

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA**

March 30, 2023

UTIMCO

210 West 7th Street, Suite 1700

Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the December 9, 2022 Meeting*
9:05 a.m.	9:45 a.m.	2	CEO Update
9:45 a.m.	10:10 a.m.	3	UTIMCO and Market Update
10:10 a.m.	10:35 a.m.	4	Strategic Asset Allocation Update
10:35 a.m.	10:50 a.m.	5	Public Equity Presentation
10:50 a.m.	11:05 a.m.	6	Hedge Funds Presentation
11:05 a.m.	11:20 a.m.	7	Human Resources Presentation
11:20 a.m.	11:30 a.m.	8	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2022*
11:30 a.m.	11:35 a.m.	9	Report from Investment Risk Committee
11:35 a.m.	11:40 a.m.	10	Report from Cyber Risk Committee
11:40 a.m.	11:55 p.m.		Recess to 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 matters, including the CEO and President Reconvene into Open Session
11:55 a.m.	12:00 p.m.	11	Discussion and Appropriate Action Related to Corporate Resolutions: -- Designation of Annual Meeting of the UTIMCO Board* -- Election of Corporate Officer*
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 Scheduled Meeting: June 27, 2023 (Annual Meeting)

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **December 9, 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 **December 9, 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, James C. "Rad" Weaver ("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:

James C. "Rad" Weaver
Ray Rothrock
James B. Milliken
Robert Gauntt
Janet Handley
Jodie L. Jiles
Janiece Longoria
Ray Nixon
Clifton L. Thomas, Jr.

thus constituting a majority and quorum of the Board. Chairman Weaver called the meeting to order at 9:06 a.m. Because Chairman Weaver joined the meeting with potentially limited audio-visual capabilities, Vice Chairman Rothrock chaired the remainder of the meeting. Employees of the Corporation attending the meeting were Britt Harris, CEO and President; Rich Hall, Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Carolina de Onís, General Counsel and Chief Compliance Officer; Gary Hill, Managing Director – Operations, Accounting and Reporting; Kim Bauer, Senior Director – Corporate Accounting; Gus Deering, Chief Technology Officer; Susan Chen, Senior Managing Director – Public Equity; and other team members. Other attendees were Jerry Kyle of Orrick, Herrington, & Sutcliffe LLP; Robert Cowley and Adrian Kusuma of Deloitte & Touche LLP; and Keith Brown of the McCombs School of Business at UT Austin. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on September 15, 2022. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on September 15, 2022, be, and are hereby, approved.

CEO Update

Vice Chairman Rothrock asked Mr. Harris to provide the Board with the CEO update. Mr. Harris began by reflecting on the last few years at UTIMCO including accomplishments and lessons learned. Mr. Harris discussed markets conditions in the early 2000s, how he came to join UTIMCO, his approach to joining a new team, UTIMCO culture upon his arrival, and UTIMCO culture today. After Mr. Hall's presentation, Mr. Harris resumed his presentation with a brief demonstration of two new Artificial Intelligence technologies, Chat-GPT and DALL-E.

UTIMCO Performance and Market Update

Vice Chairman Rothrock asked Rich Hall to present the Corporation's performance and market update. Mr. Hall began by discussing market conditions thus far in 2022, noting that the markets went through a one-in-150 year event, with both Equities and Long Bonds simultaneously declining more than 10 percent. Mr. Hall explained that after 40 years of a relatively stable economic environment of declining interest rates and rising prices, the markets were adjusting in 2022 to rapid inflation and rising interest rates. Mr. Hall stated that, while the market is continuing to adjust and experience volatility, the long-term outlook, compared to 2021, appeared to have improved. Mr. Hall then continued his presentation, discussing portfolio performance. As of September 30, 2022, the Corporation had approximately \$65 billion of assets under management, specifically: \$30.8 billion in the Permanent University Fund ("PUF"), \$21.3 billion in the Long Term Fund ("LTF"), \$1.6 billion in the Permanent Health Fund ("PHF"); \$8.8 billion in the Intermediate Term Fund ("ITF"), \$2.7 billion in the Short Term Fund ("STF"), and \$0.2 billion in other funds. He discussed the diversification framework within the PUF and GEF ("Endowments") as well as the diversification provided by University Lands. Since 2018, the total value of the Endowments and University Lands has increased from approximately \$42 billion to \$64 billion combined. Additionally, for fiscal year 2022, University Lands has contributed \$2.1 billion in royalties to the PUF. Mr. Hall then discussed returns and alpha for the Endowments and ITF, as well as the return attribution and alpha attribution by asset class respectively. Mr. Hall went on to present a performance comparison of UTIMCO's Trust Universe Comparison Service ("TUCS") to peers, noting that UTIMCO is in the top quintile on the 1-year and top decile on the 3-year in terms of returns, outperforming by approximately 7%. Mr. Hall wrapped up his presentation recognizing the challenging market environment over the last year but noting that the portfolio is in a good position to capitalize on market opportunity going forward, highlighting the diversification within the portfolio, as well as externally by University Lands. He then answered questions from the Board.

Operations Presentation

Vice Chairman Rothrock invited Gary Hill and Kim Bauer to provide an overview of the Operations teams and their responsibilities. Mr. Hill began with an introduction of the Operations, Accounting and Reporting ("OAR") team and complimented their talent and capabilities. Mr. Hill highlighted the team's continued use of new tools and technologies to handle data complexities, noting that each team member has completed basic Power BI training and is working to automate functions specific to their job responsibilities. Mr. Hill also noted that as the team has grown, there has been a focus on building depth and resilience, including cross-training, to maintain critical institutional knowledge. He shared that the OAR team works across a multitude of teams and external parties to account for all assets managed by UTIMCO. Mr. Hill noted that a significant accomplishment of the OAR team this year has been working with the Information Services & Security team

to modernize legacy applications. Mr. Hill then discussed the technological improvements the Document Management team will be implementing to automate the retrieval of materials from manager portals. Mr. Hill also discussed the efforts of the Operational Due Diligence team. He concluded by recognizing the talent and efforts of the team before turning the presentation over to Ms. Bauer. Ms. Bauer began with an introduction to the four-member Corporate Accounting team and highlighted some of the responsibilities related to corporate business. She reviewed the team's responsibility for, and management of, corporate financial reporting and employee payroll and benefits administration. Ms. Bauer also noted that the team recently finalized a complete accounting system conversion. Ms. Bauer concluded her report and answered questions from the Board.

Legal and Compliance Presentation

Vice Chairman Rothrock asked Carolina de Onís to provide an update on Legal and Compliance. Ms. de Onís discussed the team's continued collaboration, communication, and cross-training under "One Team", and their judicious use of external resources as required. She highlighted the basic functions of the Legal and Compliance team, including providing legal support to the investment teams, compliance with Open Records requirements, fund monitoring, and ethics compliance support. She then discussed the significant milestones achieved this year, including implementing ComplySci, a compliance monitoring solution that tracks employee personal trading activities against firm rules, onboarding five new external investment counsel firms with various specialties, completing a review of investment and other policies, and implementing a new contract management system. Ms. de Onís concluded her presentation by sharing the strategic priorities in place for 2023, including launching a new Enterprise Risk Management program. She then answered questions from the Board.

Report from Audit and Ethics Committee

Vice Chairman Rothrock asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on December 1, 2022. At the meeting, the Committee considered four action items: the minutes of its September 9, 2022 meeting were approved as drafted; Deloitte & Touche LLP's Financial Statement Audit Results and Communications Letter for the Investment Funds for the fiscal year ended August 31, 2022, were approved; subject to further approval by the Board, the separate annual financial statements and audit reports for the PUF, GEF, PHF, LTF, and ITF for the fiscal years ended August 31, 2022 and August 31, 2021, and the Statement of Investment Performance Statistics for the aforementioned funds for the fiscal year ended August 31, 2022 were approved; subject to further approval by the Board, and the Committee made its recommendations to the Compensation Committee related to the General Counsel and Chief Compliance Officer's Performance Award for the Performance Period ended June 30, 2022.

Director Handley asked Mr. Robert Cowley of Deloitte & Touche LLP to provide a brief report to the Board on the audits of the Investment Funds. After Mr. Cowley's presentation, Director Handley reported that the Committee also received an update on UTIMCO's compliance, reporting and audit matters, a report on new contracts, and the annual report of all contracts over \$250,000. She requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to the audits of the Investment Funds for Fiscal Year 2022. 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 Letter on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2022, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2022, and August 31, 2021, and the Statement of Investment Performance Statistics for the year ended August 31, 2022, be, and are hereby approved in the form as presented to the Board.

Report from Investment Risk Committee

Vice Chairman Rothrock asked Director Longoria to provide a report from the Investment Risk Committee. Director Longoria reported that the Investment Risk Committee met via teleconference on December 1, 2022. The Committee approved the minutes of its September 9, 2022 meeting. The Committee also received a report on compliance matters for the quarter ended August 31, 2022, and a market and portfolio risk update.

Report from Cyber Risk Committee

Vice Chairman Rothrock provided a report from the Cyber Risk Committee. He reported that the Cyber Risk Committee met via teleconference on December 1, 2022. The Committee approved the minutes of its September 9, 2022 meeting. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology.

Executive Session

Prior to going into executive session, Vice Chairman Rothrock announced that, "The Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to deliberate individual personnel compensation matters, including the CEO and Chief Investment Officer pursuant to *Texas Government Code* Section 551.074. The date is December 9, 2022, and the time is now 11:14 a.m." With the exception of Mr. Harris, Mr. Hall, Ms. Moeller, Ms. de Onís, Ms. Chen, Dr. Brown, and Mr. Kyle, all others left the meeting at this time.

Reconvene in Open Session

The Board reconvened in open session and Director Rothrock announced that, "The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is December 9, 2022, and the time is now 11:21 a.m. During the Executive Session,

the Board deliberated individual compensation matters, but no action was taken, nor decisions made, and no vote was called for or had by the Board in Executive Session."

Report from Compensation Committee

Vice Chairman Rothrock asked Director Nixon to provide a report from the Compensation Committee. Director Nixon stated that the Compensation Committee met on December 1, 2022 and December 9, 2022. At its meeting on December 2, 2022, the Committee approved the minutes of its September 12, 2022 meeting. The Committee also met in executive session to discuss performance awards for the CEO and other UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2022, but no action was taken at that meeting.

At its December 9, 2022 meeting, the Committee approved the minutes of its December 1, 2022 meeting, convened in executive session to discuss the Performance Awards for Plan Participants, including the CEO, for the Performance Period ended June 30, 2022, and approved these Performance Awards, subject to approval by the Board. Director Nixon then reminded the Board of the three main elements used to determine compensation awards: (1) the Plan measures investment performance over a trailing three-year period, (2) there is a cap on the maximum award that any participant can receive in any single year, and (3) the awards are paid out over a two-year period. Furthermore, there are additional extraordinary deferrals that are required by the Plan when UTIMCO delivers positive relative performance by exceeding the Policy Performance benchmarks over a three-year period, but the Endowments experience a net negative absolute return at the end of a performance period, as occurred for the Performance Period ended June 30, 2022. As a result, all Plan members, except those who are vested by virtue of their years of service and age, or those who are very junior members of the team, will have their Performance Awards deferred until the end of the next Performance Year. These provisions are designed to create alignment with the institutions UTIMCO serves. Director Nixon then recommended two resolutions for approval by the Board. The first resolution related to the Performance Award for the CEO for the Performance Period ended June 30, 2022, and the second resolution related to the Performance Awards for all other Plan Participants for the Performance Period ended June 30, 2022. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

WHEREAS, the Compensation Committee has reviewed and approved the CEO's Performance Award for the Performance Period ended June 30, 2022, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Compensation Committee's recommendation of the CEO's Performance Award for the Performance Period ended June 30, 2022.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Award for the Performance Period ended June 30, 2022, in the amount of \$3,105,226.

And,

WHEREAS, Section 2.0 of the Plan specifies that an objective of the UTIMCO Compensation Program (the "Plan") is to motivate key investment employees to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk; and

WHEREAS, Section 5.8(a)(1)(a)(iv) provides that quantitative performance is measured relative to the appropriate benchmark based on three-year historical performance; Section 5.8(a)(2)(c) provides that peer group performance is measured based on three-year historical performance; and Section 5.8(b)(2) provides that qualitative performance is measured as part of each Participant's annual performance appraisal; and

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the Performance Period ended June 30, 2022, of his or her Performance Standards; and

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

WHEREAS, Sections 5.6 and 5.7 of the Plan provide that approved Performance Awards will vest and be paid out to Participants over a period of two years (the "Ordinary Deferrals") as a talent retention mechanism; and

WHEREAS, Section 5.12 of the Plan provides that, subject to certain limited exceptions, if the net returns during the Performance Period for which the Performance Awards are being determined are negative at the end of the Performance Period, Participants will not become entitled to payment of the Performance Award until the end of the following year's Performance Period (the "Extraordinary Deferrals"); and

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

WHEREAS, the Compensation Committee has reviewed the Performance Awards for all Participants who have met or exceeded their three-year quantitative Performance Standards and their one-year qualitative Performance Standards for the Performance Period ended June 30, 2022, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended June 30, 2022, in the total aggregate amount of \$17,278,907, and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the CEO) subject to a Deferred Award for the Performance Period ended June 30, 2022, 76% (13,133,670) will be deferred pursuant to the Plan. The deferred amount includes \$5,014,801 in Ordinary Deferrals, which are applied to each Performance Period as a talent retention mechanism. The remaining deferred amount of \$8,118,869 are Extraordinary Deferrals, which are required by the Plan when three-year performance benchmarks are met or exceeded, but net returns at the end of a Performance Period are negative.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:26 a.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
James C. "Rad" Weaver
Chairman, Board of Directors of
The University of Texas/Texas A&M Investment Management Company

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: CEO Update

Developed By: Harris

Presented By: Harris

Type of Item: Information Item

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

Recommendation: None

Reference: *CEO Long-Term Market Analysis* presentation



CEO Long-Term Market Analysis

Board of Directors Meeting
March 30, 2023
Britt Harris, CEO & President



Observations: Keys to Long-Term Investing

- ❑ **Markets go through long regimes**
- ❑ **Valuations vary based on economic conditions**
- ❑ **Down markets occur regularly**
 - Generally require a shock catalyst
 - Productive or unproductive?
 - Help is on the way
 - Typically 1-2 years
- ❑ **U.S. remains dominant**
 - China rising rapidly (Third Phase)
- ❑ **Debt levels now a concern**
- ❑ **Demographics/values shifting**
- ❑ **Change expected to accelerate**



Analysis of Regime Returns

3/1/1999 - 2/28/2009	3/1/2009 - 2/28/2023	Full Period 3/1/1999 - 2/28/2023
2 Major Bubbles Burst	No Major Bubbles Burst Longest market expansion in history	2 Bubbles, 4 Bear Markets, 1 Tremendous expansion
<p>Tech/ Telecom</p> <ul style="list-style-type: none"> • March 2000 – October 2002 • S&P down 49% <p>Subprime Mortgage</p> <ul style="list-style-type: none"> • October 2007-2009 • S&P down 57% 	<p>Pandemic</p> <ul style="list-style-type: none"> • Stop everything, work from home • February – April 2020 • S&P down 34% <p>End of an Era</p> <ul style="list-style-type: none"> • Rising Interest Rates • S&P down 25% • January 2022 – present 	
<p>Stimulus</p> <p>Fed reduces interest rates to near 0; \$152 billion Economic Stimulus Act in 2008; \$831 billion American Recovery and Reinvestment Act in 2009; \$2 trillion in Fed asset purchases</p> <p>~\$ 3 Trillion Total Stimulus</p>	<p>Stimulus</p> <p>Interest rates reduced to 0 then increased; \$2 trillion in Fed asset purchases; \$2.3 trillion CARES Act; \$900 billion CAA; \$1.9 trillion American Rescue Plan</p> <p>~\$7 Trillion Total Stimulus</p>	<p>Stimulus</p> <p>Yo-yo of interest rates, \$4+ trillion in asset purchases, \$6+ trillion in fiscal stimulus</p> <p>~\$10 Trillion Total Stimulus</p>
<p>Presidents</p> <ul style="list-style-type: none"> • President Clinton (1999) • President Bush (2000-2008) • President Obama (2009) 	<p>Presidents</p> <ul style="list-style-type: none"> • President Obama (2009-2016) • President Trump (2017-2020) • President Biden (2021 – Now) 	<p>Presidents</p> <p>5 Presidents – 2 Republicans and 3 Democrats</p>

Market Returns 1999-2023

Asset	03/01/1999 - 02/28/2009	03/01/2009 - 02/28/2023	03/01/1999 - 02/28/2023
Fed Funds Spot	4.75	0.25	4.75
US Consumer Price Index (Annualized)	2.58	2.52	2.55
5-yr TIPS Breakeven	1.5	0.7	2.5
5 Yr Actual (CPI Spot)	1.7	1.1	
10-yr TIPS Breakeven	1.5	2.02	2.4
10 Yr Actual (CPI Spot)	0.2	1.5	
Dreyfus (cash)	3.62	0.68	1.90
Inflation Risk Premium	1.04	(1.84)	(0.65)
Long Treasuries	7.46	3.06	4.87
Duration Risk Premium	3.8	2.4	3.0
Bloomberg U.S. Credit Index	4.82	4.41	4.58
Credit Risk Premium	(2.64)	1.35	(0.29)
Bloomberg U.S. Corporate High Yield	2.35	8.85	6.10
Default Risk Premium	(2.47)	4.44	1.52
Large Cap US (S&P 500)	(3.43)	15.07	6.96
Equity Risk Premium	(5.78)	6.22	0.86
Small Cap US (Russell 2000)	1.22	13.50	8.21
Size Risk Premium	4.65	(1.57)	1.25
MSCI EAFE Net Dividend Index (USD)	(1.04)	8.22	4.26
EAFE Developed Risk Premium (USD)	2.39	(6.85)	(2.70)
MSCI Europe	(5.09)	6.95	1.75
UK Local	(1.40)	9.30	1.70
Japan USD	(1.29)	6.88	3.40
Japan Local	(3.20)	9.10	3.80
MSCI Emerging Markets (USD)	7.73	7.35	7.51
EM Risk Premium	11.16	(7.72)	0.55
MSCI Emerging Markets Local*	8.85	8.90	8.70
MSCI China Index	7.10	6.79	6.92
MSCI Brazil Index (USD)	19.56	3.35	9.82
India (USD)	9.7%	10.8%	10.3%
Russia (RTSI / MOEX)	22.77	4.03	11.46
MSCI Russia	Removed from Index		
Pound	(1.20)	(1.20)	(1.20)
Euro	1.50	(1.30)	(0.10)
Yen	2.10	(2.40)	(0.50)
CNY	1.90	(0.10)	0.70
Rupee	(1.90)	(3.30)	(2.70)
Real	(1.10)	(5.50)	(3.70)
Ruble	(4.30)	(5.10)	(4.80)



