

**UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
June 10, 2022**

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

Time	Item #	Agenda Item
Begin	End	OPEN MEETING:
9:00 a.m.	9:05 a.m.	1 Call to Order/Discussion and Appropriate Action Related to Minutes of March 22, 2022 Meeting*
9:05 a.m.	9:10 a.m.	2 Discussion and Appropriate Action Related to Corporate Resolution: - Election of Corporate Officers*
9:10 a.m.	9:40 a.m.	3 CEO Update
9:40 a.m.	10:05 a.m.	4 UTIMCO and Market Update
10:05 a.m.	10:25 a.m.	5 Real Return Presentation
10:25 a.m.	10:45 a.m.	6 Private Equity Presentation
10:45 a.m.	11:05 a.m.	7 Report from Policy Committee - FY2023 Policies Review - Discussion and Appropriate Action Related to Proposed Amendments to: Investment Policy Statements*,** Liquidity Policy*,** Derivative Investment Policy*,** Delegation of Authority Policy* Securities Lending Policy Valuation Criteria for Alternative Assets Policy* Master Investment Management Services Agreement with UTIMCO*,**
11:05 a.m.	11:10 a.m.	8 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Engaging Corporate External Auditor*
11:10 a.m.	11:15 a.m.	9 Report from Investment Risk Committee
11:15 a.m.	11:20 a.m.	10 Report from Cyber Risk Committee
11:20 a.m.	11:40 a.m.	11 Executive Session Pursuant to Section 551.074 <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to deliberate individual personnel compensation matters, including the CEO and President. Reconvene into Open Session Report from Compensation Committee: Discussion and Appropriate Action Related to the: - CEO's Base Salary for 2022-2023 Fiscal Year* - CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2023*
11:40 a.m.	12:00 p.m.	12 Discussion and Appropriate Action Related to UTIMCO 2022-2023 Budget*,**
12:00 p.m.		Adjourn followed by Lunch

* Action by resolution required

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

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

Next Regularly Scheduled Meeting: September 15, 2022

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **March 22, 2022**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in an open meeting on **March 22, 2022**, 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.
James C. "Rad" Weaver

thus constituting a majority and quorum of the Board. Employees of the Corporation attending the meeting were Britt Harris, President and CEO; Rich Hall, Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Carolina de Onís, General Counsel and Chief Compliance Officer; Susan Chen, Senior Managing Director – Public Equity; Courtney Powers, Managing Director – Hedge Funds; Tony Caruso, Senior Director – Hedge Funds; Michael Dean, Managing Director – Human Resources; Ken Reeves, Managing Director – Human Resources; Drury Morris, Senior Director – Public Equity; and other team members. Other attendees were James B. Milliken, Chancellor of The University of Texas ("UT System") System; Ben Morse of Orrick, Herrington, & Sutcliffe LLP; and Keith Brown of the McCombs School of Business at UT Austin. Chairman Hildebrand called the meeting to order at 9:00 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on December 9, 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 December 9, 2021, be, and are hereby, approved.

Corporate Resolutions

Chairman Hildebrand presented a recommendation that the annual meeting of the Board of Directors of the Corporation be held on June 10, 2022. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

Chairman Hildebrand recommended that Ken Reeves be appointed as 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. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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.

FURTHER 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.

CEO Update

Prior to Mr. Harris's CEO update, Drury Morris, Senior Director of Public Equity, provided the Board with a brief overview of cryptocurrency and the current digital asset space. He reported on the total market capitalization of digital assets, noting that it is valued at \$1.8 trillion. He then discussed the top tokens and public companies and the attraction of VC funding in 2021. He reported that despite tremendous growth, digital assets remain a small portion of total global assets. Mr. Morris concluded with an ecosystem overview by sector and an overview of institutional counterparties. He then answered questions from the Board. Next, Mr. Harris provided the Board with an update on market super factors as well as details on the San Jacinto Project, a climate and energy transition conference that will focus on developing solutions to provide clean, affordable, and reliable energy globally. He then answered questions from the Board.

UTIMCO and Market Update

Chairman Hildebrand asked Mr. Hall to present the UTIMCO and market update. Mr. Hall provided an update on the Corporation's assets under management and performance results as of December 31, 2021. He reported that the Corporation had around \$69 billion of assets under management; almost \$43 billion in asset growth over 10 years. He reviewed AUM by institution as well as UTIMCO's diversification framework. He then discussed UTIMCO and endowment returns and alpha detail as well as performance relative to peers. Mr. Hall then reported on the market dashboard as well as economic indicators and US Equity market performance. He concluded his presentation with a discussion on inflation and rate hike cycles and answered questions from the Board.

Public Equity Presentation

Chairman Hildebrand invited Susan Chen to present an update on Public Equity. Ms. Chen reported that Public Equity is approximately \$18.2 billion of the total portfolio, roughly 30% of the Endowments and approximately 13% of ITF assets as of December 31, 2021. Ms. Chen discussed market conditions and UTIMCO's performance, noting reasonable absolute, but poor relative returns in calendar 2021. She discussed Public Equities' role in the total portfolio and the market conditions during the 2021 calendar year. She detailed the portfolio performance as well as the developed markets and emerging markets portfolios. Ms. Chen reviewed the 2021 top alpha contributors and detractors and 2022 strategy adjustments. She concluded her presentation by reviewing the team structure, discussing key contributions to UTIMCO's 2021 top accomplishments, and priorities for 2022. Ms. Chen and Mr. Harris answered the Directors' questions.

Hedge Funds Presentation

Chairman Hildebrand asked Courtney Powers and Tony Caruso to present the Hedge Funds Review. Mr. Powers began by sharing the role of Hedge Funds in the UTIMCO diversification framework. He provided an executive summary stating that performance continues to be strong and both Directional and Stable Value portfolios are meeting or exceeding expectations. He provided an update on Directional Hedge Funds before handing the presentation over to Mr. Caruso to discuss the Stable Value portfolio. Mr. Caruso noted that Stable Value has scaled from \$4.4B to \$6.2B in 2021 while preserving attractive return and risk characteristics. He reviewed 2021 results and diversification benefits and discussed 2022 strategic plan accountability. He concluded by sharing the teams' priorities going forward. Mr. Powers and Mr. Caruso then answered questions from the Board.

Human Resources Presentation

Chairman Hildebrand asked Ken Reeves to present the Human Resources Review. Mr. Reeves began with an introduction and complimented the successful transition of HR leadership. He shared that UTIMCO is not experiencing the "Great Resignation" and instead have onboarded approximately 30 new employees in the last year. Mr. Reeves discussed the Organizational Health Check results and noted that UTIMCO scored in the top 1% of firms in the Focus Consulting Group database. Next, he introduced the Human Resources team and turned the presentation over to Mr. Dean to discuss 2021 accomplishments. Mr. Dean shared that talent acquisition, development, and retention has been successful and diversity, equity, and inclusion continues to be a priority. Mr. Reeves concluded the presentation with 2022 priorities moving forward. Mr. Reeves and Mr. Dean answered questions from the Board.

Report from Audit and Ethics Committee

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on March 3, 2022. All members except for Director Thomas were present. At the meeting, the Committee considered three action items: the minutes of its December 2, 2021 meeting were approved as drafted; Deloitte & Touche LLP's Audit Results and Communications for the Corporation for the fiscal year ended August 31, 2021, were approved, subject to approval by the Board; the audit reports for the Corporation for the fiscal year ended August 31, 2021 and 2020 were approved, subject to approval by the Board. 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. The Committee also received a report related to quarterly compliance and reviewed the unaudited financial statements for the Funds and the UTIMCO Corporation. The Committee also was provided the Contracts Report. Director Handley requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 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 year ended August 31, 2021, and August 31, 2020, be, and are hereby approved in the form as presented to the Board.

Report from Investment Risk Committee

Chairman Hildebrand asked Director Weaver to provide a report from the Investment Risk Committee. Director Weaver reported that the Risk Committee met via teleconference on March 3, 2022. At the meeting, the Committee considered one action item: the minutes of its December 2, 2021 meeting. The Committee also received a report on compliance matters for the quarter ended November 30, 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 March 3, 2022. The Committee approved the minutes of its December 2, 2021 meeting. The Committee also met in Executive Session to receive an update on the corporation's cyber risk program, including an update on security metrics, the information security program, and other projects.

Adjourn

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

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolution:
- Election of Corporate Officers

Developed By: Moeller

Presented By: Hildebrand

Type of Item: Action required by UTIMCO Board

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

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

Reference: None

RESOLUTION RELATED TO CORPORATE OFFICERS

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

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

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 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 Update* presentation



CEO Update

Britt Harris, CEO

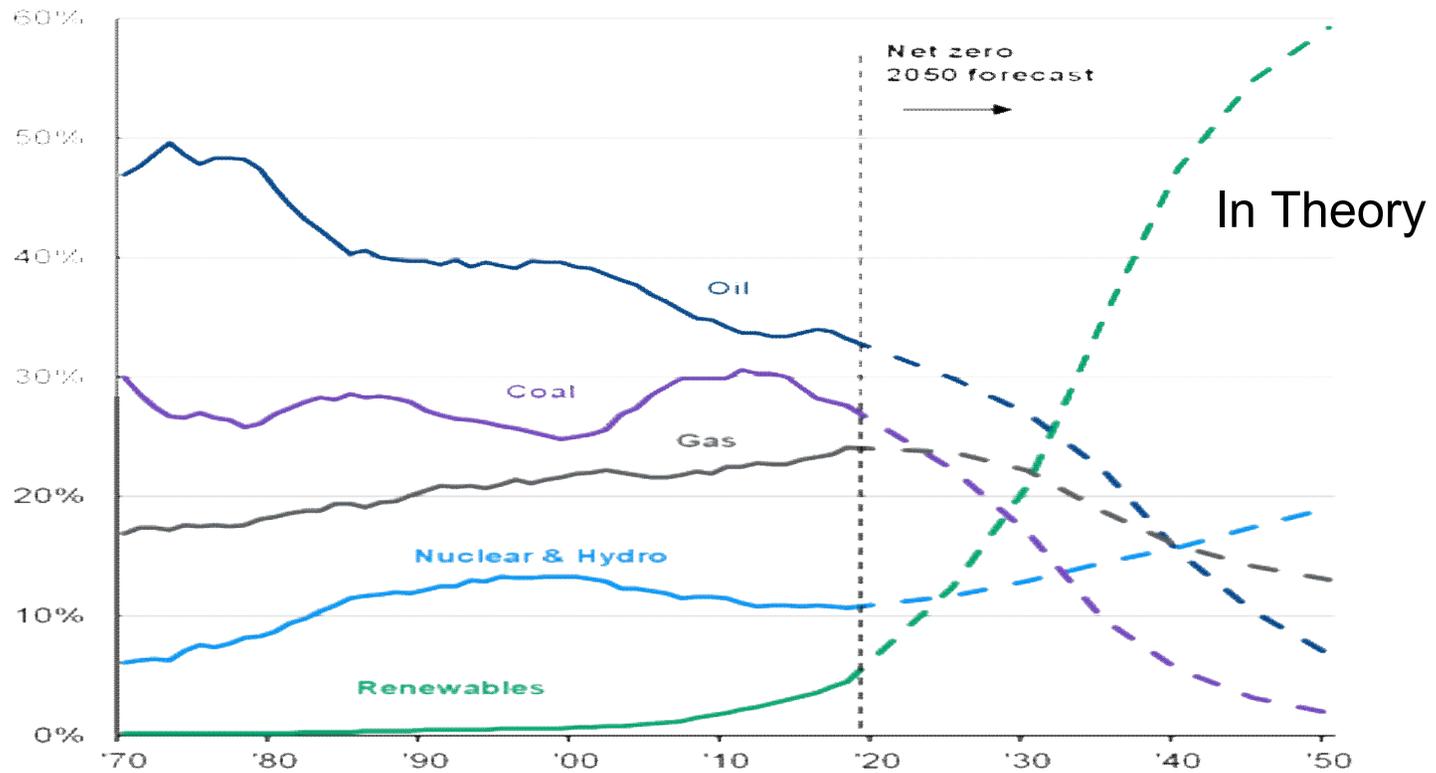
June 10, 2022



San Jacinto Conference Recap

- **San Jacinto Project: The Turning Point**
 - 100 experts, invitation only
 - Chatham House Rule
 - **Dual Mandate**
 - Effective Adjustment to Climate Change
 - Maintenance of Human Flourishing
 - **Theme: CARES**
 - Clean
 - Affordable and Abundant
 - Reliable
 - Energy
 - Security
 - **San Jacinto Project Objective**
 - The transition must be more *pragmatic*, more *compassionate*, and more *affordable*
- Key Observations**
- UN's plan too idealistic
 - Hydrocarbon risk for Minerals risk
 - Measurement systems inadequate

Energy Sources Over Time



Modi demands \$1 trillion per year



Sources: JPM, World Bank, GIS Geography



US Cities Most Threatened by Climate Change

Blended Overall Risk and Readiness

Rank	City	State
1	El Monte	CA
2	Norwalk	CA
3	Hialeah	FL
4	Inglewood	CA
5	Santa Ana	CA
6	Oxnard	CA
7	Garden Grove	CA
8	Pomona	CA
9	Anaheim	CA
10	Burbank	CA



9 of 10 are in California

Sources: Notre Dame Global Adaptation Initiative, GIS Geography



US Cities Most Threatened by Climate Change

Highest Risk Scores

Rank	City	State
1	Santa Ana	CA
2	Hialeah	FL
3	Paterson	NJ
4	Inglewood	CA
5	Allentown	PA
6	Bridgeport	CT
7	New Haven	CT
8	Elizabeth	NJ
9	Miami	FL
10	Newark	NJ

Lowest Readiness Scores

Rank	City	State
1	Fontana	CA
2	Norwalk	CA
3	El Monte	CA
4	Ontario	CA
5	Burbank	CA
6	Pasadena (CA)	CA
7	Moreno Valley	CA
8	Palmdale	CA
9	Anaheim	CA
10	Lancaster	CA

California, Northeast, Florida
(Coastal)

All California



US Cities Least Threatened by Climate Change

Lowest Risk Scores

Rank	City	State
1	Columbia (SC)	SC
2	Lexington-Fayette	KY
3	Frisco	TX
4	Scottsdale	AZ
5	Columbia (MO)	MO
6	Little Rock	AR
7	Overland Park	KS
8	Oklahoma City	OK
9	Norman	OK
10	Huntsville	AL

Highest Readiness Scores

Rank	City	State
1	Ann Arbor	MI
2	Madison	WI
3	Berkeley	CA
4	Cambridge	MA
5	Seattle	WA
6	Bellevue	WA
7	Plano	TX
8	Rochester (MN)	MN
9	Frisco	TX
10	Minneapolis	MN

Middle America / Not Coastal

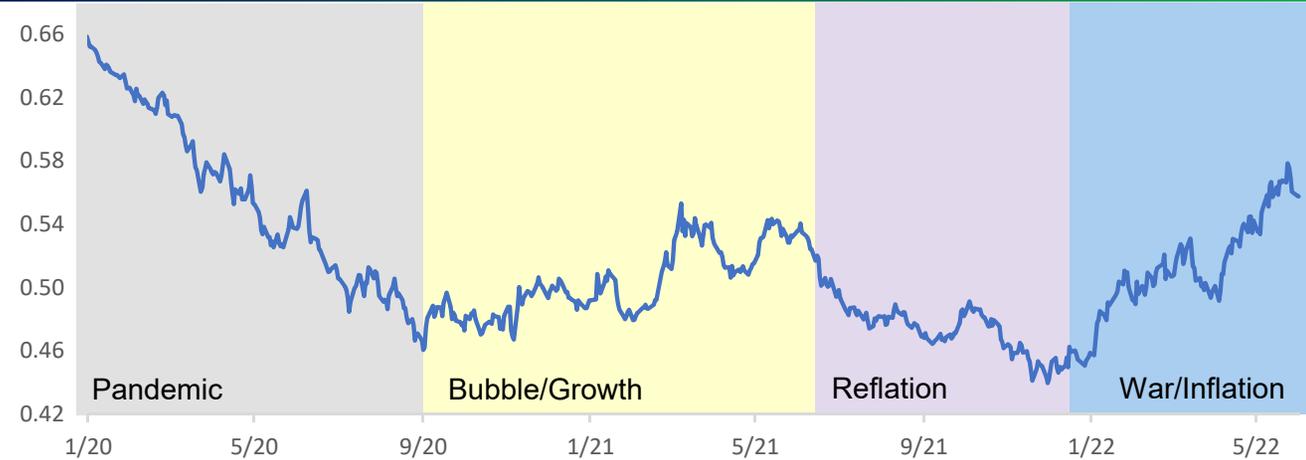


Value Versus Growth

Ratio of S&P 500 Value Index to S&P 500 Growth Index: 1994 - 2022



Ratio of S&P 500 Value Index to S&P 500 Growth Index: 2020 - 2022



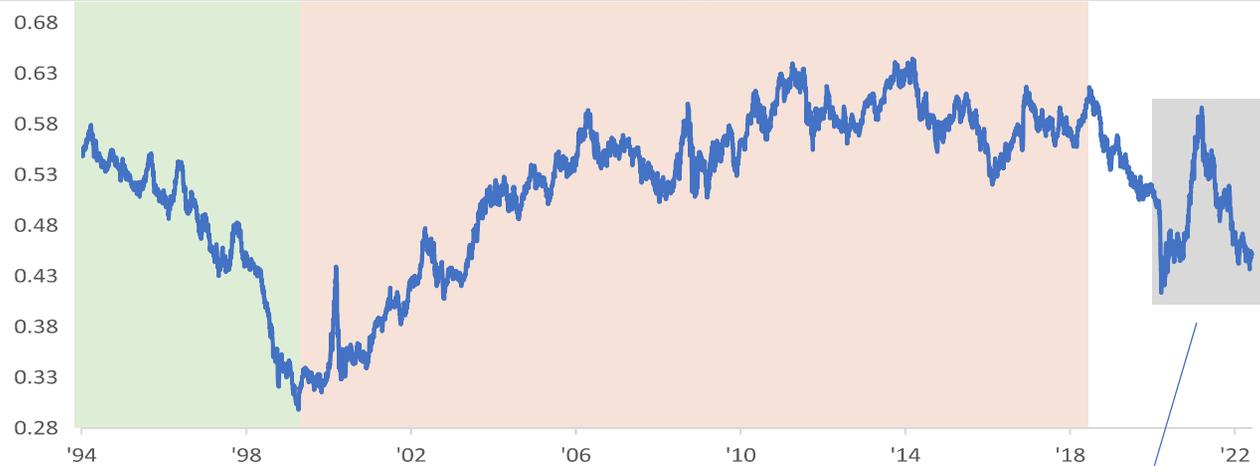
For the Large Cap Value Index, performance prior to 1995 is the Russell 1000 Value Index.

Source: Bespoke



Small Vs Large Cap Stocks

Ratio of Russell 2000 to S&P 500: 1994 - 2022



Ratio of Russell 2000 to S&P 500: 2020 - 2022

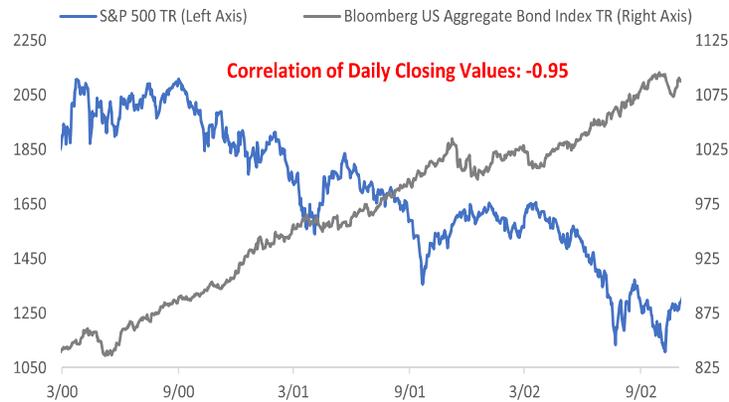


Source: Bespoke

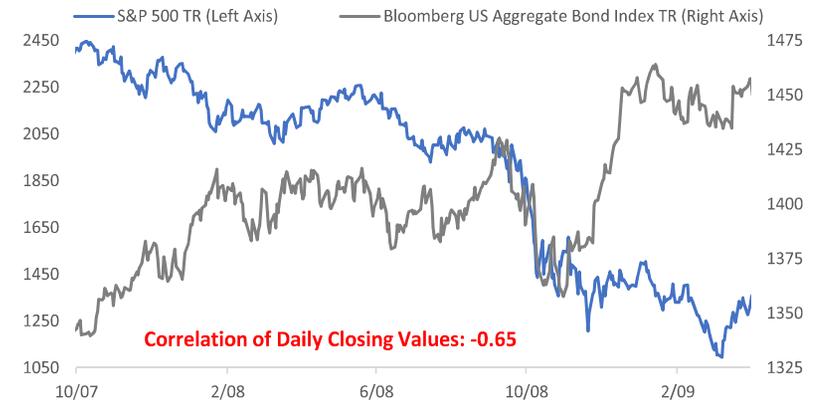


Bonds are No Longer Diversifying in Market Declines

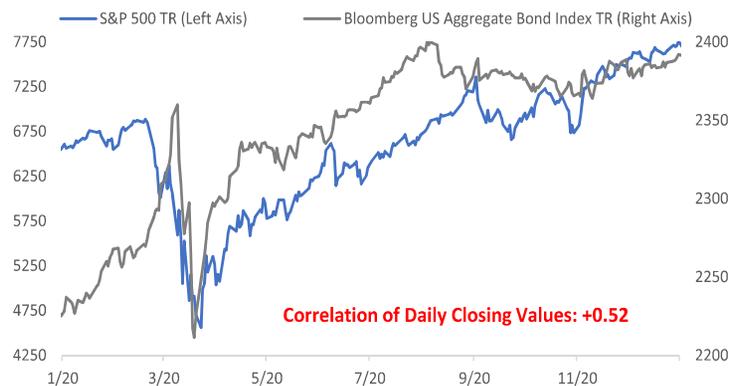
Stocks vs Bonds: March 2000 - October 2002



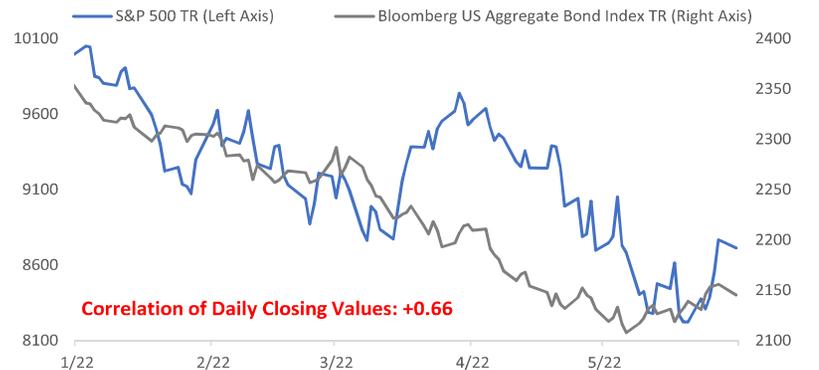
Stocks vs Bonds: October 2007 - March 2009



Stocks vs Bonds: 2020



Stocks vs Bonds: 2022

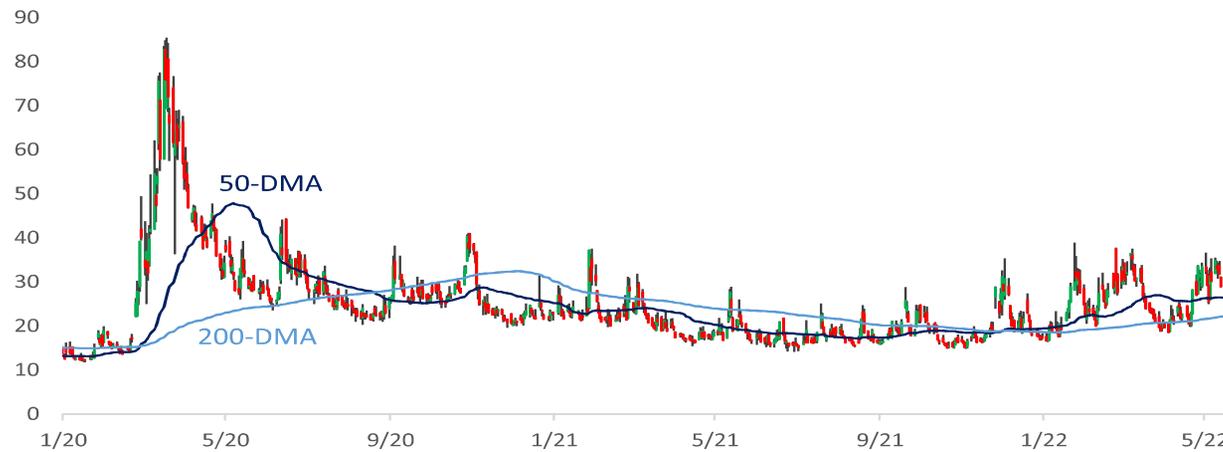


Source: Bespoke

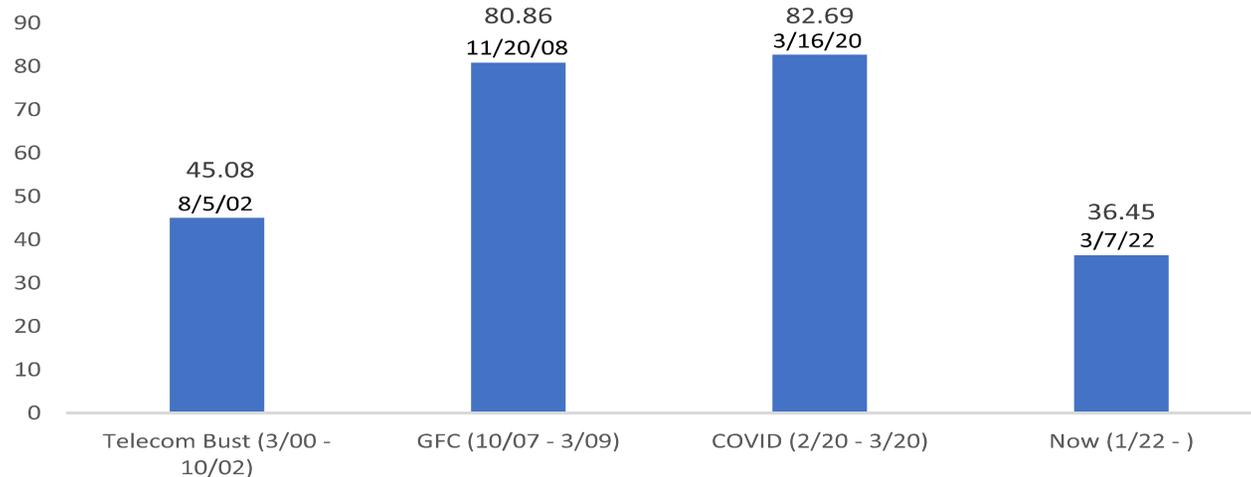


Volatility Has Not Reached 2020 Levels

VIX: 2020 - 2022



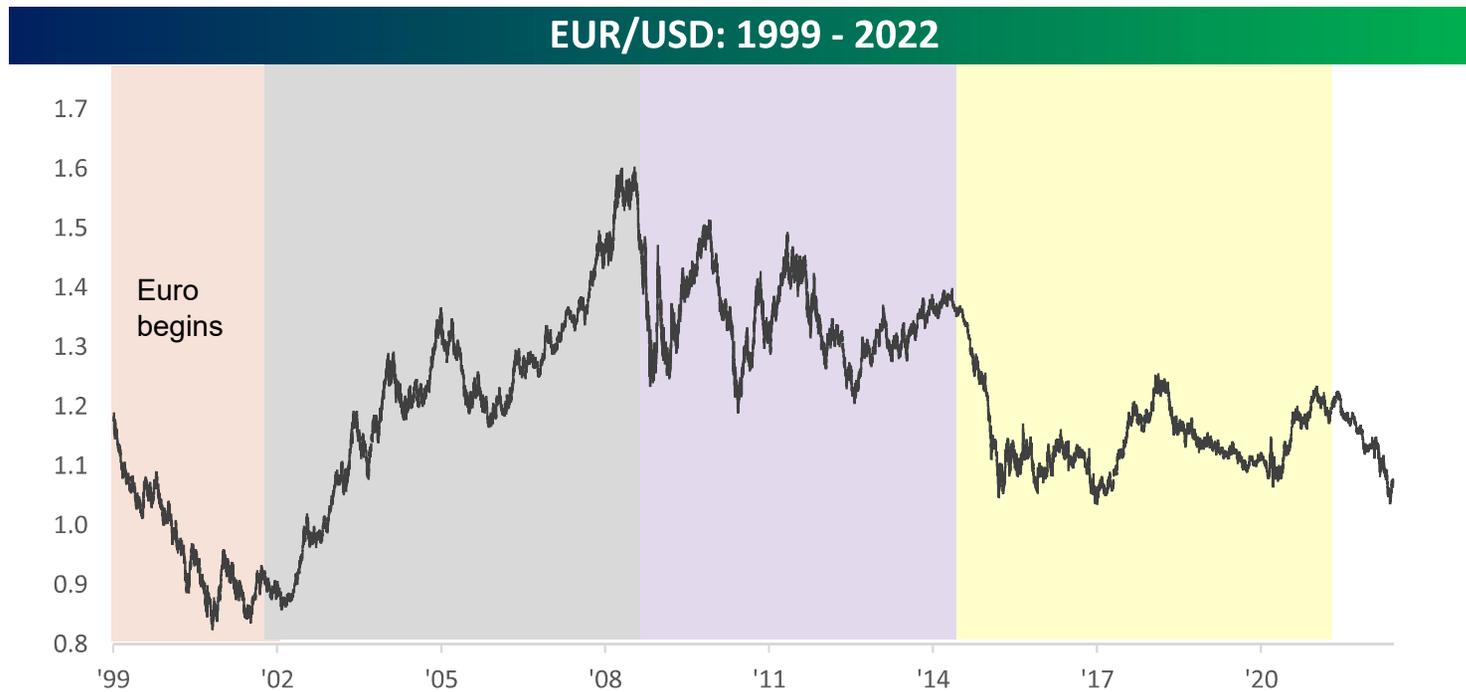
VIX Closing Extremes During Post 2000 Market Downturns



Source: Bespoke



Euro Struggling Against USD

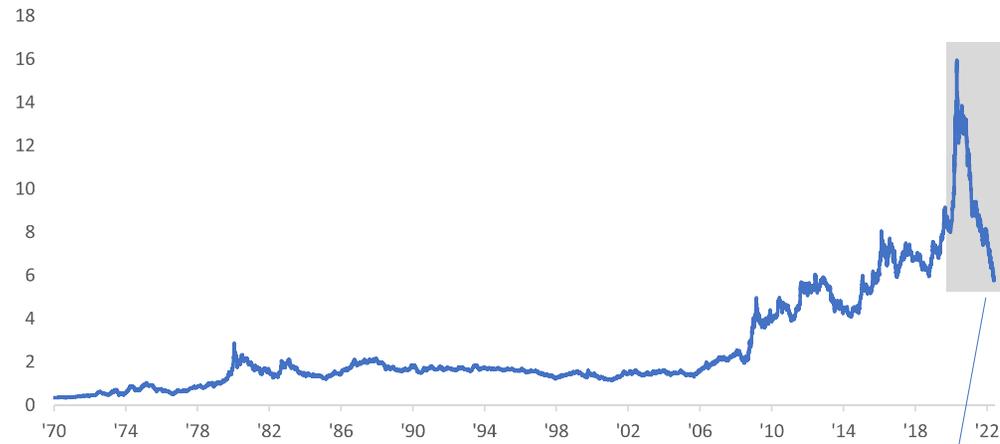


Source: Bespoke



Gold Vs Commodities

Ratio of Gold to CRB Commodity Index: 1970 - 2022



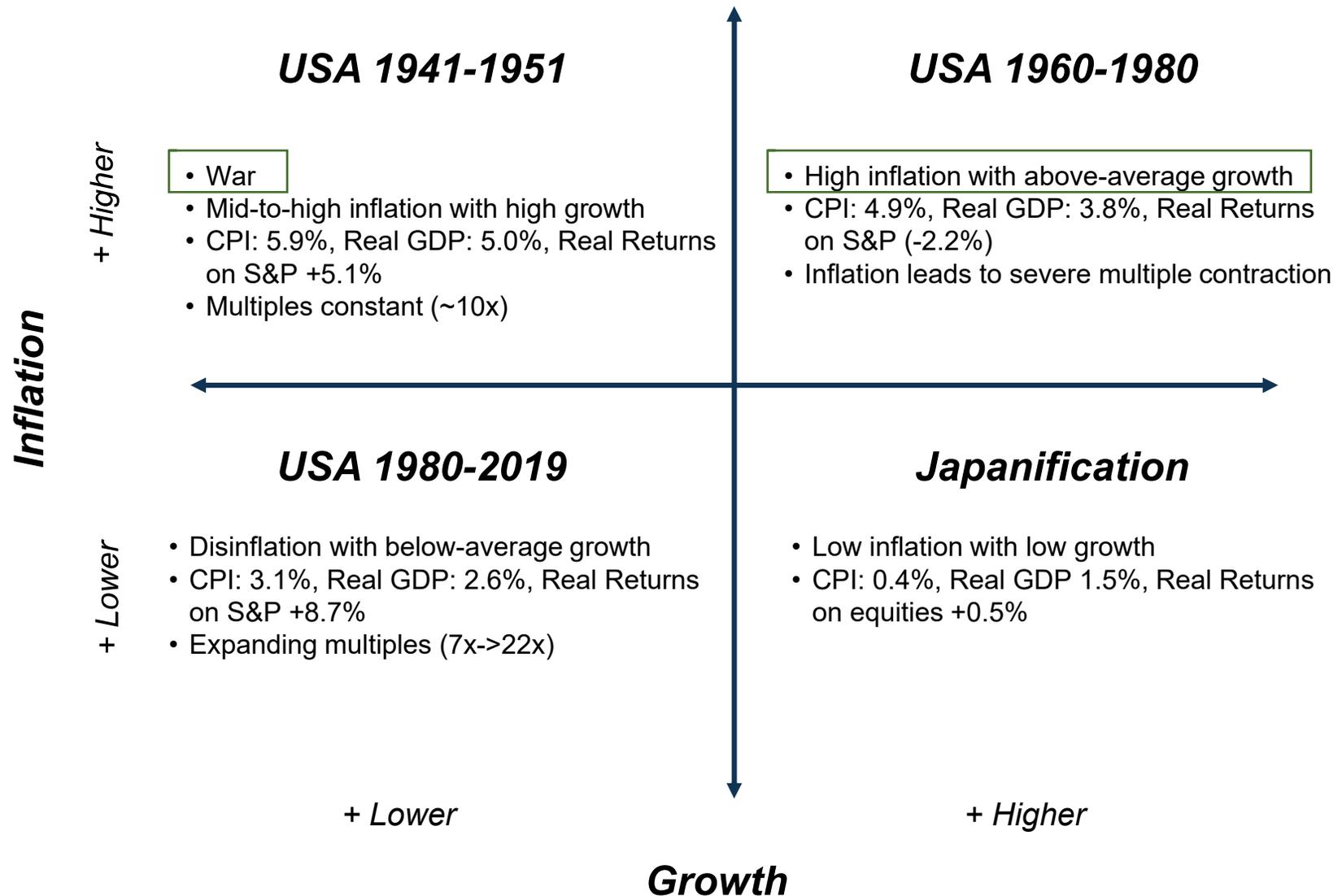
Ratio of Gold to CRB Commodity Index: 2020 - 2022



Source: Bespoke



Four Potential Scenarios





Potential Scenario – Rising Inflation

Stagflation: 1960-1979 Falling Growth / Rising Inflation

Economic Indicators

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

Workforce

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

Yields

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

Cash and Bonds (Annualized)

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

FX & Commodities (Annualized)*

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

US Equities (Annualized)

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

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

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

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



Org Health Survey – Overall Summary

1. UTIMCO scored in the **99th percentile** of the FCG database
2. UTIMCO **outscored** the FCG database on all measured questions. 50% of the questions scored at least 15 percentage points over the database.
3. The results are representative of the **ENTIRE** organization, not a subset
4. We can continue to grow and to improve.



