	275,876	-	2,612,407
Software	282,867	17,569	(101,552)	198,884
Leasehold improvements	9,225,572	2,146,149	-	11,371,721
Total property and equipment	14,660,053	2,809,995	(110,445)	17,359,603
Less accumulated depreciation	(5,010,199)	(1,776,348)	109,000	(6,677,547)
Net Capital Assets	<u>\$ 9,649,854</u>	<u>\$ 1,033,647</u>	<u>\$ (1,445)</u>	<u>\$ 10,682,056</u>

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

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

Income taxes

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

Use of Estimates

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

Fair Value Measurement

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

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

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

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

New Accounting Standards

GASB Statement No. 87, Leases, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments, and certain regulated leases. UTIMCO is evaluating the effect that Statement 87 will have on its financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), effective 2023, defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. UTIMCO is evaluating the effect that Statement 96 will have on its financial statements.

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the years ended August 31, 2021 and 2020 were \$55,610,211, and \$49,868,696, respectively. This represents fees for the following:

	<u>2021</u>	<u>2020</u>
Permanent University Fund	\$ 27,874,913	\$ 25,421,875
The University of Texas System General Endowment Fund	17,072,628	13,635,989
The University of Texas System Intermediate Term Fund	<u>10,662,670</u>	<u>10,810,832</u>
	<u>\$ 55,610,211</u>	<u>\$ 49,868,696</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System and The University of Texas at Austin. The total for these services for the years ended August 31, 2021 and 2020 were \$159,499 and \$183,031, respectively.
- c) UTIMCO entered into a 124-month lease agreement on July 31, 2017, and subsequent amendment on June 1, 2018, for its current office space and parking with The University of Texas System that commenced on February 1, 2018. The minimum rental commitment was \$154,507 per month for the first year with the first four months abated and escalated annually by \$4,544 per month. A tenant improvement allowance of \$2,726,600 was applied towards the tenant construction costs. Effective May 1, 2020, the lease was amended to include additional space and extends the lease through May 21, 2030. An additional tenant improvement allowance of \$270,870 was

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

applied towards the tenant construction costs and was recorded as an unamortized rent liability. As of August 31, 2021, the monthly rent payment was \$197,463. Additional lease details are discussed in Note 6 below.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2021, and 2020, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk. The UTIMCO operating funds are invested in an institutional preferred money market account. The current fair value of the assets of the account is categorized as Level 1 of the fair value hierarchy as described above. The money market account balances as of August 31, 2021 and 2020 were \$36,307,964 and \$31,928,295, respectively.

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, the UTIMCO 403(b) Tax Sheltered Annuity Plan, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the years ended August 31, 2021 and 2020 were \$1,290,358 and \$1,200,281, respectively.

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

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the years ended August 31, 2021 and 2020 were \$300,670 and \$293,140, respectively.

Note 6 – Lease Expense

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

Effective May 1, 2020, the lease was amended and extended through May 21, 2030. The lease amendment includes additional space and base rent and operating expense adjustments. The lease also includes a rent escalation clause providing for scheduled rent increases annually. An additional tenant improvement allowance of \$270,870 was applied towards tenant construction costs during the year ended August 31, 2021. The lease expense incentives were recorded as an unamortized rent liability as detailed in Note 7.

The net lease expense related to the lease incentives and amortization of the tenant allowances for the years ended August 31, 2021 and 2020 was \$2,259,821 and \$1,942,423, respectively. For the years ended August 31, 2021 and 2020, related operating expenses were \$699,171 and \$582,545, respectively. Parking expense was \$247,900 and \$219,266, respectively, for the years ended August 31, 2021 and 2020. The minimum rental commitment for UTIMCO’s office space as amended effective May 1, 2020 and expiring May 21, 2030 was \$192,166 per month for the first nine months and escalates annually as of February 1, 2021 per a predetermined escalation clause in the lease.

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

Years ending August 31,	
2022	2,406,631
2023	2,470,192
2024	2,533,753
2025	2,592,124
2026	2,646,786
Thereafter	10,339,940
	<u>\$ 22,989,426</u>

Note 7 – Unamortized Rent

Under the terms of the office lease, as amended, that commenced on February 1, 2018, UTIMCO was provided with four months of abated rent and a tenant improvement allowance of \$2,726,600 that was applied towards construction expenses. Effective May 1, 2020, the lease was amended and extended through May 21, 2030. The lease amendment includes additional space and base rent and operating expense adjustments. An additional tenant improvement allowance of \$270,870 was applied to tenant construction costs and was recorded as an unamortized rent liability. For the years ended August 31, 2021 and 2020, unamortized rent relating to the amended lease agreements were \$3,276,742 and \$3,359,992, respectively.

Note 8 – Advisory Board Fees

UTIMCO received a fee on behalf of an employee who served as an advisory board member for a private equity investment for the year ended August 31, 2020. There were no advisory board fees for the year ended August 31, 2021.

CONTRACT REPORT

New Contracts, Leases, and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$250,000)
 November 11, 2021 through February 17, 2022

Agreement	Purpose	Contract Term	Annual Amount
eFront Financial Solutions (annual renewal)	eFront Financial Solutions is a software provider for the alternative investments and risk management areas of the financial services industry	1/1/2022 - 12/31/2022	\$291,676

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

Agenda Item:	Report from Investment Risk Committee
Developed By:	Moeller, de Onís
Presented By:	Weaver
Type of Item:	Information item
Description:	The Investment Risk Committee (“Committee”) met on March 3, 2022. The Committee’s agenda included (1) discussion and appropriate action related to the approval of minutes of its December 2, 2021 meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.
Discussion	Ms. de Onís reviewed the quarterly compliance reporting with the Committee and Dr. Yoeli presented an update on the market and portfolio risk while Dr. Jones provided an update on the Barra/New Risk System implementation.
Recommendation:	None
Reference:	None

Agenda Item
UTIMCO Board of Directors Meeting
March 22, 2022

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 March 3, 2022. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of December 2, 2021 meeting. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology.

Recommendation: None

Reference: None