Analysis of Economy and Valuations

3/1/1999 - 2/28/2009	3/1/2009 - 2/28/2023	Full Period 3/1/1999 - 2/28/2023
Conflicts <ul style="list-style-type: none"> World Trade Center attacks Wars in Iraq and Afghanistan 	Conflicts <ul style="list-style-type: none"> Russian invasion of Ukraine No major terrorist attacks in US 	Conflicts <ul style="list-style-type: none"> Most peaceful period in modern history
Government Debt as % of GDP <ul style="list-style-type: none"> Start: 61% 1998 End: 68% 2008 Low: 55% 2001 High: 68% 2008 	Government Debt as % of GDP <ul style="list-style-type: none"> Start: 68% 2008 End: 129% 2022 Low: 68% 2008 High: 129% 2022 	Government Debt as % of GDP <ul style="list-style-type: none"> Start: 61% 1998 End: 129% 2022 Low: 55% 2001 High: 129% 2022
S&P 500 P/E Ratios <ul style="list-style-type: none"> Start: 24.3 End: 11.6 Low: 9.9 11/30/2008 High: 29.5 12/31/1999 	S&P 500 P/E Ratios <ul style="list-style-type: none"> Start: 11.6 End: 18.1 Low: 10.8 3/9/2009 High: 31.3 2/16/2021 	S&P 500 P/E Ratios <ul style="list-style-type: none"> Start: 24.3 End: 18.1 Low: 9.9 11/30/2008 High: 31.3 2/16/2021
Oil Price <ul style="list-style-type: none"> Start: 12.24 End: 44.76 Low: 12.24 3/1/1999 High: 145.29 7/3/2008 	Oil Price <ul style="list-style-type: none"> Start: 44.76 End: 77.05 Low: -37.63 4/20/2020 High: 123.7 3/8/2022 	Oil Price <ul style="list-style-type: none"> Start: 12.24 End: 77.05 Low: -37.63 4/20/2020 High: 145.29 7/3/2008
% of US Population (1999) <ul style="list-style-type: none"> Greatest & Silent Gens 27% Baby Boomers 23% Gen X 21% Millennials 22% Gen Z 7% 	% of US Population (2021) <ul style="list-style-type: none"> Greatest & Silent Gens 6% Baby Boomers 21% Gen X 20% Millennials 22% Gen Z 21% Gen Alpha 10% 	Population Change <ul style="list-style-type: none"> Greatest & Silent Gens 21% Baby Boomers 2% Gen X 1% Millennials 0% Gen Z 14% Gen Alpha 10%

Economy, Growth, and Valuations

Item	3/1/1999	3/1/2009	3/1/2023
Fed balance Sheet	575 billion	1.9 trillion	8.4 trillion
Debt to GDP	60%	82%	124%
Buffet Ratio	119.8	51.9	148.8
P/E Ratio (S&P 500)	24.3	11.6	18.1
% Tech in S&P 500	30.30%	23%	27%
EPS	42.6	71.5	223
GDP (Trillions)	13	16	21
Earnings Growth		1.7x	3.1x
GDP Growth		1.2x	1.3x
EAPE P/E			
EAPE P/E		11	13
EPS (Local)		100.3	153.3
Expectations*		-12%	2%
UK P/E			
UK P/E		8.9	10.6
EPS		392	715
Expectations*		-28%	-2%
Europe P/E			
Europe P/E		8.9	13
Europe EPS		12.1	12.3
Expectations*		-12%	3%
Japan P/E			
Japan P/E		31.2	13.1
EPS (Local)		135.5	458
Expectations*		-34%	13%
EM P/E			
EM P/E		10.2	11
EPS (Local)		49.2	86
Expectations*		-26%	2%
Russia P/E			
Russia P/E		12.7	2.1
EPS (Local)		54.89	1011
Expectations*		-50%	7%
China P/E			
China P/E		9.2	10.2
EPS (Local)		0.53	0.66
Expectations*		-5%	24%
India P/E			
India P/E		9.5	19.4
EPS (Local)		1.69	1.01
Expectations*		-59%	18%

*12-month EPS projections

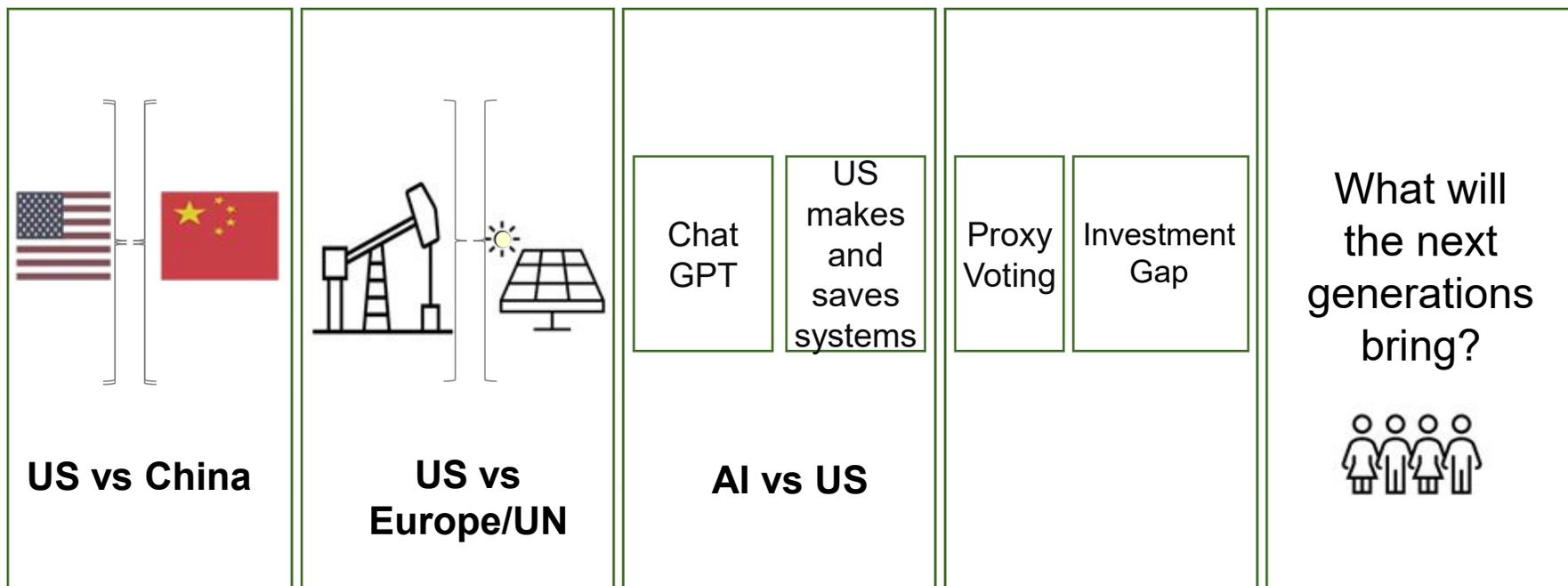


Trends

- ❑ **Overall repression**
 - Round trip on Fed Funds
- ❑ **2 Bubbles**
 - 4 Bear Markets
- ❑ **Valuations similar**
 - ❑ Lows ~ 10x
 - ❑ Highs ~ 25x
- ❑ **Presidential party neutral**
- ❑ **Oil extreme volatility**
 - Excess to shortage
- ❑ **Peaceful period vs history**
 - WTC (World Trade Center)
 - Afghanistan/Iraq
 - Russia
 - Terrorism
- ❑ **2 Bear Markets reverse Equity risk premium**
- ❑ **Economics conditions make the difference**
 - Organic
 - Generated
- ❑ **Massive generational change**
- ❑ **Safe landing**
 - Commit to the plan



Future Factors



China

Energy Transition

Technology Advancement

Concentration

Societal Demographics

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: UTIMCO Performance and Market Update

Developed By: Hall

Presented By: Hall

Type of Item: Information Item

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

Reference: *UTIMCO Performance and Market Update* presentation



UTIMCO Performance and Market Update

Board of Directors Meeting
March 30, 2023
Rich Hall, Chief Investment Officer

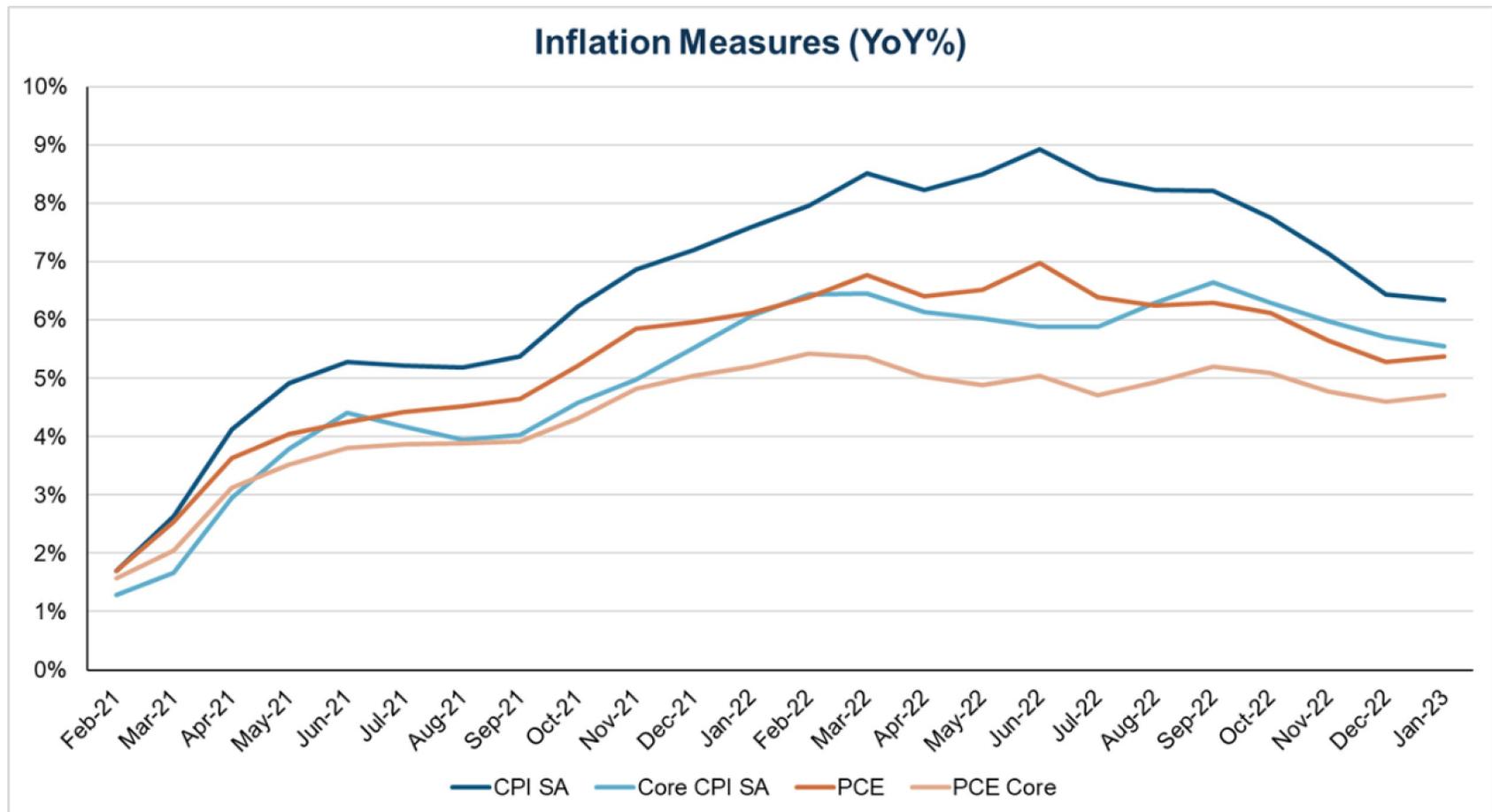
Market Overview





Review of 2022

Inflation was persistent, not transitory...

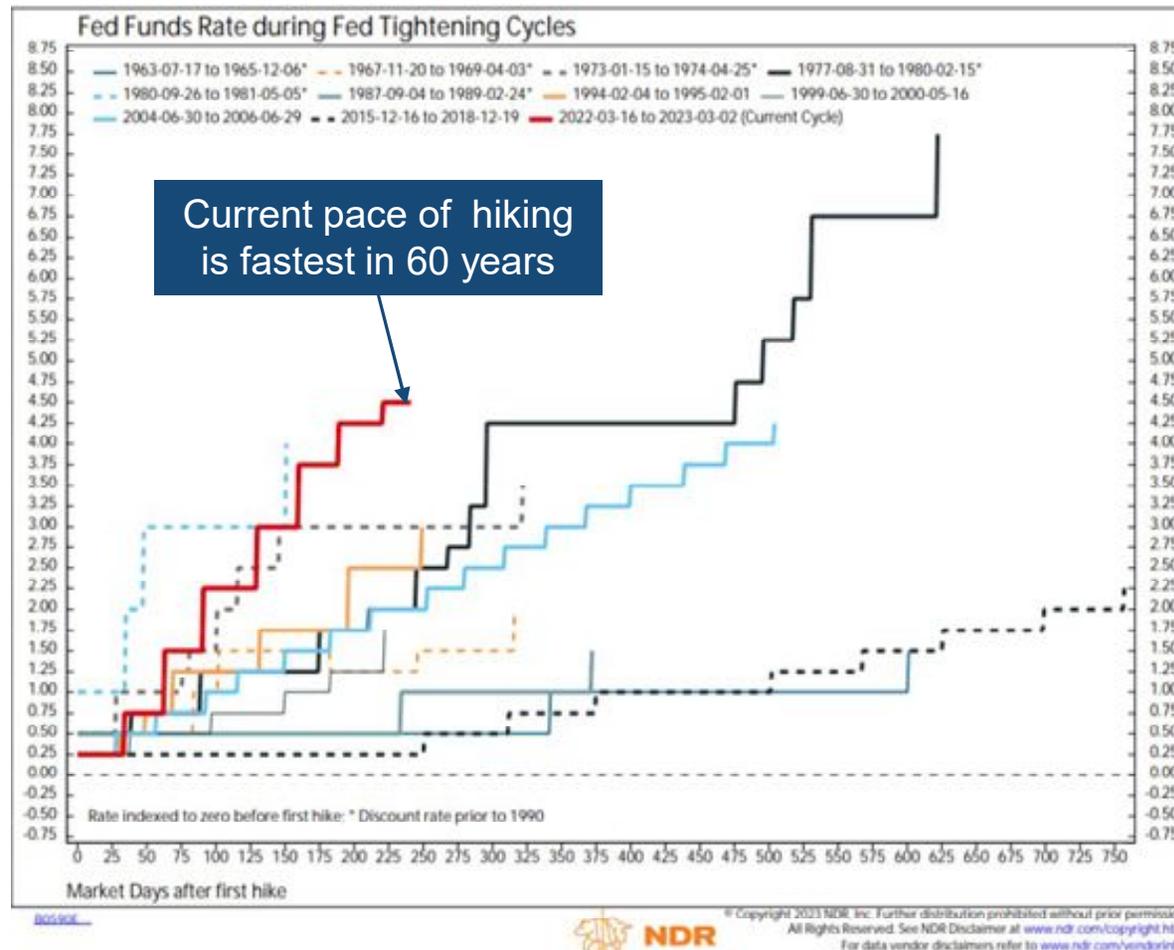


Source: Bloomberg



Review of 2022

... and the Fed responded

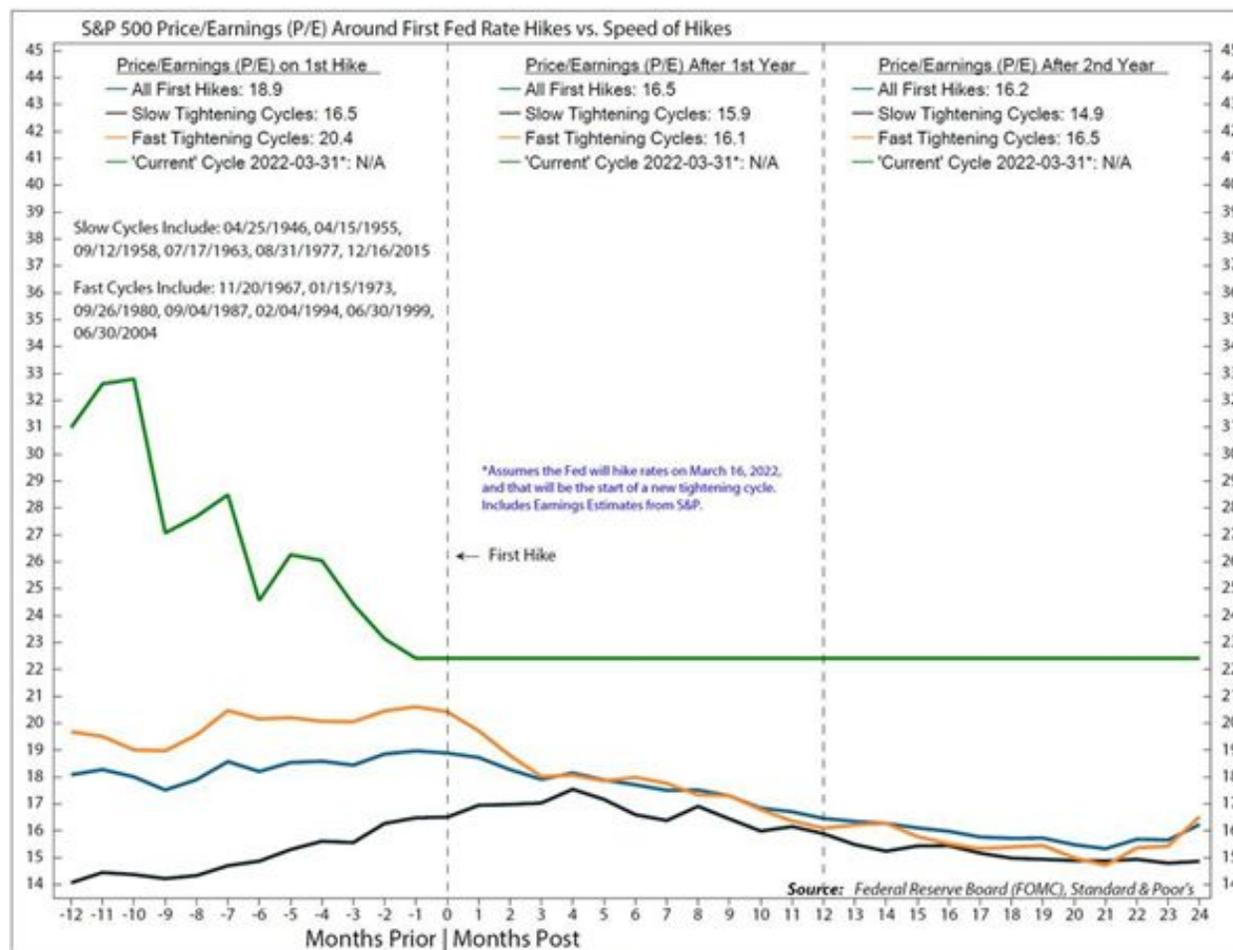


Source: Canaccord Genuity / Ned Davis Research



Review of 2022

Historically, P/E multiples contracted ~20% in the year after the Fed starts hiking...