Org Health Scorecard - Overall

	UTIMCO	FCG Database
Organizational Health Indicator (overall average of 4 building blocks)	5.09	4.86
Strength of Values (overall average of UTIMCO values)	5.16	N/A
Effective Decision Making: Organization Team (% agree)	78% 100%	66% N/A
Leadership Communication: Clear and Transparent (% agree)	89%	65%
Loyalty (Happy Campers/Raving Fans)	81%	75%
Recommend UTIMCO as a place to work (% agree)	93%	85%



Org Health Scorecard - Gender

	Male	Female
Organizational Health Indicator (overall average of 4 blocks)	5.14	5.08
Strength of Values (overall average of UTIMCO values)	5.19	5.20
Effective Decision Making: Organization (% agree)	81%	78%
Leadership Communication: Clear and Transparent (% agree)	90%	95%
Loyalty (Happy Campers/Raving Fans)	83%	86%
Recommend UTIMCO as a place to work (% agree)	97%	93%



Org Health Scorecard - Race

	Non-White	White
Organizational Health Indicator (overall average of 4 blocks)	5.12	5.13
Strength of Values (overall average of UTIMCO values)	5.16	5.18
Effective Decision Making: Organization (% agree)	78%	82%
Leadership Communication: Clear and Transparent (% agree)	94%	92%
Loyalty (Happy Campers/Raving Fans)	89%	85%
Recommend UTIMCO as a place to work (% agree)	100%	95%

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

June 10, 2022

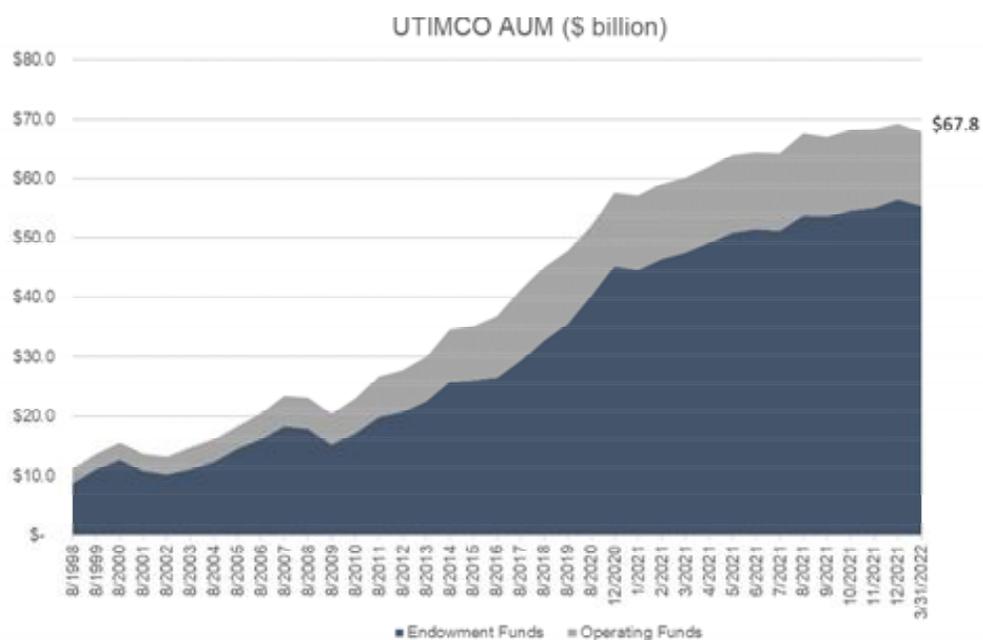
UTIMCO Performance





Growth in Assets Under Management (AUM)

Total Assets through March 31, 2022



3 Month Change in AUM

	\$ Billion
Beginning Net Asset Value	69.2
Contributions	1.0
Net Investment Income	-1.5
Distributions	-0.9
Ending Net Asset Value	67.8

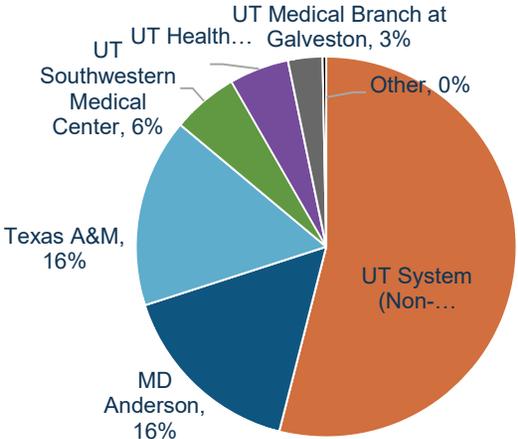
3 Year Change in AUM

	\$ Billion
Beginning Net Asset Value	45.3
Contributions	9.9
Net Investment Income	18.9
Distributions	-6.3
Ending Net Asset Value	67.8

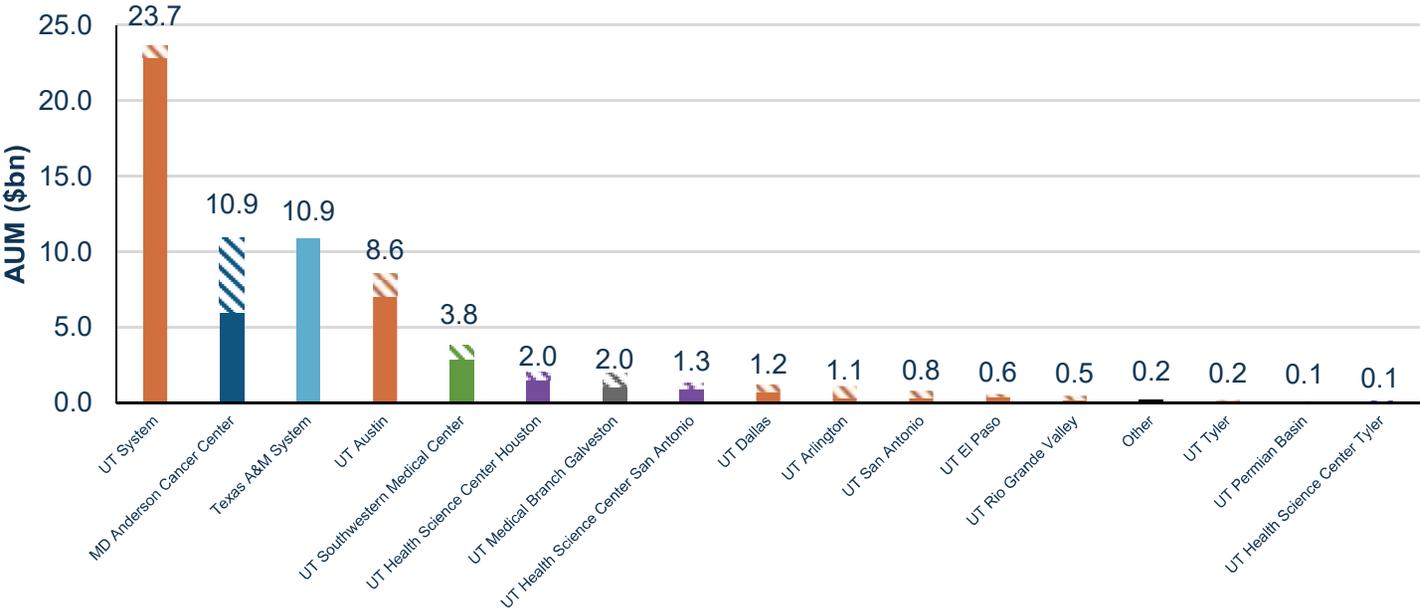
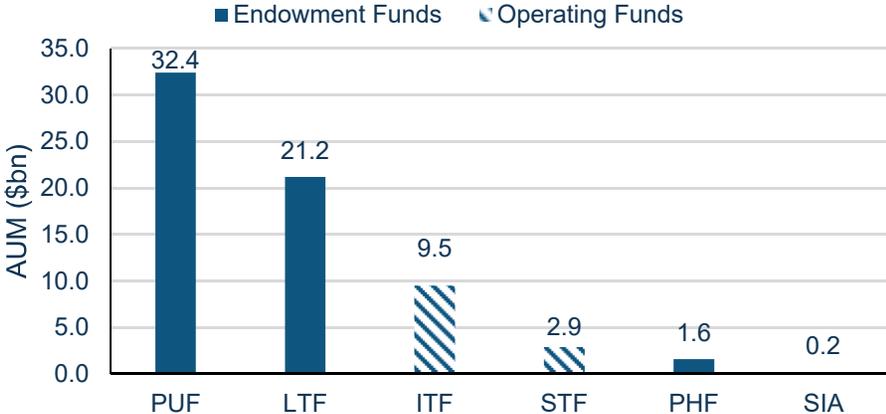


AUM by Institution

As of March 31, 2022



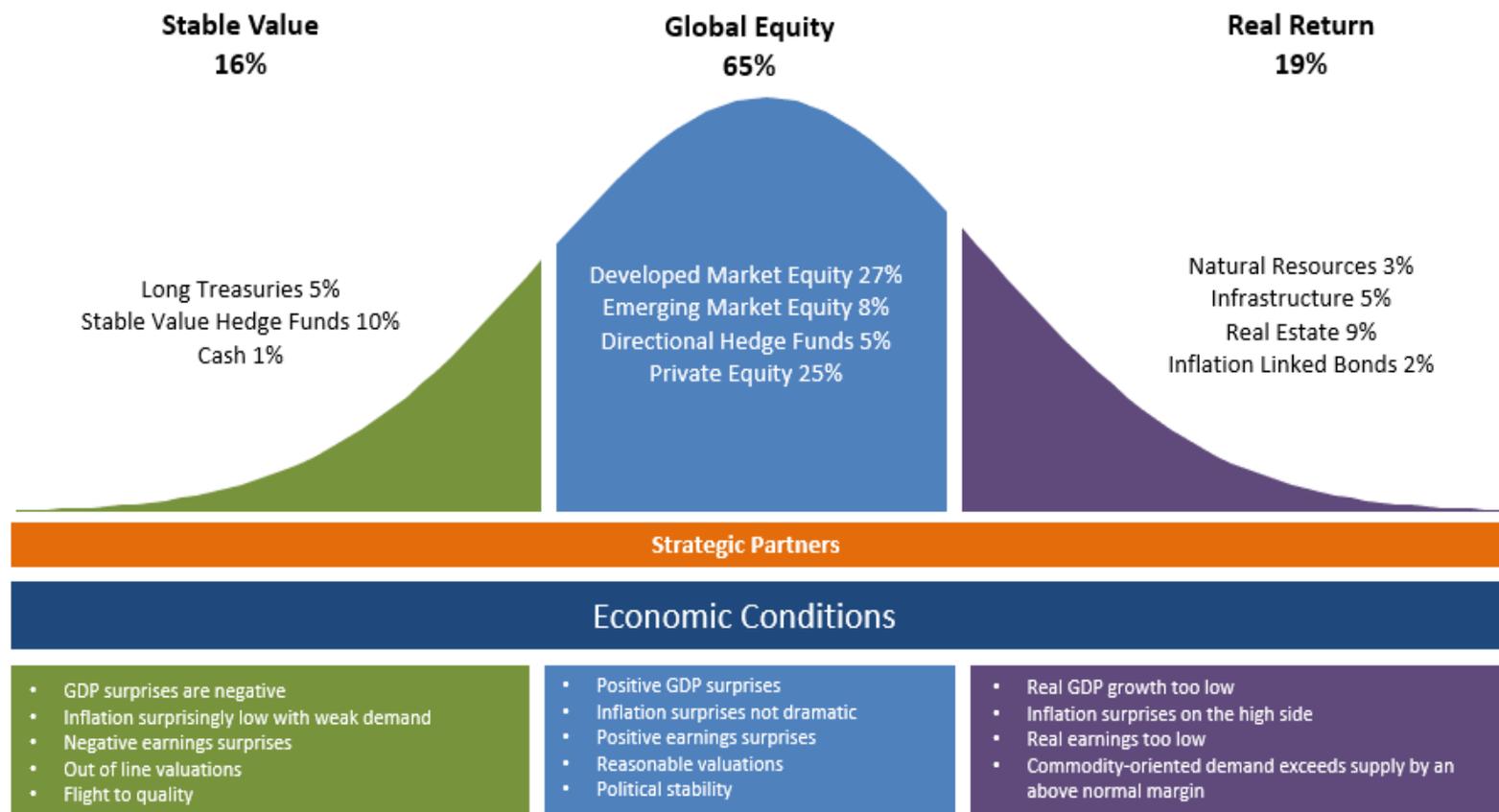
AUM by Fund





UTIMCO Diversification Framework

Returns as of March 31, 2022



*LTSAA Policy Weights

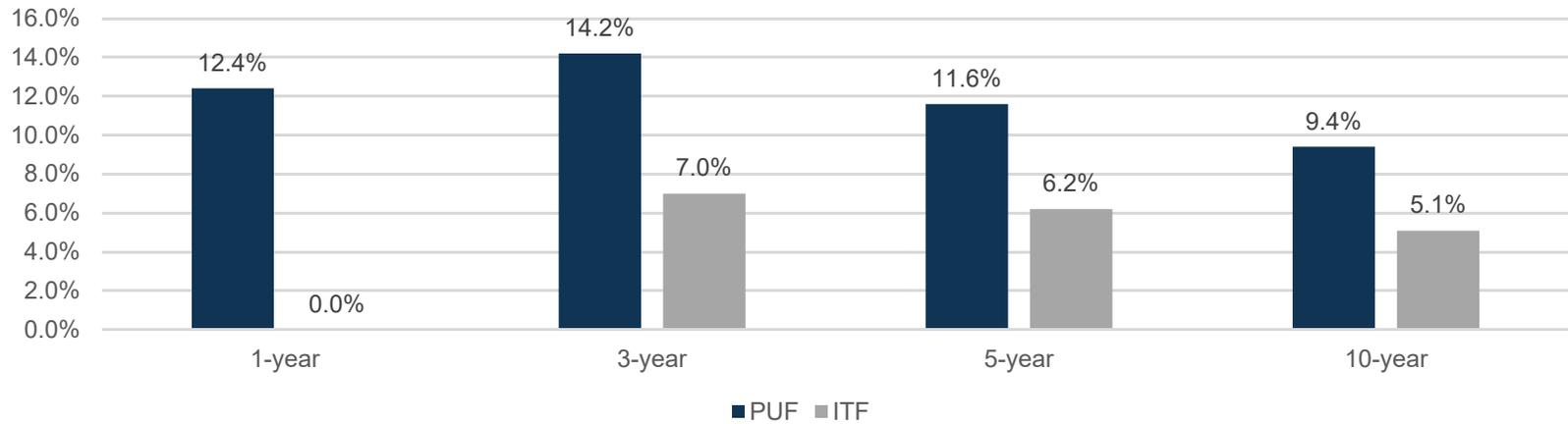
Annualized Returns			Annualized Returns			Annualized Returns		
1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr
2.7	4.5	2.7	14.4	18.2	11.6	18.6	10.7	6.5



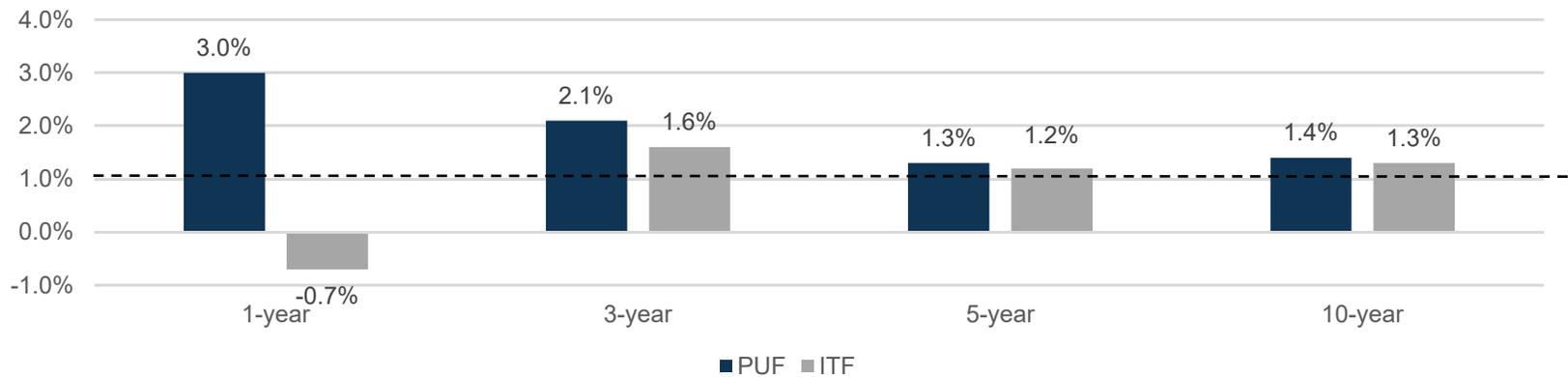
UTIMCO Returns and Alpha

As of March 31, 2022

Total Net Returns



Outperformance vs. Benchmarks





Endowment Returns and Alpha

Through March 31, 2022

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(4.5%)	(9.0%)	12.0%	(0.2%)	15,824	28.6%	0.8%
	Directional Hedge Funds	0.8%	(0.5%)	8.5%	2.8%	3,813	6.9%	(0.7%)
	Total Private Equity	47.6%	28.0%	30.0%	5.5%	15,172	27.5%	0.4%
	Total Global Equity	14.4%	4.5%	18.2%	2.2%	34,809	63.0%	0.4%
Stable Value	Investment Grade Fixed Income	(3.3%)	0.6%	2.5%	1.2%	3,034	5.5%	0.4%
	Long Treasuries	0.0%	0.0%	0.0%	0.0%	461	0.8%	(0.4%)
	Cash	0.0%	(0.0%)	0.7%	(0.1%)	387	0.7%	(0.3%)
	Stable Value Hedge Funds	10.4%	6.1%	8.9%	3.1%	5,334	9.7%	0.3%
	Total Stable Value	2.7%	2.3%	4.5%	0.6%	9,249	16.7%	0.0%
Real Return	Inflation Linked Bonds	5.3%	1.0%			1,026	1.9%	(0.0%)
	Natural Resources	21.0%	(8.4%)	4.6%	2.4%	2,593	4.7%	(0.1%)
	Infrastructure	14.3%	11.8%	24.5%	12.9%	1,443	2.6%	0.1%
	Real Estate	21.7%	(1.0%)	10.7%	(0.5%)	3,951	7.2%	0.1%
	Total Real Return	18.6%	(0.9%)	10.7%	3.0%	9,013	16.3%	0.0%
Strategic Partnerships	Total Strategic Partnerships	1.8%	(0.1%)			2,199	4.0%	(0.5%)
TAA	TAA	0.0%	0.0%	0.1%	0.1%	(4)	0.0%	0.0%
Total Fund	Endowment Total	12.4%	3.0%	14.2%	2.1%	55,266	100.0%	0.0%



ITF Returns and Alpha Detail

Through March 31, 2022

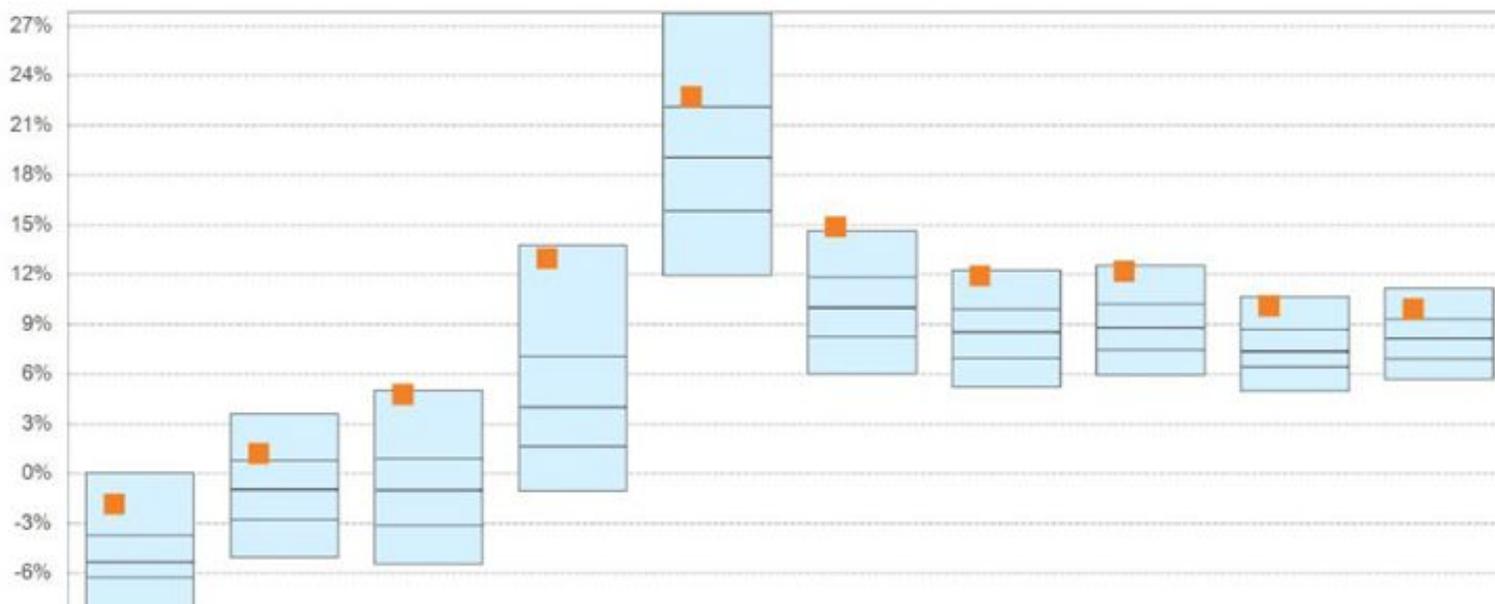
		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(5.3%)	(8.9%)	11.4%	(0.7%)	1,139	12.0%	(1.6%)
	Directional Hedge Funds	0.8%	(0.5%)	8.5%	2.8%	3,739	39.4%	(0.7%)
	Total Global Equity	(0.7%)	(2.6%)	9.3%	1.9%	4,878	51.3%	(2.3%)
Stable Value	Investment Grade Fixed Income	(3.3%)	0.6%	2.5%	1.2%	2,477	26.1%	2.2%
	Long Treasuries					172	1.8%	(0.5%)
	Cash	0.0%	(0.0%)	0.7%	(0.1%)	189	2.0%	(0.0%)
	Stable Value Hedge Funds	10.3%	6.1%	9.1%	3.3%	1,187	12.5%	0.3%
	Total Stable Value	(0.7%)	1.4%	3.3%	1.3%	4,026	42.4%	1.9%
Real Return	Total Real Return	18.5%	10.6%	17.5%	6.6%	598	6.3%	0.5%
TAA	TAA	(0.0%)	(0.0%)	0.0%	0.0%	0	0.0%	0.0%
Total Fund	ITF Total	0.0%	(0.7%)	7.0%	1.6%	9,502	100.0%	0.0%



Performance Vs Peers

Trust Universe Comparison Service Performance Comparison

Total Returns of Master Trusts - Foundation & Endowment
Cumulative Periods Ending : March 31, 2022



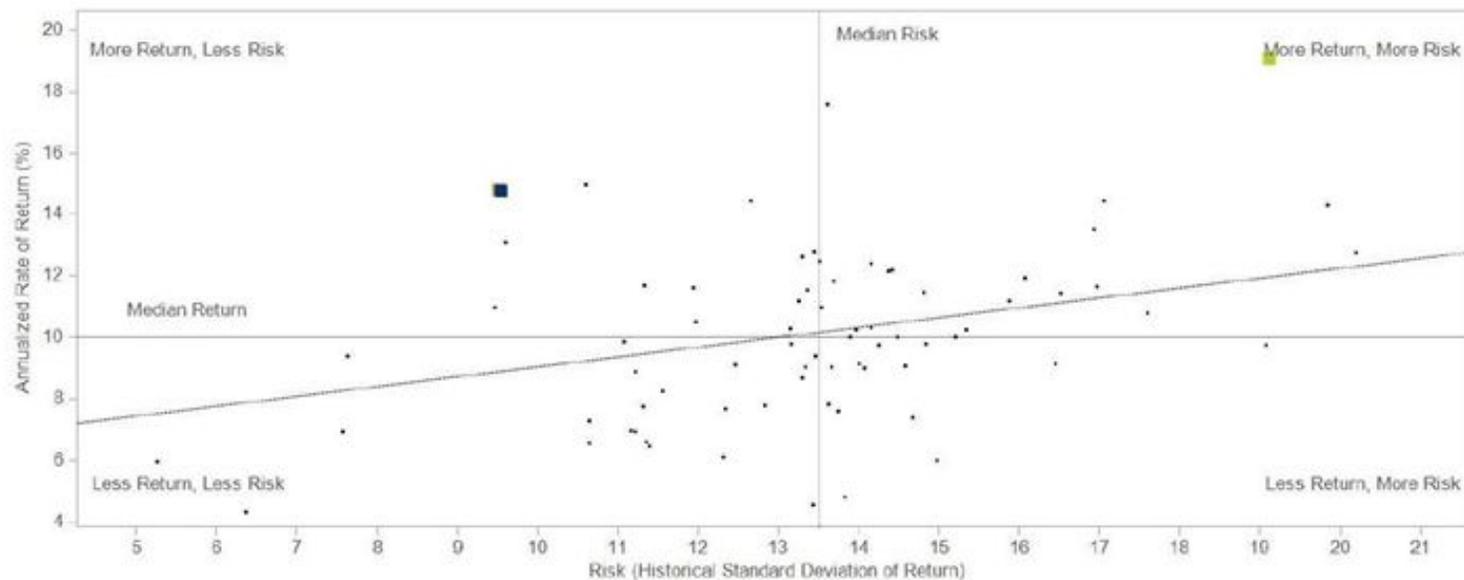
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	0.06	3.62	5.02	13.74	27.76	14.66	12.25	12.56	10.66	11.17
25th	-3.72	0.79	0.90	7.04	22.10	11.84	9.91	10.23	8.70	9.30
50th	-5.32	-0.95	-1.01	3.99	19.07	10.00	8.51	8.80	7.38	8.15
75th	-6.26	-2.79	-3.12	1.63	15.83	8.26	6.94	7.43	6.42	6.91
95th	-8.19	-5.05	-5.45	-1.02	11.97	6.01	5.23	5.92	4.95	5.71
No. Of Obs	93	88	85	84	84	76	75	73	73	70
PUF TOTAL FUND	-2.06 (13)	0.99 (20)	4.54 (10)	12.73 (8)	22.50 (20)	14.64 (6)	11.69 (9)	11.98 (10)	9.90 (10)	9.70 (17)



Peers: Risk and Return

Trust Universe Comparison Service Risk vs Total Returns of Master Trusts - Foundation & Endowment

3 Years Ending March 31, 2022



	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.58	93	14.66	5
PUF TOTAL FUND	9.60	92	14.64	6
S&P 500	19.17	3	18.92	1
Median	13.51		10.00	

Market Update



Market Update

Dancing on the edge of a bear market....

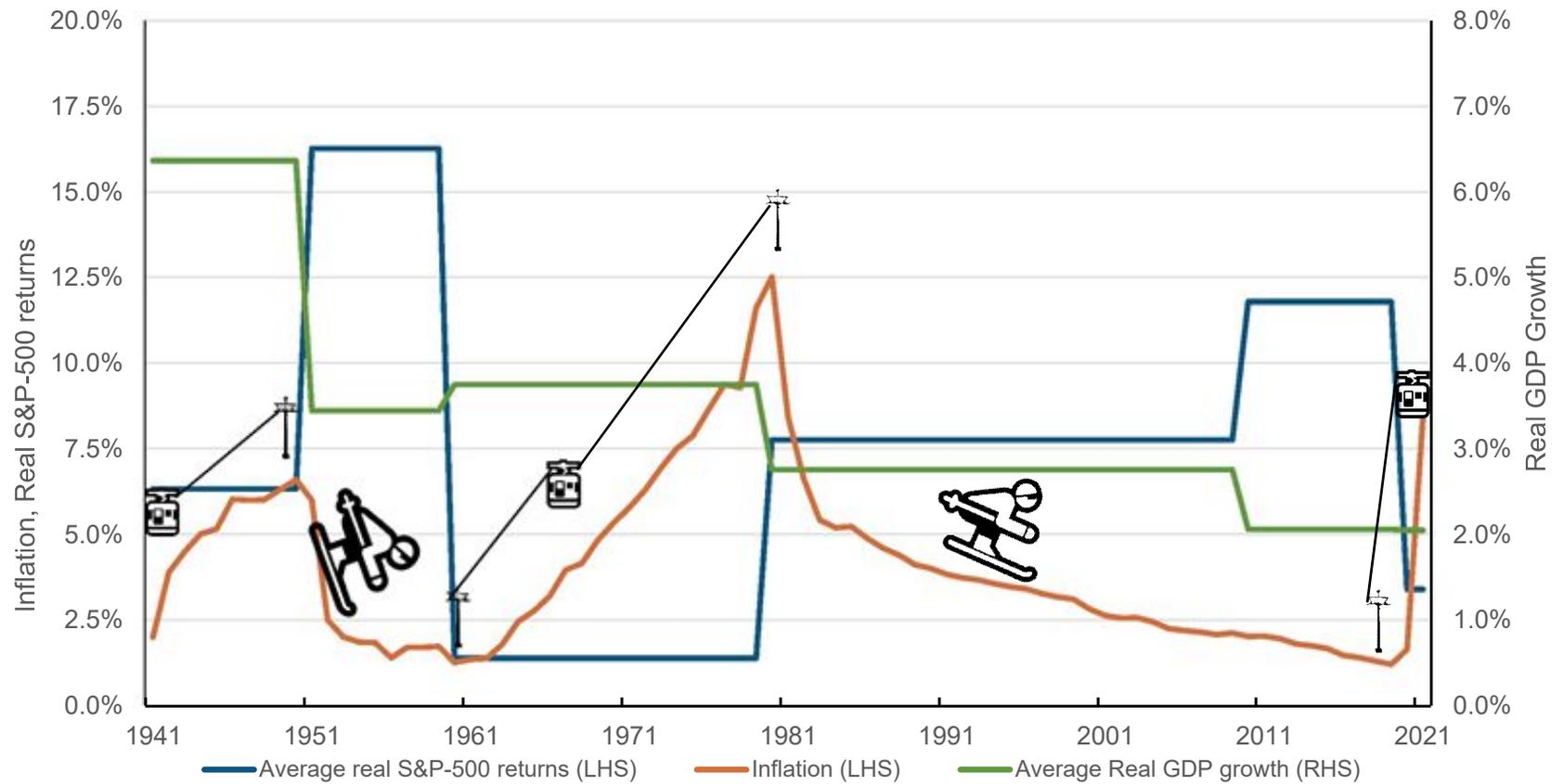


- Markets meaningfully off from peak levels
- Nasdaq Composite down 25.3%
- S&P Growth down 22.3%
- S&P down 14% but has broken 20% decline intraday
- MSCI ACWI down 13.7%
- How did we get here???



End of an Era

Inflation, Real GDP growth, and Real S&P-500 returns



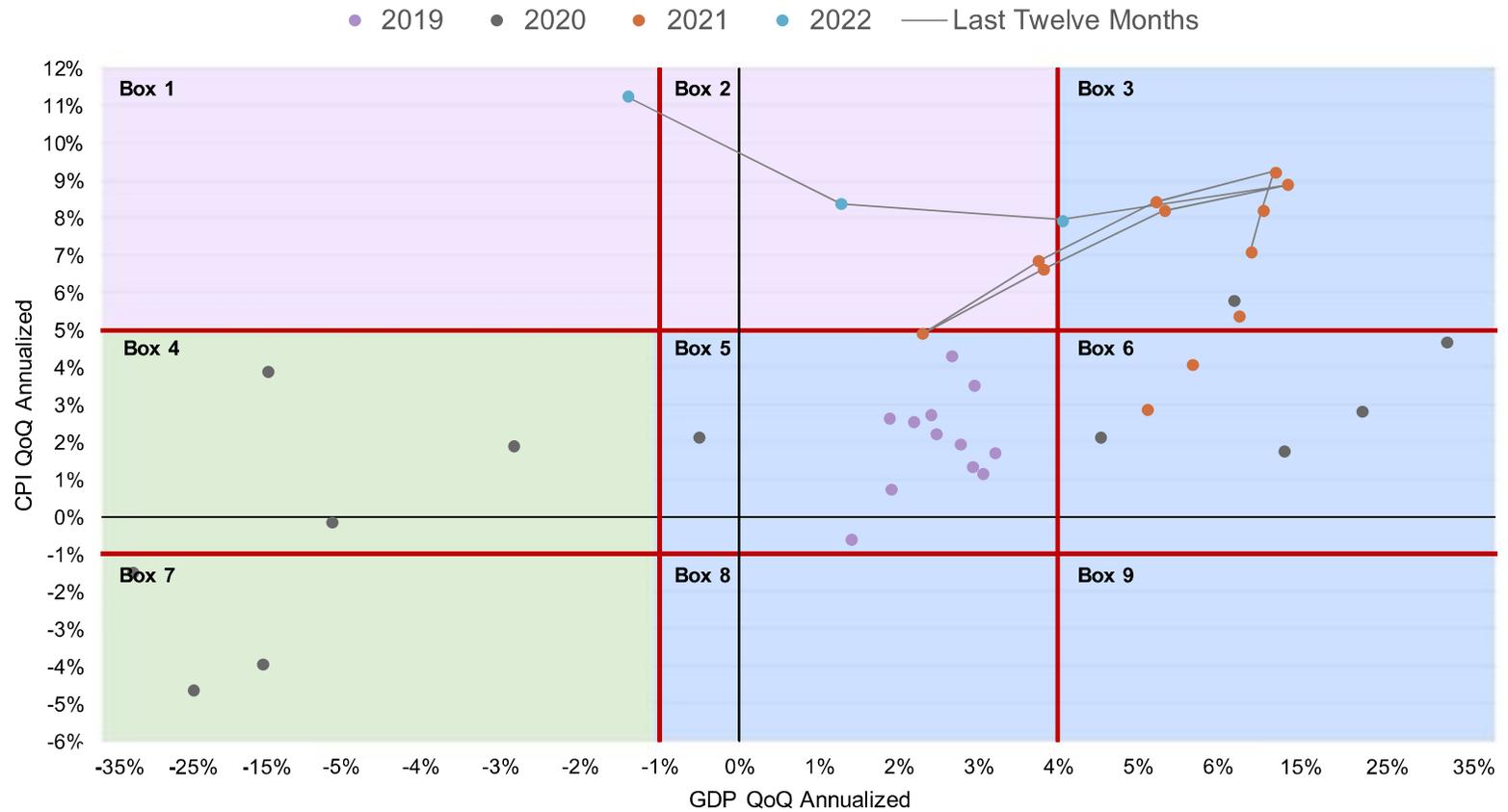
Source: Bloomberg



Economic Regimes

Through March 31, 2022

US POLICY SIGNAL CHART

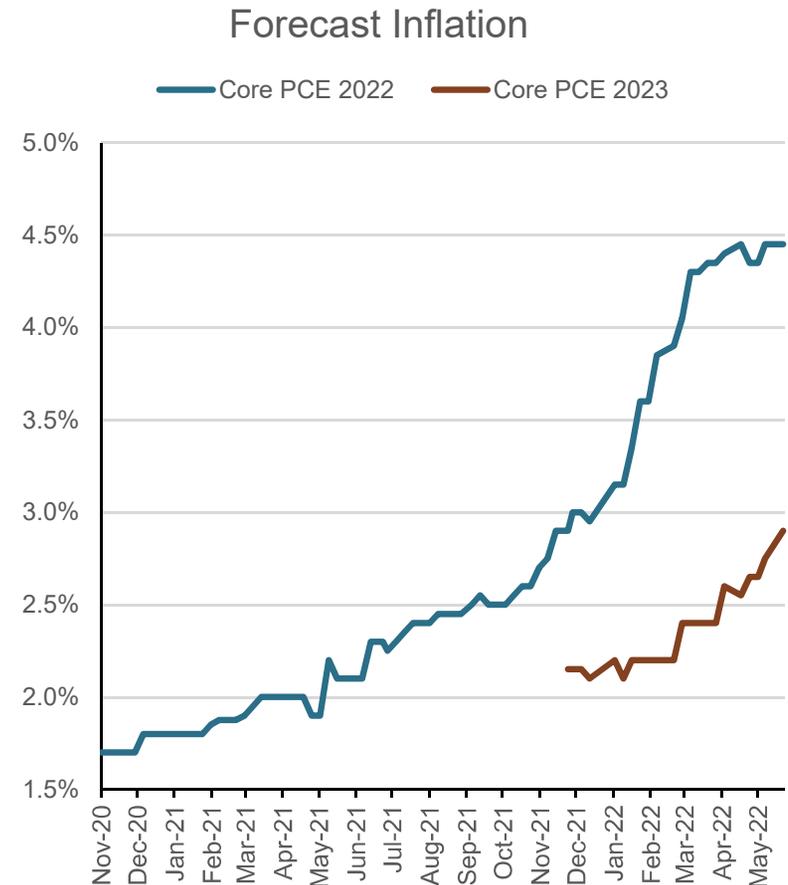
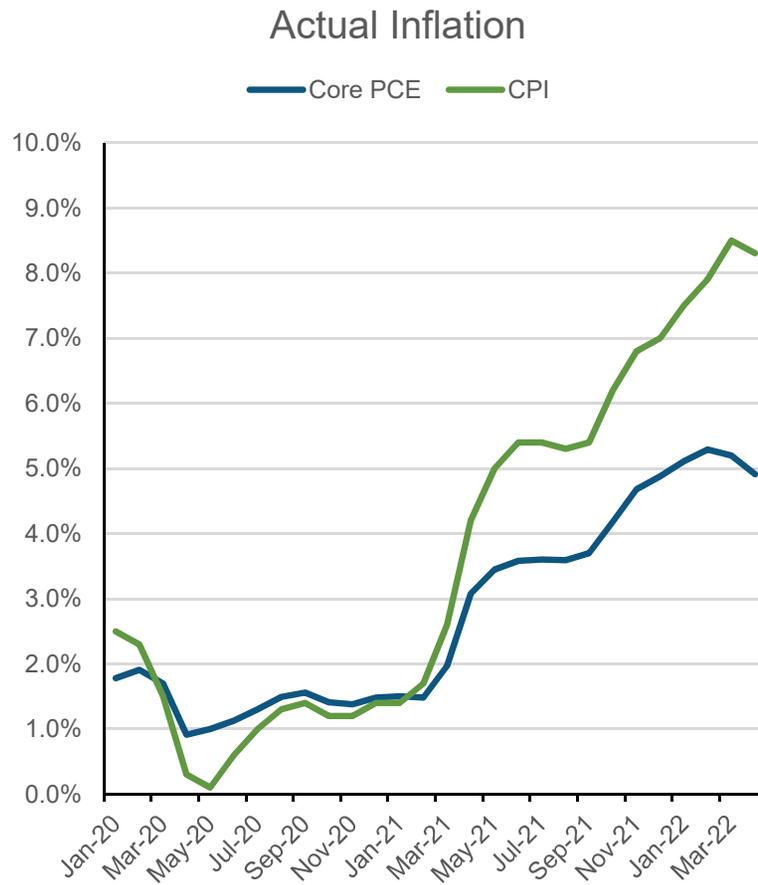