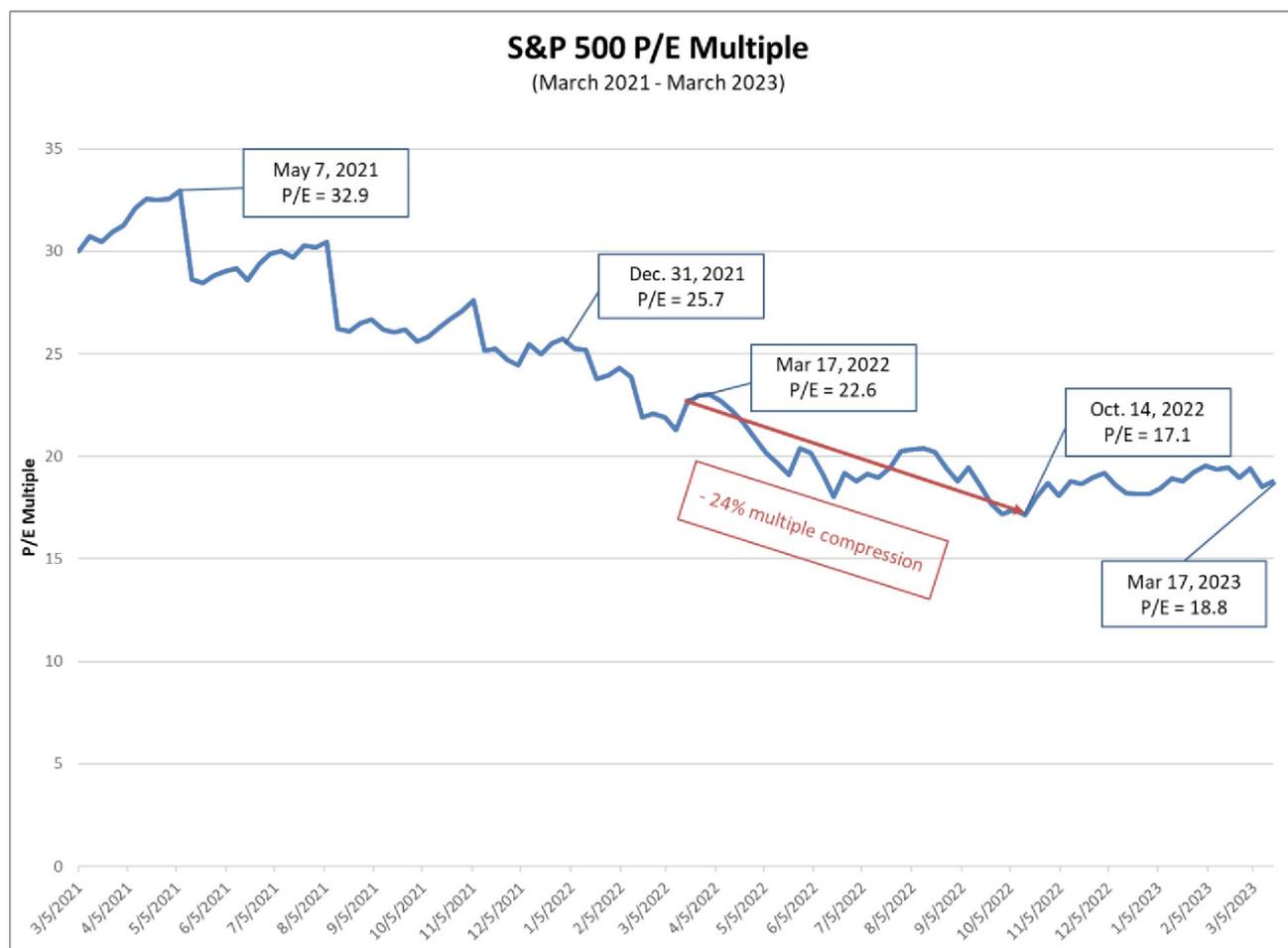


Source: Ned Davis Research



Review of 2022

... multiples compressed 24% from the first rate hike to the trough in October

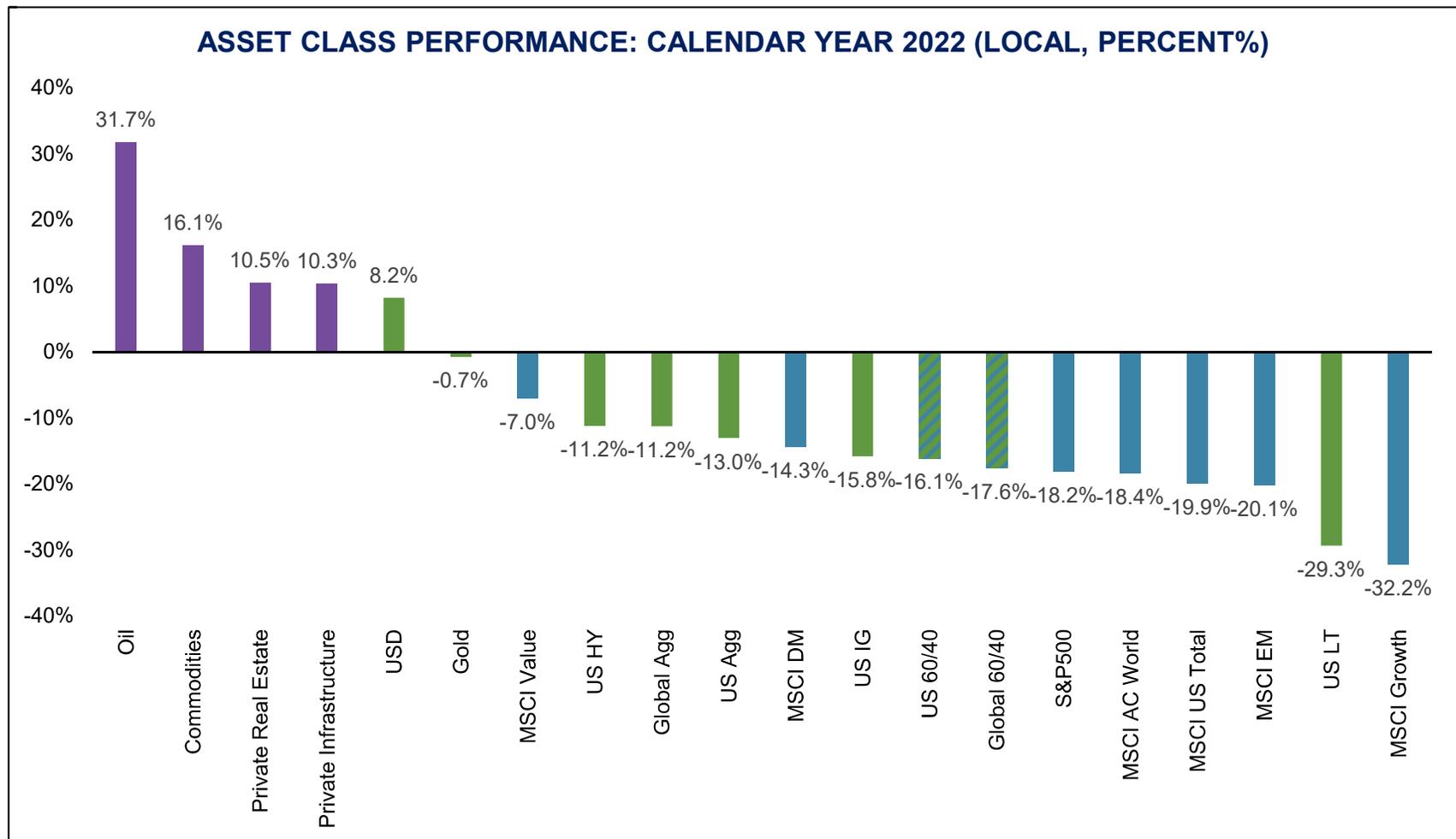


Source: Bloomberg



Review of 2022

Most asset classes posted negative returns

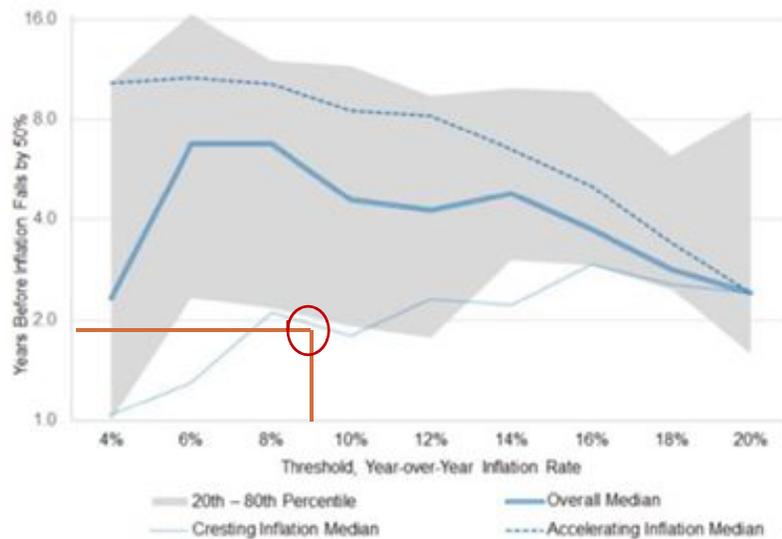




2023 Outlook

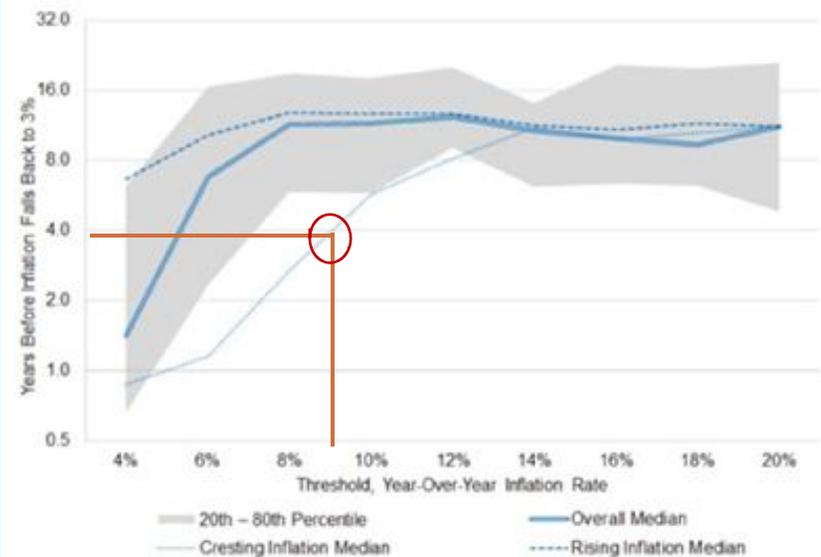
Persistence of Inflation (time needed to fall by 50% and time needed to go below 3%)

Number of Years for Inflation to Fall by 50%, since January 1970



Source: Research Affiliates

Number of Years Until Inflation Reverts Below 3%, since January 1970

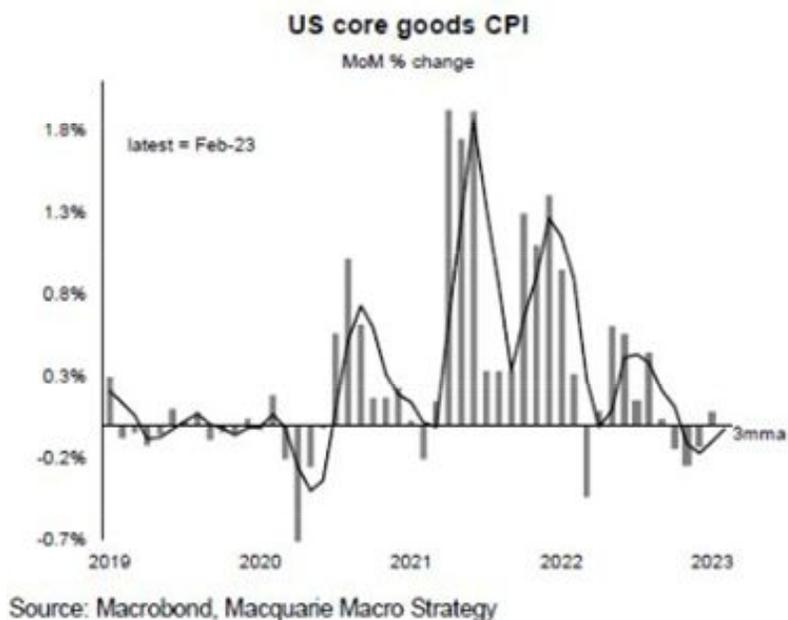


Source: Research Affiliates



2023 Outlook

Is inflation moderating? Yes and No

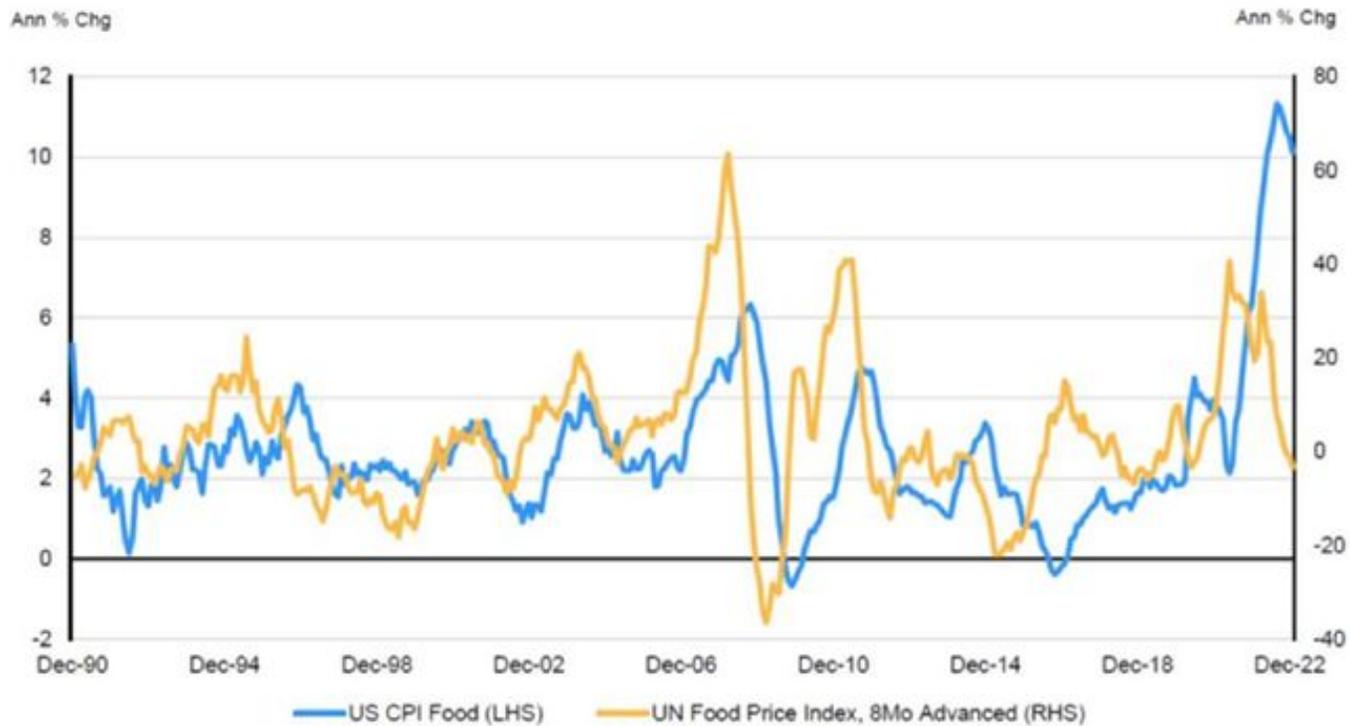




2023 Outlook

Is inflation moderating? Food costs

Food prices may fall over the coming months



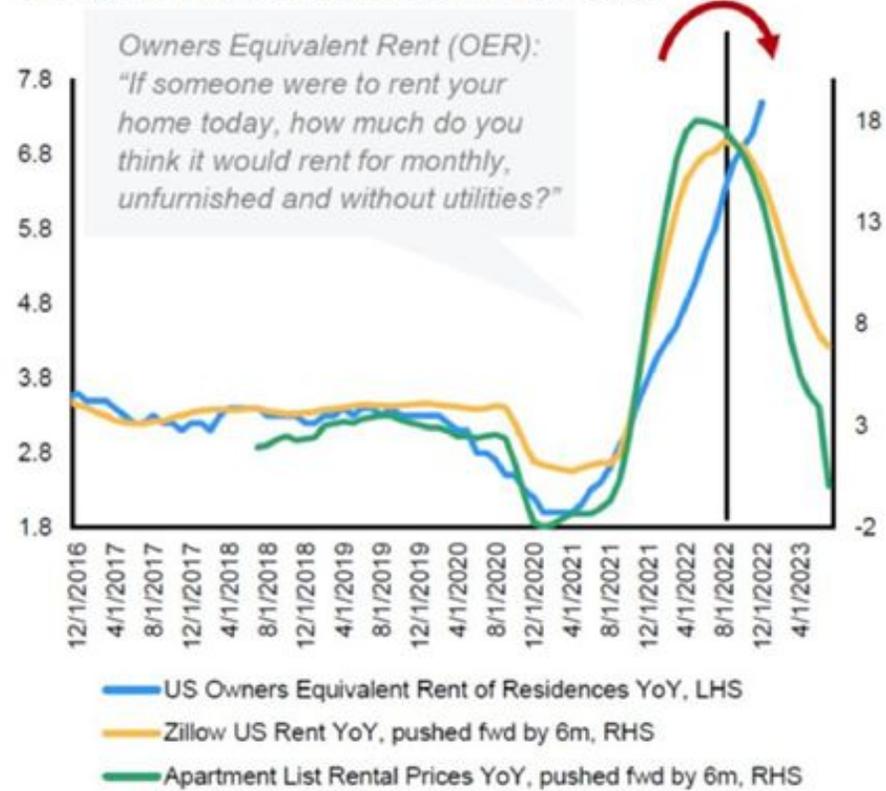
Source: JP Morgan



2023 Outlook

Is inflation moderating? Housing cost

CPI Rents vs Observable Real-Time Rents



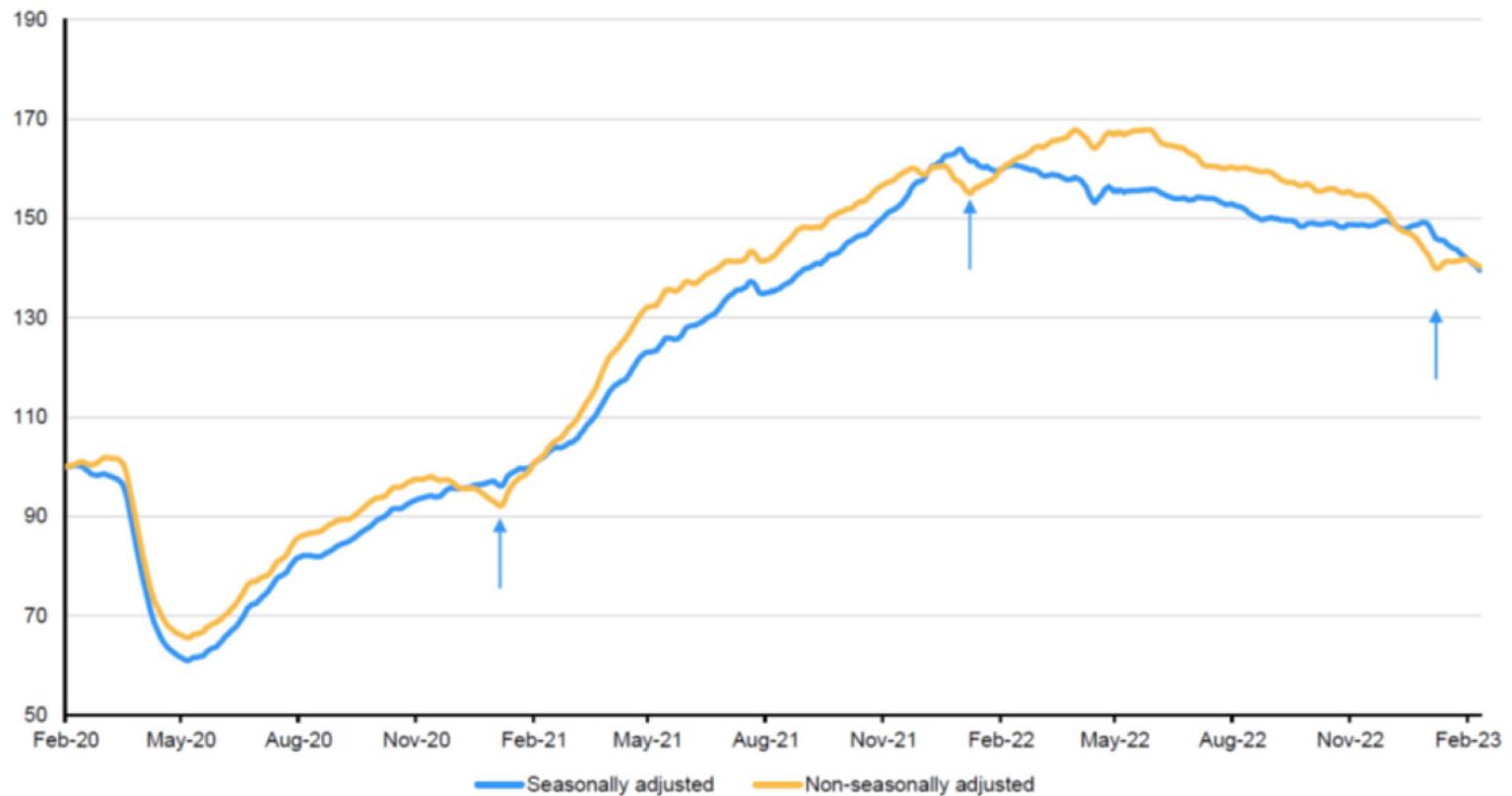
Source: JP Morgan



2023 Outlook

Is inflation moderating? Job openings

Indeed Job Openings Index (2/1/2020 = 100)



Source: Indeed, data as of 2/10/23.

Source: JP Morgan



2023 Outlook

Is inflation moderating? Unemployment leading indicator

WARN notices point to higher jobless claims



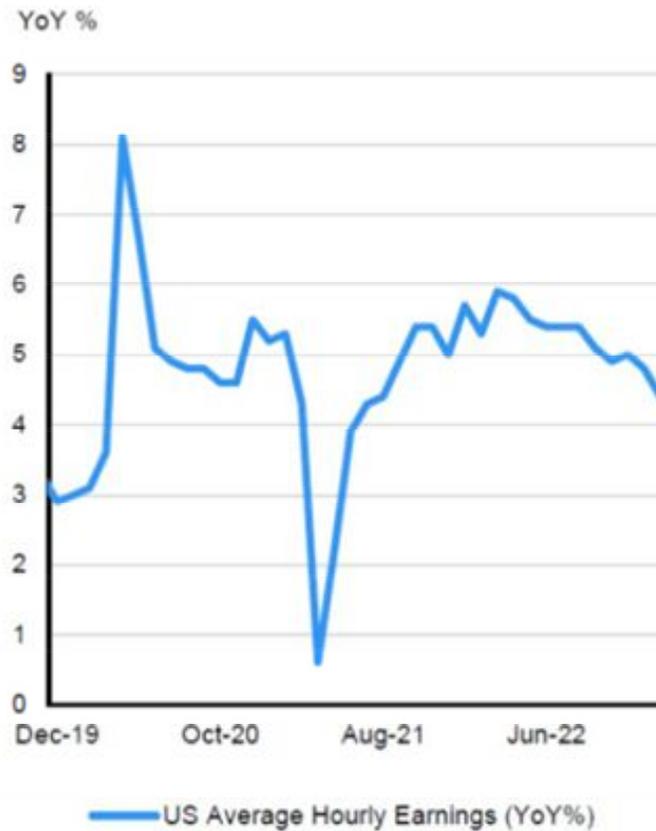
Source: Apollo



2023 Outlook

Is inflation moderating? Wages

US Average Hourly Earnings

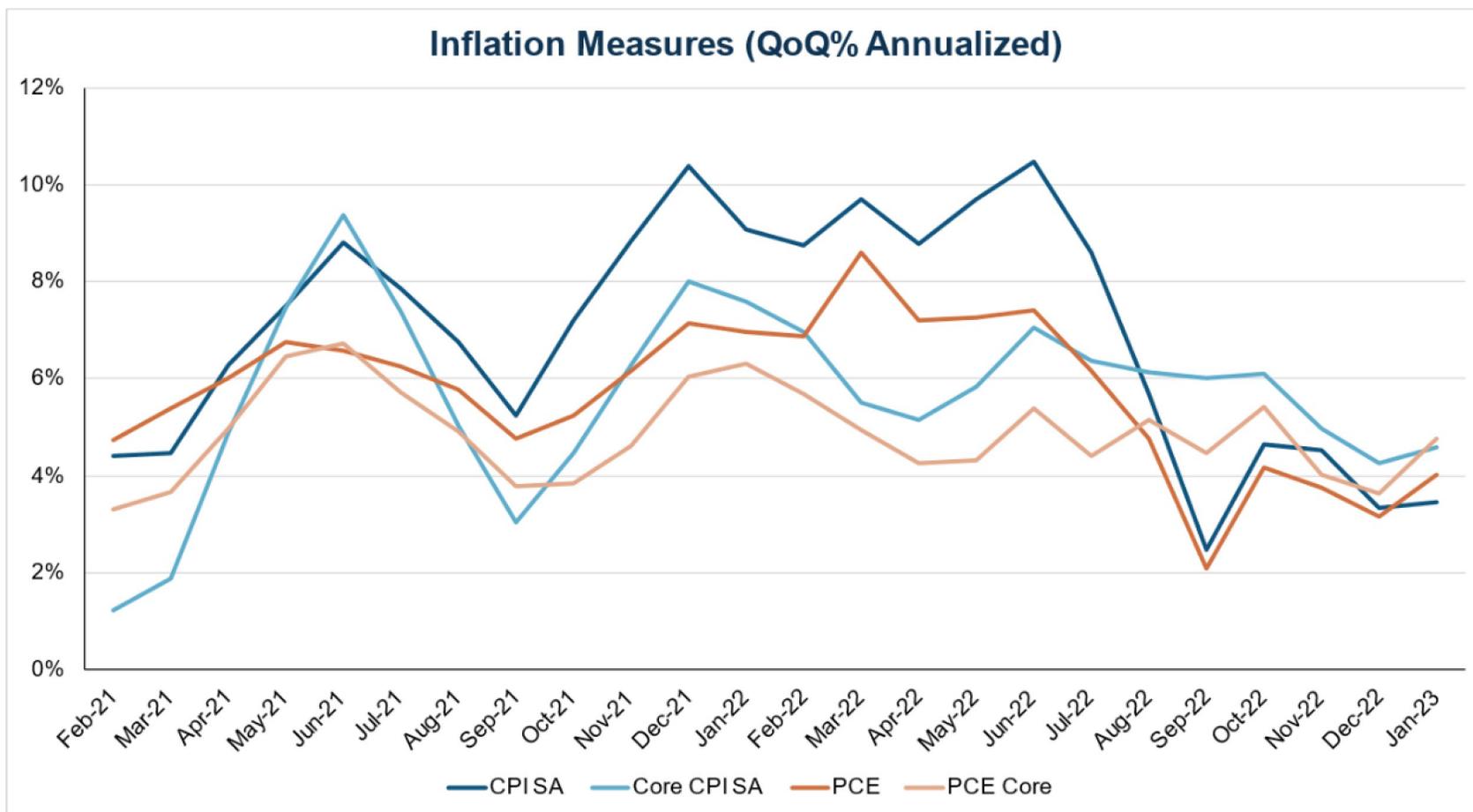


Source: JP Morgan



2023 Outlook

Is inflation moderating? Last 3 months annualized

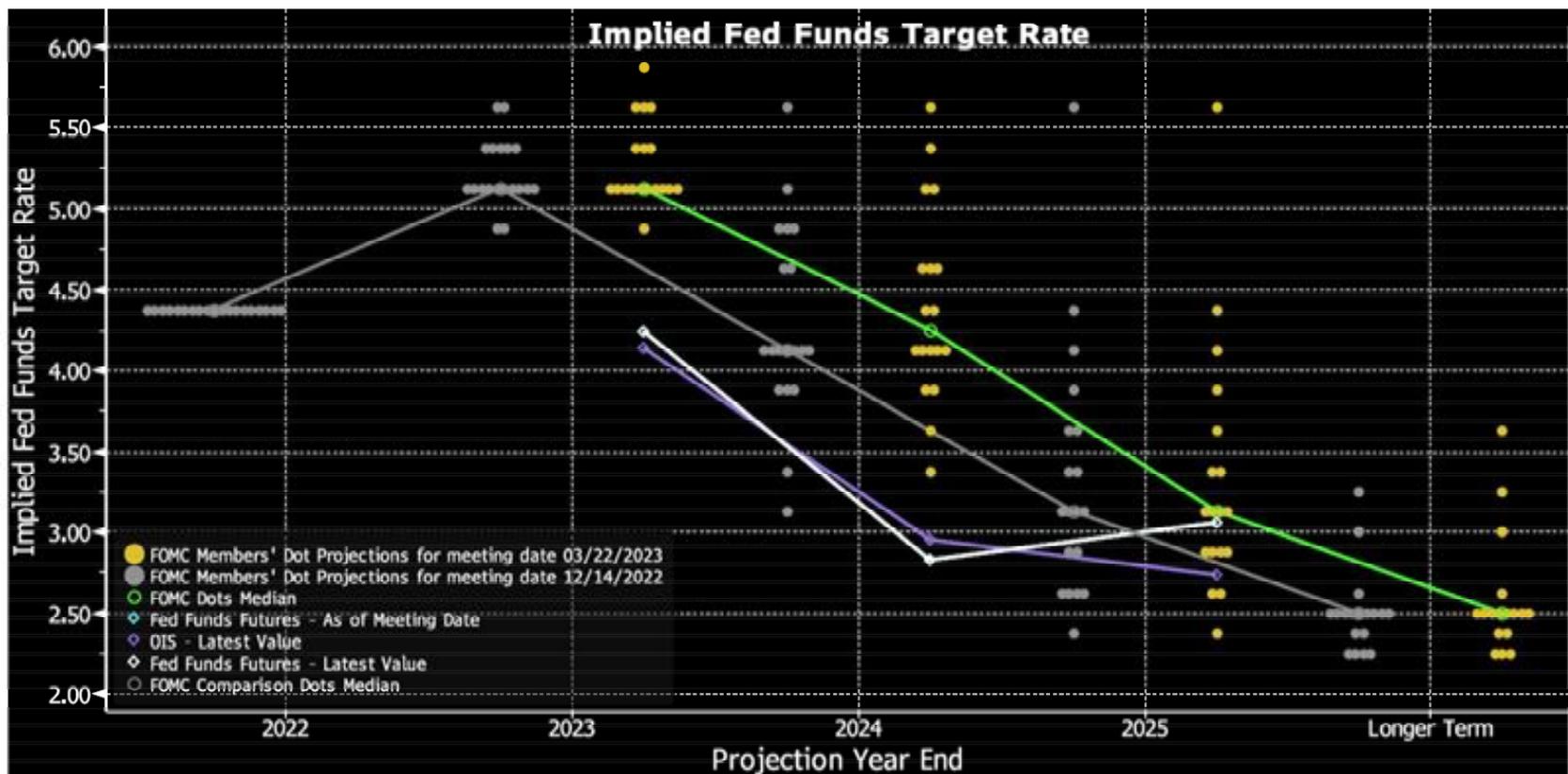


Source: Bloomberg



2023 Outlook

Projected Rates – significant gap between Fed and Market

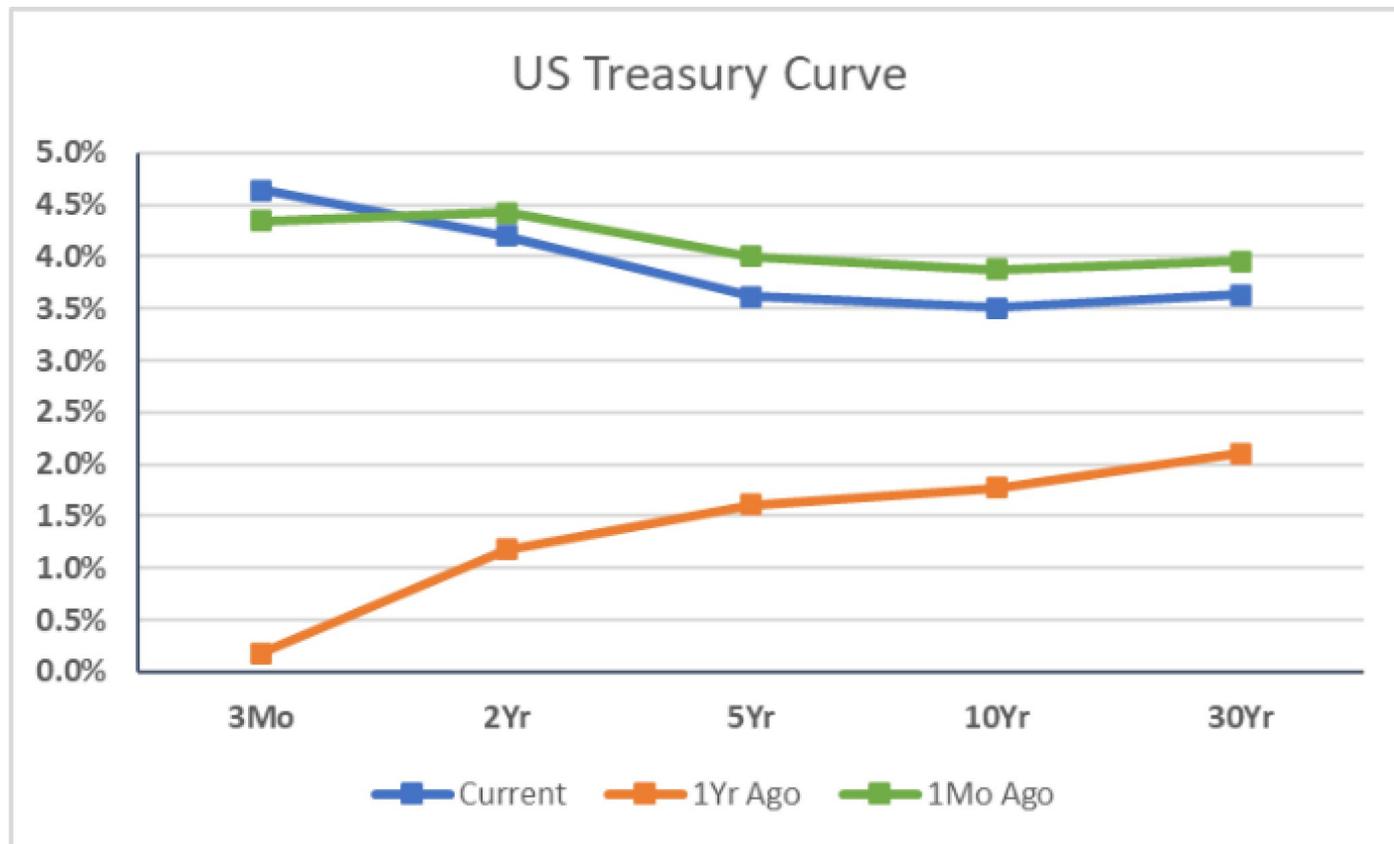


Source: Bloomberg



2023 Outlook

Yield curve inverted since July 2022

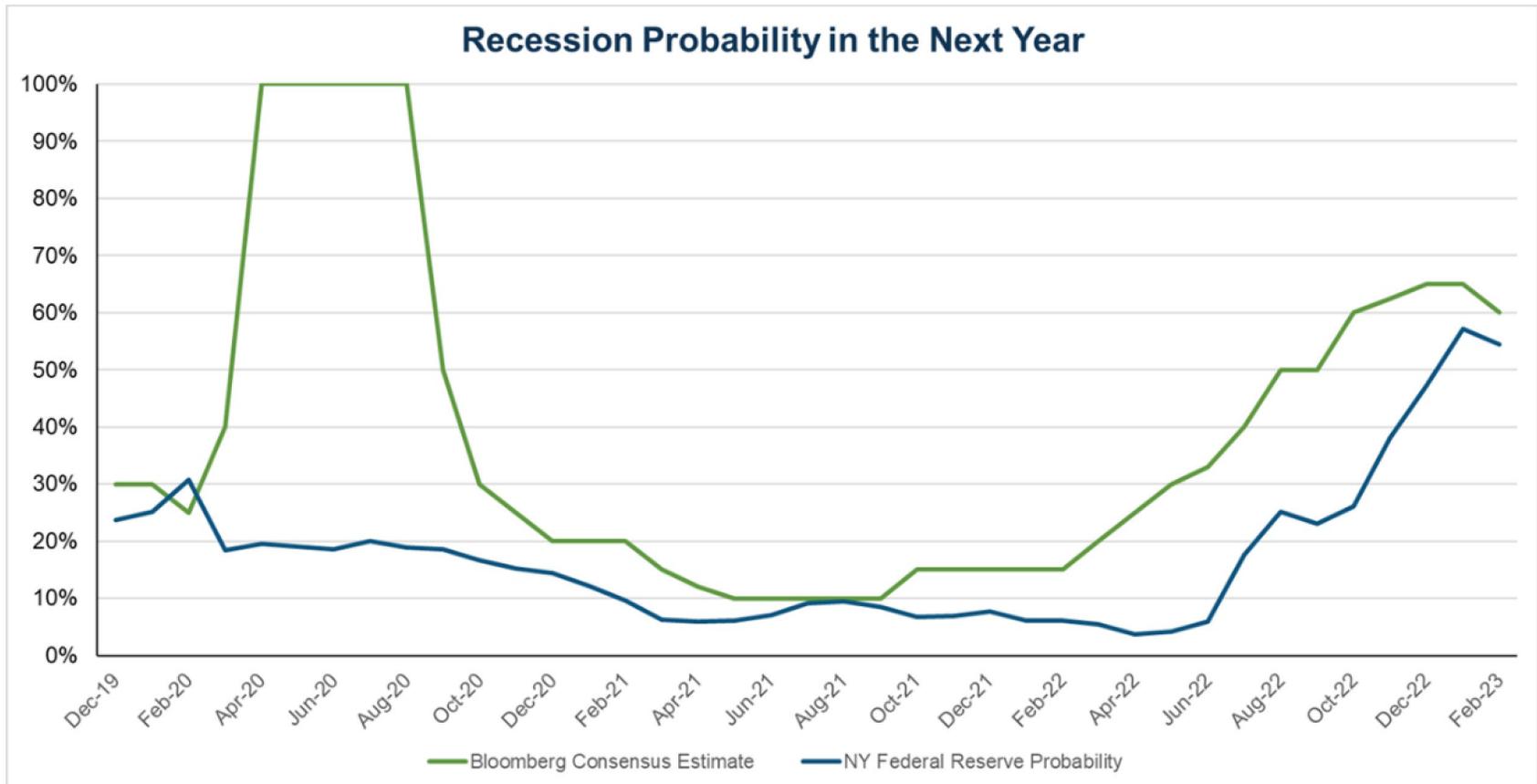


Source: Bloomberg



2023 Outlook

Recession Probability

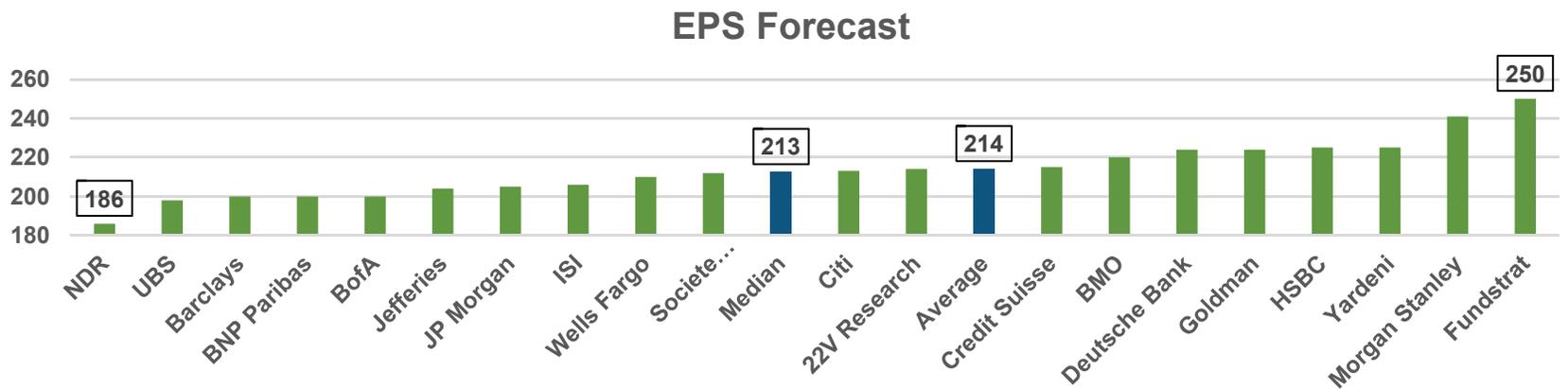


Source: Bloomberg



2023 Outlook

2023 S&P 500 Targets (Year-end value / EPS)



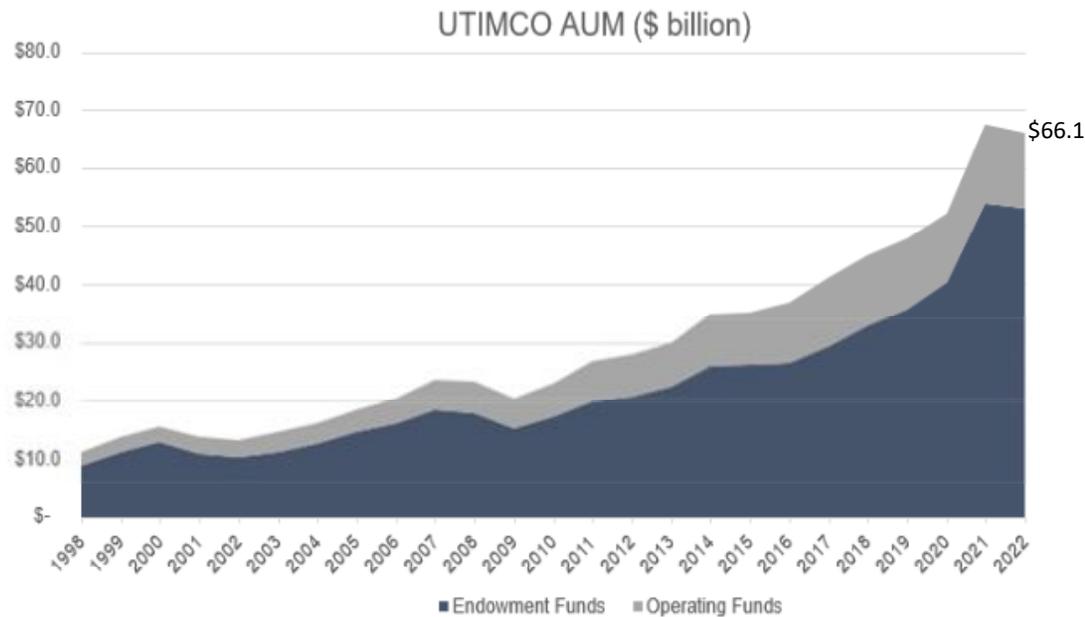
Portfolio Performance





Growth in Assets Under Management (AUM)

Total Assets through December 31, 2022



3 Month Change in AUM

	\$ Billion
Beginning Net Asset Value (NAV)	63.3
Contributions	1.2
Net Investment Income	1.8
Distributions	-0.3
Ending Net Asset Value	66.1

3 Year Change in AUM

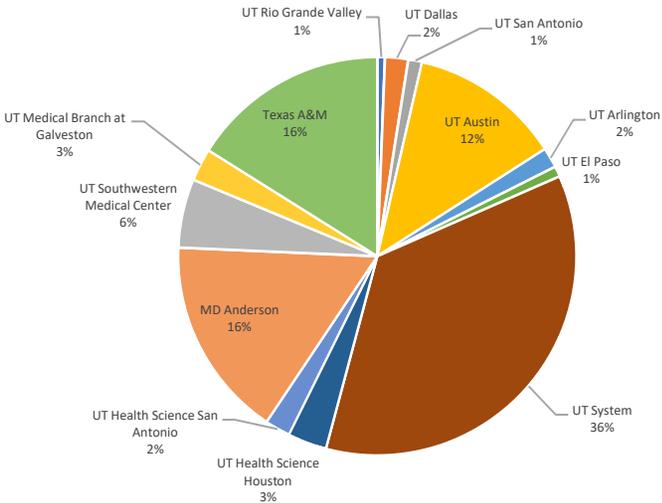
	\$ Billion
Beginning Net Asset Value	50.5
Contributions	9.2
Net Investment Income	11.0
Distributions	-6.2
Ending Net Asset Value	66.1



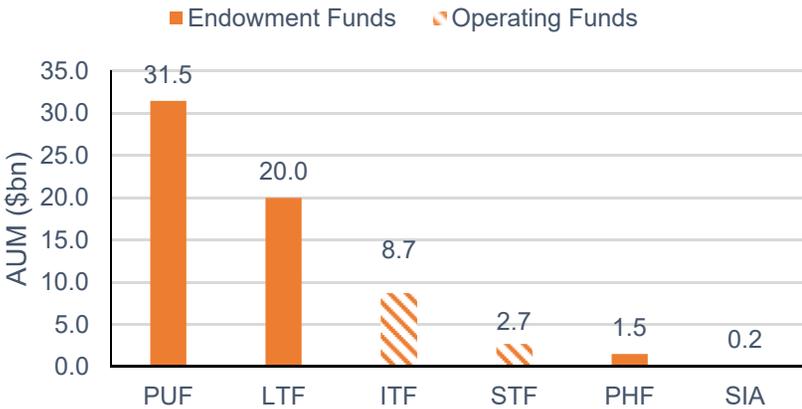
AUM Breakdown

As of December 31, 2022

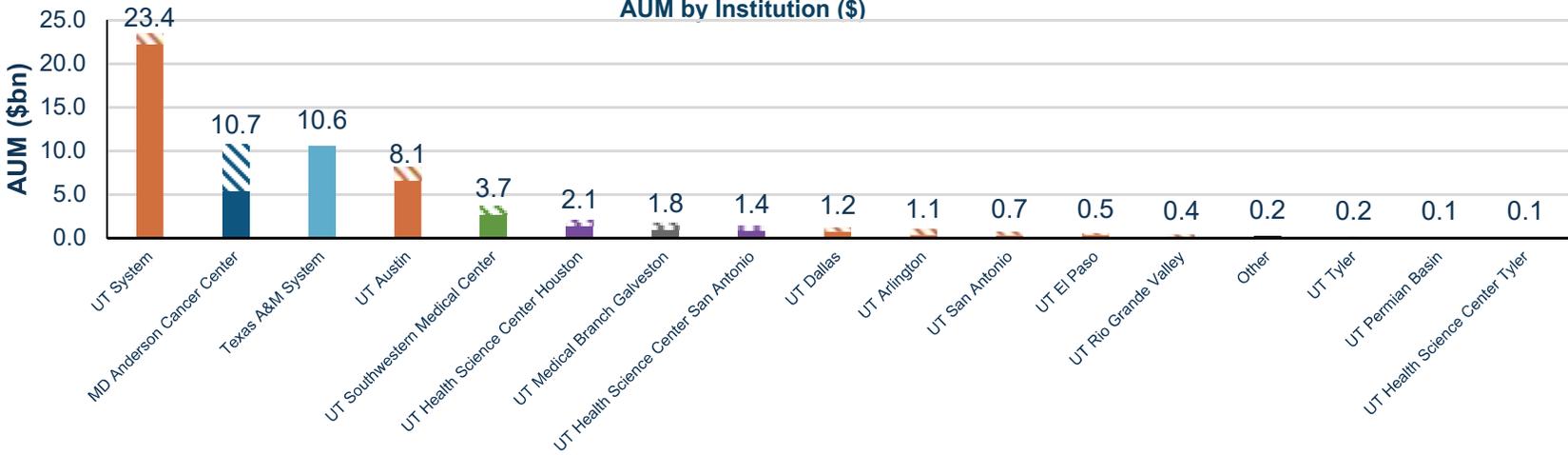
AUM by Institution (%)



AUM by Fund



AUM by Institution (\$)





Return vs Expectations: PUF