Source: Bloomberg



Inflation

Actual and forecast inflation at multi-decade highs

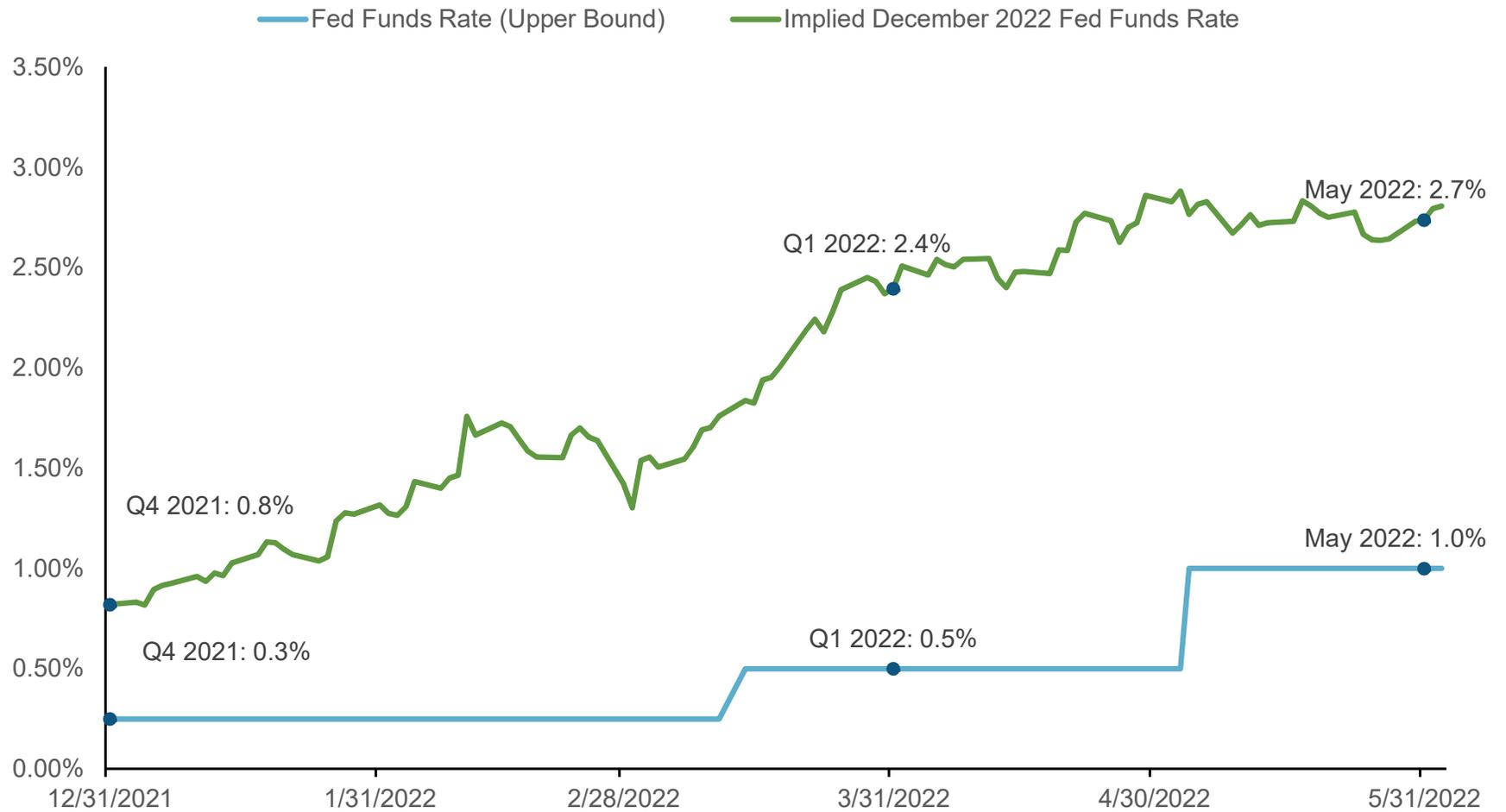


Source: Bloomberg, AGMR, Barclays, Bank of America, Citi, Credit Suisse, Goldman Sachs, ISI, JP Morgan, Morgan Stanley, PIMCO, UBS, Yardeni



Interest Rates

The Fed has raised rates in response to inflation

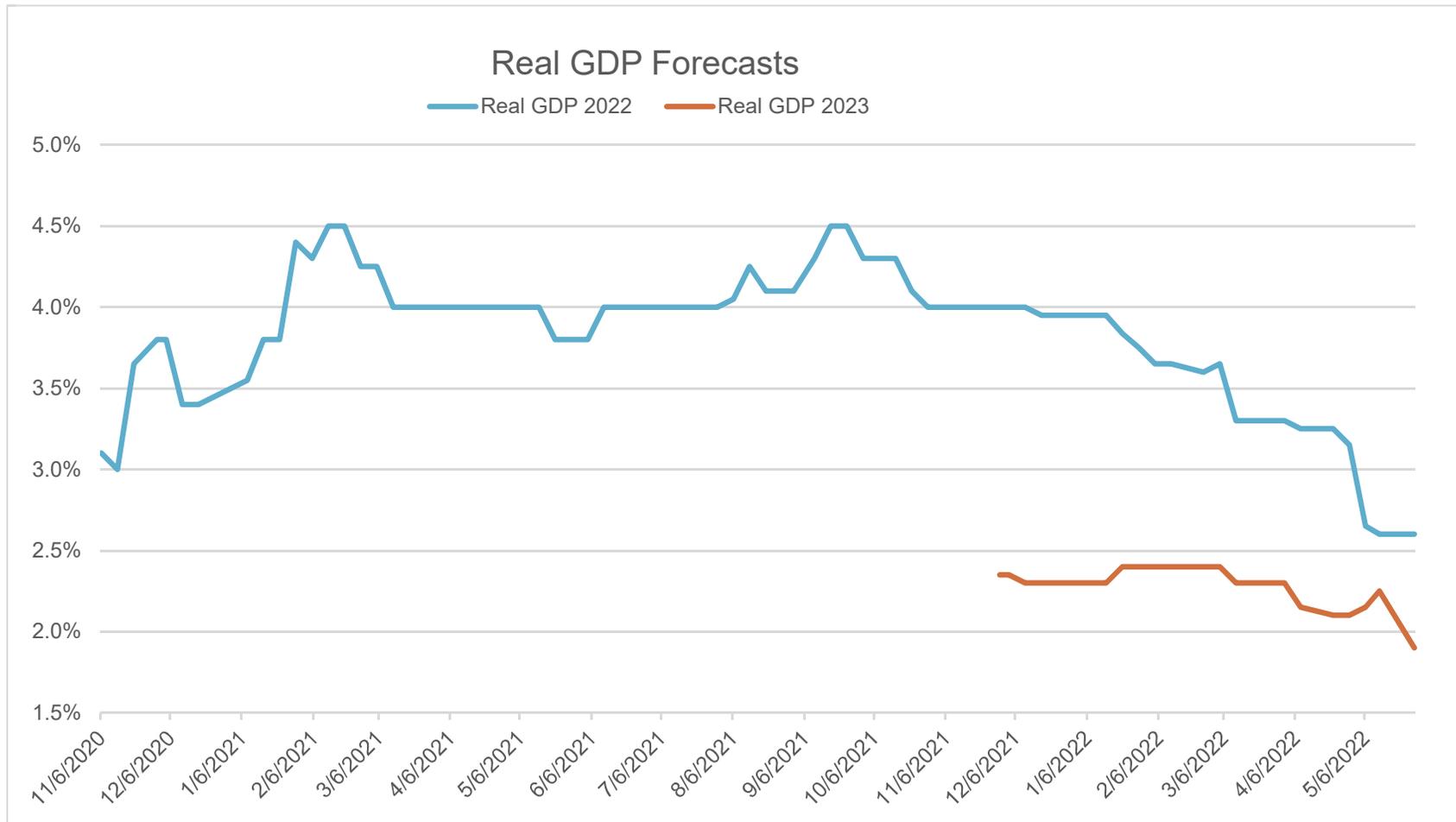


Source: Bloomberg



Projected GDP Growth

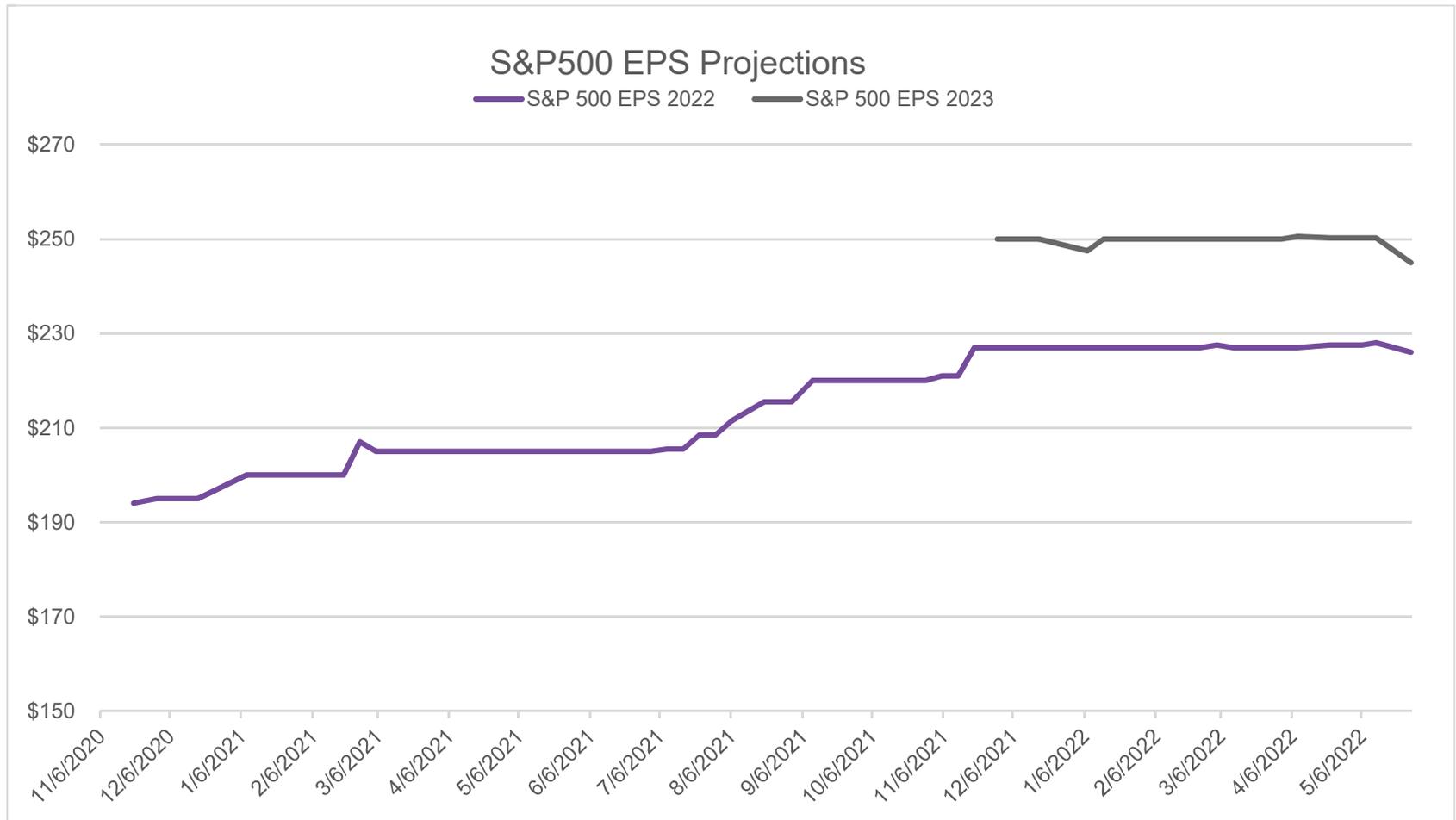
Growth forecast for '22 peaked in Sept '21 and has declined by 1.9%





Projected Earnings

Earnings Forecasts remaining stable, so far

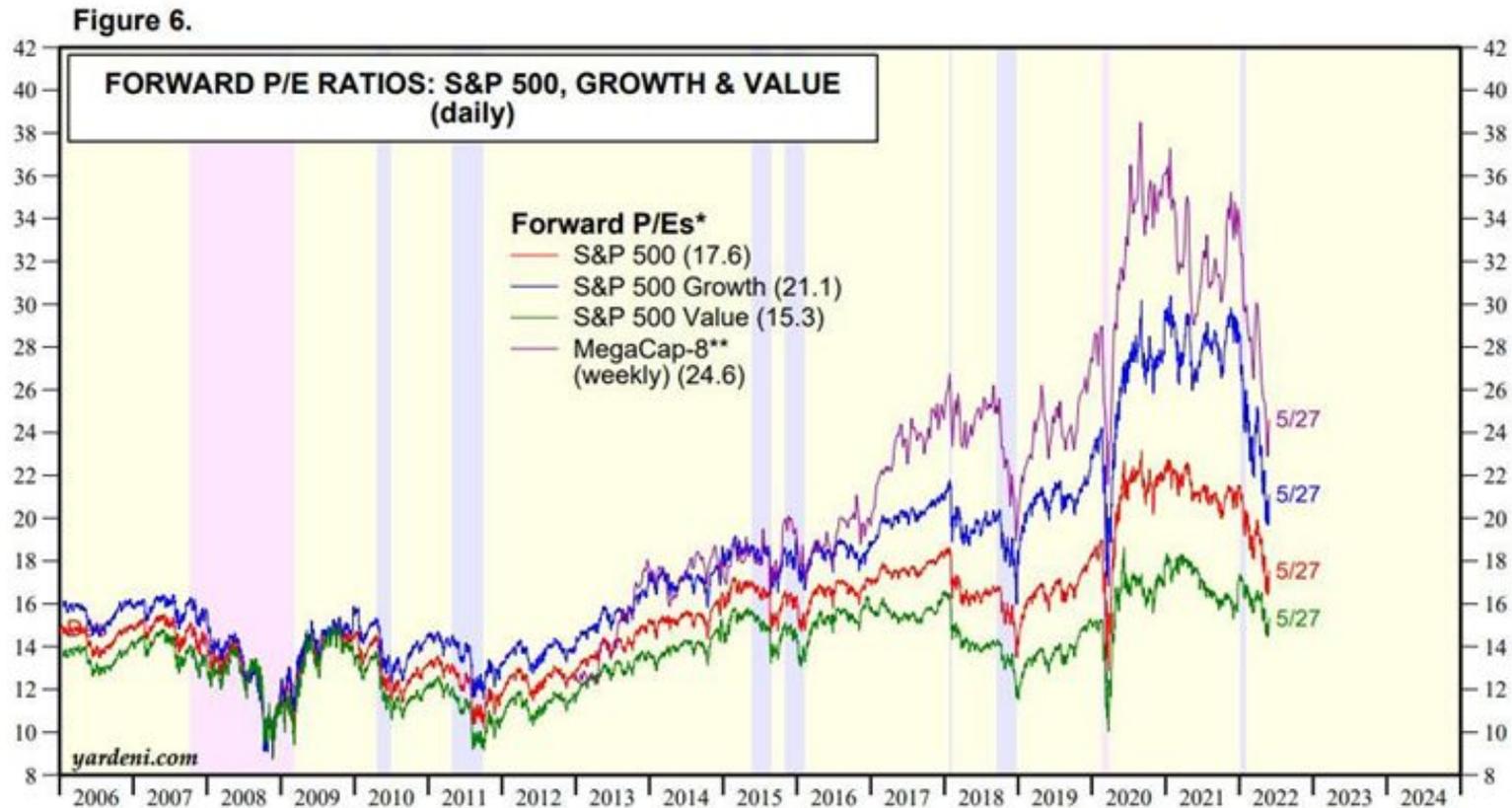


Source: AGMR, Barclays, Bank of America, Citi, Credit Suisse, Goldman Sachs, ISI, JP Morgan, Morgan Stanley, PIMCO, UBS, Yardeni



P/E Multiple Compression

Multiples have compressed significantly, particularly for high P/E growth stocks



* Price divided by 12-month forward consensus expected operating earnings per share. Monthly through December 2005, weekly and daily thereafter.

** MegaCap-8 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

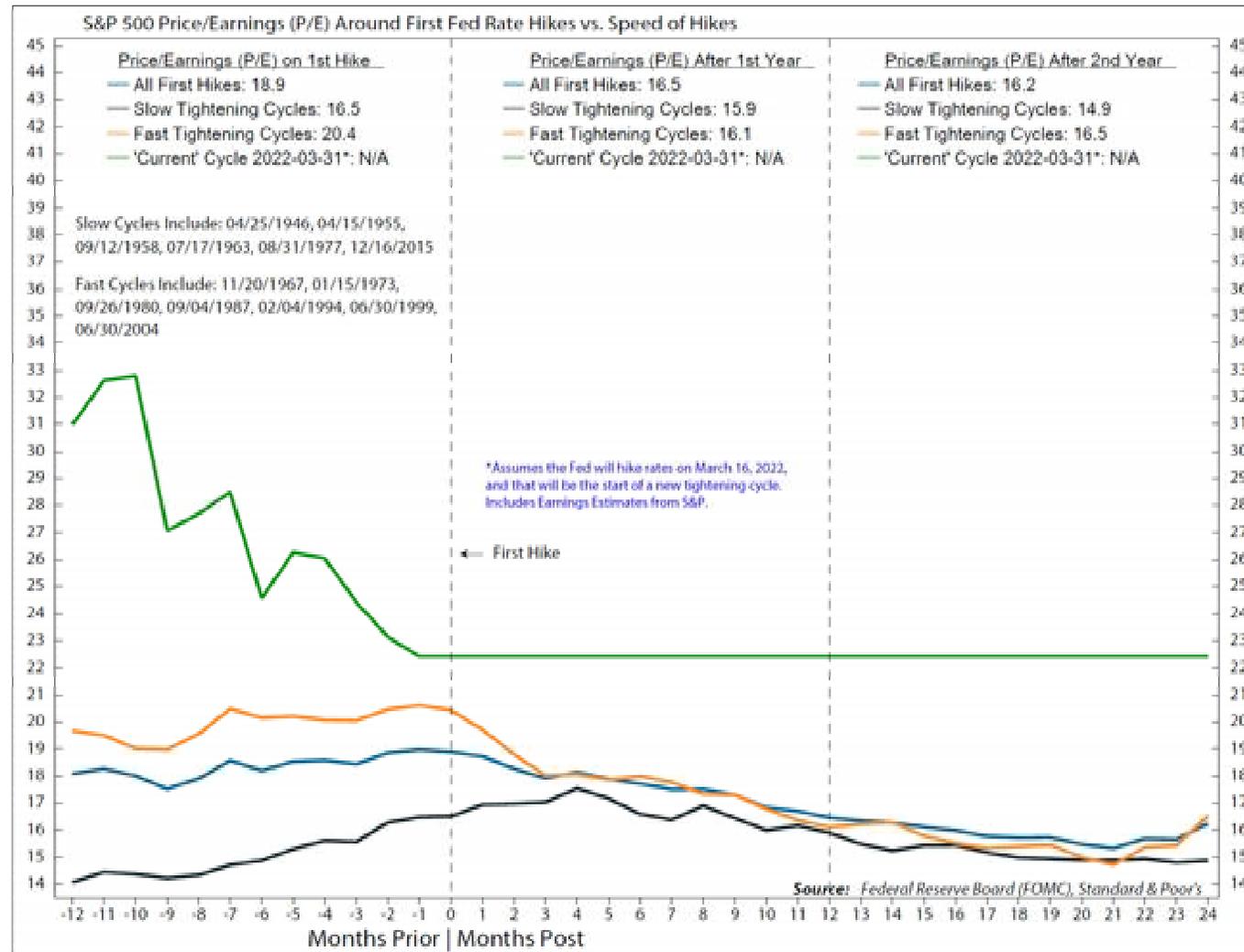
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Blue shaded areas are correction declines of 10% to less than 20%.

Source: I/B/E/S data by Refinitiv and Standard & Poors.



P/E Multiple Compression

Multiples generally trend down for 24 months after first hike

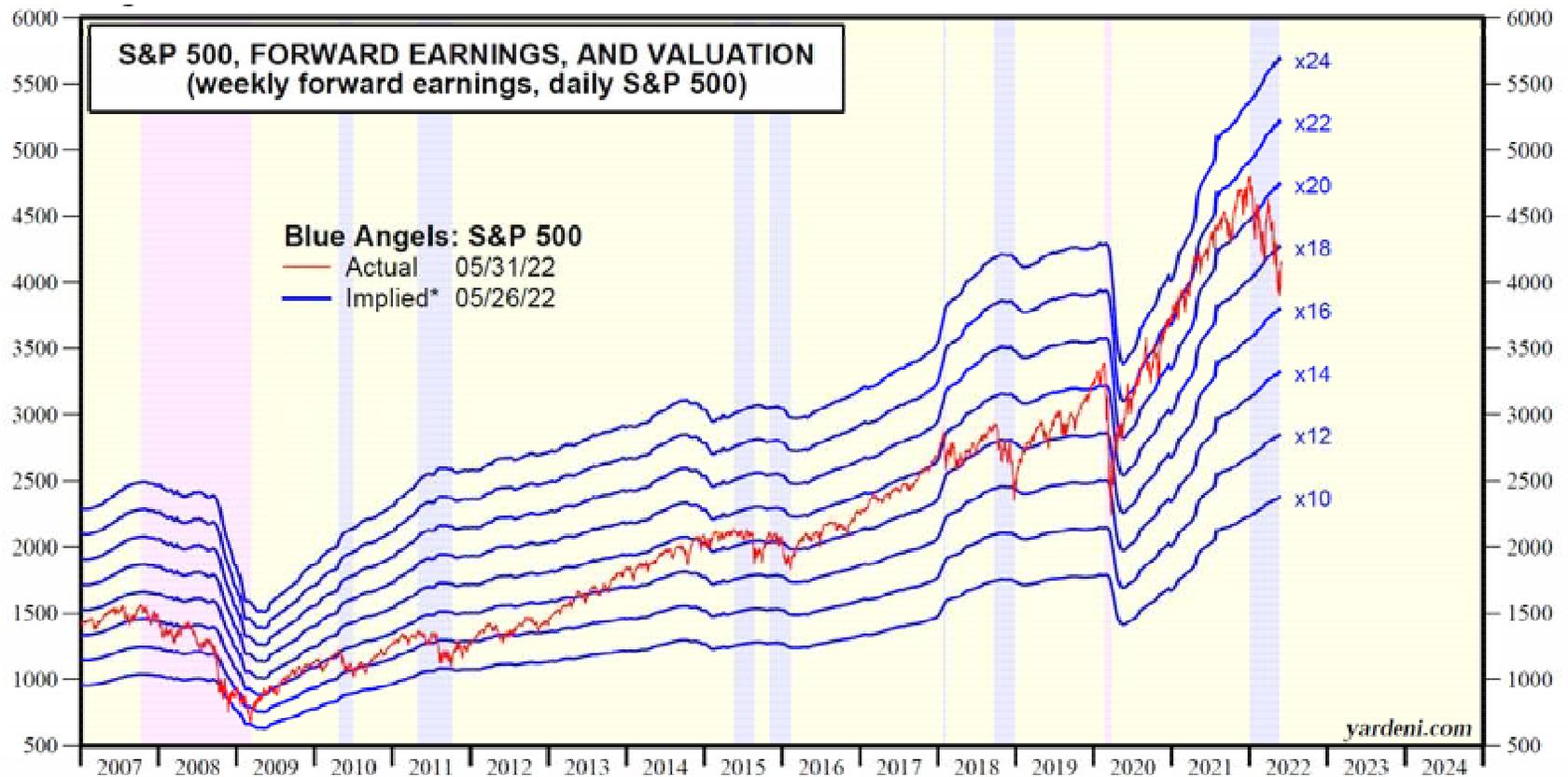


Source: Ned Davis Research



Implied Equity Valuation

On forward earnings, trough PE multiples imply 3,500 – 4,000 for S&P 500

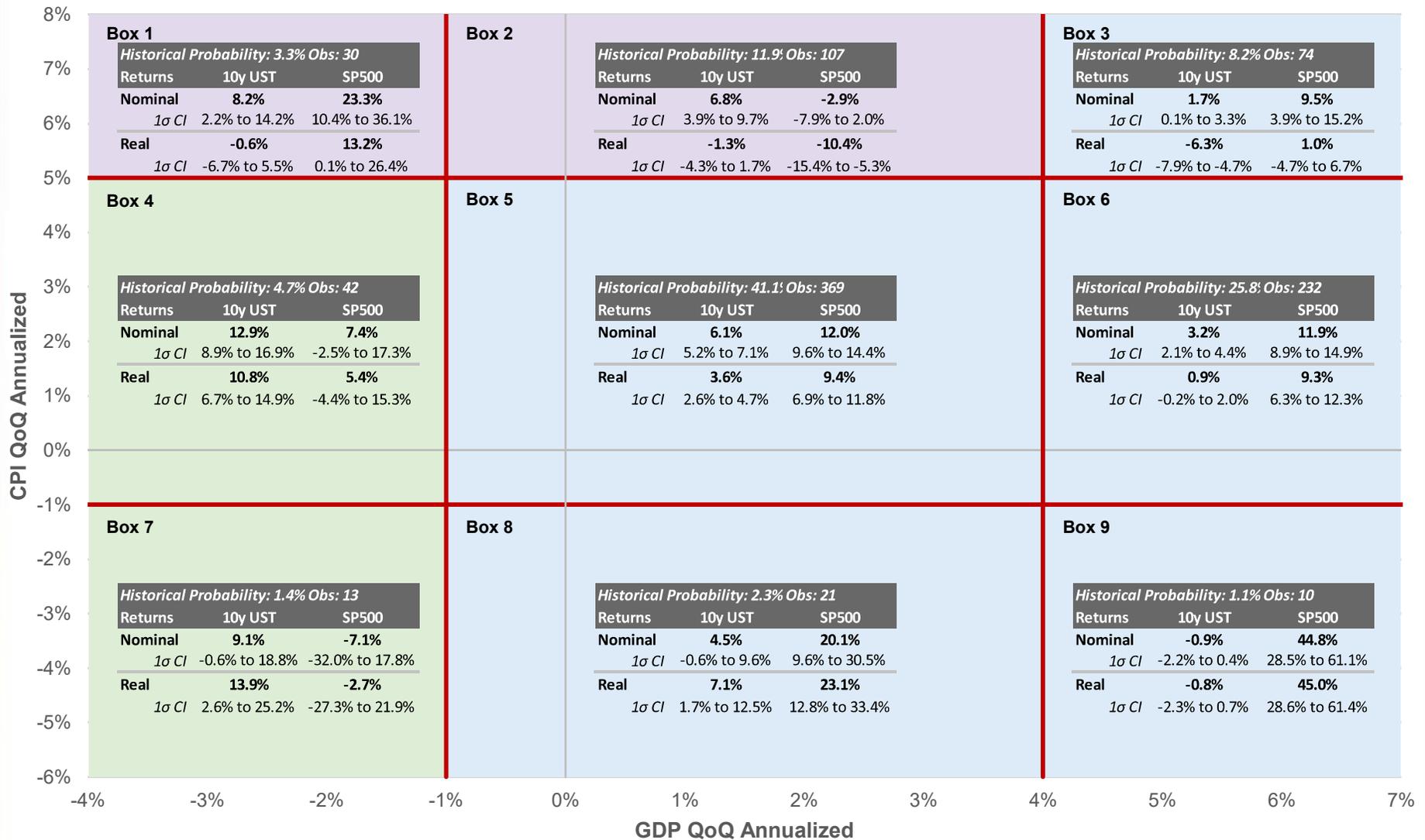


* Implied price index calculated using forward earnings times forward P/Es. Weekly data start January 2007.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Blue shaded areas are correction declines of 10% to less than 20%.
Source: Standard & Poor's and I/B/E/S data by Refinitiv.



Where do we go from here?

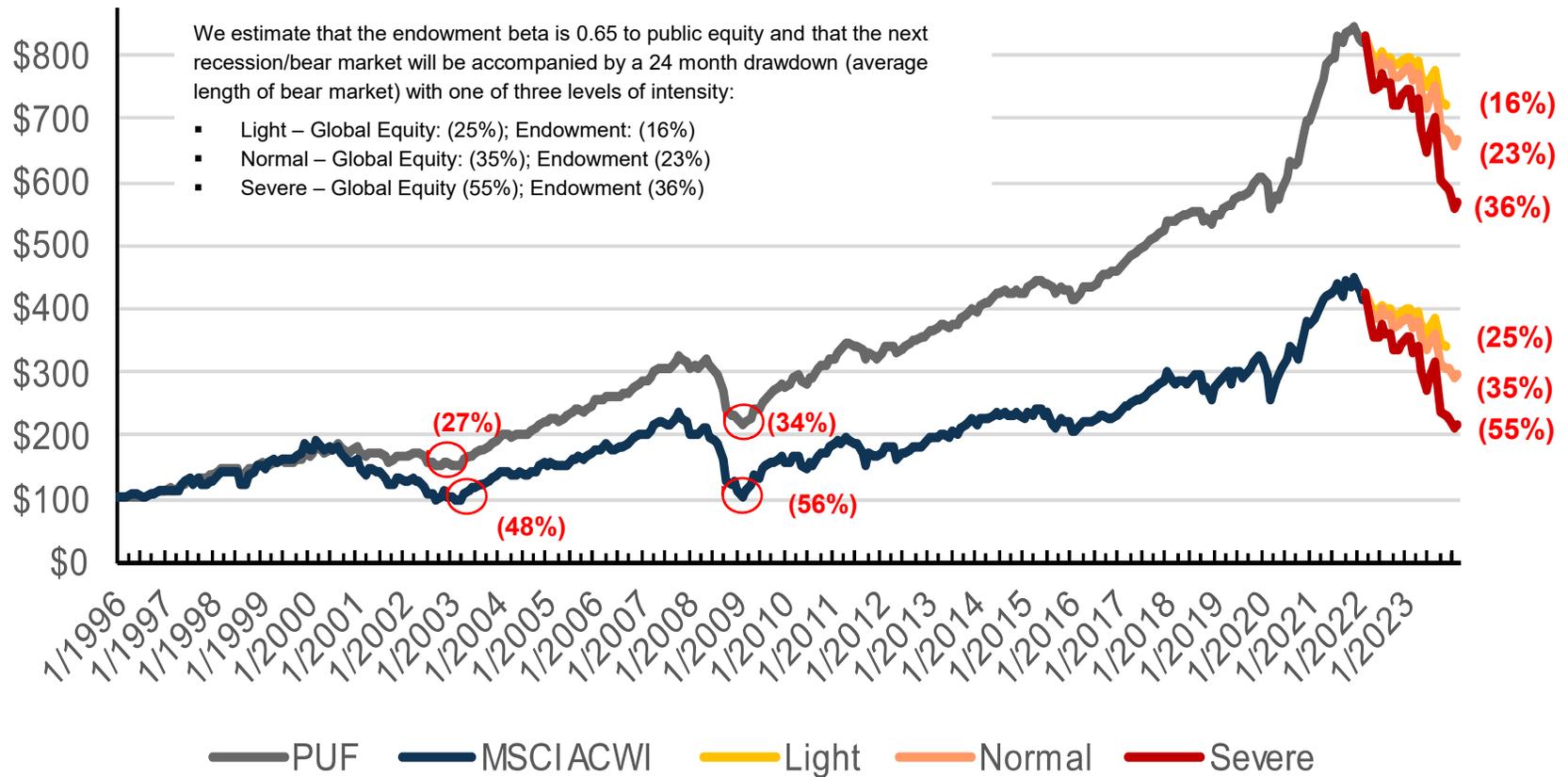
Returns are regime dependent (data from June 1947 to March 2022)





Where do we go from here?

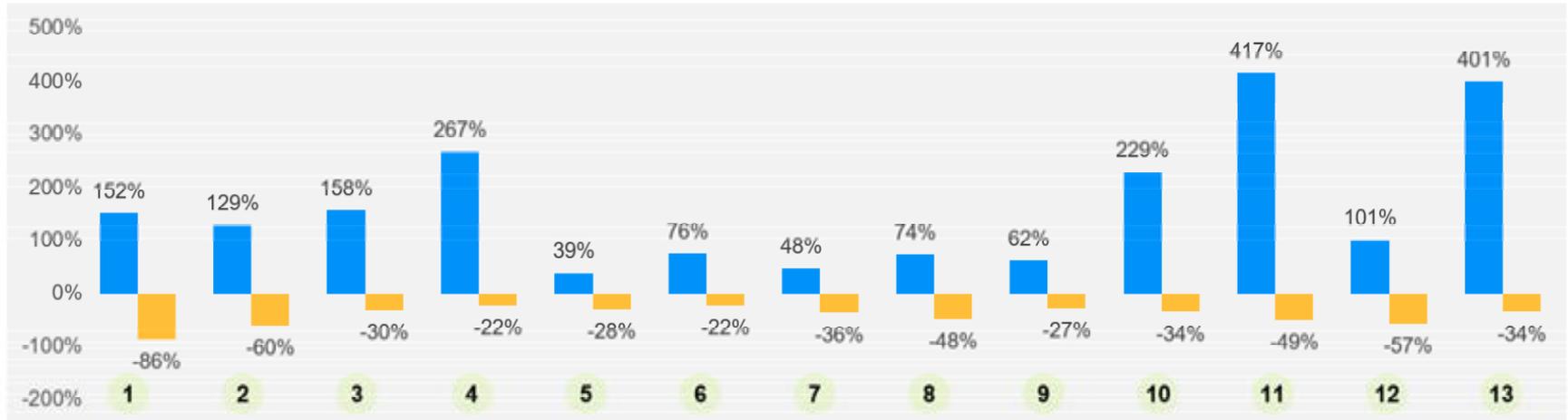
Bear markets imply potential endowment declines between \$9B - \$19B





Where do we go from here?

Bear markets end, and are followed by expansions



Characteristics of bull and bear markets

Market correction	Bear Market			Macro environment				Bull markets		
	Market peak	Bear return*	Duration (months)*	Recession	Commodity Spike	Aggressive Fed	Extreme Valuation	Bull begin date	Bull return	Duration (months)
1	Sep 1929 - Excessive leverage, irrational exuberance	-86%	32	◆			◆	Jul 1926	152%	37
2	1937 Fed Tightening - Premature policy tightening	-60%	61	◆		◆		Mar 1935	129%	23
3	Post WWII Crash - Post-war demobilization, recession fears	-30%	36	◆			◆	Apr 1942	158%	49
4	Eisenhower Recession - Worldwide recession	-22%	11	◆		◆	◆	Jun 1949	267%	85
5	Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	-28%	6				◆	Oct 1960	39%	13
6	1966 Financial Crisis - Credit crunch	-22%	7			◆	◆	Oct 1962	76%	39
7	Tech Crash of 1970 - Economic overheating, civil unrest	-36%	17	◆	◆	◆		Oct 1966	48%	25
8	Stagflation - OPEC oil embargo	-48%	20	◆	◆			May 1970	74%	31
9	Volcker Tightening - Whip Inflation Now	-27%	20	◆	◆	◆		Mar 1978	62%	32
10	1987 Crash - Program trading, overheating markets	-34%	3				◆	Aug 1982	229%	60
11	Tech Bubble - Extreme valuations, .com boom/bust	-49%	30	◆			◆	Oct 1990	417%	113
12	Global Financial Crisis - Leverage/housing, Lehman collapse	-57%	17	◆	◆	◆		Oct 2002	101%	60
13	Global Slowdown - COVID-19, oil price war	-34%	1	◆				Mar 2009	401%	166
Averages		-	-42%	22				-	166%	56

Source: J.P. Morgan Guide to the Markets, data as of March 31, 2022, FactSet, NBER, Robert Shiller, Standard& Poor's, J.P. Morgan Asset Management. *See appendix for additional disclosures.