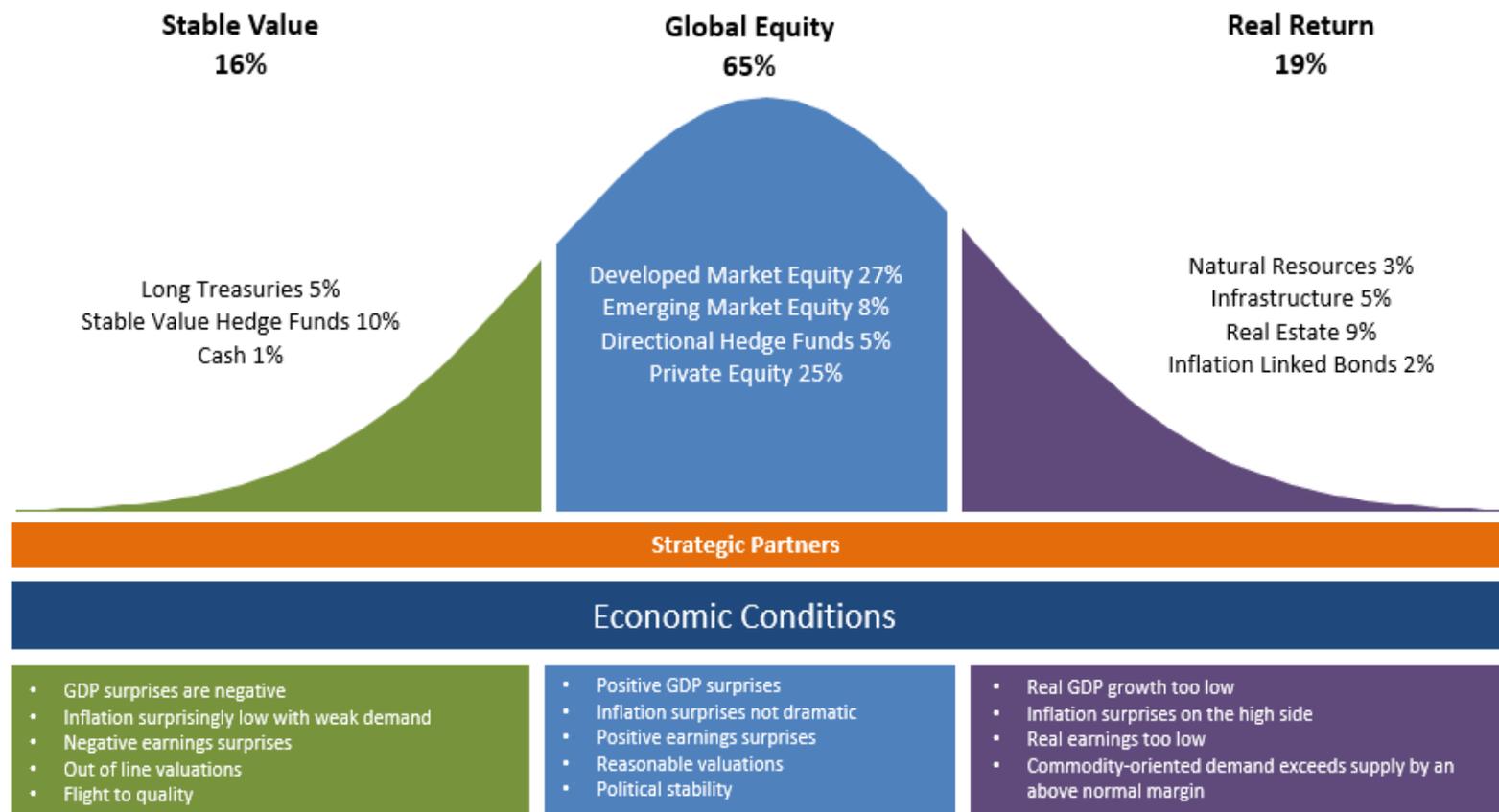
The portfolio has performed as expected





UTIMCO Diversification Framework

Returns as of December 31, 2022



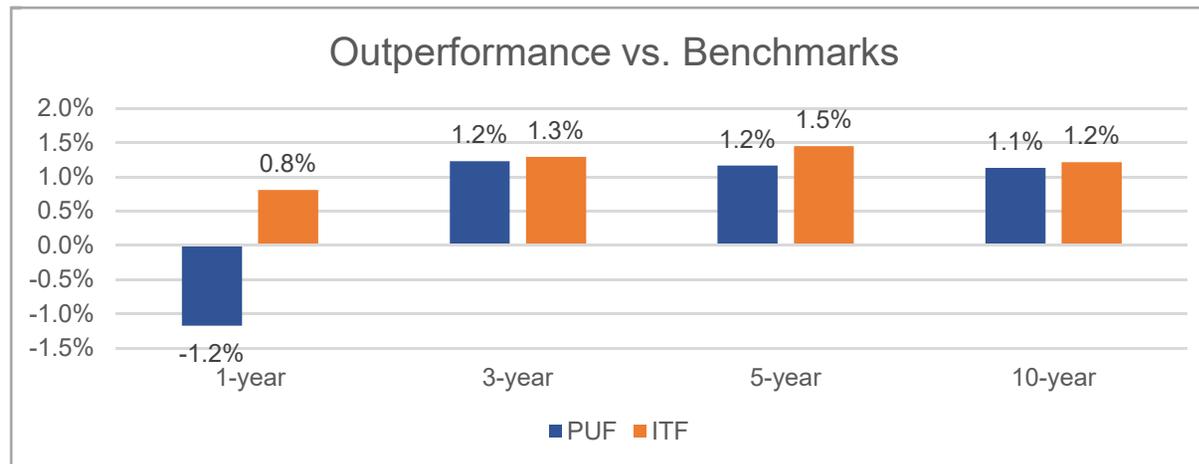
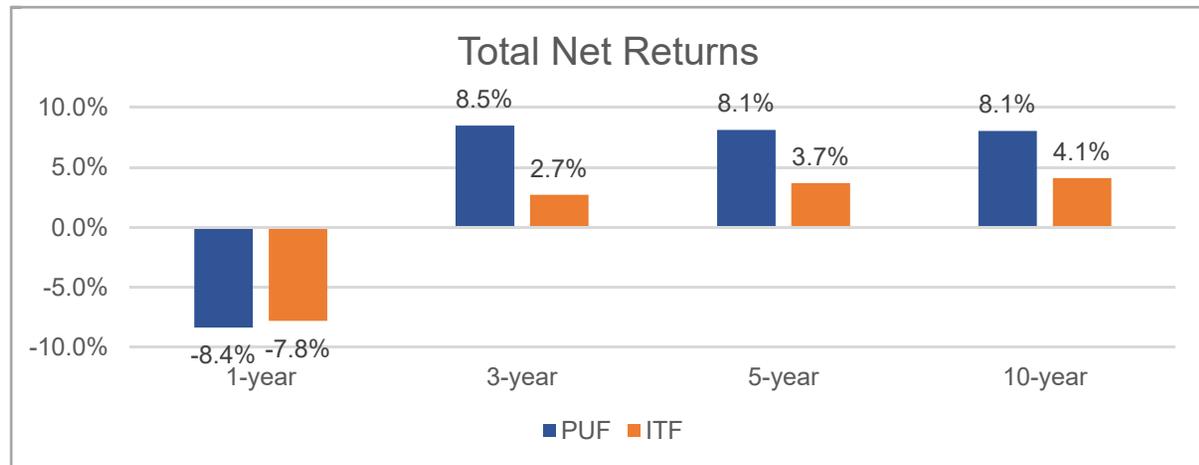
*LTSAA Policy Weights

Annualized Returns			Annualized Returns			Annualized Returns		
1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr
(2.2)	2.5	2.1	(12.6)	10.2	9.7	4.0	9.2	6.3



UTIMCO Returns and Alpha

As of December 31, 2022





Endowment Returns and Alpha

Through December 31, 2022

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(21.9%)	(3.3%)	2.2%	(0.8%)	14,725	27.8%	(0.3%)
	Directional Hedge Funds	(3.3%)	1.9%	5.9%	2.1%	3,186	6.0%	0.0%
	Total Private Equity	(4.1%)	0.8%	22.7%	4.8%	14,582	27.6%	0.3%
	Total Global Equity	(12.6%)	(1.5%)	10.2%	1.3%	32,493	61.4%	0.0%
Stable Value	Investment Grade Fixed Income	(10.7%)	0.5%	(1.5%)	1.0%	1,682	3.2%	0.5%
	Long Treasuries	(29.9%)	(0.6%)			941	1.8%	(0.8%)
	Cash	1.6%	0.2%	0.7%	(0.0%)	988	1.9%	0.9%
	Stable Value Hedge Funds	7.4%	6.9%	8.6%	4.0%	4,936	9.3%	(0.1%)
	Total Stable Value	(2.2%)	3.7%	2.5%	1.4%	8,546	16.2%	0.4%
Real Return	Inflation Linked Bonds	(11.8%)	0.0%			1,051	2.0%	(0.0%)
	Natural Resources	0.2%	(23.5%)	3.2%	(5.4%)	2,474	4.7%	(0.0%)
	Infrastructure	11.0%	0.7%	24.9%	14.6%	1,682	3.2%	0.0%
	Real Estate	8.4%	0.6%	10.0%	0.1%	4,289	8.1%	0.1%
	Total Real Return	4.0%	(7.2%)	9.2%	0.4%	9,495	17.9%	0.1%
Strategic Partnerships	Total Strategic Partnerships	(16.9%)	2.5%		0.0%	2,392	4.5%	(0.5%)
TAA	TAA	0.1%	0.1%	0.1%	0.1%	5		
Total Fund	Endowment Total	(8.4%)	(1.2%)	8.5%	1.2%	52,930	100.0%	(0.0%)