Appendix





Market Dashboard – 5/27/22

Rates

	12/31/2021	Change 2021	YTD 5/27/2022	Change YTD
Fed Funds	0.25	0.00	1.00	0.75
2-yr Treasury	0.73	0.61	2.48	1.74
5-yr Treasury	1.26	0.90	2.72	1.45
10-yr Treasury	1.51	0.60	2.74	1.23
30-yr Treasury	1.90	0.26	2.96	1.06
Investment Grade Bonds	2.34	0.51	4.24	1.90
High Yield	4.61	0.02	7.09	2.48

Equities

	12/31/2021	Change	5/27/2022	Change
S&P 500	4,766	29%	4,158	-13%
Forward P/E	21.4x	-1.2x	17.5x	-3.9x
Trailing P/E	24.6x	-6.1x	20.8x	-3.8x
Shiller P/E	38.1x	7.3x	30.1x	-8.0x
Forward Earnings Yield	4.7%	0.2%	5.7%	1.0%
Nasdaq	15,645	22%	12,131	-22%
MSCI Europe	162	17%	148	-12%
MSCI Japan	1,232	2%	1,162	-14%
MSCI China	84	-22%	67	-20%
Developed: MSCI World	9,756	22%	8,525	-13%
Emerging: MSCI EM	608	-3%	519	-15%
Global: MSCI ACWI	389	19%	339	-13%

Inflation

	12/31/2021	Change	5/27/2022	Change
5-yr TIPS	-1.66	-0.03	-0.27	1.39
5-yr TIPS Breakeven	2.9	0.9	3.0	0.1
10-yr TIPS	-1.10	-0.01	0.08	1.18
10-yr TIPS Breakeven	2.6	0.6	2.7	0.0

Commodities

	12/31/2021	Change	5/27/2022	Change
Gold	1,829	-4%	1,854	1%
Oil	75	55%	115	53%
Copper	446	27%	431	-4%
Bloomberg Commodities Index	212	27%	287	35%



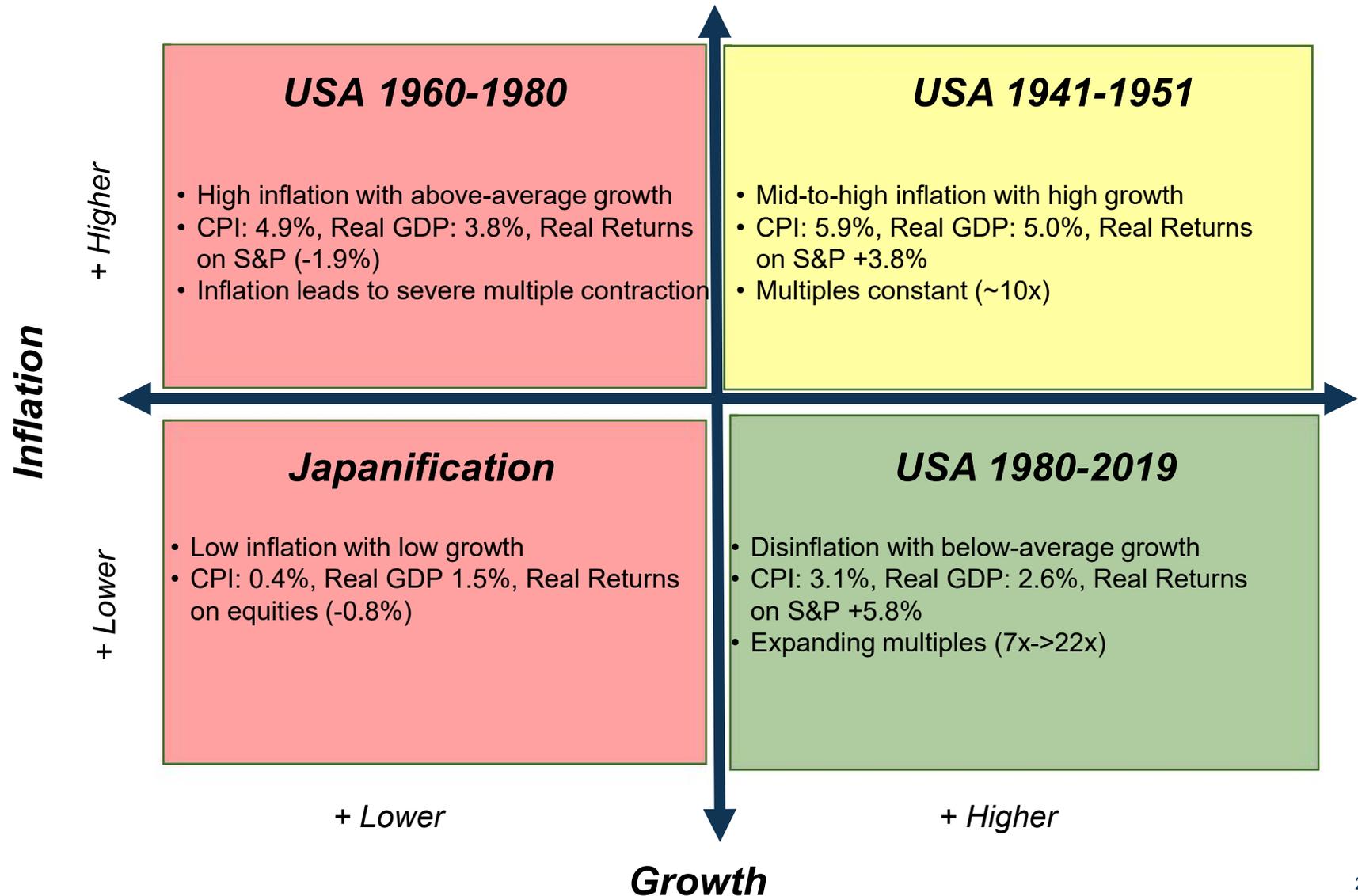
Economic Indicators – 5/27/22

	Quarterly Real GDP		Real GDP		S&P 500 EPS		Unemployment		Core PCE	
	Q2	Q3	2022	2023	2022	2023	2022	2023	2022	2023
AGMR	4.8%	3.3%	2.3%		\$230		3.1%		3.5%	
Barclays	5%	3%	3.0%	1.7%	\$223		3.5%	3.7%	4.5%	2.7%
BofA	3%	2.5%	2.6%	1.5%	\$221	\$230	3.2%	3.6%	4.5%	3.3%
Citi	2.6%	2.9%	2.6%	2.1%	\$226		3.4%	3.4%	4.8%	3.5%
Credit Suisse	3.5%	2.7%	2.7%	2.3%	\$235	\$255	3.4%	3.4%	4.4%	2.9%
Goldman	2.5%	2.3%	2.4%	1.6%	\$226	\$239	3.5%	3.7%	3.8%	2.4%
ISI	3%	2%	1.4%	2.0%	\$228	\$252	3.5%	3.2%	4.0%	3.0%
JP Morgan	3.3%	2.8%	2.7%	1.8%	\$230	\$250	3.4%	3.5%	4.6%	2.9%
Morgan Stanley	1.4%	4.4%	2.6%	2.6%	\$225	\$236	3.4%	3.3%	4.6%	3.0%
PIMCO			2.6%	2.0%			3.3%	3.2%	3.8%	2.3%
UBS	1.8%	1.4%	1.9%	1.6%	\$236	\$251	3.3%	3.3%	2.9%	1.9%
Yardeni	2%	2%	2.3%		\$225	\$240	3.3%		5.4%	
Median	3.0%	2.7%	2.6%	1.9%	\$226	\$245	3.4%	3.4%	4.5%	2.9%
Average	3.0%	2.7%	2.4%	1.9%	\$228	\$244	3.4%	3.4%	4.2%	2.8%
FOMC			2.8%	2.2%			3.5%	3.5%	4.1%	2.6%

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



Four Possible Economic Regimes



*Real S&P Price Returns



Four Corner Portfolio Composition

Sourced from external partners during 2021 SAA process

<i>Probability of Regime</i>	21.25%	15.00%	41.25%	22.50%
Asset Class	RGRI	FGFI	RGFI	FGRI
US Public Equity	11.5%	7.9%	20.4%	4.6%
Non-US Public Equity	15.6%	5.4%	26.6%	3.2%
Total EM Public Equity	11.4%	3.9%	12.8%	4.3%
Directional Hedge Funds	1.3%	4.8%	1.1%	5.5%
Total Private Equity	16.1%	14.2%	17.8%	10.0%
Private Credit	0.7%	6.4%	4.7%	2.1%
Total Global Equity	56.5%	42.6%	83.5%	29.8%
Global Aggregate Bonds	1.4%	3.9%	1.4%	2.3%
Long US Treasuries	-	15.8%	2.7%	3.4%
Chinese Nominals	-	8.4%	-	-
Australian Nominals	-	3.7%	-	-
Cash	0.5%	0.5%	0.3%	0.5%
Public Credit	-	1.3%	-	-
Stable Value Hedge Funds	9.0%	11.9%	7.4%	14.3%
Total Stable Value	10.9%	45.4%	11.8%	20.5%
Private Real Estate	11.5%	3.7%	3.2%	8.1%
Natural Resources	3.8%	1.0%	0.5%	1.5%
Infrastructure	3.1%	1.0%	1.0%	4.2%
Commodities	13.8%	-	-	-
Gold	-	-	-	10.0%
TIPS	0.5%	2.9%	-	15.7%
Non-US IL's	-	3.4%	-	10.2%
Total Real Return	32.6%	12.0%	4.8%	49.7%

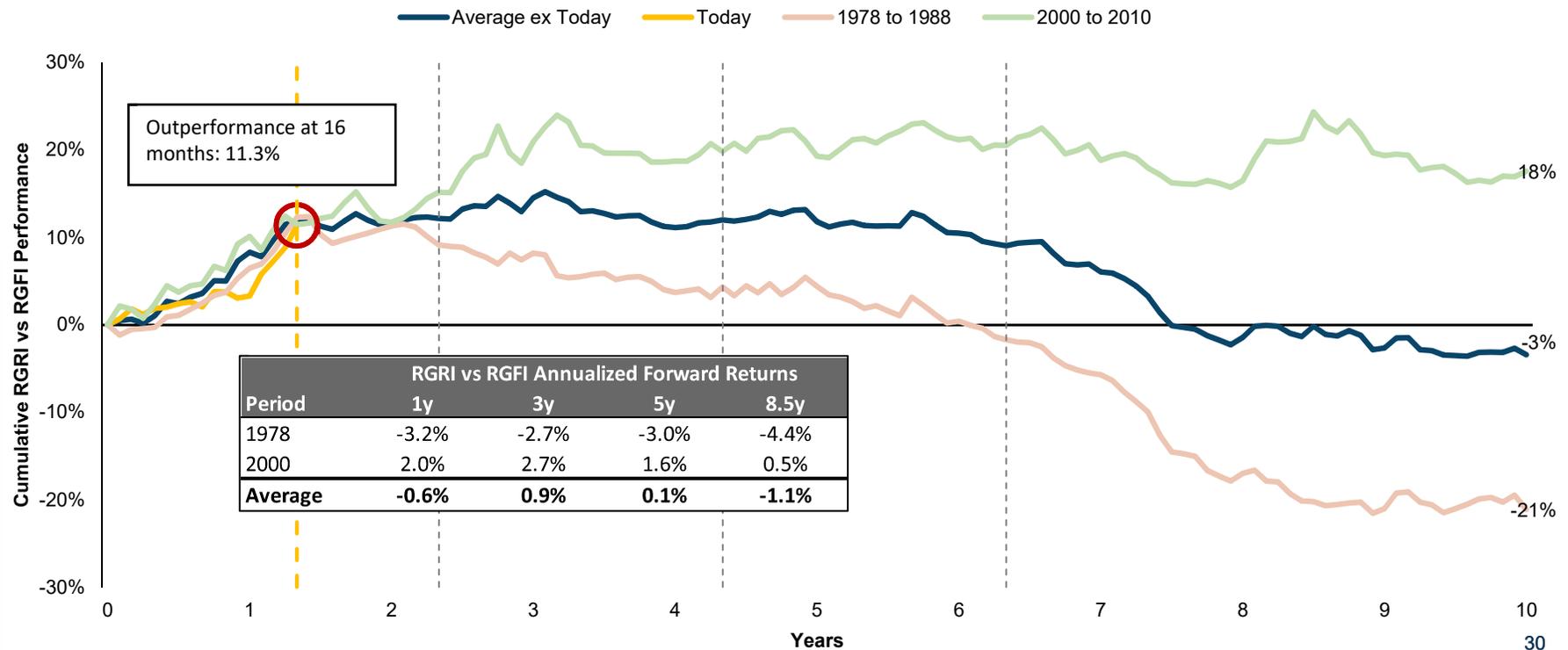


Four Corner Portfolio Performance

Return history during similar periods of high-inflation

Portfolio	Long Only						
	1m	3m	CYTD	1y	3y	5y	10y
RGRI	-4.9%	-3.2%	-4.7%	3.8%	10.2%	9.4%	7.4%
FGFI	-4.8%	-5.7%	-8.1%	-1.5%	8.2%	8.1%	7.6%
RGFI	-7.2%	-8.2%	-11.9%	-5.3%	9.3%	9.7%	9.2%
FGRI	-3.9%	-3.3%	-5.5%	1.8%	8.2%	7.3%	6.1%

Only Two Historical Periods With This Magnitude of RGRI vs RGFI Outperformance





Sector Return Dispersion

As of May 31, 2022

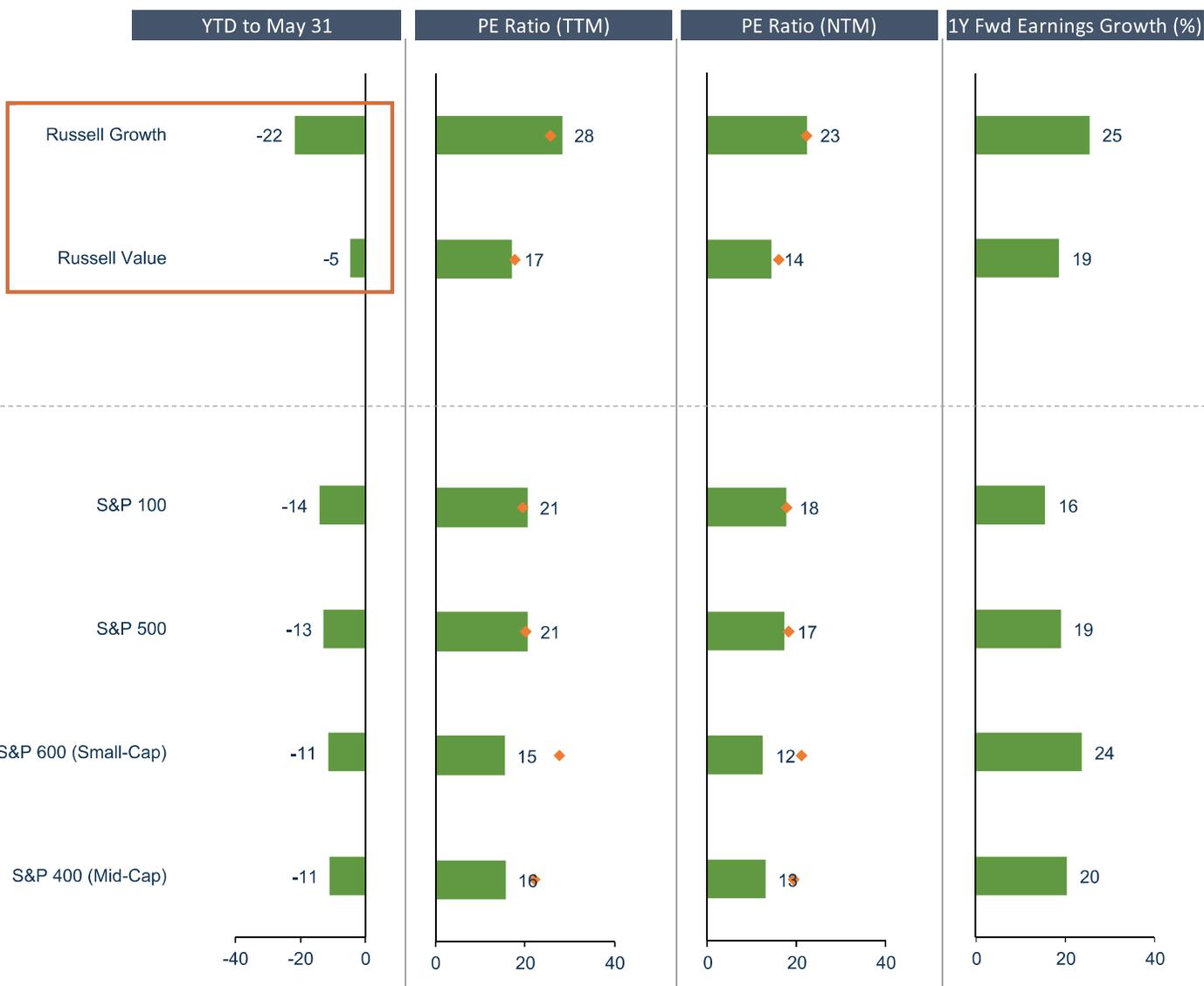


◆ 10-year Average P/E Ratios



Market Cap & Style Return Dispersion

As of May 31, 2022

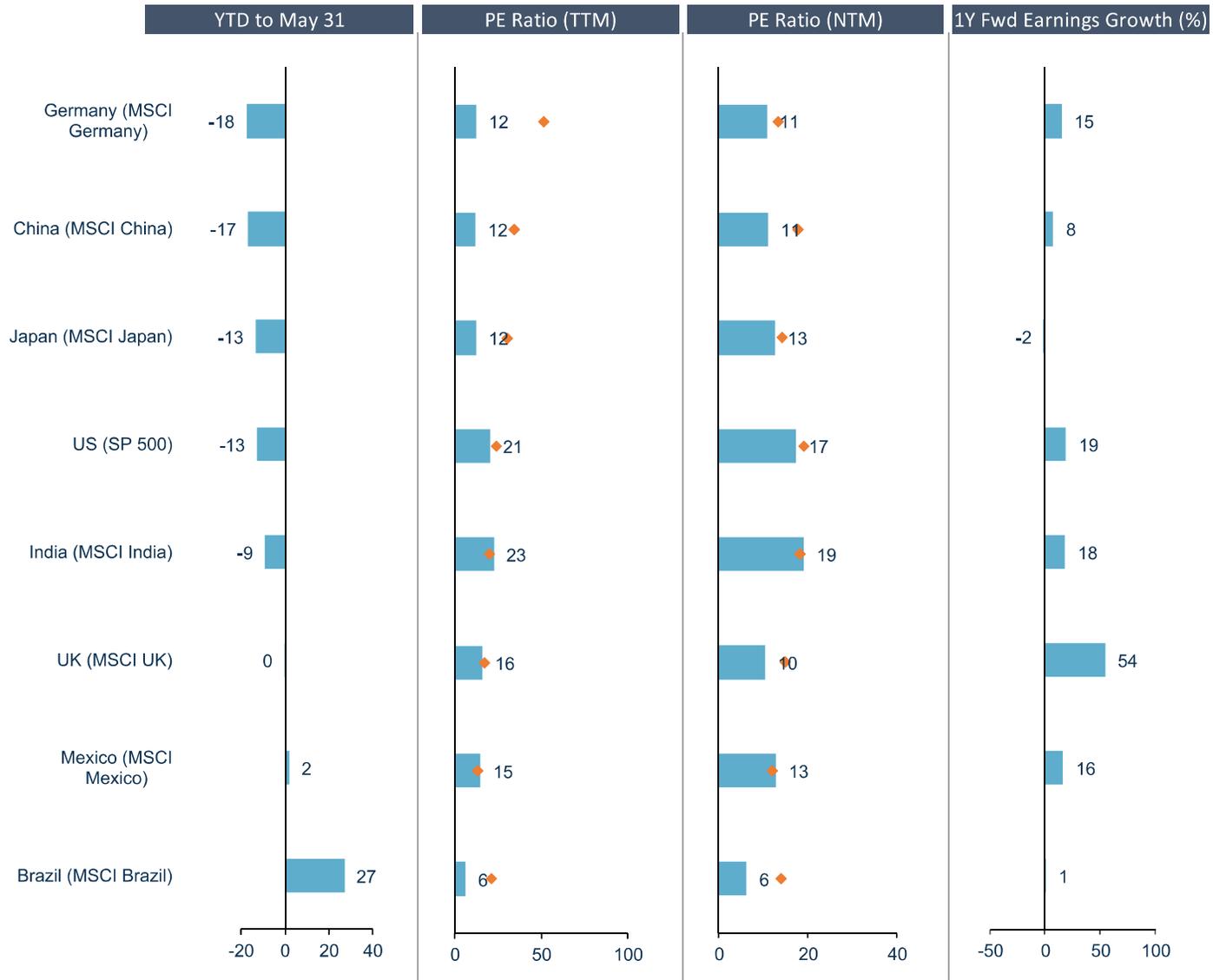


◆ 10-year Average P/E Ratios



Country Return Dispersion

As of May 31, 2022



Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item: Real Return Presentation

Developed By: Real Return Team

Presented By: Lewis

Type of Item: Information Item

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

Recommendation: None

Reference: *Real Return* presentation



Real Return

Edward Lewis, Managing Director

June 10, 2022



Executive Summary (1 of 2)

Fundamentals strong in real estate, oil and gas, and infrastructure as reflected in performance

Performance

- For the trailing one-year ending March 31, 2022, the Real Return regime generated an 18.6% Time-Weighted Return (“TWR”) as rising inflation pushed outsized returns relative to the Global Equities, (+14.4%) and Stable Value (+2.7%) regimes, underscoring the importance of UTIMCO’s asset allocation framework
- Using the IRR methodology for calculating returns for benchmark comparison, the Real Return portfolio generated an IRR of 22.1% as of December 31, 2021, underperforming the benchmark by 3.3% over the past year. The underperformance was primarily driven by an underweight to Upstream Oil & Gas within the Natural Resources portfolio and an overweight to Europe in the Real Estate portfolio

Market Conditions

- Investments with underlying real asset values and lease/contract structures that capture inflation are likely to outperform the broader equity markets in the near-term
- Real estate fundamentals remain strong as exemplified by record one-year rent growth of 15.9% in Class A Multi-Family and 16.0% in Industrial asset classes
- Office sector recovery uneven as work from home impacts demand
- Rate hikes may introduce headwinds for mortgage and cap rates, but capital flows remain strong into real estate
- Increased post-Covid demand, industry supply constraints, capital expenditure discipline, and geopolitical tensions resulted in high commodity prices with WTI trading at \$105 as of April 30, 2022



Executive Summary (2 of 2)

Real Return team continues to contribute broadly across the organization

Intermediate Term Fund (“ITF”)

- Real Return is adding passive allocations to public real estate, commodities, and inflation-linked bonds to provide inflation protection in the portfolio
- As of March 31, 2022, the ITF has 6.3% of the portfolio in real assets including 1.7% in commodities, 1.6% in REITs, and 3.0% in inflation-linked bonds

Team

- No departures in the past two years and one new Analyst hire in 2021
- Stable and tenured senior leadership with average tenure of 10 years for Director and above professionals

2021 Organizational Contributions

- Leadership of the D&I Initiative
- Active contributor to Strategic Asset Allocation
- Continued collaboration with University Lands

2022 Priorities

- Generate strong performance as inflation persists and supply and demand imbalances continue to create opportunities in real estate and oil and gas
- Develop and retain top talent on the Real Return team
- Actively participate in firmwide initiatives such as digital assets and climate task forces, diversity and inclusion, or research initiatives



Real Return Team

Stable team with no departures and one new Analyst hire in 2021



Edward Lewis

Managing Director
MBA, U. of Chicago



Mukund Joshi, CFA

Senior Director
MBA, UT Austin



Mallory Glusband, CFA

Director
BSBA, Wash U. St. Louis



Spencer Branch

Associate Director
MBA, UT Austin



Adam Harrison

Associate
BBA, UT Austin



Cam Powell

Senior Analyst
MSc, London School of Economics



Tara Hamilton

Investment Team Coordinator
BA, Eastern Washington University



Matt Saverin

Associate Director
MBA, UC-Berkeley



Steve Muenzen

Associate
BE, Dartmouth



Tyler Sevcik

Analyst
MSF, Texas A&M



Walker Wade

Analyst
MSF, Texas A&M

 2021 New Team Member

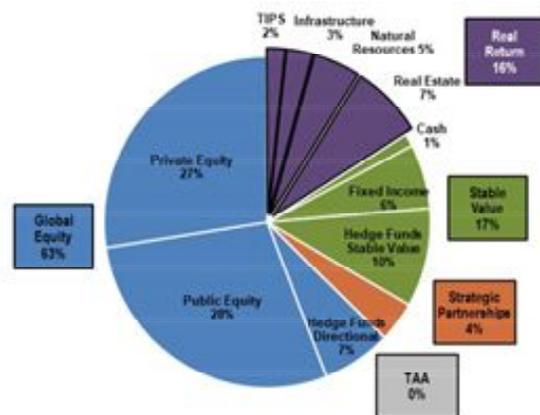


Role in Total Portfolio

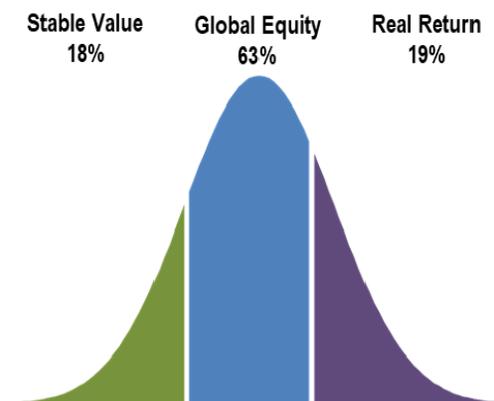
Investment Results as of 3/31/22 and Exposure as of 3/31/22; (\$ millions)

Real Return Portfolio	Investment Results (TWR)				Net Asset Value			
	1-Year	3-Year	5-Year	10-Year	NAV	% of RR Portfolio	% of Endowments	Target Weighting
Real Estate ¹	21.7%	10.7%	13.7%	11.9%	\$3,951	43.8%	7.2%	9.0%
Natural Resources ¹	21.0%	4.6%	3.5%	5.7%	\$2,593	28.8%	4.7%	3.0%
Infrastructure	14.3%	24.5%	21.1%	19.8%	\$1,443	16.0%	2.6%	5.0%
Inflation-Linked Bonds ¹	5.3%	N/A	N/A	N/A	\$1,026	11.4%	1.9%	2.0%
Total RR	18.6%	10.7%	9.7%	6.5%	\$9,013	100.0%	16.3%	19.0%

Current Endowment Allocation



Target Strategic Asset Allocation²



Risk / Diversification^{3,4}

Correlations	Real Return
Global Equity	0.50
Stable Value	-0.11
Drawdown (5 yr)	
S&P 500	19.6%
US Treasuries	11.3%
Private Equity	4.7%
Real Return	13.1%

- 1) Excludes \$151 million of Real Estate, \$165 million of Commodities, and \$282 million of Inflation Linked Bonds from the ITF
- 2) Strategic Partners exposures are consolidated into the Long-Term Strategic Asset Allocation target weightings based on projected 80% stock, 20% bond portfolios
- 3) Correlations account for the lagged nature of private investments and reflect quarterly returns from 2011 to 2021
- 4) Drawdown statistics are based on monthly returns

Sources: Burgiss, Mellon



Real Return Private Performance

Real return portfolio generated strong absolute returns and 2.8% alpha over three-year period ending December 31, 2021

- Over the past year, real estate generated strong absolute performance but underperformed the benchmark. The team remains confident in the portfolio and expects performance to improve as managers anticipate disposing assets significantly above current valuations
- Natural resources recent relative underperformance due to outsized exposure to agriculture and metals and mining sectors which trailed upstream oil and gas returns

Sector Portfolio	Exposure		Performance				Existing Managers ¹
	NAV (\$M)	% of Endowments	1-Year (Linked IRR)	3-Year (Linked IRR)	5-Year (Linked IRR)	10-Year (Linked IRR)	Premier List
Private Real Estate	\$3,772	7.1%	23.8%	11.3%	14.1%	14.1%	21
CA RE Benchmark (Pooled IRR)	---	---	25.3%	11.4%	11.0%	11.0%	
RE Alpha (RE vs CA Benchmark)	---	---	(1.5%)	(0.1%)	3.1%	3.1%	
Private Natural Resources	\$2,669	4.7%	21.4%	4.4%	3.6%	6.3%	6
CA NR Benchmark (Pooled IRR)	---	---	30.4%	2.0%	2.4%	1.9%	
NR Alpha (NR vs CA Benchmark)	---	---	(9.0%)	2.4%	1.2%	4.4%	
Private Infrastructure	\$1,347	2.6%	17.6%	22.2%	18.8%	18.0%	9
CA Infra Benchmark (Pooled IRR)	---	---	13.8%	11.2%	11.9%	10.1%	
Infra Alpha (Infra vs CA Benchmark)	---	---	3.8%	11.0%	7.0%	7.9%	
Total Private Real Return Portfolio	\$7,787	14.4%	22.1%	10.9%	10.6%	12.3%	35
Weighted Avg Asset Class Benchmark	---	---	25.4%	8.1%	7.8%	7.5%	
RR Alpha (RR vs CA Benchmark)	---	---	(3.3%)	2.8%	2.8%	4.8%	

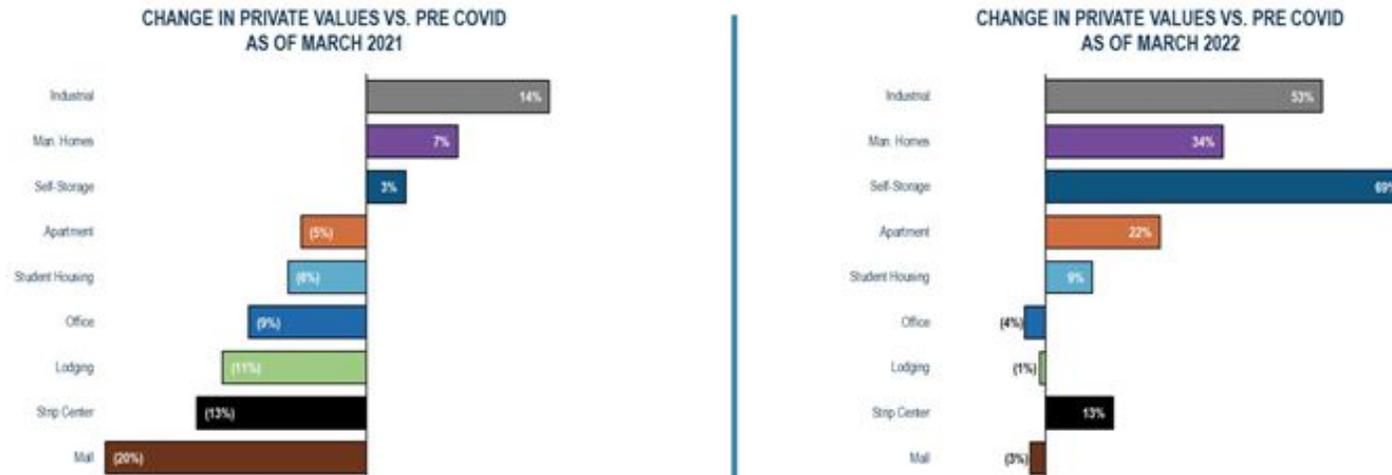
1) One partner is a Premier List Manager covering both Real Estate and Infrastructure

Note: Private performance returns and CA benchmarks as of 12/31/21; TWR performance and exposures as of 3/31/22



Real Estate Valuations

Private property valuations have continued to rise

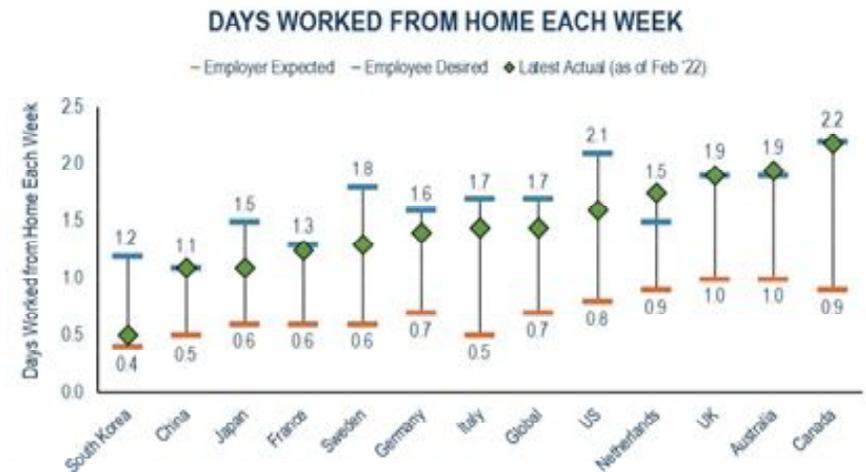
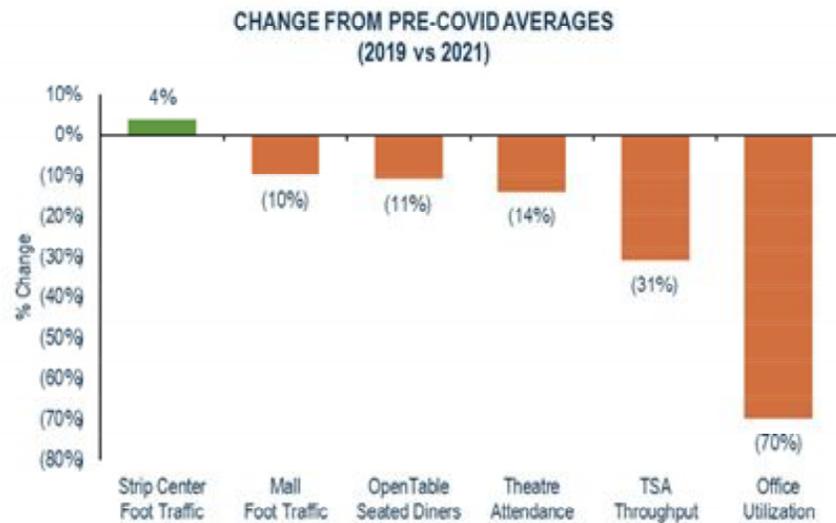


Source: Green Street



Slow Return to the Office

Office utilization remains low as workers eschew returning to the office relative to other activities while major global employers look to bring professionals back in a hybrid-format



	Return Date	Days in Office
	February-22	5 Days
	March-22	At least 2 days
	March-22	Fully remote option
	April-22	At least 3 days
	April-22	At least 1 day

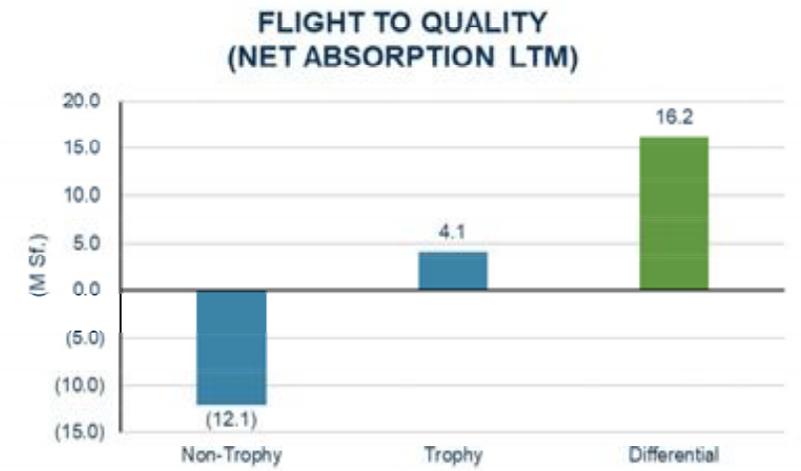
Sources: Green Street, LaSalle, Blackstone Real Estate Partners



Quality and Location Matter in Office Recovery

Work From Home (“WFH”) creating an uneven recovery in the office sector

- WFH implications are expected to reduce overall office demand by ~15% over time according to Green Street with clear preference emerging for amenity laden Class-A trophy office
- Leasing recovery strong in innovation cities such as Austin, Nashville, and Miami while traditional gateway markets trail

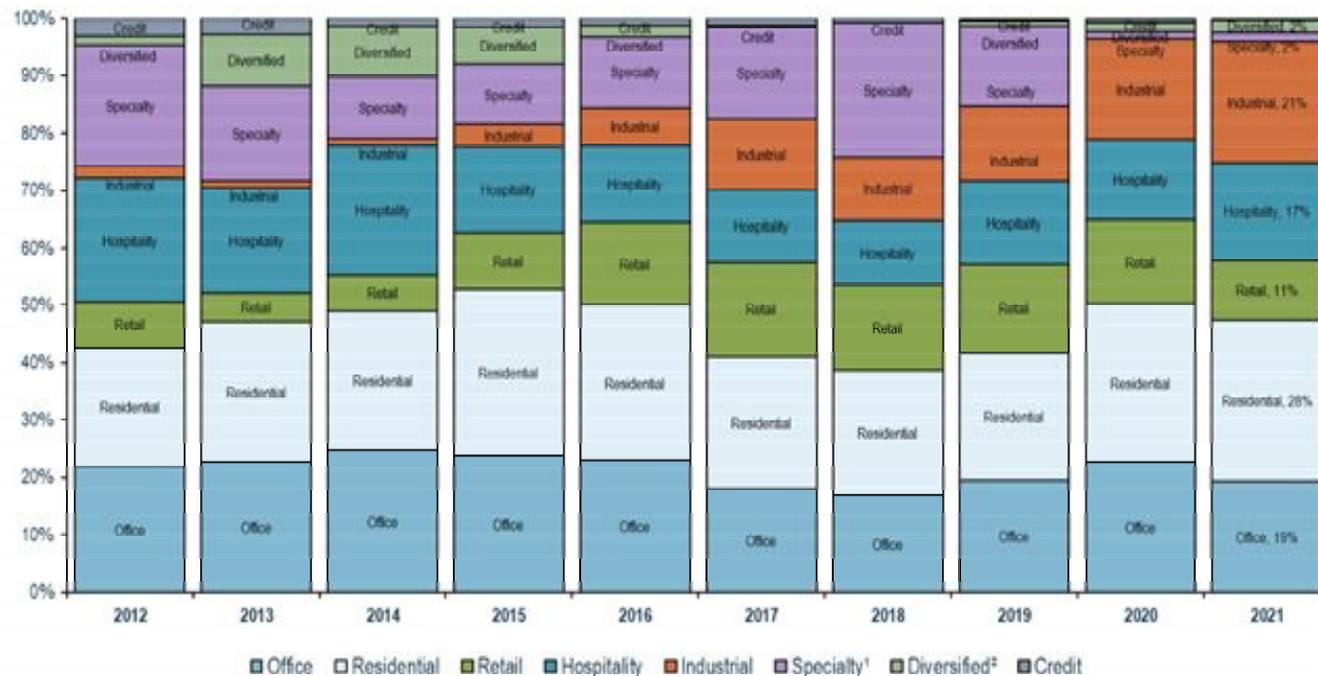




Real Estate Portfolio Construction

UTIMCO favors sectors with supply and demand imbalances, or properties poised to recover post-Covid

- Continued focus on housing and industrial which benefit from clear supply shortfalls relative to demand, shorter lease durations that adjust quicker to inflation, and lower exposure to rising fixed input costs which reduce margins
- Retail exposure in the portfolio continues to decline relative to other property types
- Hospitality, particularly drive-to locations, continues to benefit from a strong post-Covid recovery



Sources: Burgiss, Manager Quarterly Reports

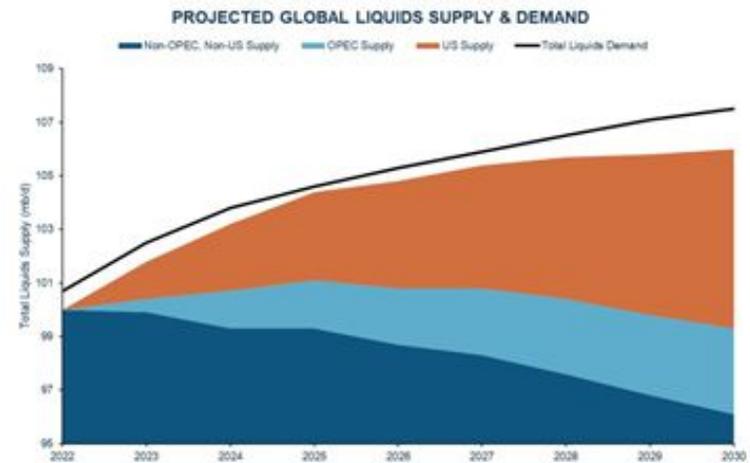
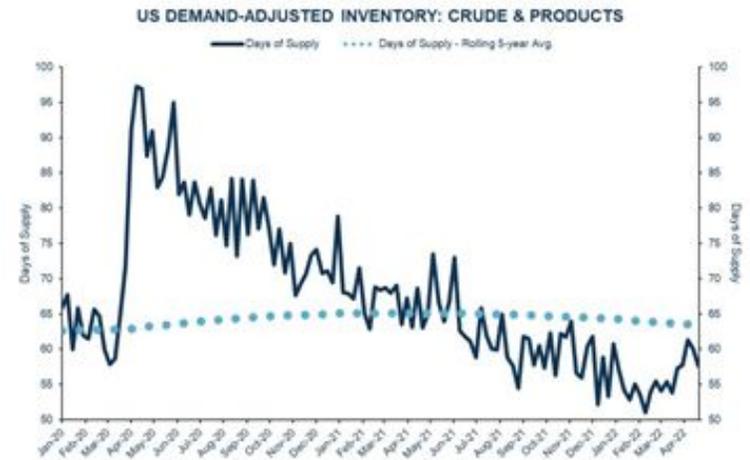
(1) Specialty – Data Centers, Telecommunications, Private Airports, Health Care Facilities & Land

(2) Diversified – Mixed Use, Other, or otherwise undefined



Oil & Gas Market Conditions

Under-investment is expected to underpin the next oil and gas supercycle



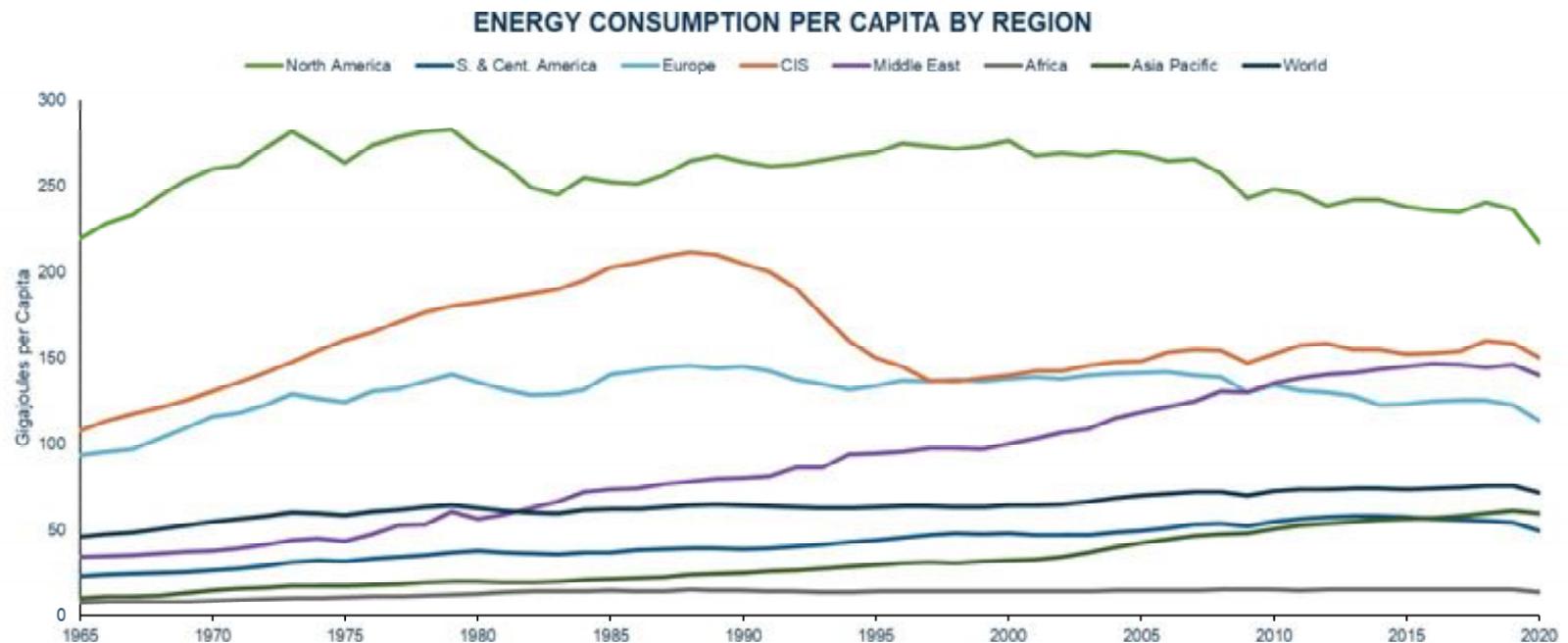
Sources: Bloomberg, EIA, Baker Hughes, Goldman Sachs, JP Morgan



Energy Poverty

Despite diversification of energy sources, most of the global population suffers from energy poverty

- Energy provision across traditional and renewables sources is critical to maintain and raise the standard of living globally
- North America consumes 4x as much energy per capita as the rest of the world and 2x European per capita consumption
- Energy poverty disproportionately impacts Africa, Latin America, and Asia Pacific regions, representing 74% of the world population; these regions average less than 50 gigajoules of energy consumption per capita



Sources: BP, United Nations



2021 Key Accomplishments

Performance & Portfolio

- Strong 2021 absolute return of 22.1% IRR in the private portfolio
- Generated 3-year alpha of 2.8% IRR
- Committed \$2.1 billion in 2021 across 26 investments with 70% of the capital allocated to real estate and the remaining 30% to infrastructure investments

Collaboration

- Active dialogue and idea sharing with University Lands in assessing Permian related oil and gas investment opportunities

Organization

- Active engagement across the firm on Strategic Asset Allocation
- Maintained board position on Texas A&M MSF program where UTIMCO continues to be a top financial services recruiter
- Edward Lewis was selected as a board member of the Robert Toigo Foundation, one of the most visible and tenured financial services diversity organizations



2022 Top Priorities

Real Return Top Priorities are aligned with UTIMCO's

Performance

- Continue to generate strong absolute and relative returns over rolling 3-year periods

Three-Year Ending	2019	2020	2021
3-Year Real Return	8.7%	3.2%	10.9%
CAWeighted Benchmark	5.8%	1.4%	8.1%
Rolling 3-Year Alpha	2.9%	1.8%	2.8%

Essentialism

- Recommend efficiency improvements across investment processes without sacrificing quality of diligence or rigor of discussion

Innovation

- Implementation of MSCI risk tool alongside risk to provide a robust and common risk monitoring system for UTIMCO across private investments

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item: Private Equity Presentation

Developed By: Private Equity Team

Presented By: Pace

Type of Item: Information Item

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

Recommendation: None

Reference: *Private Equity* presentation



Private Equity

Patrick Pace, Managing Director

June 10, 2022



Key Highlights

Role in Endowment and Team

- Private Equity NAV is \$15.0 billion as of December 31, 2021
 - \$6.0 billion in Venture Capital (10.6%), \$5.7 billion in Buyouts and Growth (10.2%), \$2.1 billion in Emerging Markets (3.7%), and \$1.2 billion in Private Credit (2.2%)
 - 26.7% of total Endowment assets as of December 2021; long-term Strategic Asset Allocation (“SAA”) target of 25%
- Managed by eleven-person investment team, with average of ten years of experience and three years at UTIMCO

Market Conditions

- Investment and exit activity accelerated through the year, reaching historic levels
- Similarly, Private Equity fundraising pace has increased, with managers coming back to market sooner and raising larger funds
- Valuations, leverage, and dry powder are at or near all-time high levels

Performance Summary

- Private Equity generated a 46.9% return over the past 12 months and outperformed by 1,460 basis points when compared to a NAV-weighted benchmark across Buyouts / Growth, Venture Capital, Emerging Markets, and Private Credit
- Over the past ten years, Private Equity generated a 15.7% return contributing 90 basis points of alpha when compared to the same benchmark
- In a PME analysis over the same 10-year period, the portfolio generated 409 basis points of alpha or \$2.4 billion of value-add in excess of the MSCI World Index return

2022 Priorities

- **Decision-making:** Strategically rebalance Private Equity portfolio
- **Teamwork:** Integrate new team members into Private Equity team and UTIMCO
- **Innovation:** Successful expansion of Venture Capital brand



Private Equity Team



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



Craig Thomas
Senior Director
MBA, Yale University
Prior: Investure



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



Beth Bruni
Associate Director
MBA, University of Virginia
Prior: Cambridge Associates



Joe Hurtekant
Associate
BBA, University of Notre Dame
Prior: TRS, LGP



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



Tori Lee
Associate
BBA, The University of Texas at Austin



Colin Bernier
Senior Analyst
BS, University of South Carolina-Columbia
Prior: RSIC



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



Ryan Bissmeyer
Analyst
MSF, The University of Texas at Austin
Prior: Duff & Phelps



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

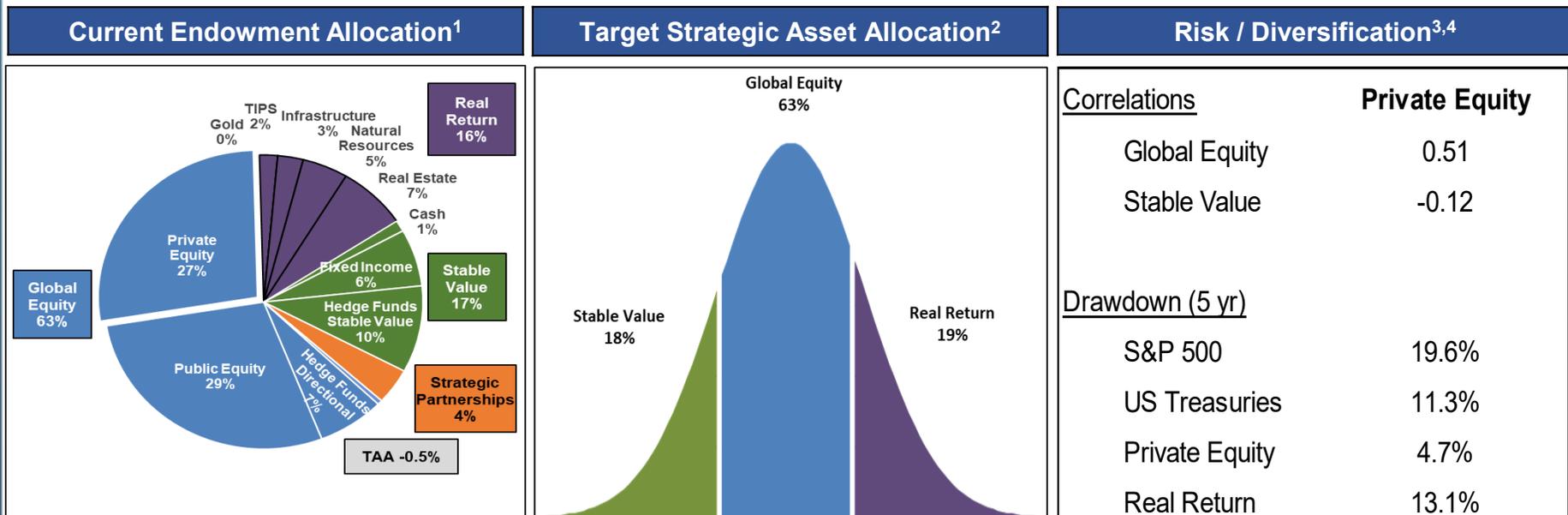
 2021 New Team Member



Role in Endowments

NAV and Exposure as of December 31, 2021; (\$ millions)

Private Equity Portfolio	Exposure				Existing Managers - 60 Premier List Partners				
	NAV	Exposure	NAV % of PE Portfolio	NAV % of Endowments	Platinum	Gold	Silver	Bronze	Other
Buyouts and Growth	\$5,724	\$8,827	38.1%	10.2%	0	7	20	5	0
Venture Capital	\$5,977	\$6,816	39.8%	10.6%	0	1	9	12	0
Emerging Markets	\$2,107	\$2,431	14.0%	3.7%	0	1	0	0	0
Private Credit	\$1,216	\$1,920	8.1%	2.2%	0	0	4	1	0
Total	\$15,024	\$19,994	100.0%	26.7%	0	9	33	18	0



Sources: Burgiss, BNY Mellon

(1) Endowment Allocation as of 3/31/2022

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

(3) Correlations take into account the lagged nature of private investments and reflect quarterly returns from 2011 to 2021

(4) Drawdowns based on monthly returns



Performance and Key Highlights

Investment Results and Cambridge Associates Indices as of December 31, 2021; (\$ millions)

Private Equity Portfolio	NAV		Investment Results (TWR)			
	NAV	% of PE Portfolio	1-Year	3-Year	5-Year	10-Year
Buyouts and Growth	\$5,724	38.1%	38.6%	23.9%	16.4%	15.3%
CA Buyouts Benchmark (Pooled TWR)			32.8%	24.1%	20.5%	16.7%
Alpha			5.7%	-0.2%	-4.1%	-1.4%
Venture Capital	\$5,977	39.8%	79.7%	50.1%	37.7%	25.9%
CA Venture Capital Benchmark (Pooled TWR)			46.2%	37.9%	28.2%	20.9%
Alpha			33.4%	12.2%	9.5%	5.0%
Emerging Markets	\$2,107	14.0%	9.8%	15.2%	14.3%	9.8%
CA Emerging Markets PE & VC (Pooled TWR)			11.2%	16.9%	15.4%	12.5%
Alpha			-1.5%	-1.7%	-1.1%	-2.8%
Private Credit	\$1,216	8.1%	18.9%	9.3%	9.8%	10.9%
CA Credit Opportunities (Pooled TWR)			16.6%	7.3%	7.5%	8.9%
Alpha			2.3%	2.0%	2.3%	2.0%
Total	\$15,024	100.0%	46.9%	30.5%	23.0%	15.7%
Weighted Avg. Asset Class Policy Benchmark ¹			32.3%	25.4%	19.3%	14.8%
Alpha			14.6%	5.1%	3.6%	0.9%

Buyouts and Growth

- Newer positions are beginning to show through in recent outperformance, while energy services continues to drag results over longer time horizons

Venture Capital

- The Venture Capital portfolio is in the top 5% of all venture capital portfolios in the TUCS universe for the 3-, 5- and 10-year time periods

Emerging Markets

- The Emerging Markets portfolio is underweight Asia and overweight Africa and LATAM relative to its benchmark, resulting in underperformance.

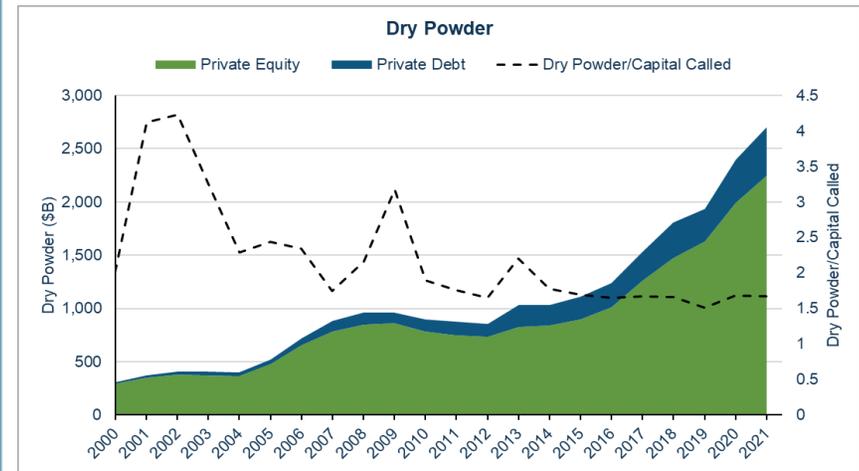
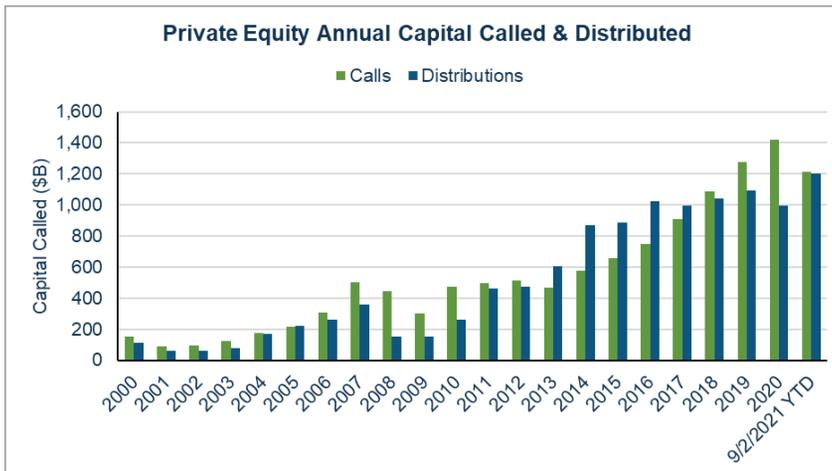
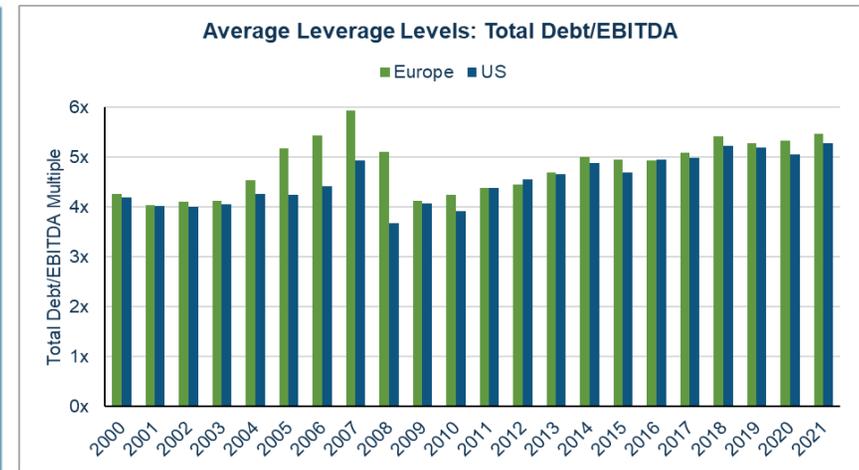
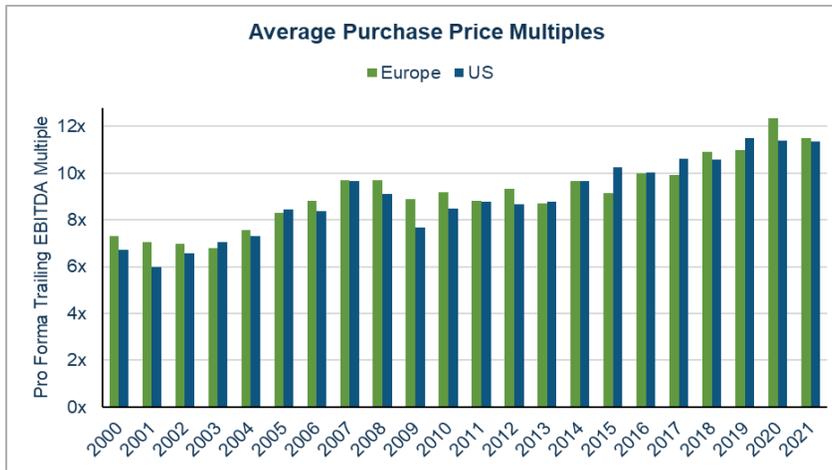
Private Credit

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

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



Market Conditions: Peak Levels



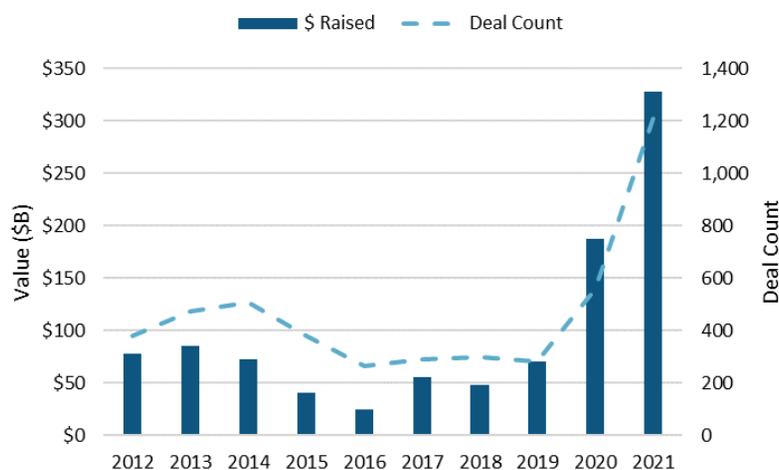
Sources: Preqin and S&P LCD



Market Conditions: Record IPOs

- The US IPO market continued its aggressive growth in 2021
 - 2021 was a record year both in terms of value (\$328 Billion) and deal count (1,210)
 - Activity has nearly doubled each of the last two years
- Recent highly anticipated IPOs have struggled since entering the public markets
 - Top 10 IPOs have lost 70% of their value, relative to a 9.4% decline in the S&P 500¹

IPO Volume in 2021



Source: Bloomberg

Top 10 IPOs

Company	Exit Value (\$B)	IPO Date	Return since IPO ²
Rivian	\$55.80	11/10/2021	-71%
Coinbase	\$48.10	4/14/2021	-79%
Roblox	\$45.30	3/10/2021	-56%
Robinhood markets	\$30	7/29/2021	-73%
Ui Path	\$27.80	4/21/2021	-74%
Toast	\$19.10	9/22/2021	-75%
Ginkgo Bioworks Holdings	\$14.20	9/17/2021	-76%
Marqeta	\$13.10	6/9/2021	-64%
HashiCorp	\$13.10	12/9/2021	-60%
Aurora	\$11	11/4/2021	-69%

**UTIMCO Exposure

(1) Top 10 IPO return calculated as weighted average of each return since IPO. S&P 500 return calculated 3/10/2021 – 5/26/2022

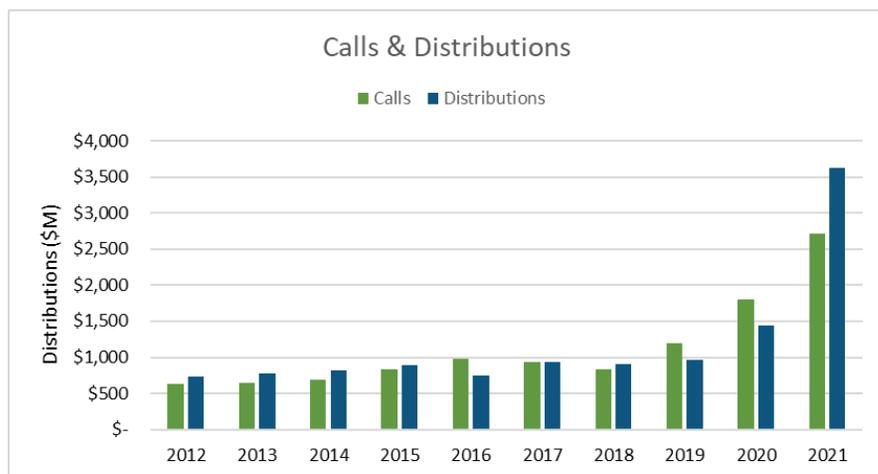
(2) Returns as of 5/26/2022 close



Exits and Public Exposure

Record Exits in 2021

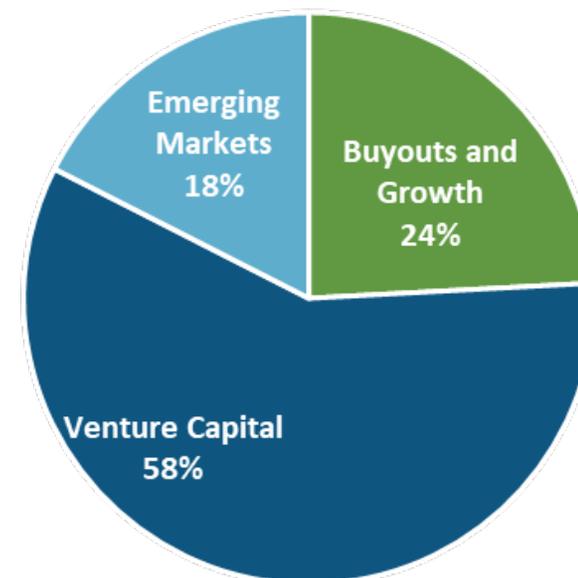
- \$3.6 billion distributed in 2021
- Over \$1 billion more than expectations
- Highlighted by exit of a large cryptocurrency trading platform
 - Total exit of \$571 million on a \$1.63 million cost basis (350x return)
 - Sold position at an average price of \$365 per share
 - Current share price: \$69.87¹



(1) 5/26/2022 close price

Public Exposure within PE

- 32 IPOs, 1 SPAC, 1 direct listing in 2021
- As of 12/31/2021 public exposure represented 15.7% of the Private Equity portfolio (~\$2.4 billion)





2021 Operational Highlights

Sustained improvement in portfolio construction, processes, and performance

- Brought 37 funds, one SMA, and 24 co-investments representing \$2.6 billion in aggregate commitments to Investment Committee
- Significantly improved data access and quality, with the help of the IT team, that improved reporting efficiency

HarbourVest Co-Invest partnership off to a strong start

- Committed \$249M in 24 co-investments out of 45 deals evaluated (53% hit rate).
- Feedback from Premier List GPs continues to be very positive

Recruited high quality lead for VC

- Hired Craig Thomas to lead VC; his relationships and network have provided new momentum



2022 Priorities

Decision-Making: Strategically rebalance Private Equity portfolio

- Increased target weight for VC to 9% of the Endowments
- Pursuing secondary sales to rebalance the portfolio and focus on Premier List Partners

Teamwork: Integrate new additions into Private Equity team

- Increase team effectiveness by successfully incorporating new team members into UTIMCO

Innovation: Successful expansion of Venture Capital brand

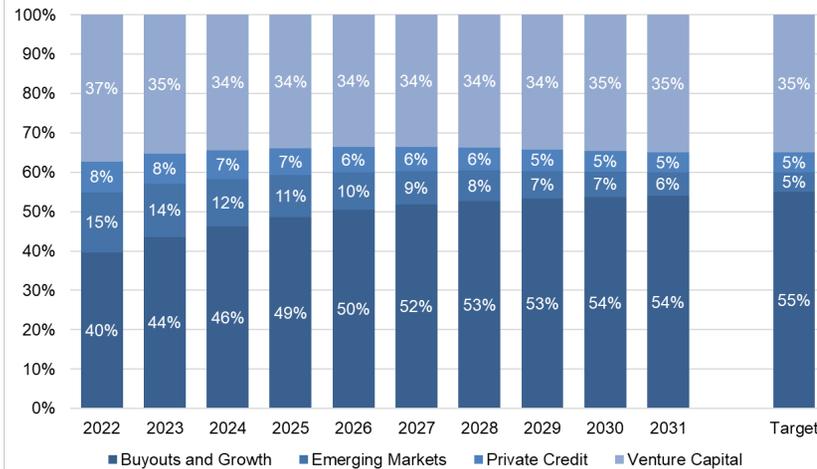
- Grow UTIMCO's external brand as a premier investment partner within the VC community



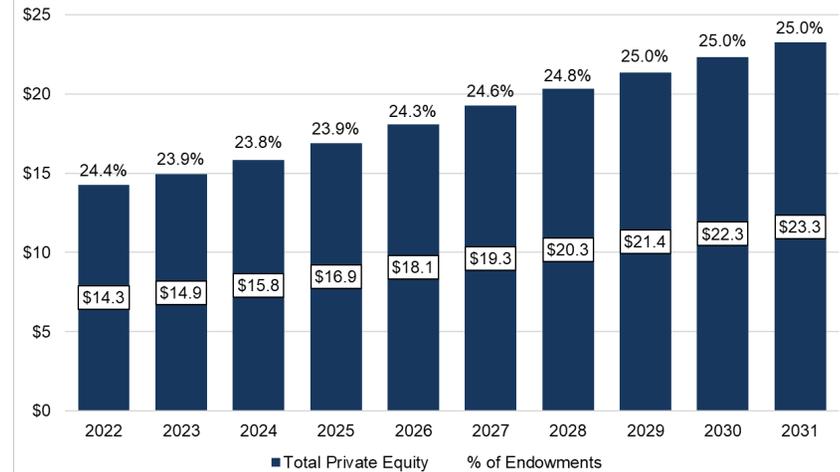
Commitment Plan

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

Sub-Strategy Glidepath to Target¹



Portfolio Glidepath to SAA Target (\$ in billions)¹



(1) Commitment Plan based on most recent model updated 8/31/2021



Conclusions

- The PE portfolio generated a 47% return in 2021, outpacing the strong returns seen by the Private Equity asset class
- Throughout the year the portfolio experienced several successful IPOs and exits that enhanced liquidity, including a record-breaking direct listing in April 2021
- Outperformance led the PE portfolio to reach the SAA target of 25% in 2021. The Team plans to continue steadily deploying capital with a long-term focus
- The Team continued to expand its robust co-investment strategy through a partnership with HarbourVest, growing the UTIMCO brand as a go-to co-investing partner

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

- Agenda Item:** Report from Policy Committee: (1) FY2023 Policies Review and (2) Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements, the Liquidity Policy, the Derivative Investment Policy, the Delegation of Authority Policy, the Securities Lending Policy, the Valuation Criteria for Alternative Assets Policy, and Master Investment Management Services Agreement with UTIMCO.
- Developed By:** Team
- Presented By:** Gauntt, Hall, de Onís, Yoeli
- Type of Item:** Action item; Action required by UTIMCO Board and by the Board of Regents of The University of Texas System (“UT Board”)
- Description:** The Policy Committee (“Committee”) met separately and jointly with the Risk Committee on June 2, 2022. The Joint Committee meeting agenda included discussion and appropriate action related to proposed amendments to the Investment Policy Statements, the Liquidity Policy, the Derivative Investment Policy, the Delegation of Authority Policy, the Securities Lending Policy, and the Valuation Criteria for Alternative Assets Policy. The Committee’s separate meeting agenda included: (1) discussion and appropriate action related to the approval of minutes of the March 4, 2021, meeting and the June 17, 2021, joint meeting of the Policy and Risk Committees; (2) discussion and appropriate action related to proposed amendments to the Code of Ethics; and (3) discussion and appropriate action related to proposed amendments to the Master Investment Management Services Agreement with UTIMCO (the “IMSA”).
- The IMSA requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the UT System Board of Regents or its staff designees may request. The Committee also reviewed other investment policies as part of a comprehensive review of all Board-level policies.
- The IMSA is the contract between the UT Board and the UTIMCO Board. Ultimate responsibility for the accounts under UTIMCO’s management rests with the UT Board. Section 66.08, *Texas Education Code*, authorizes the UT Board, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the UT Board. The current IMSA was effective February 27, 2019.
- Discussion:** Mr. Hall, Mrs. de Onís, and Dr. Yoeli will review the *FY2023 Policies Review* presentation and the proposed amendments to the Investment Policy Statements,

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

other investment policies and IMSA. The review of the Code of Ethics was deferred until a later date.

The **Investment Policy Statements** of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF) are being amended to reflect the proposed changes effective September 1, 2022.

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

Page 4; clarifies that Portable Alpha strategies are permitted.

Pages 7-8; adds an Innovation and Disruption portfolio where UTIMCO can make and house investments in emerging asset types that are innovative and/or disruptive and which currently may have no clear categorization within the asset class descriptions currently specified in the Investment Policies. Investments in the Innovation and Disruption Portfolio will be benchmarked against the Total Endowment Benchmark before returns for the Innovation and Disruption Portfolio.

Exhibit A adds the HFRI Macro benchmark to the blend of benchmarks for the Strategic Partnerships. This change is proposed to allow the addition of a Macro Hedge Fund manager to the Strategic Partnership portfolio.

Other minor edits and cleanups.

The **ITF Investment Policy Statement** will include the same changes as the PUF except the Innovation and Disruption portfolio will not be included.

Exhibits A of the PUF, GEF, and ITF, and Exhibits B of the PHF and LTF Investment Policy Statements are being amended to reflect changes to the asset allocation framework and set forth revised Asset Class targets and ranges effective September 1, 2022.

Recommended changes to the **Liquidity Policy** are non-substantive. References to the "Risk Committee" are changed to the "Investment Risk Committee" to reflect the name change of that committee. Given the limited scope of these edits, a redline of this policy is not included.

Recommended changes to the **Derivative Investment Policy** are non-substantive. Non-operative term "Investment Type" is removed from the definitions, and a typographical clarification is recommended to reflect that externally managed accounts may include both an agency agreement and a limited liability entity (rather

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

than “or”). Given the limited scope of these edits, a redline of this policy is not included.

Recommended changes to the **Delegation of Authority Policy** are as follows:

Pages 3-4; non-substantive, wordsmithing changes to the sections related to “Allocation of Investment Funds to New Managers and Mandates,” “Increasing Allocations of Investment Funds to Existing Managers and Mandates,” “Small Co-Investments” and “Terms Applicable to all Internal and External Managers.” These changes aid in readability and clarity and are not intended to create substantive changes to the Delegation of Authority Policy.

Page 4; clarifies that investment authority for Small Co-investments is 0.10% of Applicable Assets rather than \$30 million. This move to a percentage basis is consistent with the delegation of \$30 million in 2018, when the authority for Small Co-investments was granted.

Page 6; adds Senior Managing Director – Public Equity and Senior Managing Director – Hedge Funds as individuals granted authority to enter into derivative investments as permitted by the Derivative Investment Policy.

Page 6; removes reference to the Certificate of Compliance process. The Certificate of Compliance process is already captured in the current Code of Ethics. This is an ethical requirement, not a delegation of authority, that is more appropriately addressed in the Code of Ethics.

Recommended changes to the **Securities Lending Policy** include replacing the LIBOR reference to SOFR and clarifying that an equivalent rating of A1 by S&P may be used for commercial paper. The changes to the Securities Lending Policy do not require UTIMCO Board Action. Given the limited scope of these edits, a redline of this policy is not included.

The team recommended that the **Valuation Criteria for Alternative Assets Policy** be repealed as superseded by US GAAP requirements.

The Team and UT System staff have reviewed the **IMSA** and submitted to the Committee the following changes to the IMSA:

- Page 2, *Definitions*; Clarify that the Custodian may hold assets other than securities
- Page 12, Section 12, *Contracts with Third Parties*; Clarify that the limitations on indemnification in third-party contracts apply to UTIMCO as agent and investment manager for the UT Board
- Page 13, *Notice*; Provide that notices to UTIMCO should be sent to the attention of the CEO and the General Counsel of UTIMCO

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Recommendation: Director Gauntt will request the UTIMCO Board to approve the proposed amendments to (1) the Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF, the Liquidity Policy, the Derivative Investment Policy, and the IMSA, all subject to approval by the UT Board and, (2) the Delegation of Authority Policy and, (3) to repeal the Valuation Criteria for Alternative Assets Policy

Reference: FY2023 Policies Review *presentation*
PUF Investment Policy Statement
ITF Investment Policy Statement
Delegation of Authority Policy – redline
Delegation of Authority Policy – clean
IMSA

RESOLUTION RELATED TO INVESTMENT POLICIES

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

FURTHER RESOLVED, that amendments to the Delegation of Authority Policy as presented be, and are hereby approved; and

FURTHER RESOLVED, that the Valuation Criteria for Alternative Assets is no longer applicable and revoked in its entirety.

**BOARD RESOLUTION RELATED TO
MASTER INVESTMENT MANAGEMENT SERVICES
AGREEMENT WITH UTIMCO**

RESOLVED, that the Master Investment Management Services Agreement with UTIMCO (“IMSA”) be, and is hereby, approved in the form submitted to the Corporation’s Board, subject to approval by the Board of Regents of The University of Texas System.