ITF Returns and Alpha Detail

Through December 31, 2022

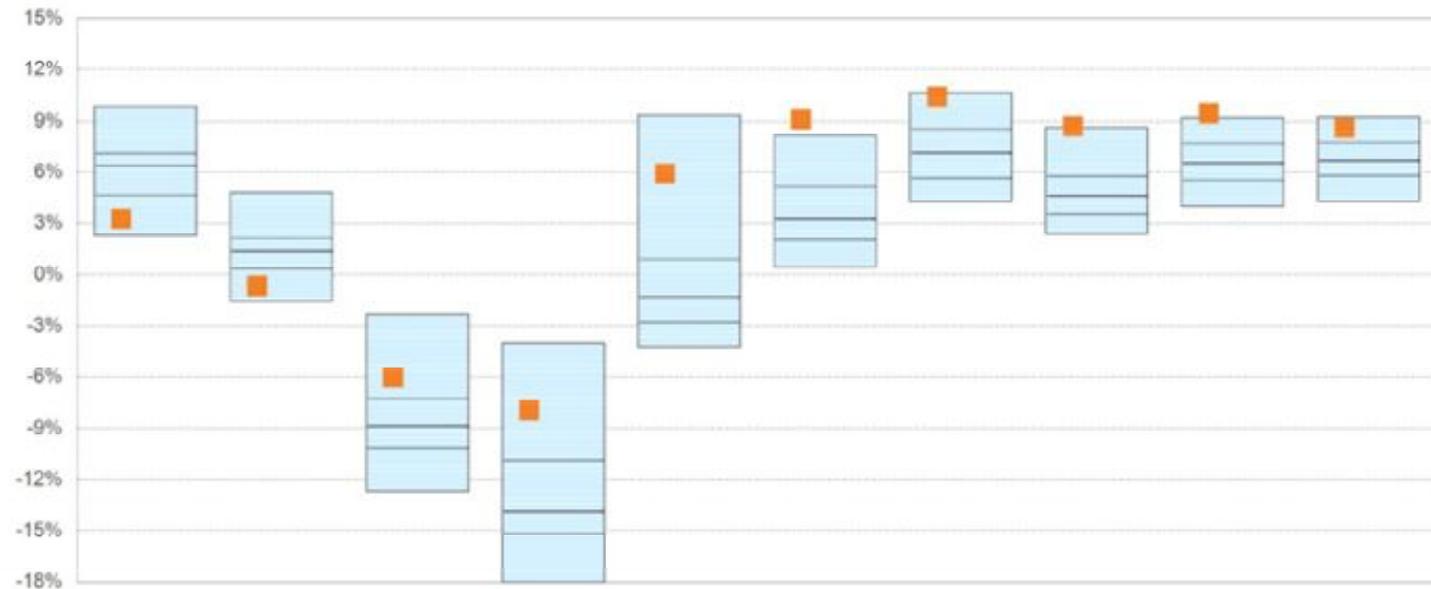
		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(21.9%)	(3.6%)	1.7%	(1.2%)	1,240	14.2%	(0.1%)
	Directional Hedge Funds	(3.4%)	1.9%	5.9%	2.1%	3,301	37.8%	0.8%
	Total Global Equity	(8.1%)	0.4%	4.8%	1.4%	4,541	52.0%	0.7%
Stable Value	Investment Grade Fixed Income	(10.7%)	0.5%	(1.5%)	1.0%	1,234	14.1%	1.5%
	Long Treasuries	(30.1%)	(0.9%)			354	4.1%	(1.0%)
	Cash	1.6%	0.2%	0.7%	(0.0%)	137	1.6%	(0.4%)
	Stable Value Hedge Funds	6.9%	6.5%	8.7%	4.1%	1,606	18.4%	(0.6%)
	Total Stable Value	(6.4%)	1.7%	0.3%	1.4%	3,330	38.1%	(0.5%)
Real Return	Inflation Linked Bonds	(11.8%)	0.0%			435	5.0%	(0.0%)
	Commodities	16.1%	(0.0%)			212	2.4%	(0.1%)
	Real Estate	(24.6%)	(0.1%)			215	2.5%	(0.0%)
	Total Real Return	(9.9%)	(1.2%)			862	9.9%	(0.1%)
Total Fund	ITF Total	(7.8%)	0.8%	2.7%	1.3%	8,733	100.0%	0.0%



Q4 TUCS

Trust Universe Comparison Service Performance Comparison

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



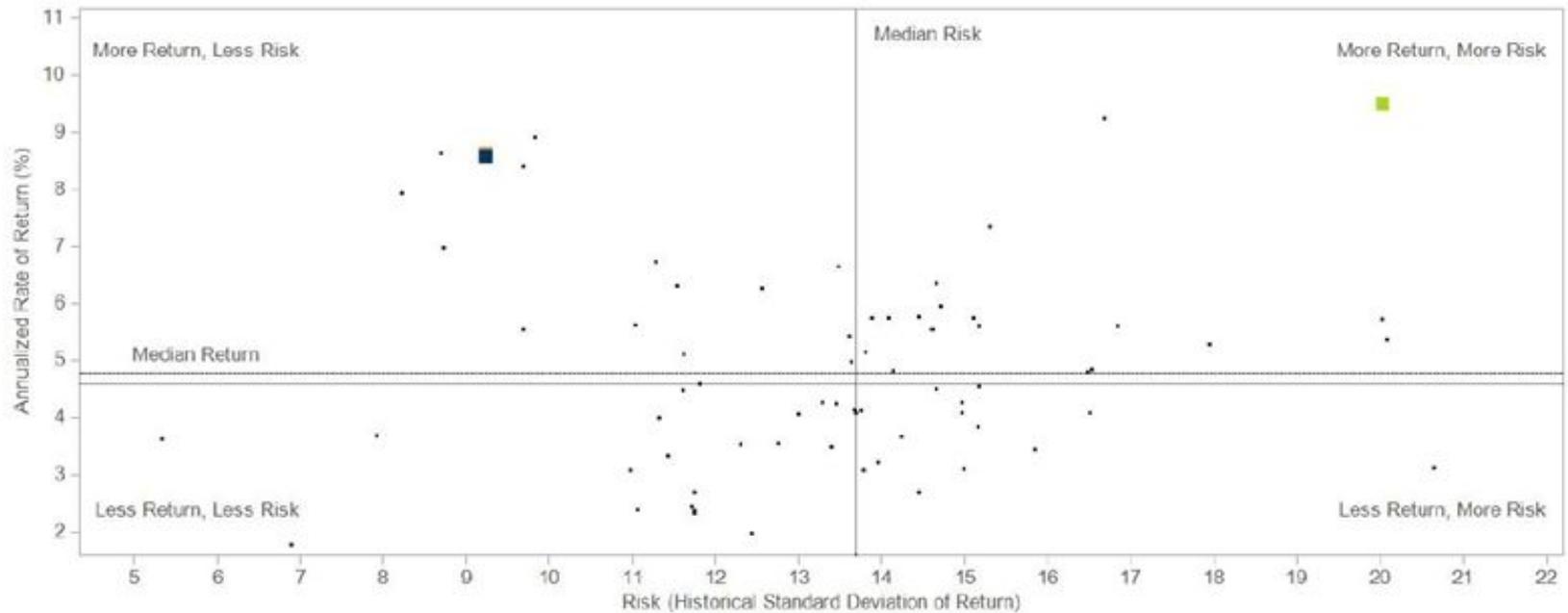
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	9.85	4.81	-2.32	-4.03	9.36	8.17	10.67	8.64	9.20	9.23
25th	7.10	2.13	-7.27	-10.85	0.92	5.17	8.51	5.76	7.66	7.75
50th	6.37	1.36	-8.88	-13.90	-1.28	3.26	7.12	4.60	6.54	6.66
75th	4.65	0.36	-10.15	-15.16	-2.80	2.03	5.66	3.55	5.49	5.78
95th	2.28	-1.55	-12.67	-18.05	-4.26	0.44	4.26	2.37	4.00	4.30
No. Of Obs	90	89	87	86	82	82	73	72	70	68
PUF TOTAL FUND	3.06 (89)	-0.86 (92)	-6.24 (21)	-8.17 (17)	5.71 (9)	8.88 (3)	10.19 (5)	8.50 (5)	9.22 (3)	8.37 (14)



Q4 TUCS: Risk and Return

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

5 Years Ending December 31, 2022



Alpha: 4.78
Beta: 0
R-Squared: 0

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.30	91	8.53	5
PUF TOTAL FUND	9.30	91	8.50	5
S&P 500	20.08	2	9.42	1
Median	13.69		4.60	

Appendix





Sector Return Dispersion

As of December 31, 2022

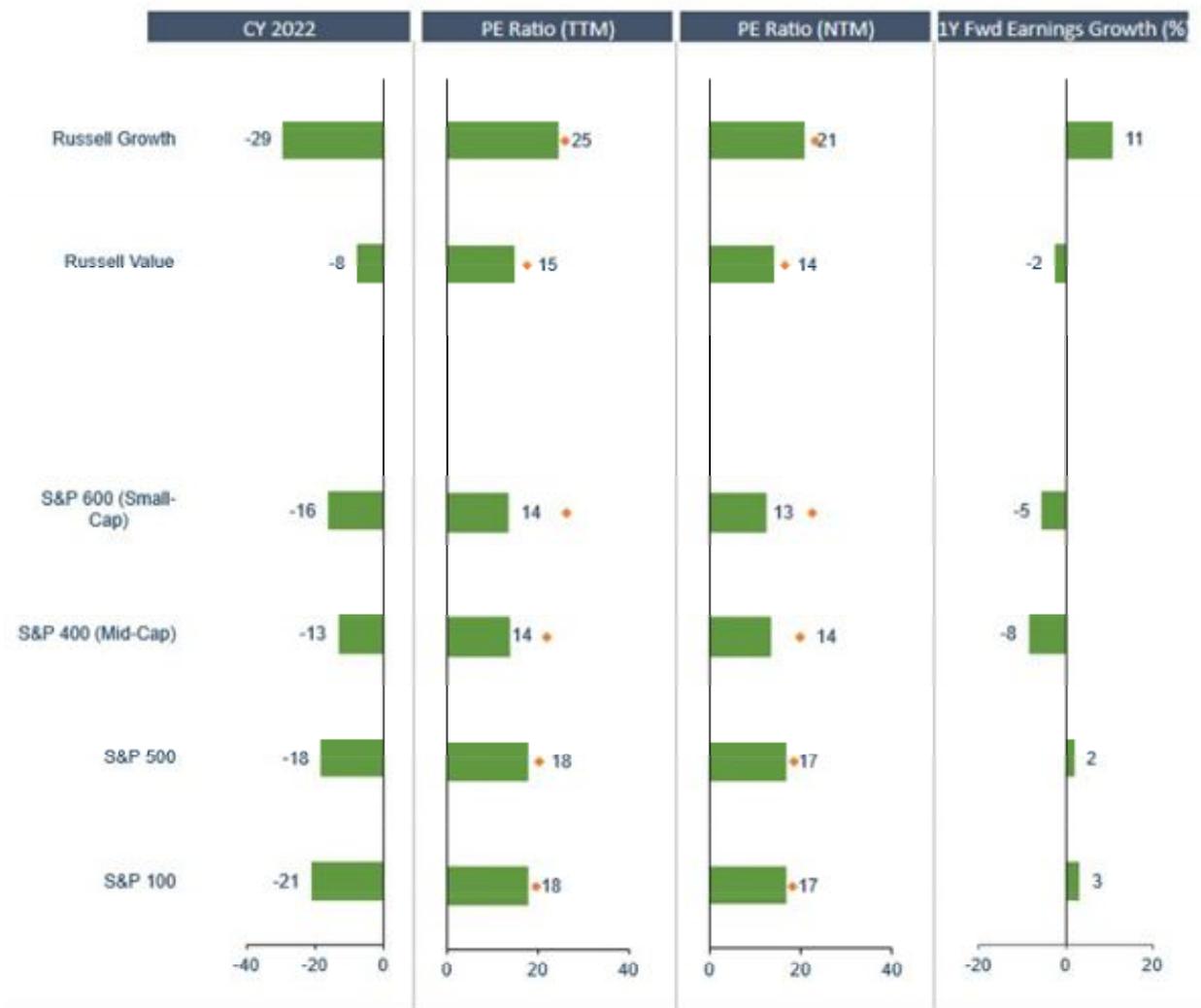


◆ 10-year Average P/E Ratios



Style and Market Cap Return Dispersion

As of December 31, 2022

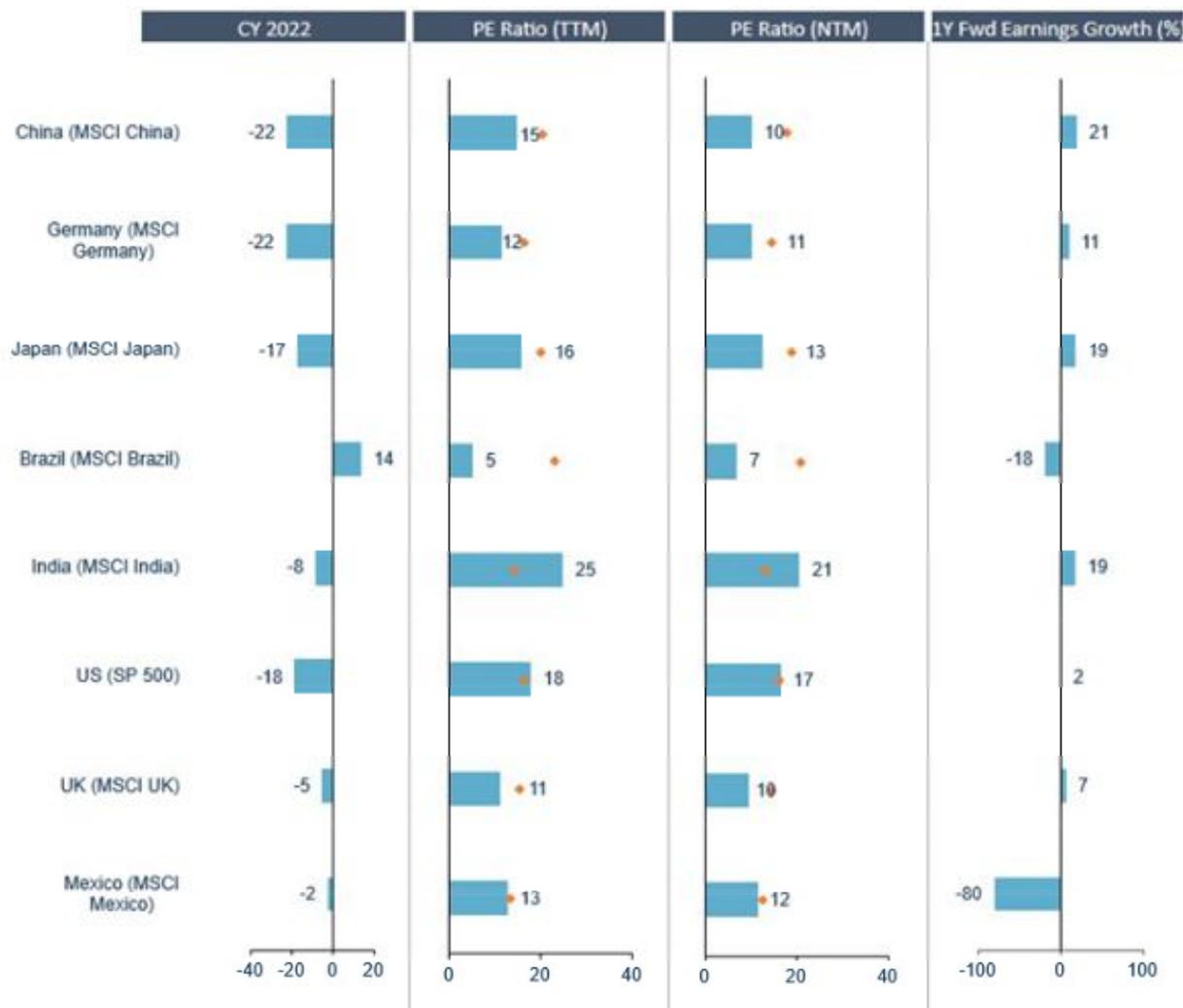


◆ 10-year Average P/E Ratios



Country Return Dispersion

As of December 31, 2022



◆ 10-year Average P/E Ratios



Economic Indicators

Estimates as of 3/3/23

	Quarterly Real GDP		Real GDP		S&P 500 EPS			Unemployment		Core PCE	
	Q1	Q2	2023	2024	2022	2023	2024	2023	2024	2023	2024
AGMR	-1.1%	-1.4%	-0.6%		\$197	\$178		5.3%		3.5%	
Barclays	1.5%	1.0%	1.3%	0.2%	\$221	\$200		4.4%	4.3%	3.9%	2.6%
BofA	1.0%	0.5%	1.0%	-0.1%	\$220	\$200		4.1%	4.6%	3.7%	2.1%
Citi	1.5%	0.8%	1.1%		\$221	\$216		5.1%		4.6%	
Credit Suisse	0.9%	0.2%	1.2%	1.3%	\$223	\$210	\$215	3.9%	4.0%	4.0%	2.7%
Goldman	1.8%	1.1%	1.7%	1.6%	\$224	\$224	\$237	3.6%	3.6%	3.3%	2.3%
ISI	1%		-0.5%		\$222	\$206	\$221	5.0%		3.0%	
JP Morgan	2.0%	0.8%	1.5%	0.4%	\$225	\$205	\$230	4.1%	4.9%	3.9%	2.3%
Morgan Stanley	1.5%	1.5%	1.1%	0.9%	\$219	\$195	\$241	4.0%	4.1%	4.0%	2.6%
UBS	1.5%	-0.9%	-0.6%	1.9%	\$223	\$198	\$215	4.2%	5.4%	2.5%	1.5%
Yardeni	1.0%	1.0%	1.5%	2.5%	\$215	\$225	\$250	3.5%	3.5%	4.0%	3.0%
Median	1.5%	0.8%	1.1%	1.1%	\$221	\$205	\$230	4.1%	4.2%	3.9%	2.5%
Average	1.1%	0.5%	0.8%	1.1%	\$219	\$205	\$230	4.3%	4.3%	3.7%	2.4%
FOMC			0.5%	1.6%				4.6%	4.6%	3.5%	2.5%

Prior Years

Real GDP			S&P 500 EPS			Unemployment			Core PCE		
2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
-2.8%	5.9%	2.1%	\$142	\$208		6.7%	3.9%	3.5%	1.5%	5.0%	4.4%



Economic Indicators

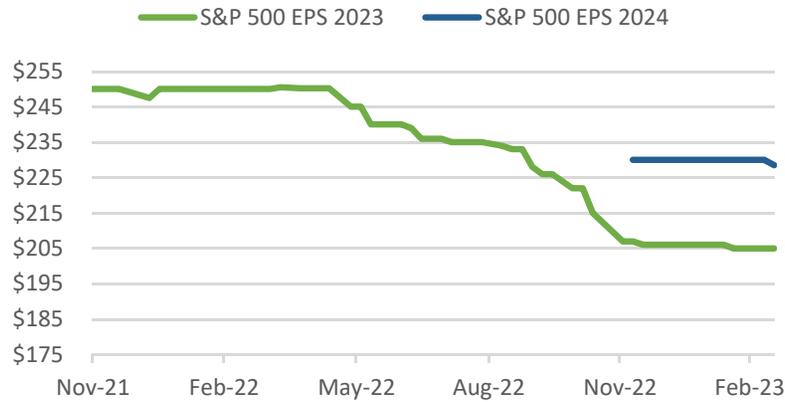
Median Over Time

	Quarterly Real GDP				S&P 500 EPS			Unemployment		Core PCE	
	Q1	Q2	2023	2024	2022	2023	2024	2023	2024	2023	2024
3/3/2023	1.5%	0.8%	1.1%	1.1%	\$221	\$205	\$230	4.1%	4.2%	3.9%	2.5%
2/24/2023	1.1%	0.7%	1.1%	1.4%	\$221	\$205	\$230	4.2%	4.4%	3.7%	2.4%
2/17/2023	1.0%	0.7%	1.1%	1.4%	\$221	\$205	\$230	4.2%	4.4%	3.7%	2.4%
2/10/2023	1.0%	0.4%	1.0%	1.4%	\$221	\$206	\$230	4.3%	4.5%	3.5%	2.4%
2/3/2023	0.8%	0.2%	0.8%	1.4%	\$221	\$206	\$230	4.4%	4.5%	3.4%	2.4%
1/27/2023	0.8%		0.7%	1.1%	\$221	\$206	\$230	4.4%	4.5%	3.5%	2.4%
1/20/2023	0.9%		0.7%	0.9%	\$221	\$206	\$230	4.6%	4.5%	3.4%	2.4%
1/13/2023	0.8%		0.5%	0.9%	\$221	\$206	\$230	4.6%	4.5%	3.5%	2.3%
1/6/2023	0.8%		0.5%	0.9%	\$221	\$206	\$230	4.6%	4.5%	3.5%	2.4%
12/16/2022	0.7%		0.5%	0.9%	\$221	\$206	\$230	4.8%	4.5%	3.5%	2.4%
12/9/2022	0.7%		0.5%		\$221	\$207	\$230	4.8%		3.6%	
12/2/2022	0.8%		0.5%		\$221	\$207		4.8%		3.6%	
11/11/2022	0.8%		0.6%		\$221	\$215		4.6%		3.6%	
11/4/2022	0.6%		0.6%		\$222	\$222		4.6%		3.7%	