FY2023 Policies Review

Richard Hall, CIO

Carolina de Onís, General Counsel & Chief Compliance Officer

Uzi Yoeli, Chief Risk Officer

June 10, 2022



Overview

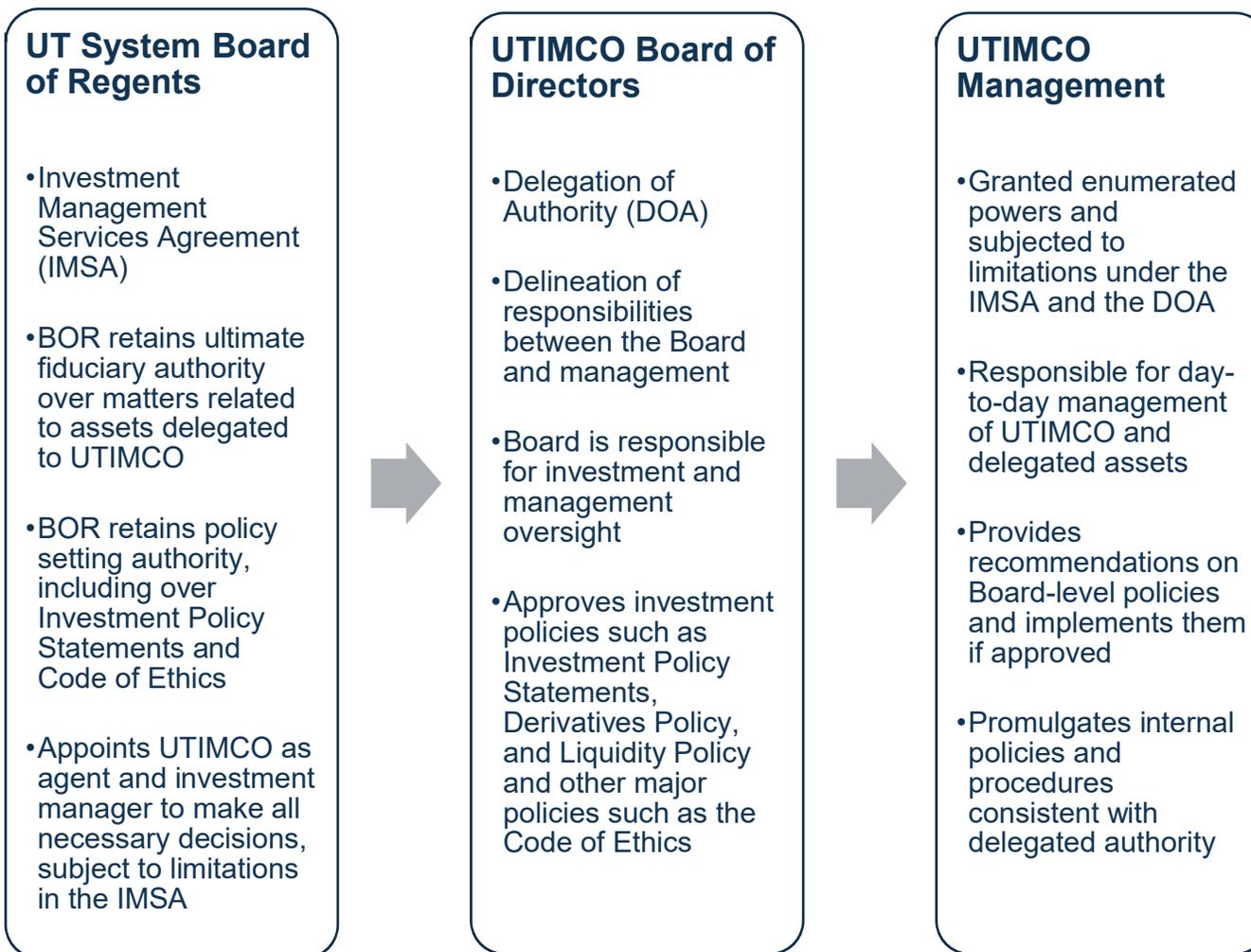
Genesis, Scope, and Purpose of Comprehensive Board Policy Review

- **Genesis of Project**
 - UTIMCO hired new General Counsel in August 2020 (appointed Chief Compliance Officer in June 2021)
 - Consolidated Legal, Compliance and Enterprise Risk Management functions under one functional head
 - Eighteen months to observe and assess legal, compliance and enterprise risk through a single lens
- **Scope**
 - Board-level polices reviewed in the first half of 2022
 - Will review internal policies and procedures in the second half of 2022 for internal approvals by the year end 2022
 - Considered substantive changes, minor revisions, and clean-up changes
- **Purpose**
 - Combined Legal & Compliance function and fresh eyes presented an opportunity to focus on governance and policy issues
 - Several policies have not been reviewed in several years
 - Best practice to conduct a periodic comprehensive review and create a regular policy review schedule



Governance and Policy Framework

Successive Levels of Delegation from Board of Regents to UTIMCO Board and Management





Policies Reviewed

Nine Policies Reviewed; **Recommending Substantive Changes to Two, Minor Changes to Five, No Recommendations for One, and Repealing One**

REVISED WITHIN THE LAST FIVE YEARS

- **Delegation of Authority**
 - Last revised December 2021
- **Investment Policy Statements¹**
 - Last revised June 2021
- **Derivative Investment Policy¹**
 - Last revised March 2020
- **Liquidity Policy¹**
 - Last revised February 2020
- **Investment Management Services Agreement¹**
 - Last revised February 2019

OVER FIVE YEARS SINCE LAST REVISED

- **Code of Ethics^{1, 2}**
 - Last revised December 6, 2012
- **Securities Lending Policy³**
 - Last revised January 2008
- **Error Corrections Policy¹**
 - Last revised June 2006
- **Valuation Criteria for Alternative Assets**
 - Last revised June 2000

¹ UT System Board of Regents approval also required for changes to be effective

² Recommended changes pursued through Audit and Ethics Committee first, then Policy Committee

³ Not a Board-level policy, but the policy itself requires Board review from time to time



Presentation Contents

1. Investment Policy Statements
 - a. Asset Allocation
 - b. Other Changes
 - i. Portable alpha for equities and fixed income
 - ii. Innovation & Disruption Portfolio
 - iii. Expanding the Strategic Partners mandate to allow Macro Hedge Funds (specifically, Bridgewater)
2. Liquidity Policy
3. Derivative Investment Policy
4. Delegation of Authority
5. Securities Lending Policy
6. Valuation Criteria for Alternative Assets
7. Master Investment Management Services Agreement with UTIMCO
8. Appendix

Investment Policy Statements: Asset Allocation



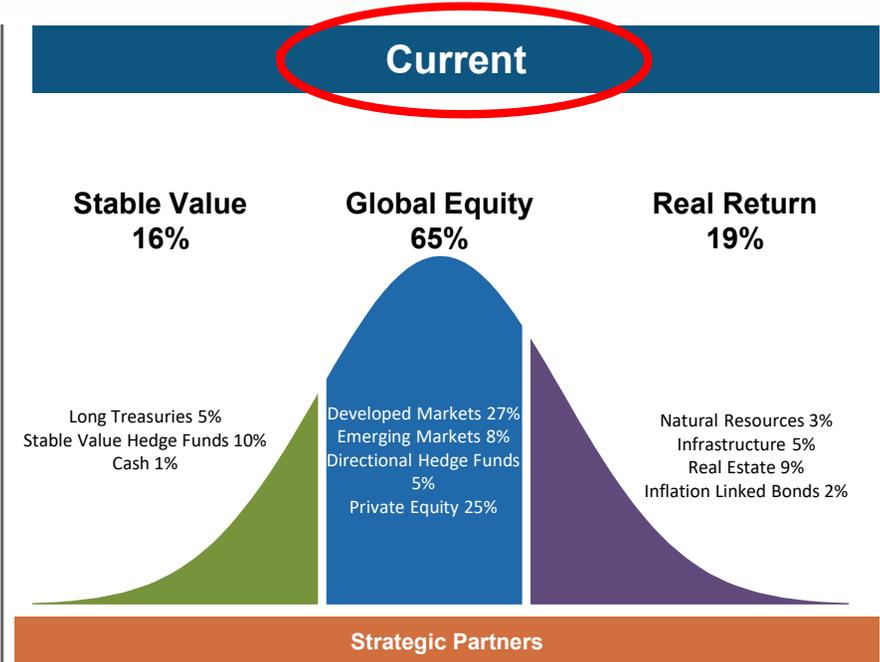
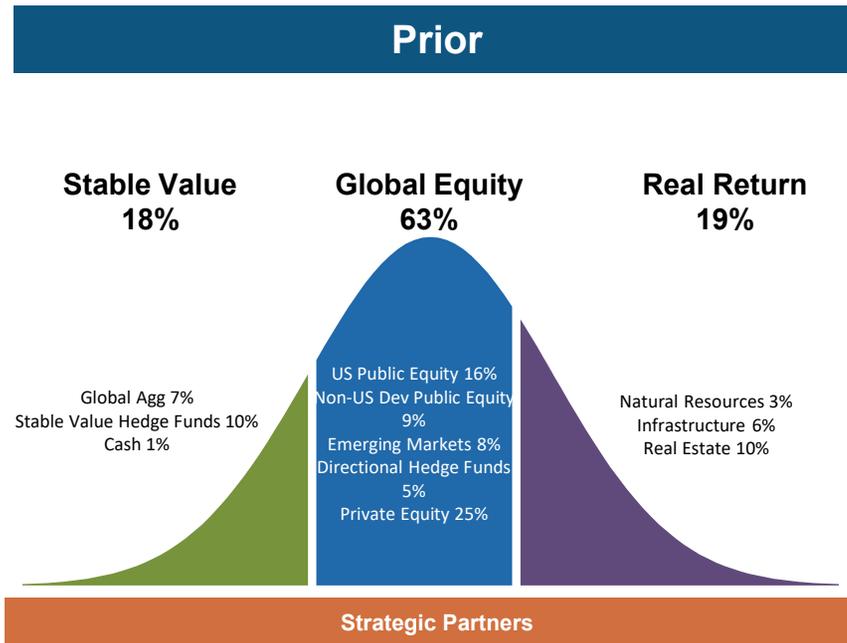


Factors in Last Year's Recommendation

- Likely that we were at the end of a 40-year era
- Four possible future states
- Dependent on path of inflation, growth, and interest rates
- Pandemic distortions would require several years to resolve:
 - Opening of global economy
 - Resolution of supply chain bottlenecks
 - Moderation of unemployment
 - Clarity on inflation (“transitory” or longer-lasting)
 - Normalization of fiscal and monetary policy
- We decided to emphasize real return assets because of potential inflation, in particular adding to TIPS which has worked out well



Current Endowment SAA



SAA Changes

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



Endowment Asset Allocation

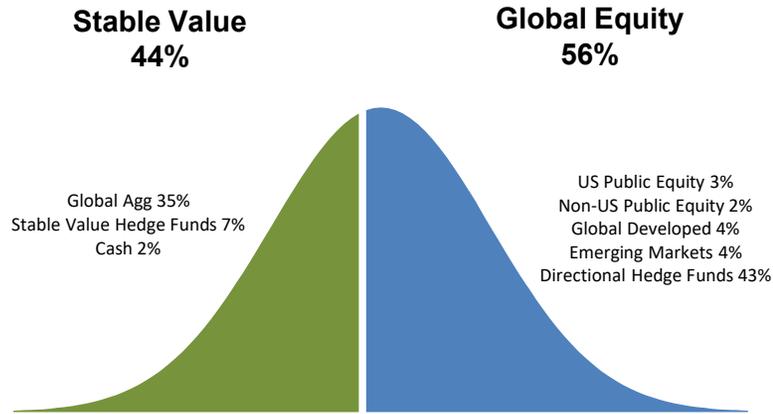
Asset Class	Current SAA		Proposed		Diff	
	FYE2021	Long-Term	FYE2022	Long-Term	2021 vs 2022	LT vs LT
Developed Public Equity	23.0%	25.0%	27.0%	27.0%	+4.0%	+2.0%
<i>US Public Equity</i>	14.8%	16.4%	-	-	-	-
<i>Non-US Public Equity</i>	8.2%	8.6%	-	-	-	-
Total EM Public Equity	8.1%	8.0%	8.0%	8.0%	(-0.1%)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

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

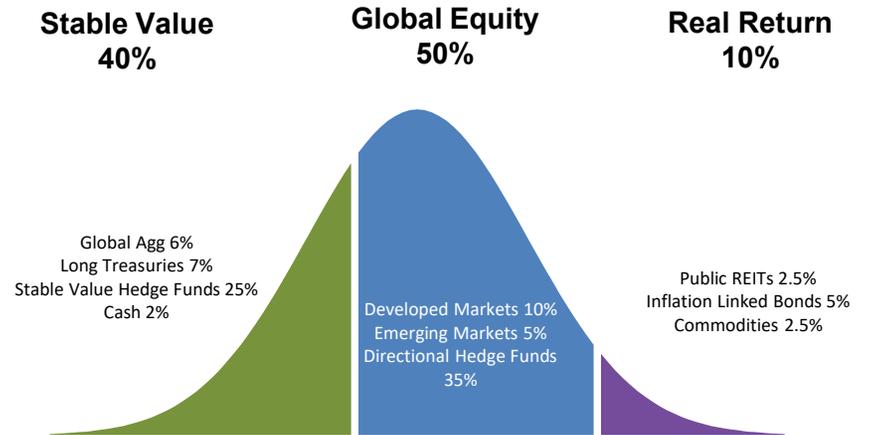


Current ITF SAA

Prior



Current



SAA Changes

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



ITF Asset Allocation

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



FY2023 Proposed Targets and Ranges

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2024²

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾⁽³⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	23.6%	+5.0%	MSCI World Index with Net Dividends
Emerging Markets Public Equity	-5.0%	7.0%	+5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	-5.0%	30.6%	+5.0%	
Directional Hedge Funds	-5.0%	6.5% 5.0%	+5.0%	HFRI Fund of Funds Composite
Private Equity ⁽³⁾	14.2% 15.0%	24.2% 25.0%	34.2% 35.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	-7.0%	61.3% 60.6%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	4.5% 0.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged
Long Treasuries	-5.0%	2.2% 4.4%	+5.0%	Bloomberg US Treasury Long Index
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Capital Global High Yield Index
<i>Total Fixed Income</i>	-5.0%	6.7% 4.4%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	3 month T-Bills
Stable Value Hedge Funds	-5.0%	0.2% 10.0%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	16.0% 15.4%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	2.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	-5.0%	0.0%	+5.0%	
Natural Resources ⁽³⁾	0.0%	4.5% 3.0%	9.5% 8.0%	Cambridge Natural Resources
Infrastructure ⁽³⁾	0.0%	3.0% 5.0%	8.0% 10.0%	Cambridge Infrastructure
Real Estate ⁽³⁾	2.3% 4.0%	7.3% 9.0%	12.3% 14.0%	Blended MSCI US REIT Gross Total Return Index (RMSG) and Cambridge Total Real Estate
Total Real Return	-6.0%	16.8% 19.0%	+6.0%	
Strategic Partnerships	-5.0%	5.0%	+5.0%	Blended Bloomberg Global Aggregate Index - Hedged, Bloomberg US Treasury Long Index, MSCI US with Net Dividends, MSCI Emerging Markets Index with Net Dividends, and HFRI Macro
Innovation & Disruption	0.0%	0.0%	5.0%	Aggregate Policy Portfolio Benchmark before returns from Innovation & Disruption portfolio
Total All Asset Classes		100.0%		

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2024²

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	40.8% 11.5%	+5.0%	MSCI World Index with Net Dividends
Emerging Markets Public Equity	-5.0%	3.2% 3.5%	+5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	-5.0%	44.0% 15.0%	+5.0%	
Directional Hedge Funds	-5.0%	38.0% 35.0%	+5.0%	HFRI Fund of Funds Composite
Total Global Equity	-7.0%	62.0% 50.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	16.0% 6.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged
Long Treasuries	-5.0%	4.0% 7.0%	+5.0%	Bloomberg US Treasury Long Index
<i>Total Fixed Income</i>	-5.0%	20.0% 13.0%	+5.0%	
Cash	-5.0%	2.0%	+5.0%	3 month T-bills
Stable Value Hedge Funds	-5.0%	16.0% 25.0%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	38.0% 40.0%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	5.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	2.5%	+5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	-5.0%	2.5%	+5.0%	
Public Real Estate	-5.0%	2.5%	+5.0%	MSCI US REIT Gross Total Return Index (RMSG)
Total Real Return	-6.0%	10.0%	+6.0%	
Total All Asset Classes		100.0%		



Rationale for moving to SAA targets

- Pandemic distortions were expected to take several years to resolve – and they are in the process of resolving
 - Economic re-opening
 - Inflation
 - Policy – monetary and fiscal
 - Growth
- Too early to tell which of the four possible future states will prevail
- Expected risk and return for the policy portfolio has not changed
- We can adapt the portfolio tactically



The Plan for Next Year

- We said that we would revisit SAA in 2023 to allow pandemic distortions to resolve and have clarity on markets and economy
- At this point we plan to do a deep review of the SAA in early 2023 to determine our path forward

Investment Policy Statements: Other Changes





Portable Alpha for Equities and Fixed Income

- Portable alpha increases capital efficiency:
 - Capital is deployed where the alpha opportunity is the most attractive
 - Derivatives are then used to create the required asset-class (“beta”) exposure
- Proposed Policy clarification:
 - Portable Alpha: Portable alpha strategies are permitted within and across regimes. Each asset class may include investments that collectively target a combined market sensitivity (defined by beta to the relevant benchmark for the particular asset class) of ~1.0.
 - Amend the Developed Public Equity definition with “This category may include Stable Value Hedge Fund or Directional Hedge Fund investments combined with Developed Public Equity to target a combined market sensitivity (defined by beta to the MSCI World index) of ~1.0.”
 - Similar amendment to the definition of Emerging Markets Public Equity and Fixed Income
- Liquidity Plan will be updated to match the increased use of derivatives



Innovation and Disruption Portfolio

- A portfolio where UTIMCO can make and house investments in emerging asset types that are innovative and/or disruptive and which currently have no clear categorization within the asset class descriptions specified in UTIMCO Investment Policies.
- The portfolio will be no more than \$750mm of aggregate, unrealized cost basis. No single investment will be greater than \$50mm.
- To be considered for inclusion, an investment idea must be sponsored by the CEO, CIO, or any member of the Investment Committee.
 - A writeup that describes the nature of the investment opportunity, why it is compelling for UTIMCO, and a market map of investment firms who are pursuing the investment theme will be presented to the Investment Committee.
 - A majority vote of the Committee with the CEO or CIO voting in favor will be required to move forward with making an investment.
- Investments in the Innovation and Disruption Portfolio will be benchmarked against the Total Endowment Benchmark. As with any other investment, expected returns should be higher than the required returns per the Risk Scorecard.

Expanding the Strategic Partners Mandate to Allow Macro Hedge Funds



- The Strategic Partnership team is considering adding a Macro Hedge Fund manager (Bridgewater) to the Strategic Partnership portfolio
- The current benchmark of the Strategic Partnership is a blended benchmark of the asset classes in the partnership’s mandate
- The proposal is to add the HFRI Macro benchmark to the blend.
 - As with other blended benchmarks currently used in the Investment Policies, the blend will be applied at the relative NAV of the underlying constituents

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾⁽³⁾	Max v Target ⁽¹⁾	Benchmark
Strategic Partnerships	-5.0%	5.0%	+5.0%	Blended Bloomberg Global Aggregate Index – Hedged, Bloomberg US Treasury: Long Index, MSCI US with Net Dividends, MSCI World Index with Net Dividends, and MSCI Emerging Markets Index with Net Dividends, and HFRI Macro

Liquidity Policy





Liquidity Policy

No substantive changes or updates recommended

- Changes reference from “Risk Committee” to “Investment Risk Committee”

Derivative Investment Policy





Derivative Investment Policy

Non-substantive changes and clarifications

- Definition of “Long Exposure to an Asset Class” (page 5)
 - Remove reference to “Investment Type” as no longer applicable
- External Managers (page 1)
 - Clarify that an externally managed account may involve both an agency agreement and a limited liability entity

Delegation of Authority





Delegation of Authority

Substantive Changes

- Investment Authority, Small Co-investments (page 4)
 - Change delegation from \$30 million to a percentage basis of .10% of Applicable Assets
 - The percentage basis is aligned with the original delegation of \$30 million as a percentage of Applicable Assets at the time this authority was delegated in 2018
- Investment in Derivative Investments (page 5)
 - Add Investment Senior Managing Directors as employees authorized to enter into derivative investments as permitted by the Derivative Investment Policy
 - Currently only three individuals (CEO, CIO and MD for Risk Management) have authority
 - This change provides additional flexibility while maintaining tight controls over derivative investments



Delegation of Authority

Clarifications

- Allocation of and Changing Allocations of Investment Funds to New Managers and Mandates (pages 4 and 5)
 - Substance will remain
 - Clarify language for readability and clarity
- Terms applicable to All Internal and External Managers: Certificates of Compliance Process (page 5)
 - Remove reference to Certificates of Compliance process
 - This is an ethical requirement, not a delegation of authority, that is more appropriately addressed in Code of Ethics

Securities Lending Policy





Securities Lending Policy

Clarifications (Internal Policy, no Committee or Board Action Required)

- Section I
 - This section requires certain ratings for commercial paper and references only one rating agency (S&P). Add “or an equivalent nationally recognized rating agency”
- Section K
 - Indicates that floating rates must be repriced using standard indices. Remove reference to LIBOR as outdated and replace with SOFR (Secured Overnight Financing Rate)

Valuation Criteria for Alternative Assets





Valuation Criteria for Alternative Assets

Recommend Repealing

- Policy was created in 2000
- Repeal this policy as outdated and superseded by US GAAP requirements

Investment Management Services Agreement





Investment Management Services Agreement

Clarifications and Clean Up

- **Definition of Custodian**
 - Clarify that the custodian can hold assets other than securities
- **Section 12: Contracts with Third Parties**
 - Clarify that the indemnification provision relates to UTIMCO acting as agent for the UT System Board of Regents rather than as principal on its own behalf
- **Section 17: Notices**
 - Update CEO title to reflect division of CEO/CIO title
 - Provide notices to the General Counsel in addition to the CEO

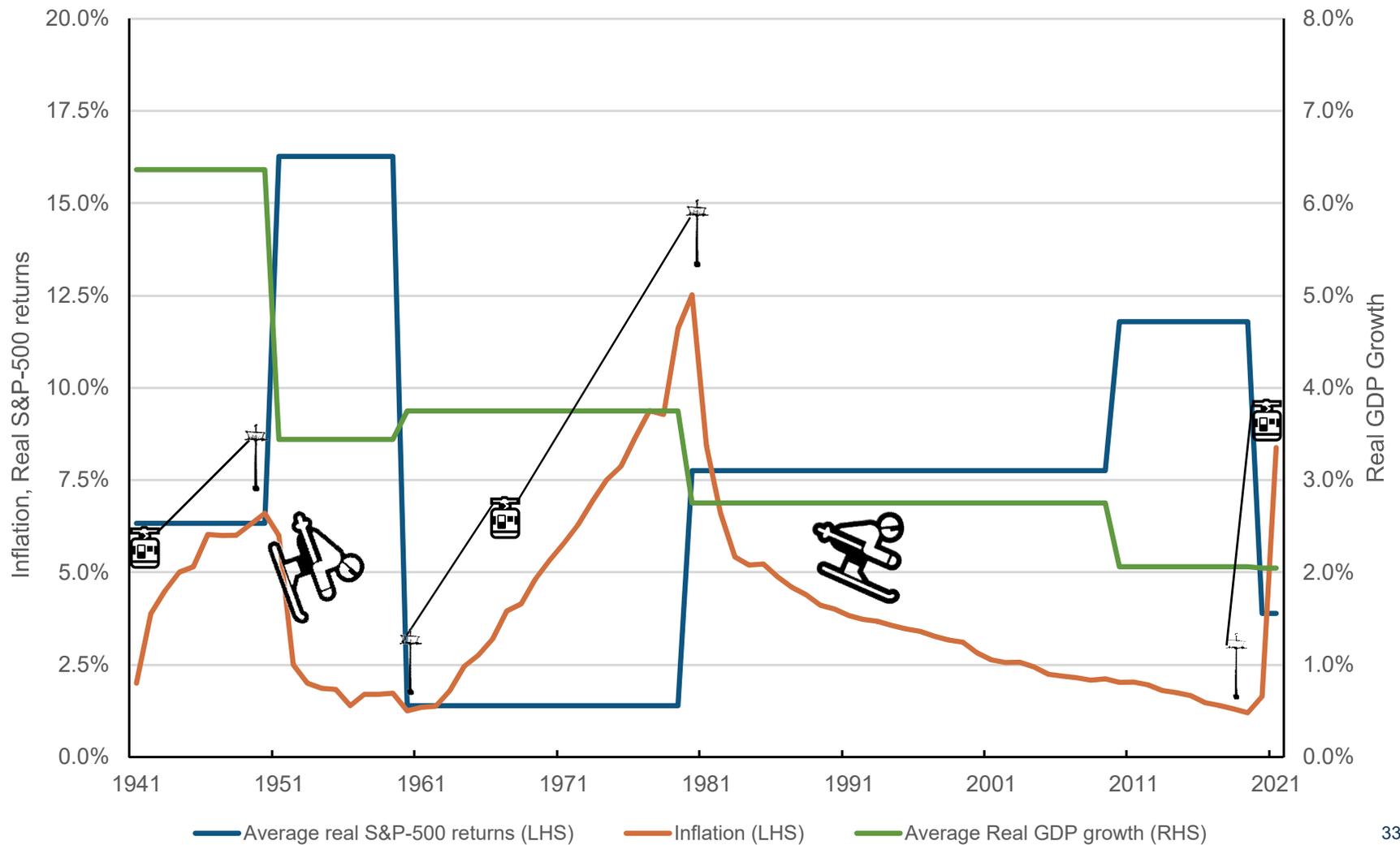


Appendix



The Ski-Slope Analogy

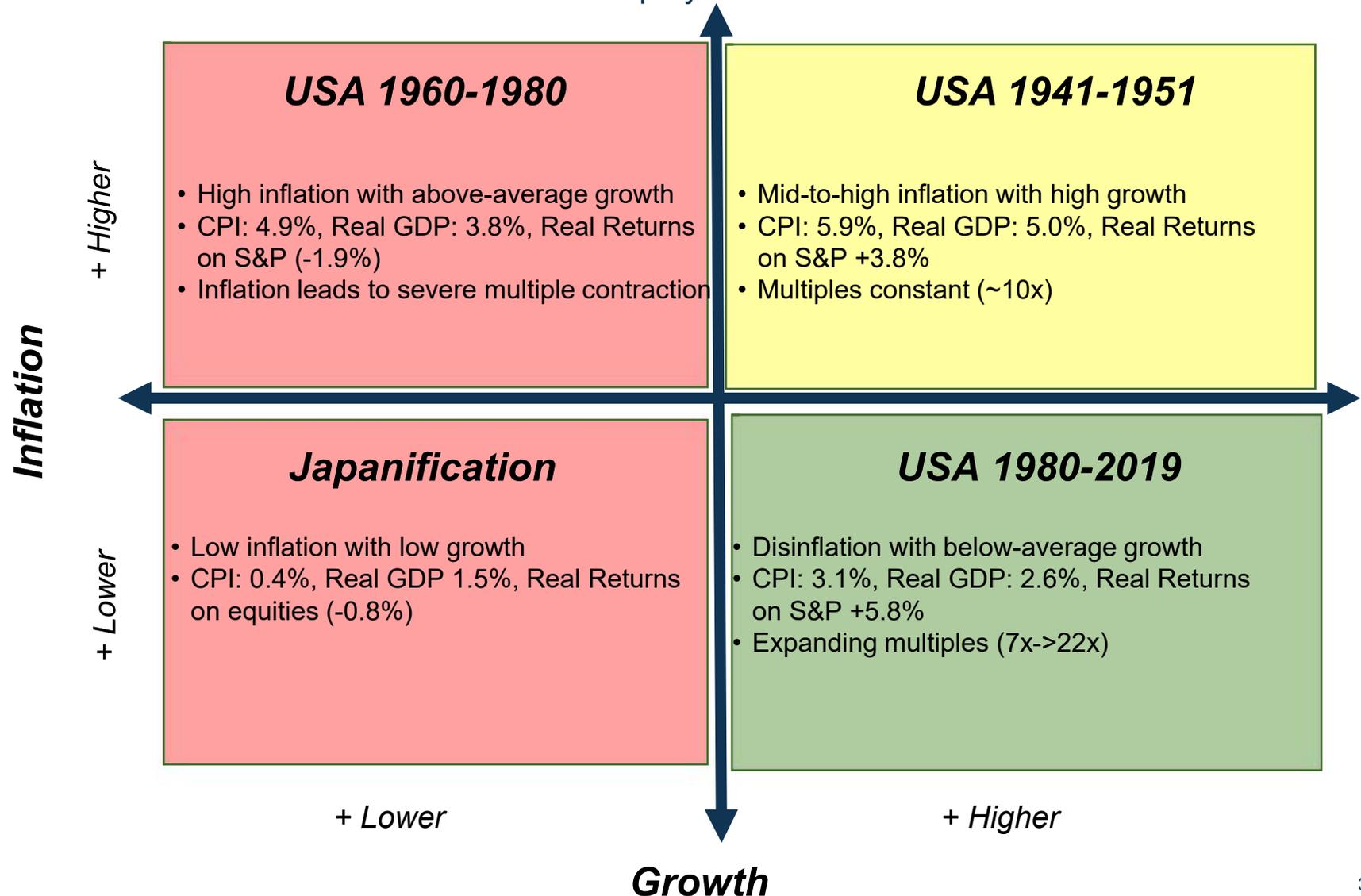
Inflation, Real GDP growth, and Real S&P-500 returns





Four Paths Forward

Potential economic scenarios that could play out



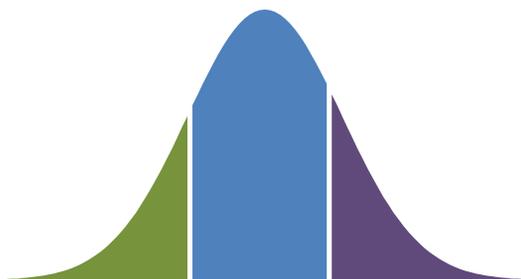
*Real S&P Price Returns



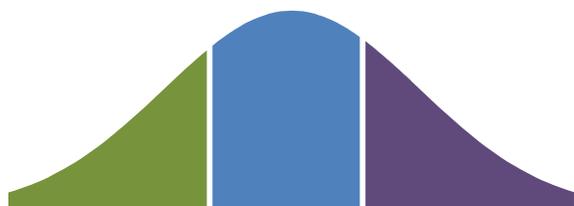
Risk of Regime Change Never Higher

From June 2021 SAA Board Presentation

Could this...



be transitioning into this?



4 Corner Analysis from March Board Meeting

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

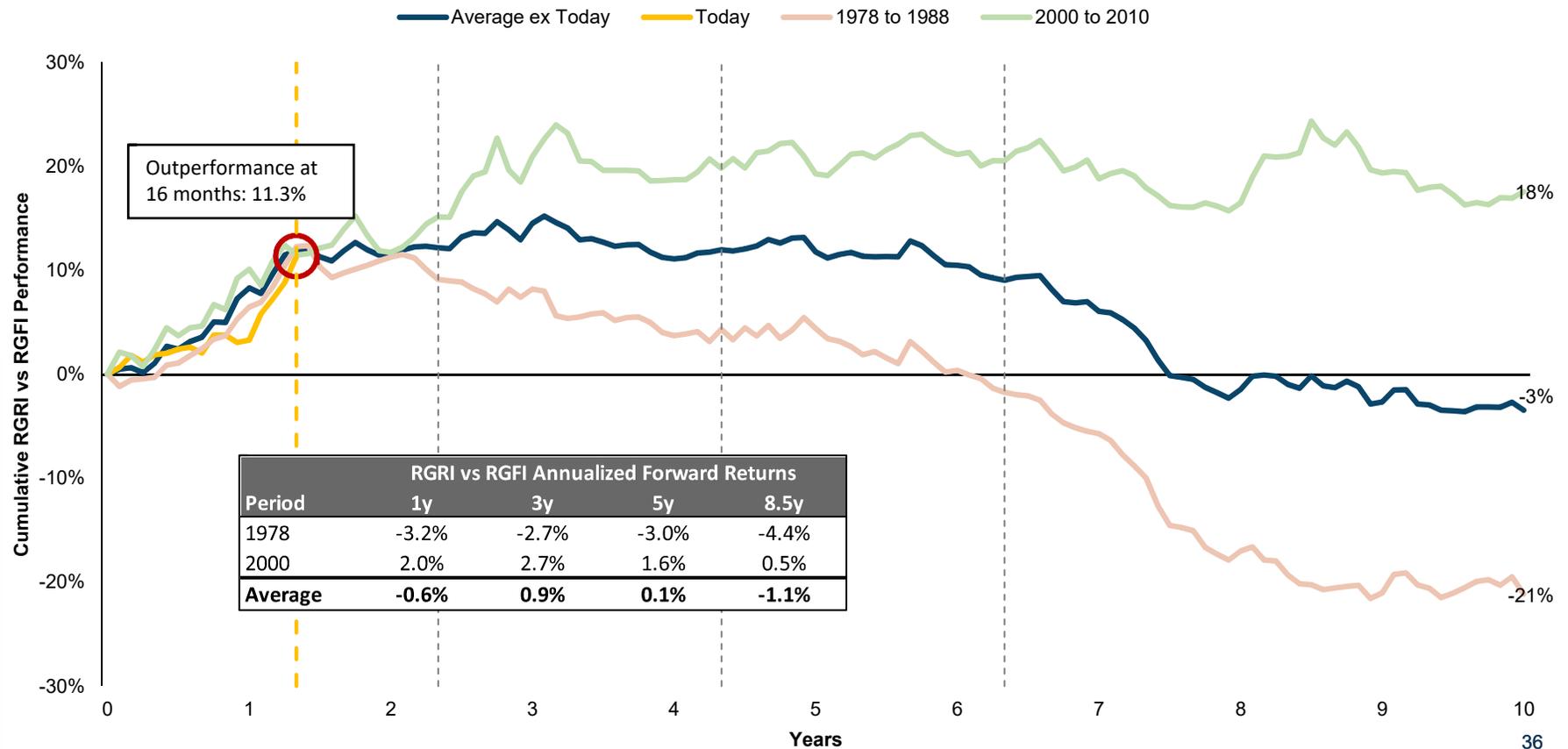


Four Corner Portfolio Analysis

Nominal Returns as of April 30, 2022

Portfolio	Long Only						
	1m	3m	CYTD	1y	3y	5y	10y
RGRI	-4.9%	-3.2%	-4.7%	3.8%	10.2%	9.4%	7.4%
FGFI	-4.8%	-5.7%	-8.1%	-1.5%	8.2%	8.1%	7.6%
RGFI	-7.2%	-8.2%	-11.9%	-5.3%	9.3%	9.7%	9.2%
FGRI	-3.9%	-3.3%	-5.5%	1.8%	8.2%	7.3%	6.1%

Only Two Historical Periods With This Magnitude of RGRI vs RGFI Outperformance





US CPI Overshooting Expectations

From June 2021 SAA Board Presentation



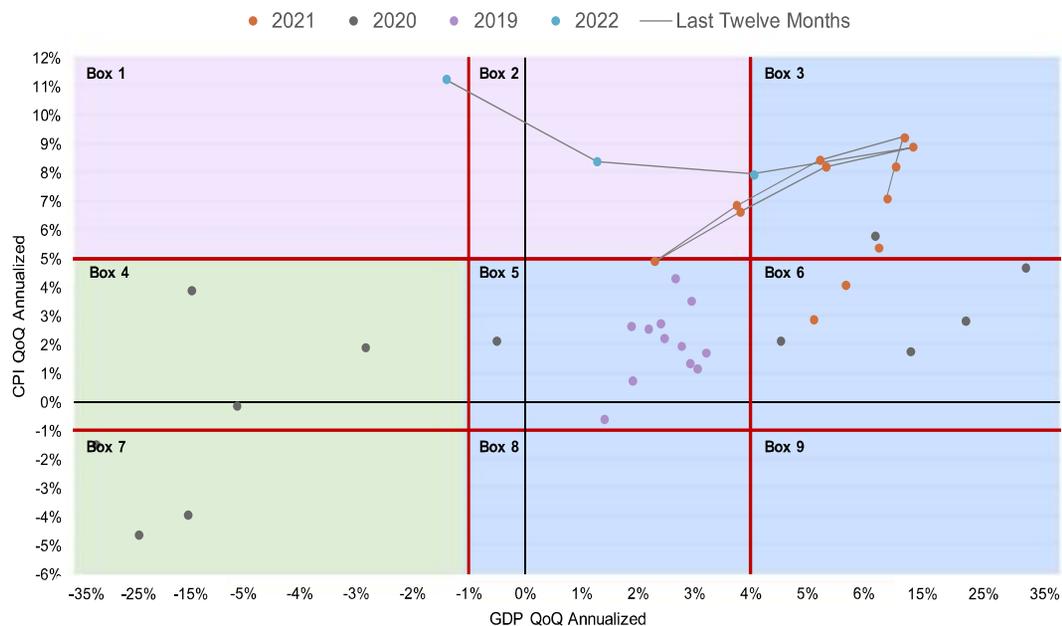
10-yr expected inflation: 2.3%



Current Economic Regime

Period Ending March 31, 2022

US POLICY SIGNAL CHART



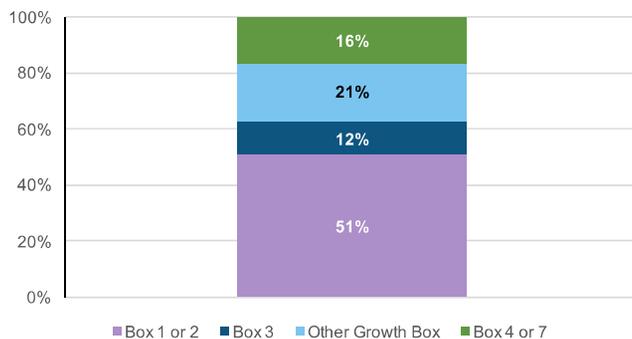
Legend:

- Green: Stable Value
- Blue: Global Equity
- Purple: Real Return

Historical Market Annualized Returns

Box #	S&P 500 Nominal	S&P 500 Real
1	23.3%	13.2%
2	-2.9%	-10.4%
3	9.5%	1.0%
4	7.4%	5.4%
5	12.0%	9.4%
6	11.9%	9.3%
7	-7.1%	-2.7%
8	20.1%	23.1%
9	44.8%	45.0%

Environmental Indicator One Year After Box 3



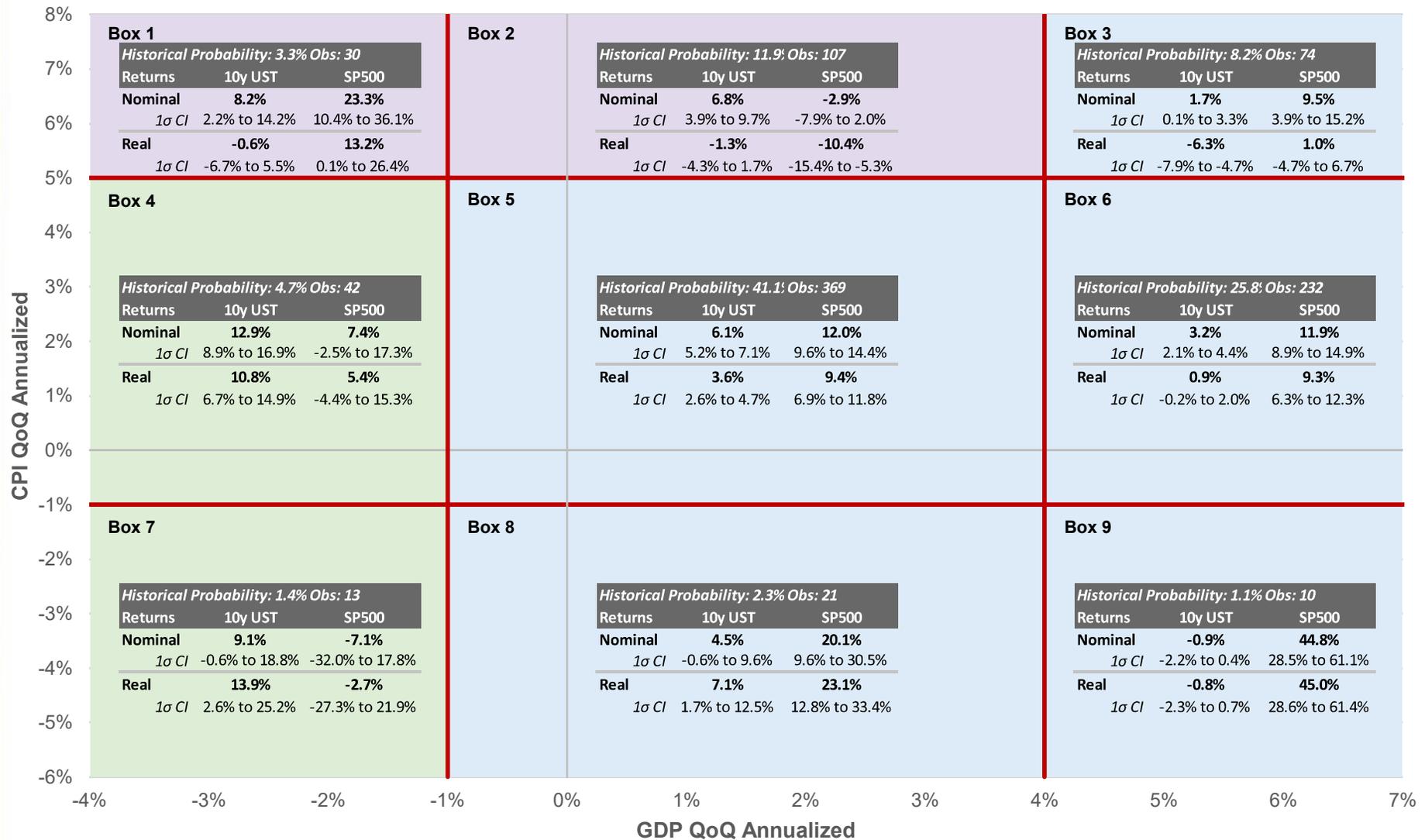
Global Policy Signals Summary

Quarterly Signals	3/31/2022	12/31/2021	9/30/2021
US	1	3	5
Europe	2	2	6
Japan	5	5	4
China	5	6	5