Economic Indicators

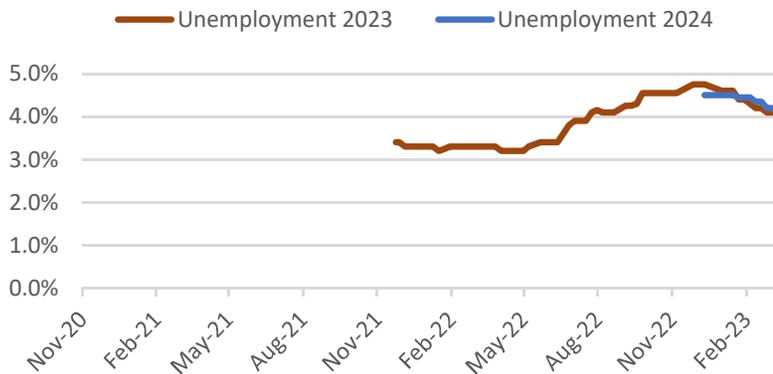
S&P500 EPS Projections



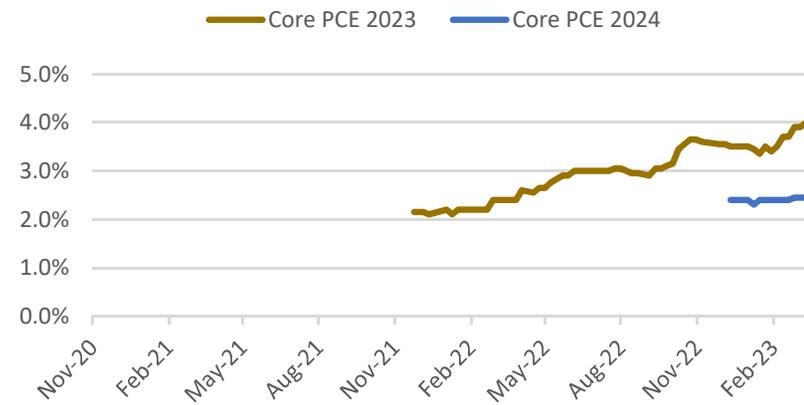
Real GDP Forecasts



Unemployment Rate Forecast



Core PCE Forecast





Market Dashboard: CY 2022 and YTD 2023

Rates

	12/31/2021	12/30/2022	Change 2022	2/28/2023	Change YTD
Fed Funds	0.25	4.50	4.25	4.75	0.25
2-yr Treasury	0.73	4.43	3.69	4.82	0.39
5-yr Treasury	1.26	4.00	2.74	4.18	0.18
10-yr Treasury	1.51	3.87	2.36	3.92	0.05
30-yr Treasury	1.90	3.96	2.06	3.92	-0.05
Investment Grade Bonds	2.34	5.60	3.26	5.66	0.06
High Yield	4.61	9.09	4.48	8.66	-0.43

Equities

	12/31/2021	12/30/2022	Change	2/28/2023	Change
S&P 500	4,766	3,840	-18%	3,970	3%
Forward P/E	21.4x	16.8x	-4.6x	17.8x	.9x
Trailing P/E	25.8x	18.1x	-7.6x	19.0x	.8x
Shiller P/E	34.9x	27.0x	-7.9x	25.9x	-1.1x
Forward Earnings Yield	4.7%	5.9%	1.3%	5.6%	-0.3%
Nasdaq	15,645	10,466	-33%	11,456	10%
MSCI Europe	162	143	-14%	155	8%
MSCI Japan	1,232	1,150	-16%	1,213	2%
MSCI China	84	64	-22%	65	0%
Developed: MSCI World	9,756	7,986	-18%	8,345	5%
Emerging: MSCI EM	608	486	-20%	490	1%
Global: MSCI ACWI	389	318	-18%	331	4%

Inflation

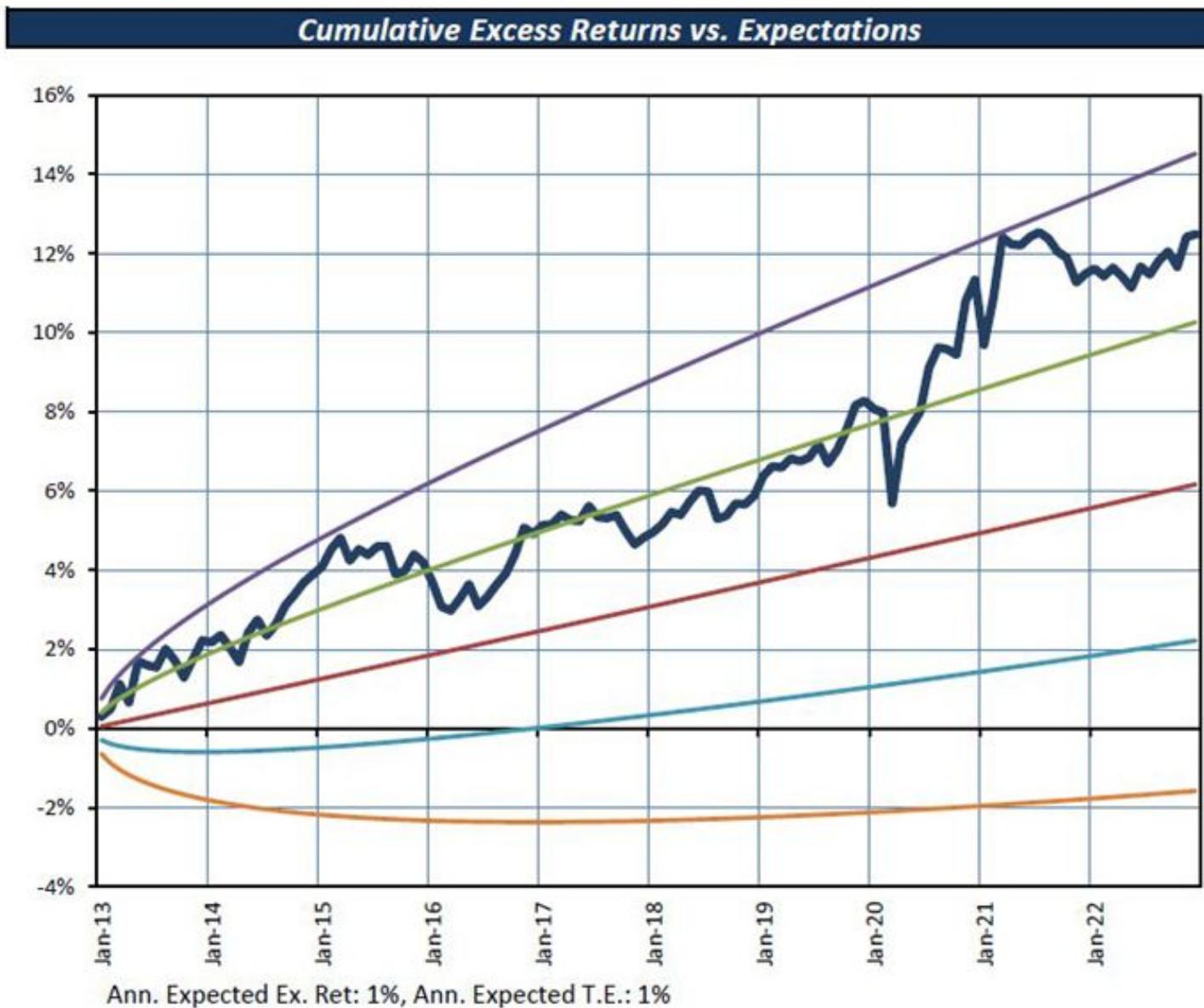
	12/31/2021	12/30/2022	Change	2/28/2023	Change
5-yr TIPS	-1.66	1.64	3.30	1.65	0.02
5-yr TIPS Breakeven	2.9	2.4	-0.6	2.5	0.2
10-yr TIPS	-1.10	1.57	2.67	1.54	-0.03
10-yr TIPS Breakeven	2.6	2.3	-0.3	2.4	0.1

Commodities

	12/31/2021	12/30/2022	Change	2/28/2023	Change
Gold	1,829	1,824	0%	1,827	0%
Oil	75	80	7%	77	-4%
Copper	446	381	-15%	410	8%
Bloomberg Commodities Index	212	246	16%	233	-5%



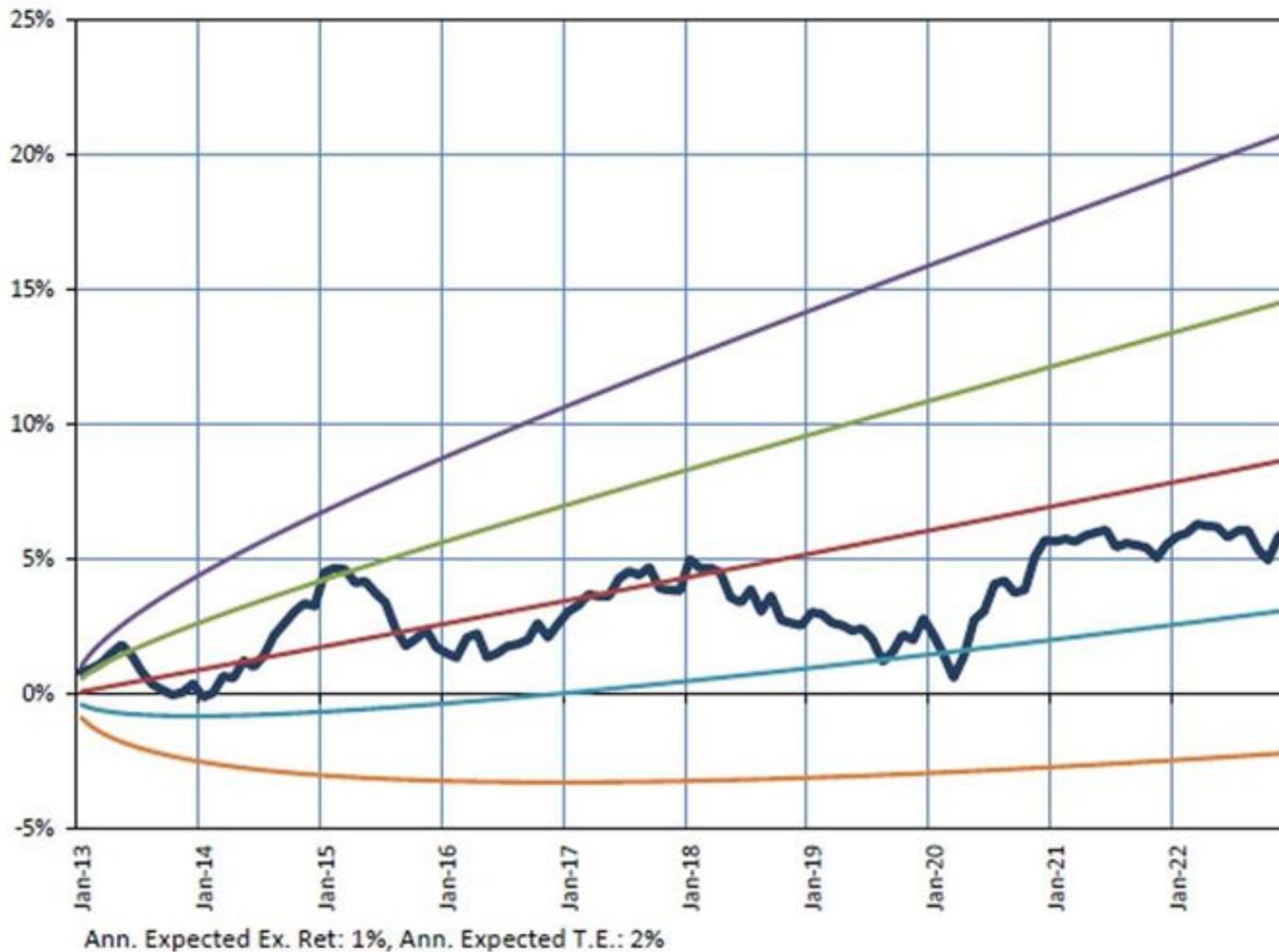
Return vs Expectations: ITF





Return vs Expectations: IGFI

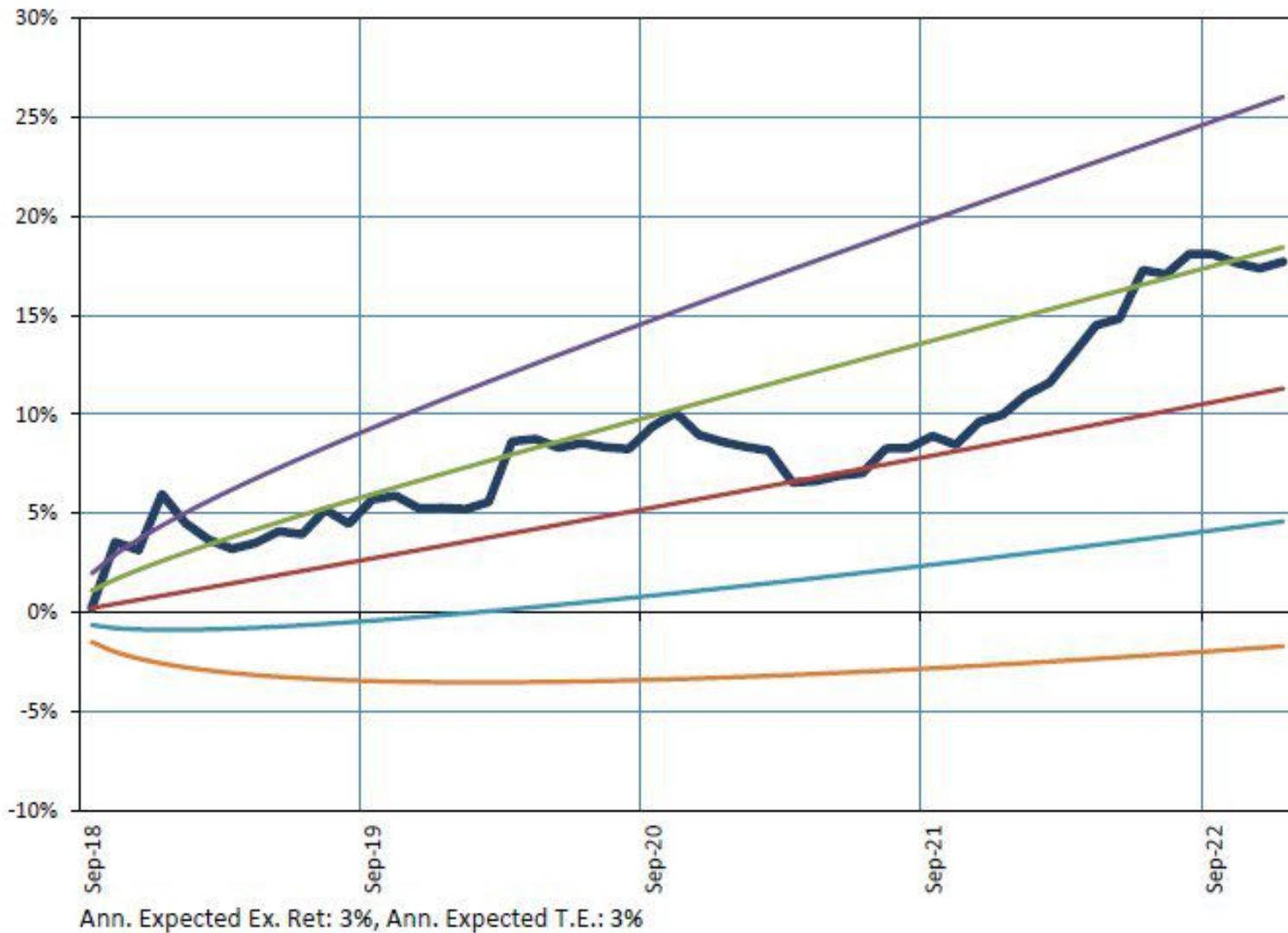
Cumulative Excess Returns vs. Expectations