Expected Returns by Economic Regime

June 1947 to March 2022

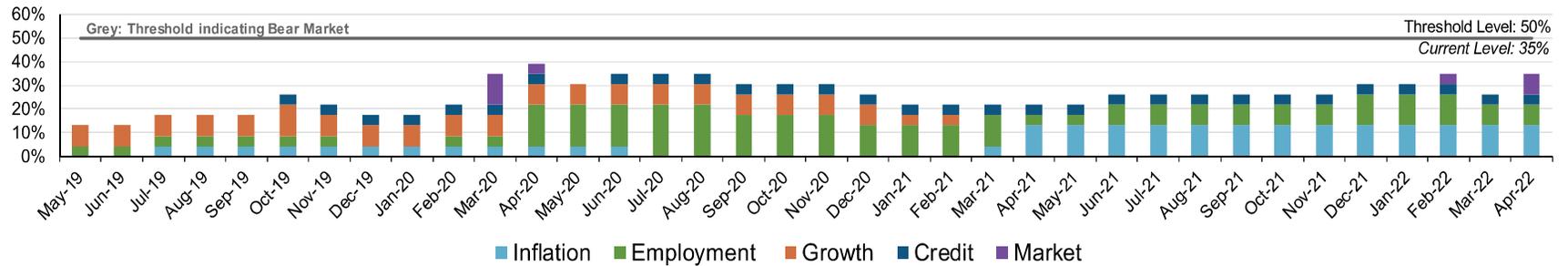




US Bear Market Indicators

April 2022

BEAR MARKET INDICATOR: APRIL 2022*



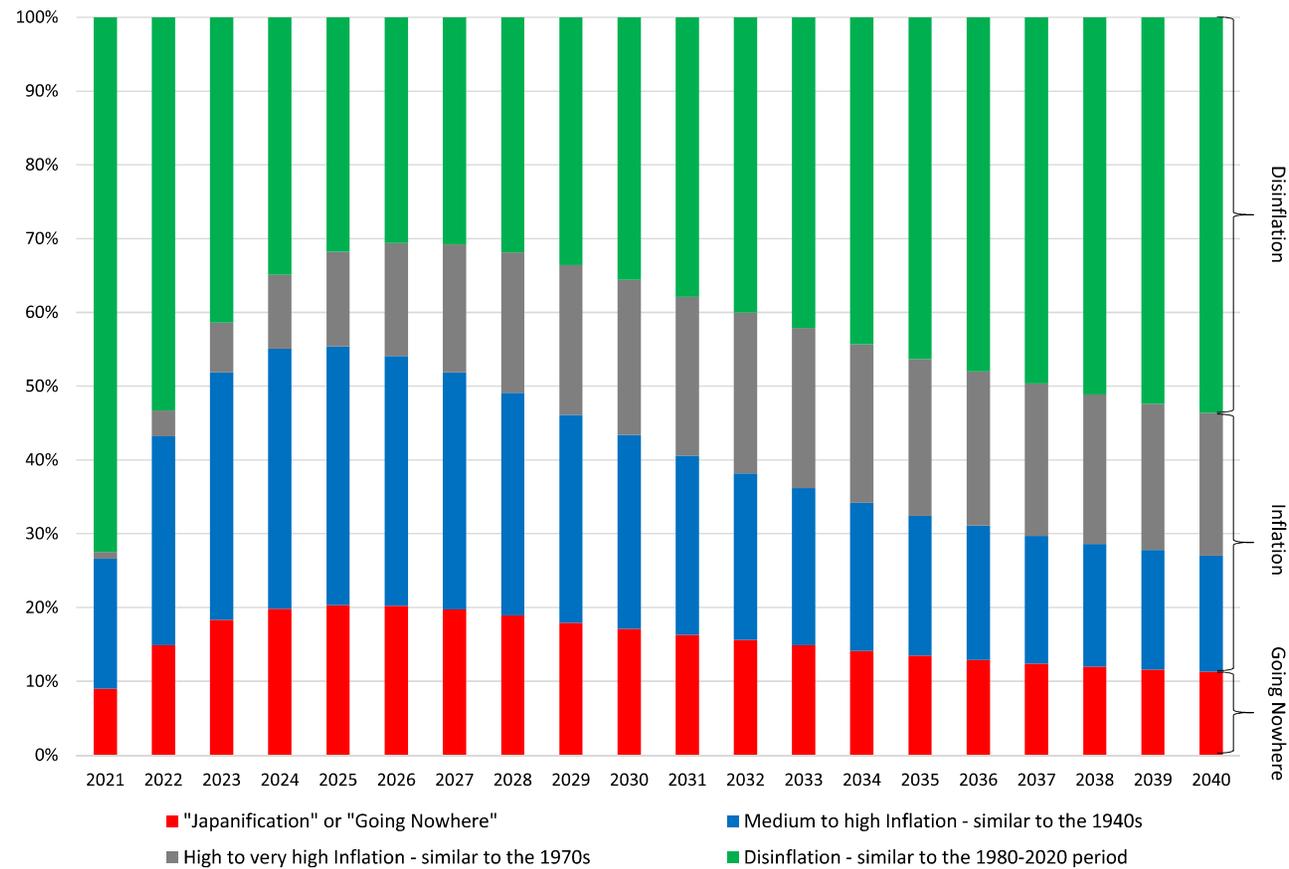
Type	Indicator	On/Off	Indicator Level	Last	Last 36 Months	% On Last 36 Months
			Current	Threshold	Update	
Inflation	5yr Breakeven Inflation < 1.25%	Off	3.3%	1.3%	4/22	11%
	10yr Breakeven Inflation > 3%	Off	2.9%	3.0%	4/22	0%
	YoY Inflation > 12m Moving Avg*	On	6.4%	5.1%	3/22	61%
	YoY CPI Energy > 20%*	On	33.8%	20.0%	3/22	36%
	YoY PCE Deflator > 3%*	On	6.6%	3.0%	3/22	36%
Employment	Employment Growth < 0%*	Off	5.3%	0.0%	3/22	33%
	YoY Avg. Hourly Earnings > 3%	On	5.6%	3.0%	3/22	89%
	YoY NonFinc Labor Costs > 3.5%	On	4.4%	0.4%	3/22	31%
	Consumer Confidence Spread < -20%	Off	-6.0%	-20.0%	4/22	11%
	Unemployment 3mo MA > .33% off lows*	Off	3.7%	3.9%	3/22	64%
Growth	Inventory/Sales > Long-term Avg.*	Off	1.26	1.35	2/22	56%
	YoY Leading Economic Indicator < 0%*	Off	6.4%	0.0%	3/22	42%
	Leading/Coincident Ratio Drawdown > 26 months*	Off	4.0	26.0	3/22	0%
	Fed Recession Probability > 25%* > 10%*	Off	5.5%	25.0%	4/22	22%
	Residential Construction (% of GDP) > 5%	Off	3.7%	5.0%	3/22	0%
Total Investment (% of GDP) > 18.5%	Off	13.7%	18.5%	3/22	0%	
Credit	US HY Yield > Long-term Avg.	Off	7.0%	9.6%	4/22	0%
	Non-Mortgage Delinquency Rate > 3.5%*	Off	1.6%	3.5%	12/21	0%
	Real Rates < 0%*	On	-7.7%	0.0%	4/22	83%
Market	YoY Equity Markets < -5%	Off	-1.1%	-5.0%	4/22	3%
	Investment Banks < 12m Moving Avg. - 1 SD	On	-4.2%	0.0%	4/22	8%
	Cons. Discretionary < 12m Moving Avg. - 1 SD	On	-9.4%	0.0%	4/22	8%
US Dollar 24m Change > 10%	Off	4.7%	10.0%	4/22	0%	

8/23 Indicators "On"



Markov Expected States of Economy

From June 2021 SAA Board Presentation





Portable Alpha in Public Equity Portfolios

- The expected returns for beta and alpha vary widely by asset class in public markets, as shown below using the 2021 SAA Capital Market assumptions.
- **Public Equities offer the highest expected beta (5-7%)** paired with moderate alpha, while **hedge funds offer the highest alpha (4%)** but paired with low beta.
- Portable Alpha strategies allow us to combine our “**best beta**” and “**best alpha**” into a single strategy by overlaying hedge fund investments with passive equity exposure to reach beta-1.
- **Why now?**
 - Portable alpha fits the “low TE” category in DM Public Equity’s new risk budgeting framework
 - Stable Value Hedge Fund portfolio is on track to reach target size; “overflow” capacity with strong managers is becoming available
 - New MSCI Barra risk system enables close-to-real-time monitoring of beta for overlay adjustments

UTIMCO's 2021 Public Markets LTCMA

Public Markets Strategies	Exp. Beta
Emerging Equities	7.3%
Developed Equities	5.2%
Long Treasuries	2.3%
Commodities	2.3%
Directional Hedge Funds	1.5%
TIPS	1.5%
Global Bonds	1.2%
Cash	1.1%
Stable Value Hedge Funds	1.1%

Public Markets Strategies	Exp. Alpha
Directional Hedge Funds	4.1%
Stable Value Hedge Funds	3.8%
Emerging Equities	1.5%
Developed Equities	0.7%
Global Bonds	0.4%
Long Treasuries	0.1%
TIPS	0.1%
Cash	0.0%
Commodities	0.0%



Portable Alpha in Public Equity Portfolios

- The chart below shows 10-year historical performance of: 1) the DM Public Equity portfolio, 2) long-term expectations of the equal-weighted hedge fund basket + equity overlay, and 3) 92% DM portfolio / 8% (\$1 billion) hedge funds + overlay.
- The portable alpha basket has generated strong performance in isolation (3.7% alpha on 3.3% TE for an IR of 1.1), and the alpha is only modestly correlated (0.28) to that of the Public Equity portfolio. Adding just 8% exposure to this basket would have improved the DM portfolio's alpha from 0.8% to 1.1% while reducing tracking error from 4.1% to 3.9%.

	10-Year Performance as of Mar 31, 2022		
	1) DM Public Equity	2) Equal-weighted HF Basket + Equity Swap*	3) DM Public Equity Pro Forma (1 + 2)
Annual Return	11.7%	14.6%	12.0%
MSCI World	<u>10.9%</u>	<u>10.9%</u>	<u>10.9%</u>
Annual Excess Return	0.8%	3.7%	1.1%
Tracking Error	4.1%	3.3%	3.9%
Information Ratio	0.20	1.12	0.28
% Months Outperforming	52%	63%	54%
% Rolling 12m Outperforming	68%	90%	71%
Correlation of ER to DM		0.28	

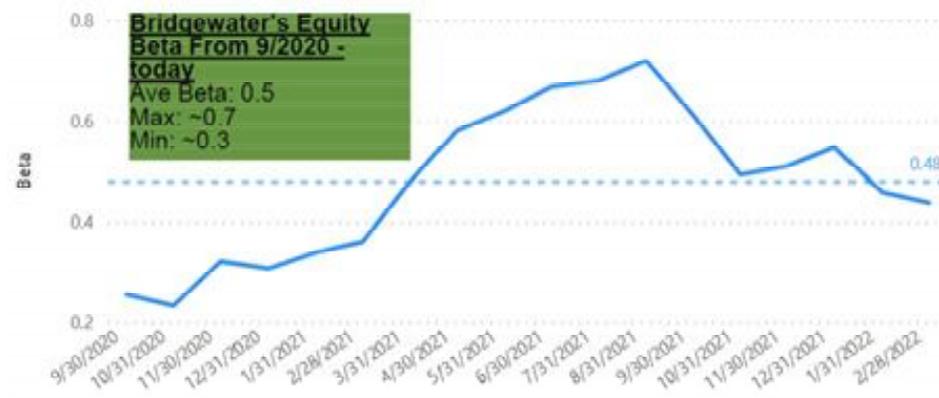
*Uses long-term expectations from the prior slide, which are more conservative than actual, realized performance. Assumes equity swap financing cost of Fed Funds + 50 bps, which is also conservative (received quotes of FF flat).



Bridgewater Transfer Rationale

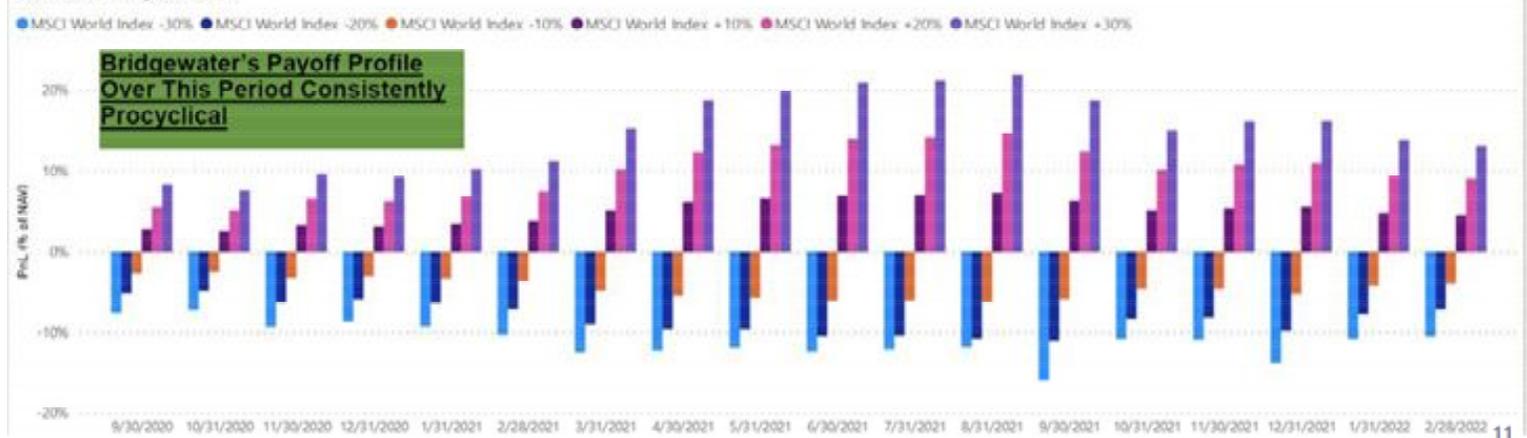
PureAlpha fund exhibits correlation outside the parameters of Stable Value

MSCI World Beta Evolution



- UTIMCO increasingly reliant on SVHF as our only positive real return deflationary hedge
- Dynamic allocation strategies like Bridgewater and Other TAA/Macro Managers will go long and short risk premium
- This creates portfolios with variable betas that don't fit Stable Value regime goals

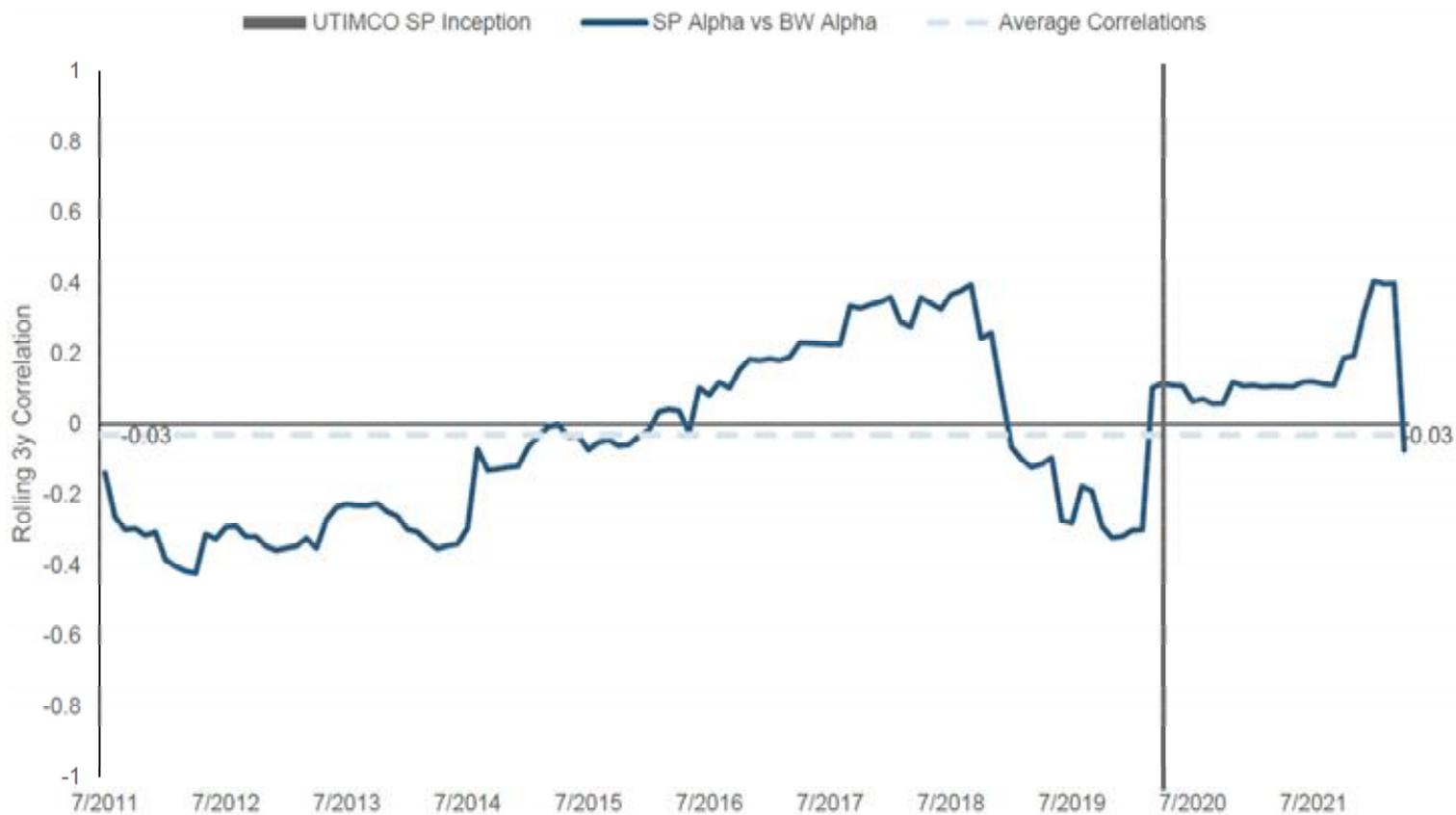
MSCI World Payoff Profile





Bridgewater Transfer Rationale

PureAlpha is uncorrelated and would diversify our Strategic Partner Portfolio





Bridgewater Transfer Rationale

Pure Alpha generates positive returns and alpha

Performance Summary			
Returns	Pure Alpha	HFRI Macro	Alpha
YTD	16.6%	10.3%	+6.2%
1 Year	25.5%	14.1%	+11.4%
5 Year	5.2%	5.4%	(-0.3%)
10 Year	4.0%	3.1%	+0.9%
20 Year	8.2%	5.0%	+3.2%



THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

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

PUF Organization

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

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

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

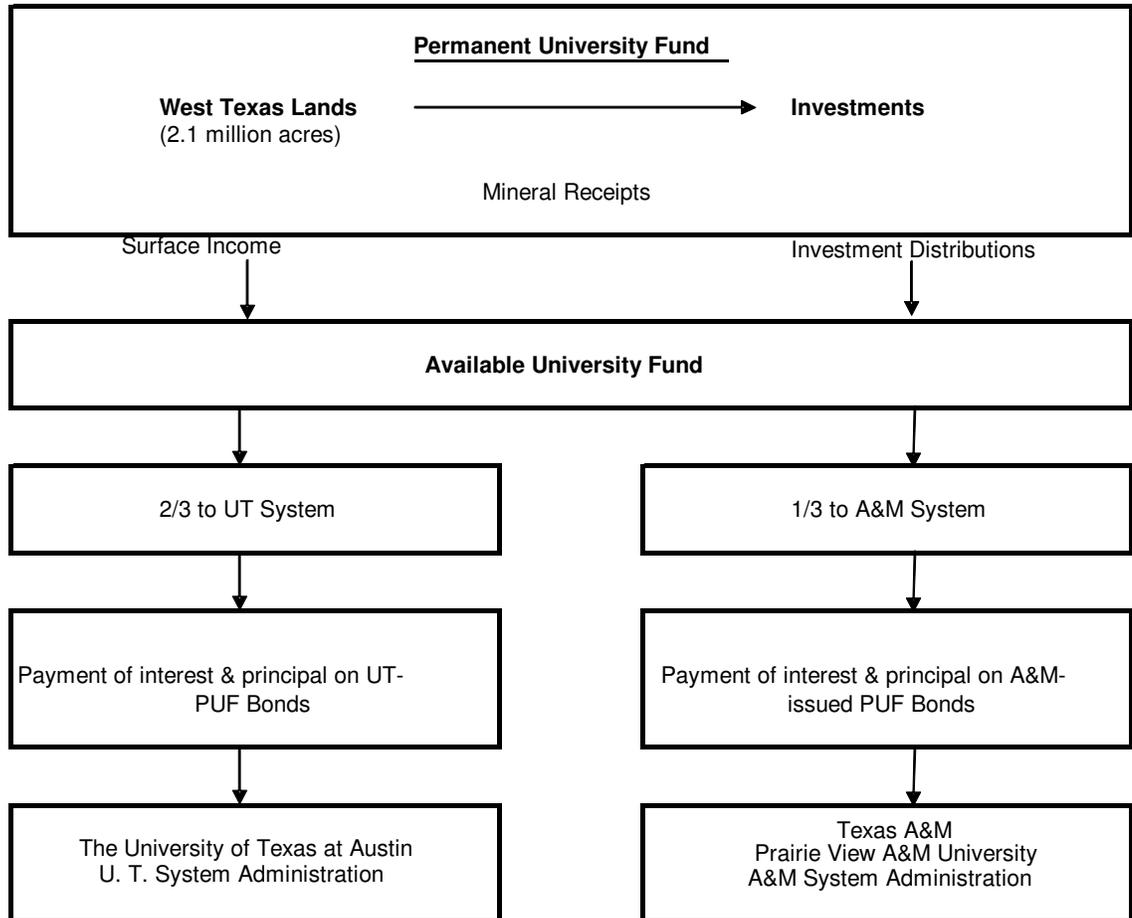
First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the “Board of Regents”) and the Texas A&M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

UTIMCO ~~09/01/2021~~09/01/2022

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

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

Exhibit 1



PUF Management

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

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

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

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

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

PUF Administration

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

PUF Investment Objectives

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

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

UTIMCO's risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the [Investment](#) Risk Committee of the UTIMCO Board.

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

Asset Class Allocation and Policy

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

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

Portable alpha strategies are permitted within and across regimes and generally involve the use of leverage. Each Asset Class may include investments that collectively target a combined market sensitivity (defined by beta to the relevant benchmark for the particular Asset Class) of approximately 1.0. For example, portable alpha strategies may include, but are not limited to, the use of fixed income or hedge fund overlays within an equity portfolio to target a combined market sensitivity of approximately 1.0.

Within the general investment regimes of Global Equity, Stable Value, and Real Return, PUF assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Global Equity:

Developed Public Equity – Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (including the U.S.) that are part of the MSCI World Index. These securities are traded in public markets (on an exchange, over the counter, or issued in an

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

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

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

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

Stable Value:

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

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

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

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

Cash – Cash has the same meaning as given to the term “Cash” in the Liquidity Policy and includes, for example, cash in any currencies and other overnight funds that have not been allocated to a specific Asset Class.

Real Return:

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

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

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

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

Real Estate – Real Estate investments may be public, made principally in companies that are part of the MSCI US REIT ~~(RMZ)~~Gross Total Return (RMSG) Index and that own or manage equity or debt interests in portfolios of real estate. Public Real Estate investments generally trade in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Real Estate investments may also be private. Private Real Estate investments may have transfer restrictions and may not be as liquid as publicly-traded securities. Real Estate investments may be made by purchasing or selling: physical real estate; privately issued securities such as interests in private limited partnerships, joint ventures or other special purpose vehicles (which in each case could result in a controlling or minority ownership interest in a real estate focused company); common or preferred stocks; depositary receipts; exchange traded funds; secured or subordinated debt; mortgage-related investments; real estate investment trusts (“REITs”) or any other instrument commonly used by institutional investors and derivatives based on any of the foregoing. Real Estate investments are often classified by strategy including: core, core-plus, value-added, opportunistic and special situations.

Strategic Partnerships:

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

Innovation and Disruption:

The Innovation and Disruption portfolio comprises investments in emerging asset types or industries that are innovative or disruptive. Innovation and Disruption investments have the potential to become large and institutional

markets over time. This portfolio provides a nimble and timely means to identify and invest in these opportunities with the primary objectives of developing a deeper understanding of the assets and benefitting from the returns earned by early movers. To manage the risk of this portfolio, UTIMCO will develop and maintain portfolio guidelines that determine the investment selection process and limit the maximum size of the portfolio and the maximum size of individual investments. Over time, UTIMCO will assess if these investments should become larger and more permanent elements of funds managed by UTIMCO, either as part of an existing or a newly defined Asset Class.

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.

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

Investment Grade and Credit-Related Fixed Income

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

Public Real Estate, and Public Equity

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

Stable Value

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

PUF Distributions

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

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

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

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

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

PUF Accounting

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

Valuation of Assets

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

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

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by

UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be September 1, ~~2021~~2022.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2024²

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾⁽³⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	23.6%	+5.0%	MSCI World Index with Net Dividends MSCI Emerging Markets Index with Net Dividends
Emerging Markets Public Equity	-5.0%	7.0%	+5.0%	
<i>Total Public Equity</i>	-5.0%	30.6%	+5.0%	HFRI Fund of Funds Composite Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Directional Hedge Funds	-5.0%	6.5% 5.0%	+5.0%	
Private Equity ⁽³⁾	14.2% 15.0%	24.2% 25.0%	34.2% 35.0%	
Total Global Equity	-7.0%	64.3% 60.6%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	4.5% 0.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged Bloomberg US Treasury Long Index
Long Treasuries	-5.0%	2.2% 4.4%	+5.0%	
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Capital Global High Yield Index 3 month T-Bills
<i>Total Fixed Income</i>	-5.0%	6.7% 4.4%	+5.0%	
Cash	-5.0%	1.0%	+5.0%	HFRI Fund of Funds Conservative
Stable Value Hedge Funds	-5.0%	9.2% 10.0%	+5.0%	
Total Stable Value	-10.0%	46.0% 15.4%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	2.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index Gold Spot Price (XAU)
Gold	-5.0%	0.0%	+5.0%	
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI Cambridge Natural Resources Cambridge Infrastructure
<i>Total Commodities</i>	-5.0%	0.0%	+5.0%	
Natural Resources ⁽³⁾	0.0%	4.5% 3.0%	9.5% 8.0%	Blended MSCI US REIT Gross Total Return Index (RMSG) and Cambridge Total Real Estate
Infrastructure ⁽³⁾	0.0%	3.0% 5.0%	8.0% 10.0%	
Real Estate ⁽³⁾	2.3% 4.0%	7.3% 9.0%	12.3% 14.0%	
Total Real Return	-6.0%	46.8% 19.0%	+6.0%	
Strategic Partnerships	-5.0%	5.0%	+5.0%	Blended Bloomberg Global Aggregate Index – Hedged, Bloomberg US Treasury Long Index, MSCI US with Net Dividends, MSCI World Index with Net Dividends, and MSCI Emerging Markets Index with Net Dividends, and HFRI Macro
Innovation & Disruption	0.0%	0.0%	5.0%	Aggregate Policy Portfolio Benchmark before returns from Innovation & Disruption portfolio
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	
Expected 10-Year Annual Real Return (Policy Portfolio Beta)	3.22% 3.43%
Expected 10-Year Annual Real Return (Policy Portfolio Total)	4.57% 4.78%
One Year Downside Volatility	9.35% 9.62%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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

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

(3) The Adjusted Target weight of each of Private Equity, Real Estate, Natural Resources and Infrastructure, will be set each month as the average ending actual weight of the combined PUF and GEF from the prior month. Any difference in the calculated Private Equity, Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using other asset classes with 80% Developed Public Equity and 20% to blend of Total Fixed Income components.

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose

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

ITF Organization

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

ITF Management

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

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

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

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

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

ITF Administration

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

Funds Eligible to Purchase ITF Units

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

ITF Investment Objectives

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

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

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

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

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

Asset Class Allocation and Policy

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

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

Portable alpha strategies are permitted within and across regimes and generally involve the use of leverage at the underlying strategy level. The ITF will offset that leverage with Cash holdings. Each Asset Class may include investments that collectively target a combined market sensitivity (defined by beta to the relevant benchmark for the particular Asset Class) of approximately 1.0. For example, portable alpha strategies may include, but are not limited to, the use of fixed income or hedge fund overlays within an equity portfolio to target a combined market sensitivity of approximately 1.0.

Within the general investment regimes of Global Equity, Stable Value, and Real Return, ITF assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Global Equity:

Developed Public Equity – Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (including

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

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

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

Stable Value:

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

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

Stable Value Hedge Funds – Stable Value Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Stable Value Hedge Fund investments exhibit

little to no market sensitivity, as defined by beta to Developed Public Equity, and have an absolute return orientation. Strategies may include but are not limited to market-neutral equity, multi-strategy, re-insurance, risk premia, trend following, senior secured lending and global macro.

Cash – Cash has the same meaning as given to the term “Cash” in the Liquidity Policy and includes, for example, cash in any currencies and other overnight funds that have not been allocated to a specific Asset Class.

Real Return:

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

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

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

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

Performance Measurement

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

Investment Guidelines

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

General

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

Investment Grade Fixed Income

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

Public Real Estate and Public Equity

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

Stable Value

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

ITF Accounting

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

Valuation of ITF Assets

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

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

Compliance

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

ITF Distributions

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

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

Purchase and Redemption of ITF Units

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

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be September 1, ~~2021~~2022.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2024²

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	40.8% 11.5%	+5.0%	MSCI World Index with Net Dividends
Emerging Markets Public Equity	-5.0%	3.2% 3.5%	+5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	-5.0%	44.0% 15.0%	+5.0%	
Directional Hedge Funds	-5.0%	38.0% 35.0%	+5.0%	HFRI Fund of Funds Composite
Total Global Equity	-7.0%	52.0% 50.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	46.0% 6.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged
Long Treasuries	-5.0%	4.0% 7.0%	+5.0%	Bloomberg US Treasury: Long Index
<i>Total Fixed Income</i>	-5.0%	20.0% 13.0%	+5.0%	
Cash	-5.0%	2.0%	+5.0%	3 month T-bills
Stable Value Hedge Funds	-5.0%	46.0% 25.0%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	38.0% 40.0%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	5.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	2.5%	+5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	-5.0%	2.5%	+5.0%	
Public Real Estate	-5.0%	2.5%	+5.0%	MSCI US REIT Gross Total Return Index (RMSG)
Total Real Return	-6.0%	10.0%	+6.0%	
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	
Expected 10-Year Annual Real Return (Policy Portfolio Beta)	0.12% 0.16%
Expected 10-Year Annual Real Return (Policy Portfolio Total Return)	2.54% 2.73%
One Year Downside Volatility	4.47% 4.56%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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

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

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

Effective Date of Policy: ~~January 1, 2022~~[TBD]

Date Approved by UTIMCO Board: ~~December 9, 2021~~[TBD]

Supersedes: Delegation of Authority Policy ~~approved by the UTIMCO Board on March~~ effective January 1, 2020~~2022~~

Purpose:

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

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

Objective:

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

Scope:

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

Authority Delegated to UTIMCO Management:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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investment if the investment exceeds any of the following thresholds: and to commit UT System funds as follows:

- New Fund Investments to a new external manager: 1.0% of Applicable Assets (as defined below).
 - New Mandates with existing external managers: 1.0% of Applicable Assets.
 - Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
 - New Co-investments to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
 - The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
 - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Changing/Increasing Allocations of Investment Funds to Existing Managers and Mandates:* ~~Subsequent to the first six months of the UTIMCO relationship with a new manager, The~~ UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to ~~increase investments or commitments to existing internal or external investment managers and mandates, and the accompanying authority to renegotiate existing~~ negotiate and execute agency, partnership or, subscription or other agreements as necessary, provided that any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment if the investment exceeds any of the following thresholds: and to commit additional UT System funds after the Six-Month Period as follows:
 - Each Subsequent Fund Investments/Investment with existing external managers: 1.0% of Applicable Assets.
 - Additions to Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
 - Each Subsequent Co-investments/Co-investment to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
 - The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
 - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Small Co-investments:* ~~Notwithstanding the above, with respect to Co-investments of \$30 Million or less, the~~ UTIMCO Board hereby delegates to each Managing Director of an investment portfolio ~~is authorized the~~ authority to negotiate and execute agency, partnership, subscription or other agreements and to commit UT System funds to as follows:
 - New Small Co-investment to a direct public or private investment alongside an existing manager during the first six months of the relationship and to a: 0.10% of Applicable Assets.
 - Each Subsequent Co-investment to a direct public or private investment alongside an existing manager or mandate, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements after the Six-Month Period: 0.10% of Applicable Assets.

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- Prior to committing to such a Co-investment, the Managing Director will present the Co-investment to the internal Co-investment Committee for approval. All Co-investments made pursuant to this section must be reported to the Internal Investment Committee at a regular meeting.
- *Terms Applicable to All Internal and External Managers:*
 - Any Director may require a complete review by the UTIMCO Board of an investment prior to the execution of the investment if, as a result of the investment:
 - Total Assets managed by the ~~internal or~~ external manager exceed 50% of the total assets managed by the manager in that investment strategy;
 - Total Assets managed by the internal or external manager exceed 3.0% of Applicable Assets in any one of the Global Equity, Stable Value, or Real Return portfolios (6.0% for managers limited to Fixed Income mandates); or
 - Total Assets managed by the internal or external manager exceed 6.0% of Applicable Assets in the aggregate for all public and private investments. For purposes of this provision, if Total Assets managed by the internal or external manager includes an allocation to private investments and public investments, Applicable Assets will include the total combined NAV of the Endowments plus the ITF.
 - If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the UTIMCO Director will submit a written request to the UTIMCO Chief Executive Officer and the UTIMCO Chief Executive Officer shall make a presentation to highlight the attributes and risks of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the UTIMCO Board shall vote on whether or not to approve such investment.
 - “Applicable Assets” is defined as follows:
 - For public investments: Total combined NAV of the Endowments and ITF determined as of the most recent quarter-end close of books; and
 - For private investments: Total combined NAV of the Endowments determined as of the most recent quarter-end close of books.
 - “Fund Investments” is defined as any allocation of UT System funds to an external manager.
 - “Six-Month Period” is defined as follows:
 - Six months following the closing of the investment for New Funds Investments to a new external manager, New Mandates with existing external managers, and New Co-investments and New Small Co-investments to a direct public or private investment alongside an existing external manager.
 - Six months after the commencement of the funding of the Internal Mandate.

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

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

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

Documentation, Controls, and Reporting:

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

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Effective Date of Policy: [TBD]

Date Approved by UTIMCO Board: [TBD]

Supersedes: Delegation of Authority Policy effective January 1, 2022

Purpose:

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

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

Objective:

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

Scope:

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

Authority Delegated to UTIMCO Management:

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Tactical Asset Allocation:* Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds) and equity indices or short positions established through Delegated Derivative Investments as defined in the Derivative Investment Policy may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.
- *Allocation of Investment Funds to New Managers and Mandates:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit UT System funds as follows:
 - New Fund Investments to a new external manager: 1.0% of Applicable Assets.
 - New Mandates with existing external managers: 1.0% of Applicable Assets.
 - Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
 - New Co-investments to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.

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- The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
 - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Increasing Allocations of Investment Funds to Existing Managers and Mandates:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit additional UT System funds after the Six-Month Period as follows:
 - Each Subsequent Fund Investment with existing external managers: 1.0% of Applicable Assets.
 - Additions to Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
 - Each Subsequent Co-investment to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
 - The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
 - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Small Co-investments:* Notwithstanding the above, the UTIMCO Board hereby delegates to each Managing Director of an investment portfolio the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit UT System funds as follows:
 - New Small Co-investment to a direct public or private investment alongside an existing manager: 0.10% of Applicable Assets.
 - Each Subsequent Co-investment to a direct public or private investment alongside an existing manager after the Six-Month Period: 0.10% of Applicable Assets.
 - Prior to committing to such a Co-investment, the Managing Director will present the Co-investment to the internal Co-investment Committee for approval. All Co-investments made pursuant to this section must be reported to the Internal Investment Committee at a regular meeting.
- *Terms Applicable to All Internal and External Managers:*
 - Any Director may require a complete review by the UTIMCO Board of an investment prior to the execution of the investment if, as a result of the investment:
 - Total Assets managed by the external manager exceed 50% of the total assets managed by the manager in that investment strategy;
 - Total Assets managed by the internal or external manager exceed 3.0% of Applicable Assets in any one of the Global Equity, Stable Value, or Real Return portfolios (6.0% for managers limited to Fixed Income mandates); or
 - Total Assets managed by the internal or external manager exceed 6.0% of Applicable Assets in the aggregate for all public and private investments. For purposes of this provision, if Total Assets managed by the internal or external manager includes an allocation to private

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- investments and public investments, Applicable Assets will include the total combined NAV of the Endowments plus the ITF.
- If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the UTIMCO Director will submit a written request to the UTIMCO Chief Executive Officer and the UTIMCO Chief Executive Officer shall make a presentation to highlight the attributes and risks of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the UTIMCO Board shall vote on whether or not to approve such investment.
 - “Applicable Assets” is defined as follows:
 - For public investments: Total combined NAV of the Endowments and ITF determined as of the most recent quarter-end close of books; and
 - For private investments: Total combined NAV of the Endowments determined as of the most recent quarter-end close of books.
 - “Fund Investments” is defined as any allocation of UT System funds to an external manager.
 - “Six-Month Period” is defined as follows:
 - Six months following the closing of the investment for New Funds Investments to a new external manager, New Mandates with existing external managers, and New Co-investments and New Small Co-investments to a direct public or private investment alongside an existing external manager.
 - Six months after the commencement of the funding of the Internal Mandate.
 - “Total Assets” is defined as NAV and unfunded commitments managed by UTIMCO.
 - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class ranges.
 - The UTIMCO Chief Executive Officer will periodically report to the UTIMCO Board regarding all decisions made under this delegated authority.
 - *Manager Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
 - *Maximum Manager Mandates:* Notwithstanding, on a quarterly basis, manager mandates (excluding passive exposure) shall be aggregated across all Funds, Asset Classes and any mandate resulting in six percent (6%) or more exposure relative to the total Funds (excluding the ITF for Private Equity) will be reported to the Investment Risk Committee at its next meeting. The UTIMCO Chief Executive Officer will be required to make a presentation and prepare a recommendation to the Investment Risk Committee regarding an appropriate course of action for any manager mandate resulting in six percent (6%) or more exposure relative to the total Funds (excluding the ITF for the Private Equity). Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Investment Risk Committee, the Investment Risk Committee may approve the recommendation of the UTIMCO Chief Executive Officer, determine a different appropriate level of exposure or request additional information to be

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presented at a subsequent meeting before action may be taken by the UTIMCO Chief Executive Officer. The UTIMCO Chief Executive Officer will be responsible for implementing any Investment Risk Committee approved action.

- *Investment in Derivative Investments:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer, the Deputy CIO, the Managing Director – Risk Management, the Senior Managing Director – Public Equity and the Senior Managing Director – Hedge Funds the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy and as authorized by the Funds' Investment Policy Statements, provided that the Managing Director – Risk Management, the Senior Managing Director – Public Equity and the Senior Managing Director – Hedge Funds may not enter into any Derivative Investment he or she has recommended. Any Director may require a complete review of any new Derivative Investment recommended by UTIMCO employees or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO's Chief Investment Officer if the new Derivative Investment is not of the types authorized in Exhibit B of the Derivative Investment Policy.
- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO employees subject to the same limitations applicable to Co-investments to a direct public or private investment , excepting Fixed Income Investments.
- *Management of the UTIMCO Board's External Investment Consultant(s):* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO Board's external investment consultant(s), provided that the UTIMCO Board's external investment consultant(s) shall continue to have primary reporting responsibility to the UTIMCO Board.
- All Investment Authority delegated to the Chief Executive Officer under this section shall also be delegated to the Chief Investment Officer.

Documentation, Controls, and Reporting:

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

Approved ~~[TBD]February 27, 2019~~

MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO

This Investment Management Services Agreement (this “Agreement”) by and between the Board of Regents (the “U. T. Board”) of The University of Texas System (the “U. T. System”) and The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), a Texas nonprofit corporation, is effective ~~[TBD]February 27, 2019~~ (the “Effective Date”), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof.

RECITALS

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional assets of the U. T. System and the assets of various trusts and foundations for which it serves as trustee, all of which assets are under the control and management of the U. T. Board;

WHEREAS, Section 66.08, *Texas Education Code*, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest assets under the control and management of the U. T. Board, as designated by the U. T. Board;

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Business Organizations Code, for the express purpose of investing assets under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas;

WHEREAS, the U. T. Board desires to continue an Agreement with UTIMCO for UTIMCO to invest certain designated assets under the control and management of the U. T. Board;

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated assets under the control and management of the U. T. Board; and

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, *Texas Education Code*, as amended.

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions.

- (a) **Affiliate** shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.
- (b) **Cash Reserves** shall mean cash on hand plus investments, plus prepaid expenses, less accounts payable, less other liabilities.
- (c) **Claims** shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.
- (d) **Custodian** or **Custodians** shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safe-keep securities or other assets representing investment assets of any Fund and to perform the other functions listed in Section 5 hereof.
- (e) **Delegated Assets** shall mean those assets under the control and management of the U. T. Board that are invested in the Funds managed by UTIMCO hereunder; pursuant to the corresponding Investment Policies as such assets may be directed for investment by the U. T. Board or its designees from time to time pursuant to its Investment Policies or otherwise. The Delegated Assets may include, without limitation, the following funds or categories of assets:
 - (i) The Permanent University Fund established pursuant to Article VII, Section 11 of the Texas Constitution (the “Permanent University Fund” or “PUF”); provided that, for purposes of this Agreement and the delegation of investment management responsibilities hereunder, the PUF excludes the approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the PUF (the “PUF Lands”), as to which the U. T. Board retains complete investment management authority and responsibility;
 - (ii) Any and all funds or assets under the control and management of the U. T. Board as owner, administrator, contractual investment manager, or otherwise, including without limitation endowment funds and operating assets, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts (collectively, “U. T. System Funds”);

- (iii) The assets of charitable remainder trusts, foundations and other separately invested assets for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries (“U. T. Board Trust Accounts”);
 - (iv) The permanent assets for health-related institutions established pursuant to Chapter 63, *Texas Education Code*, for which the U. T. Board is an administrator (collectively, the “Permanent Health Fund” or “PHF”);
 - (v) U. T. System Funds or U. T. Board Trust Accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF (collectively, “Separately Invested Funds” or “SIFs”); and
 - (vi) Institutional assets of third-party non-profit charitable foundations or tax-exempt charitable organizations to the extent dedicated to the support of the educational purposes of the U. T. System and under the control and management of the U. T. Board by contract (collectively, “Foundation Funds”).
- (f) **Funds** shall mean the separate investments or pools of assets in which the Delegated Assets are to be invested pursuant to the corresponding Investment Policies, as specified in Schedule A hereto and in the corresponding Investment Policies, each of which may be amended by the U. T. Board from time to time as provided for herein.
- (g) **Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.
- (h) **Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Funds, and all generally applicable written investment-related policies determined and approved by the U. T. Board that govern the management of investments for some or all Funds, such as the policies regarding asset allocation, and the policies on Derivative Investment, Liquidity, and Error Correction, but excluding internal UTIMCO operational guidelines as to which approval of the U. T. Board is not required, which include the Valuation Criteria for Alternative Assets, Calculating Liquidity Procedure, Soft Dollar Policy and Procedures, Securities Lending Policy, and the Proxy Voting Policy (the Proxy Voting Policy being governed by the provisions of the individual Investment Policies related to proxy voting).
- (i) **Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys’, accountants’ and other professionals’ fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.
- (j) **Surplus Cash Reserves** shall mean Cash Reserves on the last day of the fiscal year in excess of twenty-five percent (25%) of the upcoming fiscal year’s operating and capital budgets approved by the U. T. Board.

Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.

(a) General

The U. T. Board retains ultimate fiduciary responsibility and authority for all matters related to the investment of the Delegated Assets. Pursuant to that responsibility and authority, the U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Funds, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Funds in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as set forth in this Agreement and shall manage each Fund as a discretionary account.

(b) Policy Matters

The U. T. Board, as ultimate fiduciary for the Funds, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO shall look to the Chancellor or Chancellor's designee to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the forgoing matters, the UTIMCO Board of Directors and the CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The CEO of UTIMCO shall confer with the Chancellor or Chancellor's designee on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.

(c) Meetings and Agendas

- (i) The UTIMCO CEO shall consult with the Chairman of the UTIMCO Board and the Chancellor, when the Chancellor is serving as the Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.
- (ii) UTIMCO shall participate in an annual joint meeting of the UTIMCO Board of Directors and the U. T. Board as referenced in Art. III, § 7 of the UTIMCO Bylaws.

Section 3. Description of Investment Management Services.

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Funds:

(a) Investment Policies:

UTIMCO shall review current Investment Policies for each Fund at least annually. Such review shall include long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges, expected returns for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the U. T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review and appropriate

action, following the established schedule for the submission of proposed agenda topics for meetings of the U. T. Board.

(b) **Investment Management:**

UTIMCO shall oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each Asset Class within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each Asset Class.

(c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for each of the Funds. With respect to all Funds other than the SIFs, such responsibilities shall include the calculation and evaluation of investment returns for each Asset Class and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

(d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all Funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Funds.

(e) **Maintenance of and Access to Books and Records:**

UTIMCO shall maintain the books and records for each Fund on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Fund.

The books and records of the Funds and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by authorized representatives of U. T. System. UTIMCO shall provide full audit access to any and all information concerning the operations of UTIMCO, including information necessary to review UTIMCO expenditures for compliance with the approved budget, to auditors representing the U. T. Board and/or the State Auditor.

(f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, UTIMCO shall provide all compliance-related information, reports and certifications, and shall cause the CEO and the chief financial officer of UTIMCO to provide such certifications, as may be specified by the U. T. Board

and U. T. System compliance policies and procedures adopted or approved by the U. T. Board. UTIMCO will follow the U. T. System compliance guidelines as outlined in *Regents' Rule* 20401 and UTS 119, as it may be amended from time to time, including providing the U. T. Board or its designees with quarterly compliance reports.

(g) Disclosure of Information:

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Funds, UTIMCO shall disclose to the public with respect to such private investments all information required to be disclosed pursuant to Section 552.0225 of the *Texas Government Code* regarding "Right of Access to Investment Information" ("private investment information"). UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO have clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the Public Information Coordinator of UTIMCO shall notify the U. T. System Vice Chancellor and General Counsel and solicit his or her input to the process. UTIMCO shall disclose the information unless (i) it is confidential and excepted as provided in Section 552.143 of the *Texas Government Code* regarding "Confidentiality of Certain Investment Information," or (ii) as to any other information, the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas. In addition, the U. T. Board reserves the right and authority, in its sole discretion, to disclose, or direct the disclosure of, any information at any time, to the extent such disclosure would not result in a violation of applicable law or breach or result in a default under any agreement binding upon UTIMCO or the U. T. Board.

In addition to and not in lieu of the foregoing, UTIMCO will comply with the provisions of Section 12 below regarding confidentiality provisions of contracts with third parties.

(h) Other Services:

UTIMCO shall perform other investment management services, including without limitation:

- (i) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time;
- (ii) rendering services to managers of private equity investments in which UTIMCO has decided to invest;
- (iii) attending meetings of governing bodies of companies in which assets of Funds have been invested pursuant to this Agreement;
- (iv) voting of securities (or proxies with respect thereto) held as investments of the Funds in accordance with the Investment Policies and the UTIMCO Proxy Voting Policy and any other relevant written policies or rules of the U. T. Board;

- (v) providing U. T. System institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established;
- (vi) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing assets to authorized beneficiaries;
- (vii) effecting distributions directly or through the Custodian to U. T. System institutions or other named beneficiaries from the Funds;
- (viii) supporting and maintaining online information systems for endowment funds;
- (ix) providing training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U. T. System staff to assure that all duties required of directors under the Texas Business Organizations Code and that matters related to legal and fiduciary responsibilities of the directors, including current regulations for determining reasonable compensation, are outlined and discussed fully;
- (x) maintaining a log of (1) all agreements or transactions between UTIMCO or a "UTIMCO entity" and a "Director entity" or an "Employee entity", and (2) all investments in the private investments of a business entity in which a "Director" or "Employee" then owns a private investment, or is then co-investing, in the same business entity, provided that all quoted terms above shall have the meanings assigned to them in UTIMCO's Code of Ethics, which annually shall be reviewed by the UTIMCO Board of Directors and reported to the U. T. Board;
- (xi) reporting to the U. T. Board annually on compliance with the UTIMCO Code of Ethics and any recommended changes to the UTIMCO Code of Ethics following review by the UTIMCO Board of Directors; and
- (xii) any other services necessary to provide investment management of the Funds.

Section 4. Investment Manager as Fiduciary.

UTIMCO acknowledges that it acts as a fiduciary in its management of the investments of the Funds pursuant to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Funds as a result of investments made pursuant to the Investment Policies and applicable law, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The U. T. Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of, any action

taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

Section 5. Custody of Assets.

UTIMCO shall select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).

UTIMCO shall use the Custodian(s) for safekeeping, settlement of security purchases, sales, collection of income and other duties, as may be more fully described in the relevant agreement(s) between the Custodian(s) and the U. T. Board or UTIMCO (as agent of the U. T. Board). In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

Section 6. Use of Unaffiliated Investment Managers.

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Funds and to perform other duties, subject to any restrictions in the relevant Investment Policies.

Section 7. Investment Management Fees; Direct Expenses.

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

(a) Annual Budget and Management Fee:

(i) Budget Approval Policy

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an “Annual Budget”) within the time frame specified by the U. T. Board for other annual budget submissions. The Annual Budget shall include all estimated expenses associated with the management of the Funds. The Annual Budget shall also include an annual UTIMCO management fee (an “Annual UTIMCO Management Fee”) which shall include all reasonable operating expenses associated with the general management of the Funds, including, without limitation, salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder. In addition to its Annual Budget, UTIMCO shall annually submit its capital expenditures budget approved by the UTIMCO Board of Directors to the U. T. Board for approval.

- (ii) Allocation Formula

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Funds. Items proposed in the Annual Budget and the allocation formula may be approved, disapproved, or approved with modification by the U. T. Board. Any such Budget item or formula allocation that is disapproved or approved with modification may be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration.
 - (iii) Charging of Funds for Management Fee

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Fund with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO may, with the approval of the U. T. Board, revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.
 - (iv) Payment of Third Party Vendors

UTIMCO is hereby authorized to pay from each Fund direct expenses incurred for portfolio management, Custodian, auditing, and other services which are performed by external vendors specifically for each Fund.
- (b) **Cash Reserves:**

Within 90 days after the end of each fiscal year, UTIMCO will distribute back to the Funds which generated the surplus that portion of the Surplus Cash Reserves as may be directed by the U. T. Board, in its sole discretion, from time to time. Such distribution back to the Funds shall be in the same proportion that the Funds contributed to the Cash Reserves.
- (c) **UTIMCO Management Service on Outside Boards:**

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income and reflected in the Budget. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.
- (d) **Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee ("Service Fees") from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees ("Capital Fees") accruing

or inuring to the capital invested on behalf of the Funds managed by UTIMCO. Such Capital Fees shall be credited to the Funds from which such investments are funded.

(e) Miscellaneous Fees:

UTIMCO management may perform specialized services for assets that are separately invested for which UTIMCO receives a fee from the Fund. These fees primarily relate to maintenance of computer programs for the SIFs. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO and reflected in the Budget.

Section 8. Brokerage Commissions.

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 7 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Funds; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO or any of its officers, directors or employees. All orders for Fund transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO may, from time to time in accordance with applicable law and UTIMCO's Soft Dollar Policy and Procedures, pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Funds.

Section 9. Valuation of Fund Assets.

The valuation of each Fund shall be determined in accordance with the Investment Policies approved by the U. T. Board for such Fund.

Section 10. Representations and Warranties of Parties.

- (a) The U. T. Board represents and warrants that:
- (i) The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized, and this Agreement constitutes a valid and binding agreement of the U. T. Board.
 - (ii) There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
 - (iii) The U. T. Board has approved:
 - (A) the Articles of Incorporation and Bylaws of UTIMCO;

- (B) the Investment Policies;
 - (C) the Audit and Ethics Committee of UTIMCO; and
 - (D) the Code of Ethics of UTIMCO.
- (b) UTIMCO represents and warrants that:
- (i) The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized and this Agreement constitutes a valid and binding agreement of UTIMCO.
 - (ii) There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
- (c) Investment Company Act and State Securities Act:
The parties to this Agreement acknowledge and agree that UTIMCO is not currently required to, and shall not engage in any activities that would require it to, register as an “investment company” under Title 15 *United States Code* Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 *et seq.* (The Securities Act).

Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements.

In the performance of this Agreement, UTIMCO shall abide by, and cause its directors, officers, and employees to abide by, the following policies:

- (A) UTIMCO Code of Ethics as approved by the U. T. Board;
- (B) UTIMCO Bylaws as approved by the U. T. Board;
- (C) All UTIMCO policies;
- (D) Applicable portions of the U. T. Board’s *Regents’ Rules and Regulations*; and
- (E) All U. T. Board-approved Investment Policies, resolutions, and applicable law.

Financial advisors and service providers as defined in *Texas Government Code* Section 2263.002 shall comply with the disclosure requirements contained in *Texas Government Code* Section 2263.005, in addition to any obligations regarding disclosure of private investment information and the like as contemplated by Section 3(g) of this Agreement.

Section 12. Contracts with Third Parties.

UTIMCO covenants and agrees that each agreement, contract, or understanding it enters into with any third party will comply with all applicable law (including without limitation *Texas Government Code* Sections 2263.002 and 2263.005 as referenced in Section 11 above), and will not contain any term or provision limiting the ability of UTIMCO, the U. T. Board, the U. T. System, or any of its institutions to comply with any provision of applicable law, including without

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limitation any covenant regarding non-disclosure of confidential information or similar subject matter that would purport to limit the ability of UTIMCO or the U. T. Board to comply with any provision of the Texas Public Information Act or other law regarding public disclosure; provided that any contract provision regarding non-disclosure of confidential information must be approved by the Vice Chancellor and General Counsel of the U. T. System or his/her designee.

UTIMCO further covenants and agrees that it will not enter into any contracts as agent and investment manager for the U.T. Board indemnifying or holding harmless any third party to a greater extent than the scope of the indemnification of the Indemnified Parties by the U. T. Board without the prior consent and approval of the Vice Chancellor and General Counsel of the U. T. System.

Section 13. UTIMCO's Open Meeting Policy.

Except as otherwise provided in Section 66.08, *Texas Education Code*, UTIMCO shall comply with all applicable provisions of the Texas Open Meetings Act, Chapter 551 of the *Texas Government Code*.

Section 14. Prohibition Against Service to Other Clients.

In accordance with Section 66.08, *Texas Education Code*, UTIMCO shall not engage in any business other than managing the Funds under this Agreement.

Section 15. Termination.

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all management fees, compensation, and benefits earned prior to the effective date of termination, subject to UTIMCO's Articles of Incorporation and Bylaws and applicable law.

Section 16. Amendments.

No amendment hereto shall be effective unless executed by duly authorized representatives of each party in the same manner as this Agreement.

Section 17. Notices.

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered, sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the other party at the following addresses which may be changed by notice sent in the manner required by this paragraph:

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To U. T. Board:

Board of Regents of The University of Texas System
Attn: General Counsel to the Board of Regents
210 West Seventh Street
Austin, Texas 78701
Tel. (512) 499-4402
Fax. (512) 499-4425

To UTIMCO:

The University of Texas/Texas A&M Investment Management Company
Attn: CEO of UTIMCO
General Counsel of UTIMCO President, CEO and Chief Investment
Officer
210 West Seventh Street, Suite 1700
Austin, Texas 78701
Tel. (512) 225-1600
Fax. (512) 225-1668

Section 18. Non-Assignability.

This Agreement is personal to the parties hereto, and no assignment of this Agreement by UTIMCO, whether by contract, merger, consolidation, or operation of law, shall be made other than with the prior written consent of the U. T. Board and in compliance with applicable law.

Section 19. No Waiver of Breach.

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

Section 20. Indemnification.

(a) Agreements to Indemnify:

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that

indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

(b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

(c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

(d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel following due notice, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

(e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

(f) Survival; Right to Enforce:

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the U. T. Board under this Section.

Section 21. Claims By and Against Managed Assets.

UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the U. T. Board or any Fund from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor, and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment.

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board, any Fund, or any associated assets, or to settle contested claims or litigation that may result in receipt of less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate U. T. System officials, as set out in the Regents' *Rules and Regulations*.

Section 22. Communications.

UTIMCO and the U. T. System will assure that communications are clear and timely. UTIMCO will provide notice of actions taken in meetings of the UTIMCO Board and committees to members of the U. T. Board through the Office of the Board of Regents. U. T. will provide notice of actions taken by the U. T. Board related to UTIMCO issues to members of the UTIMCO Board of Directors through the CEO of UTIMCO.

Section 23. Authority to Purchase, Exchange, and Sell Securities.

UTIMCO may purchase, exchange, and sell, for and on behalf of the Permanent University Fund or the U. T. Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, external investment managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

Approved [TBD] February 27, 2019

Section 24. Authority to Assign and Transfer Securities.

UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, Custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the U. T. Board.

Section 25. No Third Party Beneficiaries.

UTIMCO and the U. T. Board each agree that there are no third party beneficiaries of this Agreement.

Section 26. Governing Law.

This Agreement and all matters arising under or related to it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Services Agreement shall be in Travis County, Texas.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Date: _____

By _____
Chairman

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

Date: _____

By _____
Chairman

Schedule A

Funds

This Schedule A setting forth the Funds managed by UTIMCO pursuant to this Agreement as fiduciary on behalf of the U. T. Board, in which the Delegated Assets are to be invested as directed by the U. T. Board pursuant to its Investment Policies, may be amended from time to time by the U. T. Board in consultation with UTIMCO to add or remove Funds, change fund allocations, reflect revisions to the corresponding Investment Policies, or otherwise. The Funds covered under this Agreement as of the Effective Date of this Agreement, and the corresponding Investment Policies, are as follows:

- a. **Permanent University Fund**: The PUF (as defined in Section 1(e)(i)) will be separately invested in accordance with the PUF Investment Policy Statement.
- b. **Permanent Health Fund**: The PHF (as defined in Section 1(e)(iv)) will be separately invested in accordance with the PHF Investment Policy Statement.
- c. **Separately Invested Funds**: The SIFs (as defined in Section 1(e)(v)) will be separately invested in accordance with the SIF Investment Policy Statement.
- d. **Long Term Fund (“LTF”)**: The long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of institutions of the U. T. System, with investments made in accordance with the LTF Investment Policy Statement.
- e. **General Endowment Fund (“GEF”)**: The pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each Fund’s investment policy statement, and the GEF funds will be invested in accordance with the GEF Investment Policy Statement.
- f. **Short Term Fund (“STF”)**: Selected U. T. System Funds designated from time to time by the U. T. Board or its U. T. System staff designees will be invested in the STF, which is the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds, in accordance with the STF Investment Policy Statement.
- g. **Intermediate Term Fund (“ITF”)**: The ITF was established by the U. T. Board as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets held by U. T. System institutions and U. T. System administration. The ITF will be invested in accordance with the ITF Investment Policy Statement.
- h. **Debt Proceeds Fund (“DPF”)**: The DPF was established in February 2011 to permit debt proceeds held by the U. T. System to earn a higher investment return, while maintaining adequate protection of principal and liquidity, until the proceeds are expended for various capital projects across the U. T. System institutions.

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

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

Developed By: Moeller, de Onis

Presented By: Handley

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

Description: The Audit and Ethics Committee (the “Committee”) met on June 2, 2022. The Committee’s agenda included (1) approval of Committee minutes; (2) discussion and appropriate action related to engaging corporate external auditor; (3) discussion and appropriate action related to proposed amendments to the UTIMCO Code of Ethics; (4) an update on UTIMCO’s compliance, reporting, and audit matters; (5) a presentation of unaudited financial statements for the Investment Funds and the Corporation; and (6) discussion and appropriate action related to the base salary for the General Counsel and Chief Compliance Officer for the 2022-2023 Fiscal Year. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Discussion: The Committee will report on its action related to the hiring of Deloitte and Touche LLP as the corporate auditor and request that the Board take appropriate action related to hiring Deloitte and Touche LLP as the corporate auditor. If approved by the Board, FY 2022 will be the 16th year that Deloitte serves as the Corporation’s independent auditor. The fees for UTIMCO’s FY 2022 audit services are expected to be \$48,000 plus out of pocket costs, which is the same as FY2021.

The Committee deferred the discussion related to the Code of Ethics to a later date.

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

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases, or other commercial arrangements of \$250,000 or more to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more. There were no new contracts, leases, or other commercial arrangements of \$250,000 or more from the prior reporting end date of February 17, 2022, through May 25, 2022.

Recommendation: The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to engaging the corporate external auditor for the fiscal year ending August 31, 2022.

Reference: Director Private Investment Log FY 22

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

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2022.



Director Private Investment Log

As of June 3, 2022

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

- No changes from last year
- Required under IMSA Section 3(h)(x)

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item: Report from Investment Risk Committee

Developed By: de Onís, Moeller

Presented By: Weaver

Type of Item: Information item

Description: The Investment Risk Committee (“Committee”) met jointly with the Policy Committee and separately on June 2, 2022. The Committee’s agenda for the joint meeting included a discussion and appropriate action related to proposed amendments to the Investment Policy Statements, Liquidity Policy, Derivative Investment Policy, Delegation of Authority Policy, the Securities Lending Policy, and the Valuation Criteria for Alternative Assets Policy. Its separate meeting included (1) discussion and appropriate action related to the approval of minutes of its March 3, 2022, meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.

Discussion The Committee had a joint meeting with the Policy Committee to discuss UTIMCO’s recommended amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund and Intermediate Term Fund. The Committee also discussed UTIMCO’s recommended amendments to the Liquidity Policy, Derivative Investment Policy, and the Delegation of Authority Policy as well as UTIMCO’s recommendation to revoke the Valuation Criteria for Alternative Assets. The Securities Lending Policy was also reviewed with the Committee. The discussion of the Investment Policies is covered in the Report from the Policy Committee in Tab 7.

At its separate meeting, the Committee approved the minutes of its March 3, 2022, meeting, reviewed the quarterly compliance reporting and heard an update on the market and portfolio risk.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 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 June 2, 2022. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of March 3, 2022 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

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item: Report from Compensation Committee: Discussion and Appropriate Action Related to CEO's Base Salary for 2022-2023 Fiscal Year; and Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2023

Developed By: Moeller

Presented By: Nixon

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

Description: The Compensation Committee (the Committee) met on June 2, 2022. The Committee's agenda included the following (1) approval of minutes of the December 9, 2021, meeting; (2) discussion and appropriate action related to selection of UTIMCO compensation consultant; (3) discussion and appropriate action related to base salaries for the UTIMCO officers and other UTIMCO Compensation Program (Plan) Participants for 2022-2023 Fiscal Year; and (4) discussion and appropriate action related to the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2023. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters.

Discussion: The Committee selects and retains the services of an independent qualified compensation consultant as necessary to assist the Committee with the execution of its duties and responsibilities as set forth in the Compensation Committee Charter. UTIMCO has utilized the services of its current compensation consultant, Mercer, since UTIMCO's inception. It is best practice to periodically review vendors and the last time a Request for Proposal ("RFP") was issued was in 2007. A RFP was sent to three firms in February 2022: Mercer, McLagan, and Sullivan Cotter. The Committee will report on its selection of the UTIMCO Compensation Consultant.

The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants (other than the CEO) for the 2022-2023 Fiscal Year. The Committee will report on its recommendation and request that the Board take appropriate action related to the CEO's base salary.

Section 5.4(b) of the Plan states that the CEO's Qualitative Performance Standards will be determined and approved by the Board. The Committee presents and recommends the approval of the CEO's Qualitative Performance Standards to the UTIMCO Board. The two categories of Performance Standards are Quantitative Performance and Qualitative Performance.

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Recommendation: The Committee will recommend the Board approve (1) the CEO's Base Salary for the 2022-2023 Fiscal Year; and (2) the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2023.

Reference: Materials provided for Executive Session

RESOLUTION REGARDING CEO'S BASE SALARY

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2022-2023 in the amount of \$_____.

**RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE
STANDARDS FOR PERFORMANCE PERIOD ENDING JUNE 30, 2023**

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Standards for the Performance Period ending June 30, 2023, as prepared by the CEO, and recommended by the Compensation Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Standards for the CEO for the Performance Period ending June 30, 2023, as set forth in the document presented to the Board.

Agenda Item
UTIMCO Board of Directors Meeting
June 10, 2022

Agenda Item:	Discussion and Appropriate Action Related to UTIMCO 2022-2023 Budget
Developed By:	Hall, Moeller, Bauer
Presented By:	Harris, Hall
Type of Item:	Action Item; Action required by UTIMCO Board; further action required by Board of Regents of The University of Texas System (UT Board)
Description:	<p>The Master Investment Management Services Agreement with UTIMCO (IMSA) sets forth the annual budget and management fee requirements. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes all operating expenses associated with the general management of the Funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the UT Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.</p> <p>During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT Board back to the Funds that generated the surplus.</p>
Discussion:	Mr. Harris and Mr. Hall will present the UTIMCO Proposed FY2023 Budget presentation.
Recommendation:	Mr. Harris recommends that the UTIMCO Proposed 2022-2023 Annual Budget, Management Fee Request, and Allocation Schedule be approved as presented.
Reference:	<i>FY23 Budget</i> presentation

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Management Fee of \$67,930,864 and the Other Direct Fund Costs of \$8,428,764 resulting in Total Fees of \$76,359,628 Capital Budget of \$645,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2022, through August 31, 2023, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



FY23 Budget

Britt Harris, CEO
Richard Hall, CIO
Joan Moeller, COO

June 10, 2022



Executive Summary

- \$66 billion managed by 123 FTE (\$1.38B average AUM per each of 48 investors)
- 12.4% annualized return and 1.5% alpha earned by endowments over last three years
- \$15 billion increase in endowment assets
- 2019 Strategic Plan created alignment on key metrics linking AUM, headcount and budget
- Proposed FY23 budget consistent with Strategic Plan
 - AUM above levels projected for August 2024 (\$65B)
 - Proposing 132 FTE
 - \$23.5M proposed salaries are 3.2% below Strategic Plan
 - \$76.4M total budget is \$2.5M above Strategic Plan due to factors unforeseen in 2019:
 - IRS implementation of 21% excise tax on individual compensation above \$1M
 - Lease of additional space in UT System building
 - Increased technology & other costs
- FY23 budget projected to be 11.23 bps of AUM, at low end of peer range



FY23 Summary Budget

	FY 2022	FY 2023			FY 2023 Proposed Budget v FY23 Projected in Original 2019 Strategic Plan		FY 2023 Budget Proposed v FY 2022 Budget	
	Budget	Proposed Budget	% of Total Budget	Projected in Original 2019 Strategic Plan	\$	%	\$	%
UTIMCO Personnel Costs:								
Salaries (1)	20,552,099	23,484,680	31%	24,252,130	(767,450)	-3.2%	2,932,581	14.3%
Performance Compensation (1)	18,981,580	21,617,598	28%	22,588,370	(970,772)	-4.3%	2,636,018	13.9%
Benefits & Taxes (2)	6,064,557	7,575,060	10%	5,674,998	1,900,062	33.5%	1,510,503	24.9%
Total UTIMCO Personnel Costs (3)	\$ 45,598,236	\$ 52,677,338	69%	\$ 52,515,498	\$ 161,840	0.3%	\$ 7,079,102	15.5%
Other UTIMCO Costs:								
Data & Subscriptions (4)	4,706,004	4,654,544	6%	3,900,711	753,833	19.3%	(51,460)	-1.1%
Travel	1,108,004	1,172,500	2%	1,446,436	(273,936)	-18.9%	64,496	5.8%
Lease (5)	3,322,198	3,310,667	4%	2,850,000	460,667	16.2%	(11,531)	-0.3%
Depreciation (5)	2,100,000	2,000,000	3%	1,600,000	400,000	25.0%	(100,000)	-4.8%
Other Costs (6)	3,796,632	4,115,815	5%	2,161,089	1,954,726	90.5%	319,183	8.4%
Total Other UTIMCO Costs:	\$ 15,032,838	\$ 15,253,526	20%	\$ 11,958,237	\$ 3,295,289	27.6%	\$ 220,688	1.5%
Total UTIMCO Services Costs:	\$ 60,631,074	\$ 67,930,864	89%	\$ 64,473,735	\$ 3,457,129	5.4%	\$ 7,299,790	12.0%
Bps of AUM	9.19	9.99		10.51				
Direct Fund Costs:								
Custodian Fees	4,278,000	4,934,000	6%	5,989,500	(1,055,500)	-17.6%	656,000	15.3%
Other (7)	3,780,631	3,494,764	5%	3,376,019	118,745	3.5%	(285,867)	-7.6%
Total Direct Fund Costs	\$ 8,058,631	\$ 8,428,764	11%	\$ 9,365,519	\$ (936,755)	-10.0%	\$ 370,133	4.6%
Grand Total UTIMCO Budget:	\$ 68,689,705	\$ 76,359,628		\$ 73,839,255	\$ 2,520,373	3.4%	\$ 7,669,923	11.2%
Bps of AUM	10.41	11.23		12.04				
AUM projected (\$ billion)	\$66	\$68		\$61				
UTIMCO Headcount	123	132		130				

NOTES:

- FY23 Budgeted Salaries are 3.2% lower and Performance Compensation is 4.3% lower than the Original 2019 Strategic Plan.
- FY23 Budgeted Benefits and Taxes are 33.5% higher compared to the Original 2019 Strategic Plan primarily because of the addition of the IRS excise taxes of 21% over \$1M in individual compensation (\$1.3M). Employee development costs are also higher as a result of the leadership development and learning institute programs (\$300k).
- FY23 Budgeted Personnel Costs increased from the FY22 Budget due to the increases in headcount (9 FTE), promotions, and normal raises. In addition, taxes also increased due to the IRS excise taxes of 21% over \$1M in individual compensation.
- FY23 Budgeted Data & Subscriptions are slightly lower than the FY22 Budget. FY23 Budgeted Data & Subscriptions are 19.3% higher than the Original 2019 Strategic Plan because of the shift in FY22 to subscription-based information technology arrangements.
- FY23 Budgeted Lease and Depreciation costs are slightly lower than the FY22 Budget. FY23 Budgeted Lease and Depreciation costs are higher than the Original 2019 Strategic Plan because they include the 2020 lease expansion and remodel costs.
- Other costs include: Hiring, Recruiting & Relocation (\$1.1mil), Consulting Services for IT (\$1.2mil), IT Service Agreements (\$311k), Professional Services & Corporate Insurance (\$715k)
- Other Direct Costs include: Risk Measurement (\$840k), Fund Auditors (\$822k), Legal Fees (\$876k), Tax Consultants (\$230k), Background Searches (\$234k), Performance Attribution Costs-MSCI (\$141k), Consultants (\$321k)



FY23 Capital Budget

(\$ in thousands)	FY 2022		FY 2023	FY 2023 Budget v FY 2022 Budget		Description
	Budget	Forecast	Budget	\$	%	
Server Room/Telecom/AV Equipment	\$ 25	\$25	\$ 535	\$ 510	2040.0%	Life Cycle Management; Backup Solution; AV Equipment; UPS Batteries
Computer Equipment & Software Licenses	110	109	110	-	0.0%	Laptops; Monitors
Total Capital Budget before buildout	\$ 135	\$134	\$ 645	\$ 510	377.8%	
Leasehold, Furniture & Office Equipment	-	3	-			Office Space
	<u>\$ 135</u>	<u>\$137</u>	<u>\$ 645</u>			



Annual Fee and Allocation Schedule

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

<u>Proposed Budget</u>	<u>Fund Name</u>						<u>Separate Funds</u>	<u>Debt Proceeds</u>	<u>Total</u>
	PUF	PHF	LTF	GEF	ITF	STF			
<u>Market Value 4/30/22 (\$ millions)</u>	31,533			21,987	9,171	2,942	200	59	65,892
<u>UTIMCO Management Fee</u>									
Dollars	34,168,604			23,824,726	9,937,534				67,930,864
Basis Points	10.8			10.8	10.8				10.3
<u>Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund</u>									
Dollars	4,160,916	24,018	27,019	2,951,336	1,265,475				8,428,764
Basis Points	1.3	0.2	0.0	1.3	1.4				1.3



Cash Reserves

Projected Cash Reserves at August 31, 2022:

Cash	\$	35,495,000
Prepaid Expenses		1,100,000
Less: Accounts Payable, Accrued Liabilities		(19,250,000)

Expected Cash Reserves at August 31, 2022 **\$ 17,345,000**

2023 Proposed Operating Budget	67,930,864	
Applicable Percentage	25%	16,982,716
Capital Budget Expenditures		645,000
Depreciation Expense		(2,000,000)

Required Cash Reserves at August 31, 2022 **\$ 15,627,716****Balance Available for Rebate** **\$ 1,717,284**

- Conclusion: No Rebate back to the Investment Funds is recommended.



Appendix



5-Year Strategic Plan - 2019

Strategic Plan approved in June 2019

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



2019 Strategic Plan vs. Approved/Proposed Budgets

Actual budgets have tracked in line with the Strategic Plan

	UTIMCO 2019 Strategic Plan vs. Approved/Proposed Budgets				
	2020	2021	2022	2023	2024
Total per 2019 Strategic Plan	\$ 57.8	\$ 64.2	\$ 68.6	\$ 73.8	\$ 79.0
Total per Approved/Proposed Budgets	\$ 57.0	\$ 62.8	\$ 68.7	\$ 76.4	\$ 79.0
Variance	\$ 0.8	\$ 1.4	\$ (0.1)	\$ (2.6)	\$ -
Projected AUM (\$B)	\$51	\$54	\$57	\$61	\$65
Projected FTE	115	123	127	130	132



FY23 Budget vs. FY22 Budget

Reconciliation of FY23 to FY22 budgets

- Total Budget increase of \$7.7M.

- Total Personnel Costs of \$52.7M vs. \$45.6M, an increase of \$7.1M or 15.5% (includes salaries, performance compensation, payroll taxes, benefits and employee development)
 - 9 New FTE - \$1.4M
 - 31 Promotions - \$2.5M
 - Market Adjustments and Merit Raises - \$2.3M
 - Net adjustments (decreases) to vacant positions and addition of one position - (\$.1M)
 - Increase in earnings on deferrals, excise taxes, employee development costs and interns - \$1M

- Data & Subscriptions decreased by (\$51k) or 1%
 - Shift to utilizing more Subscription-Based Information Technology - \$300k
 - Realized savings of around \$500k every 3 to 5 years in hardware costs that are no longer needed for Disaster Recovery or office phone system
 - Annual savings on Maintenance Agreements costs of \$150k as the result of this shift
 - Additional licenses for team members to have access to various financial data services - \$185k
 - Elimination of FactSet (\$536k) resulting from implementation of Barra risk system



FY23 Budget vs. FY22 Budget (continued)

Reconciliation of FY23 to FY22 budgets

- Travel Costs increased by \$64k or 5.8% primarily because of reduced COVID-related restrictions and the anticipation of returning to a more normal travel schedule

- Office Lease Expense remained relatively flat, and Depreciation Expense decreased by (\$100k) or (4.8%) as assets become fully depreciated

- Other Costs increased by \$319k or 8.4%
 - Contract Services decreased by (\$657k) or (30.5%) as projected
 - Hiring, Recruiting, Relocation and Compensation Consulting increased by \$689k
 - IT Maintenance Service Agreements remained relatively flat
 - Professional Fees increased by \$184k
 - Various other costs increased by \$103k

- Direct Fund Costs increased by \$370k or 4.6%
 - Legal Expenses increased by \$161k
 - Risk Measurement Expenses decreased by (\$225k)
 - Custodian-Related Costs increased by \$656k
 - Analytical Services decreased by (\$155k)
 - Other various costs decreased by (\$67k)



Potential Savings Opportunities

If necessary, several areas could be sources of cost savings

- **New Hires:**
 - Slowing the pace of hiring new FTEs could save some of the \$1.4M new hire budget.
 - Deferring hiring would also reduce \$1.1M of Hiring Consultants and Relocation Costs.
 - Savings could also be recognized if turnover is lower than expected.
- **Travel:**
 - Travel expenses can be reduced by continuing to conduct some manager meetings virtually rather than in person.
- **IT Contract Services:**
 - Postponing projects including information classification and protection, and data architecture strategy.
 - Delaying or slowing down modernization of legacy applications.