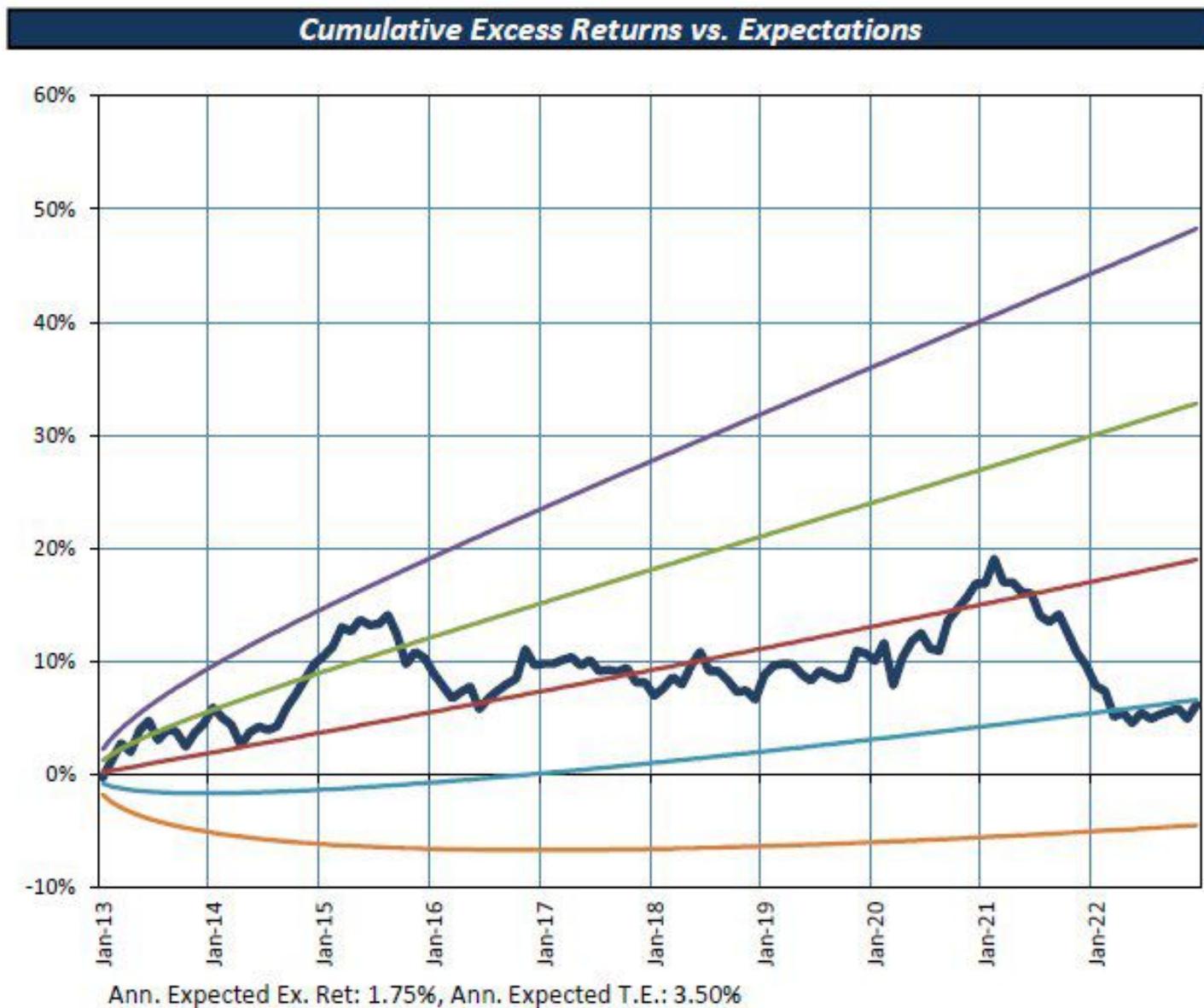
Return vs Expectations: Stable Value HF

Cumulative Excess Returns vs. Expectations





Return vs Expectations: Developed Public



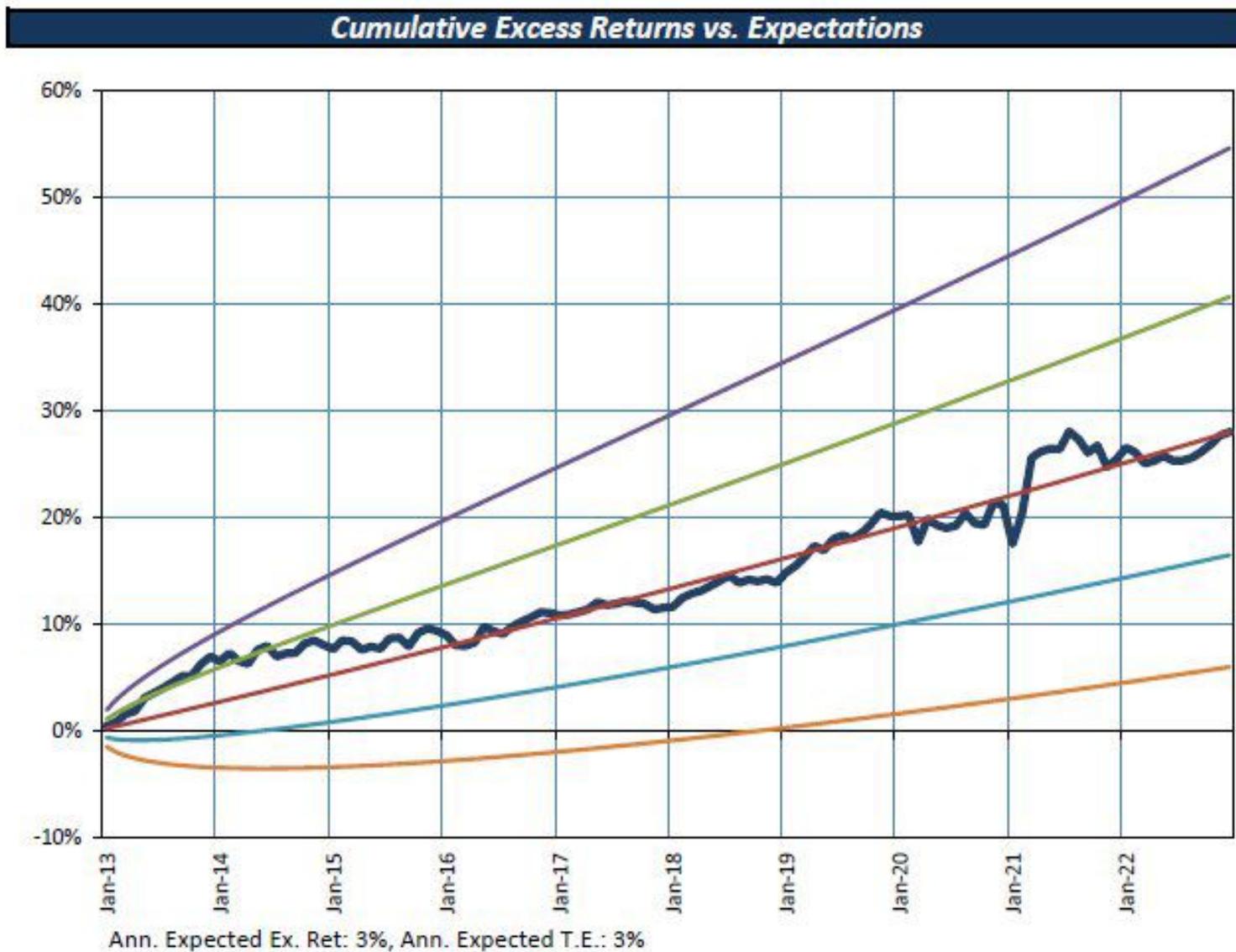


Return vs Expectations: Emerging Public





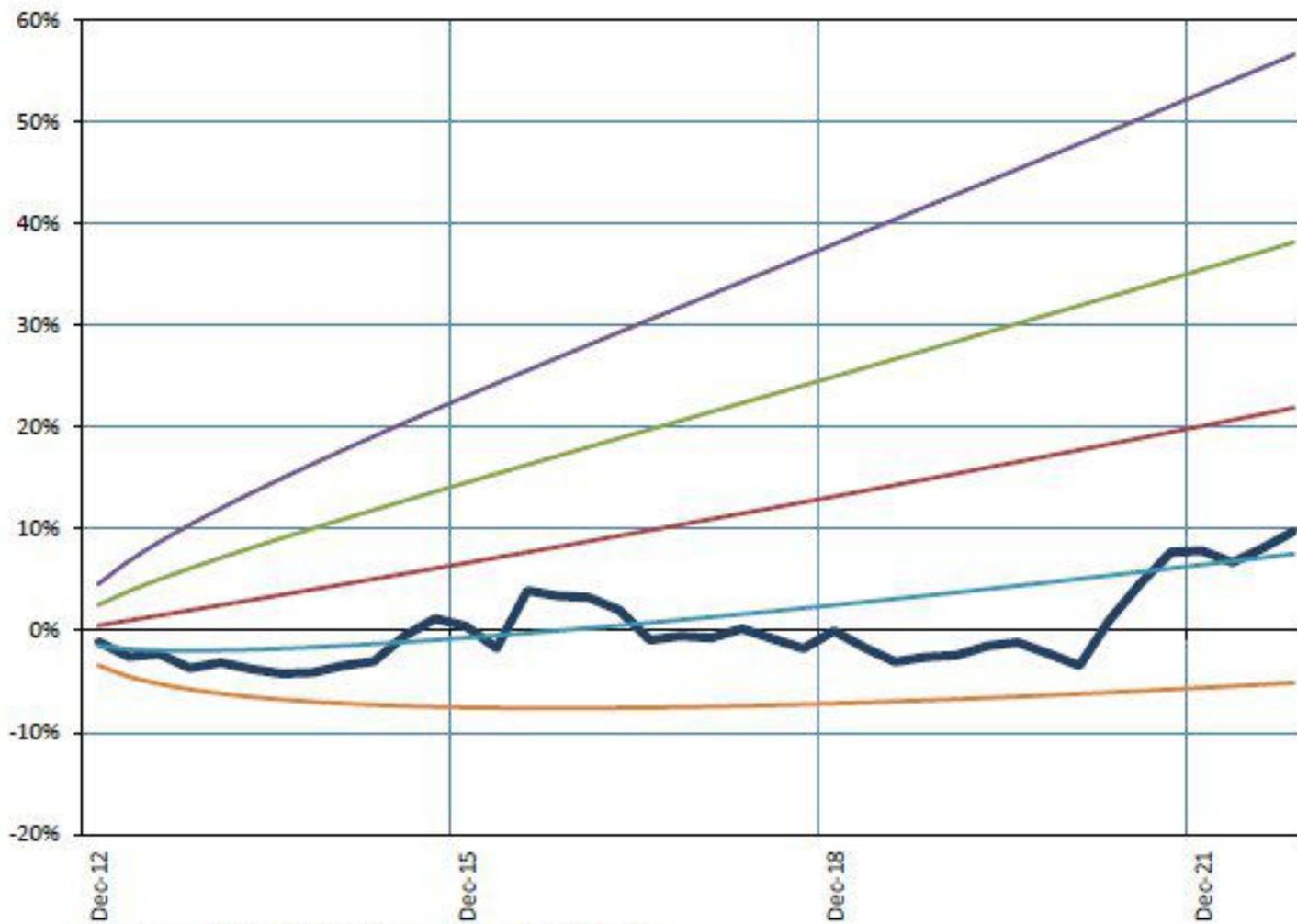
Return vs Expectations: Directional HF





Return vs Expectations: Private Equity

Cumulative Excess Returns vs. Expectations

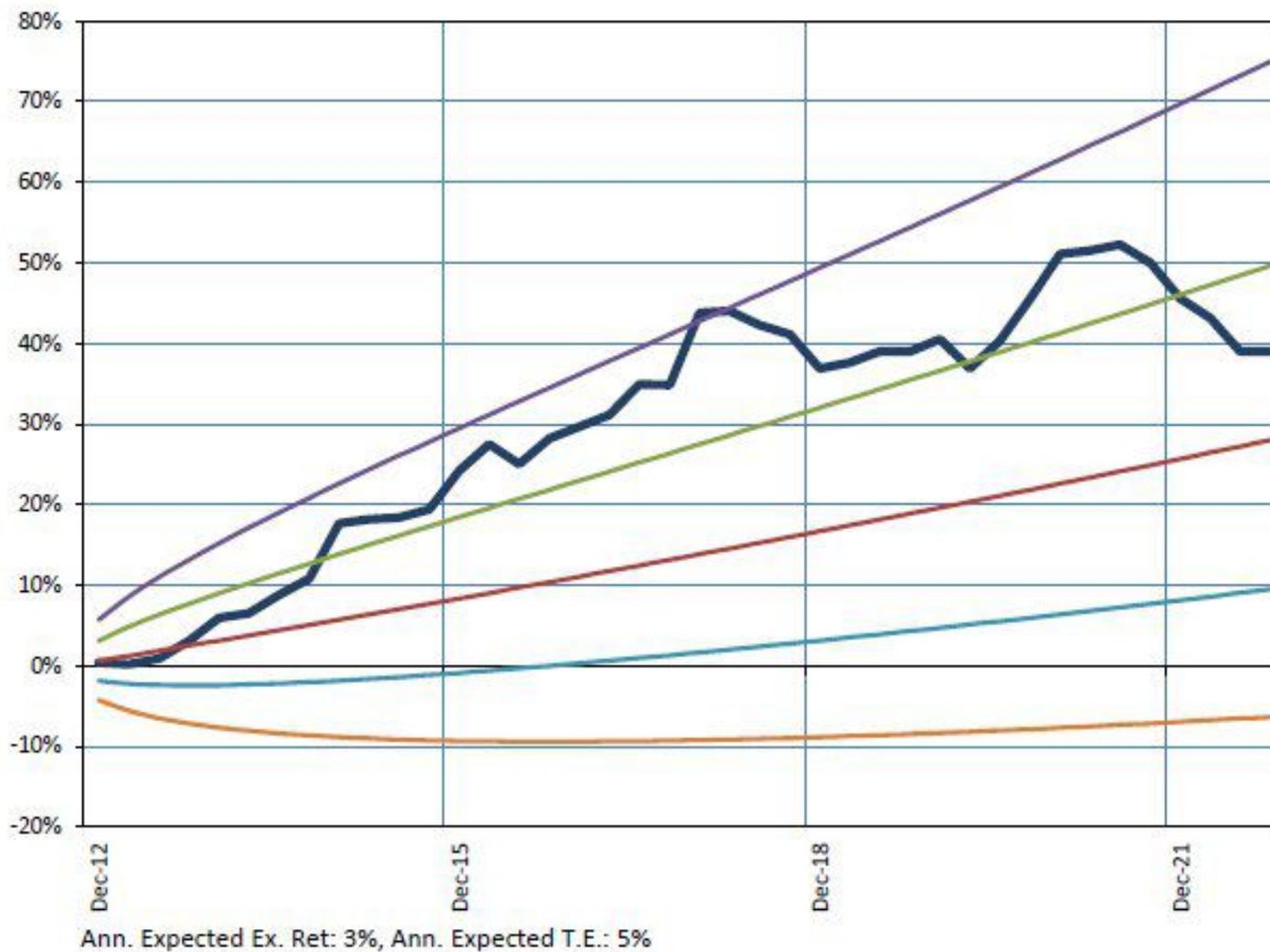


Ann. Expected Ex. Ret: 2%, Ann. Expected T.E.: 4%



Return vs Expectations: Real Return

Cumulative Excess Returns vs. Expectations



Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: Strategic Asset Allocation Update

Developed By: Team

Presented By: Standley

Type of Item: Information item

Description: The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the UT System Board of Regents or its staff designees may request. This presentation provides an update on the progress of the review and shares preliminary results of the analysis conducted. A final recommendation is expected to be delivered at the June Board meeting.

Discussion: Mr. Standley will discuss the emerging themes related to revising the Strategic Asset Allocation.

Recommendation: None

Reference: *2023 SAA Review* presentation



2023 SAA Review

Ken Standley, Senior Director

March 30, 2023



Executive Summary – 2023 SAA Review

SAA First Principles

Total Portfolio Risk Level
Allocations Across Regime
Allocations Within Regimes

Current Environment

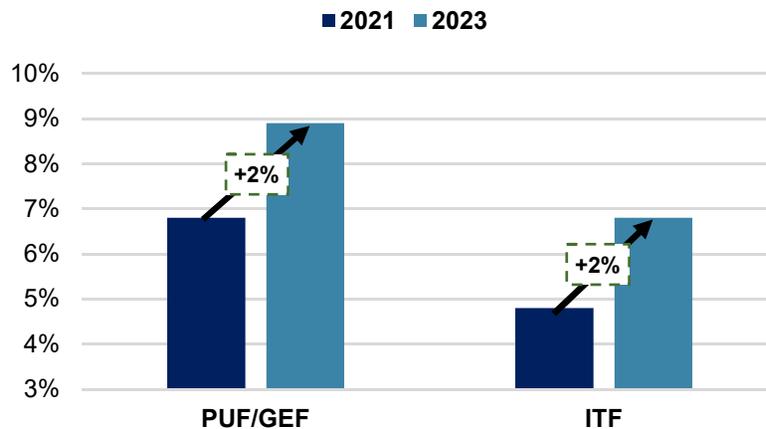
Highly Uncertain

Potential Recession or
Economic Resilience?

Sticky Inflation

Secular + Cyclical Pressure

Expected Returns Higher



Areas of Consideration

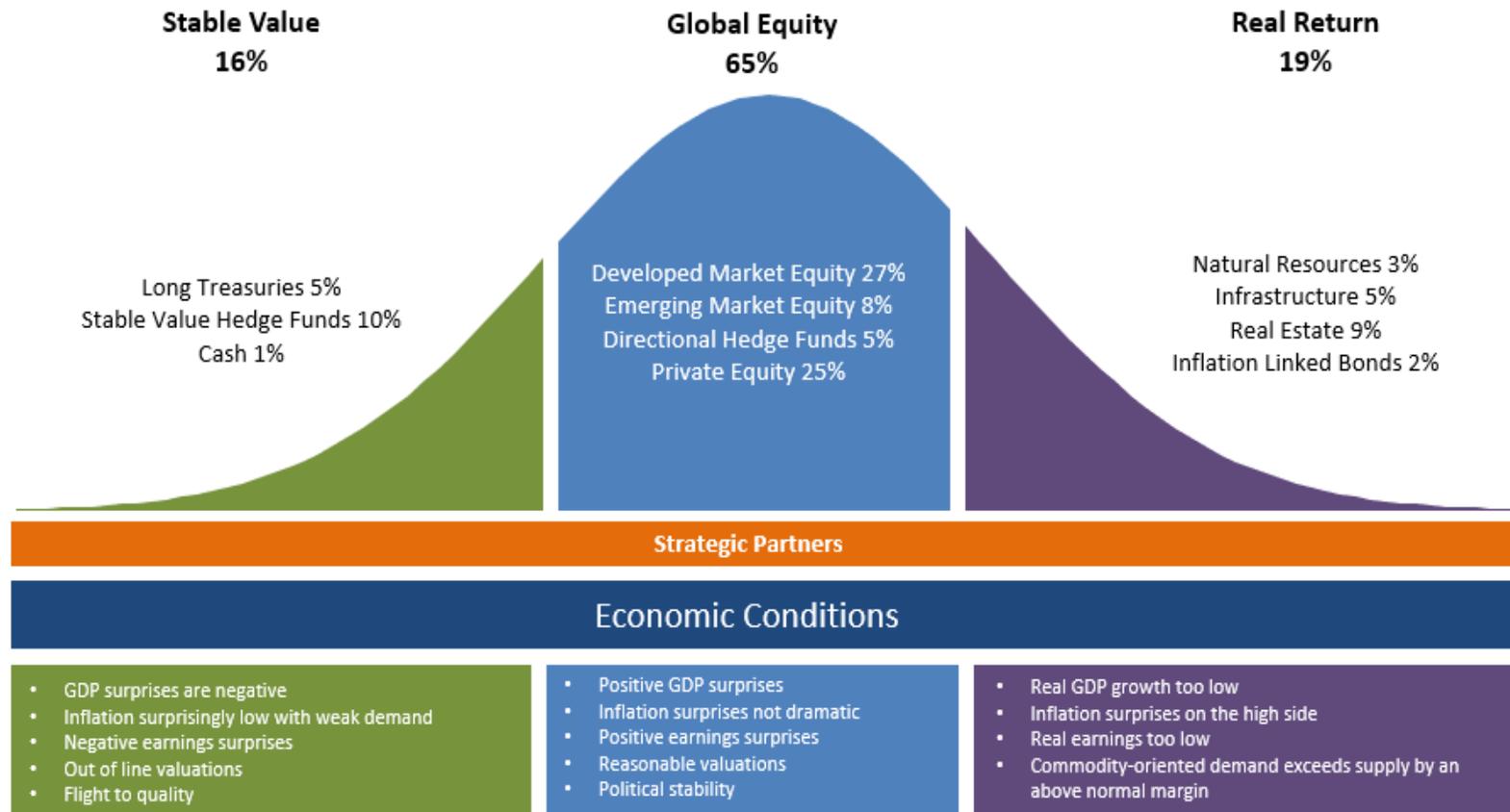
Adjust Total Portfolio Risk
Increase Real Return Exposure
Regional Exposure + Liquidity

Next Steps

- Evaluate impact of maintaining or decreasing current risk level
- Identify optimal sources and uses of funding increased Real Return allocation
- Consider costs and benefits of holding more cash + liquidity, evaluate regional equity mix
- Continue other ongoing research projects: Future of Natural Resources, Liquidity, China benchmarking, and Optimal Hedge Assets



UTIMCO Diversification Framework





Back to Basics on Strategic Asset Allocation

There are three major levers in our SAA framework

Total Risk Level

- Biggest determinant of accomplishing investment objectives
- Multi-dimensional concept, but here we focus on volatility
- Sharpe Ratio (Return / Volatility) is our language for risk-adjusted returns

Allocation Across Regime Portfolios

- Global Equity is our core “engine” of returns and capital appreciation
- Changing allocations across regime portfolios would have an impact on your portfolio outcomes depending on how the future unfolds

Allocation Within Regime Portfolios

- Plenty of options when it comes to constructing regime portfolios
- Some examples include regional equity allocations, the duration of underlying exposures, and the illiquidity of your exposure



Looking Back at the 2021 Review: Key Conclusions

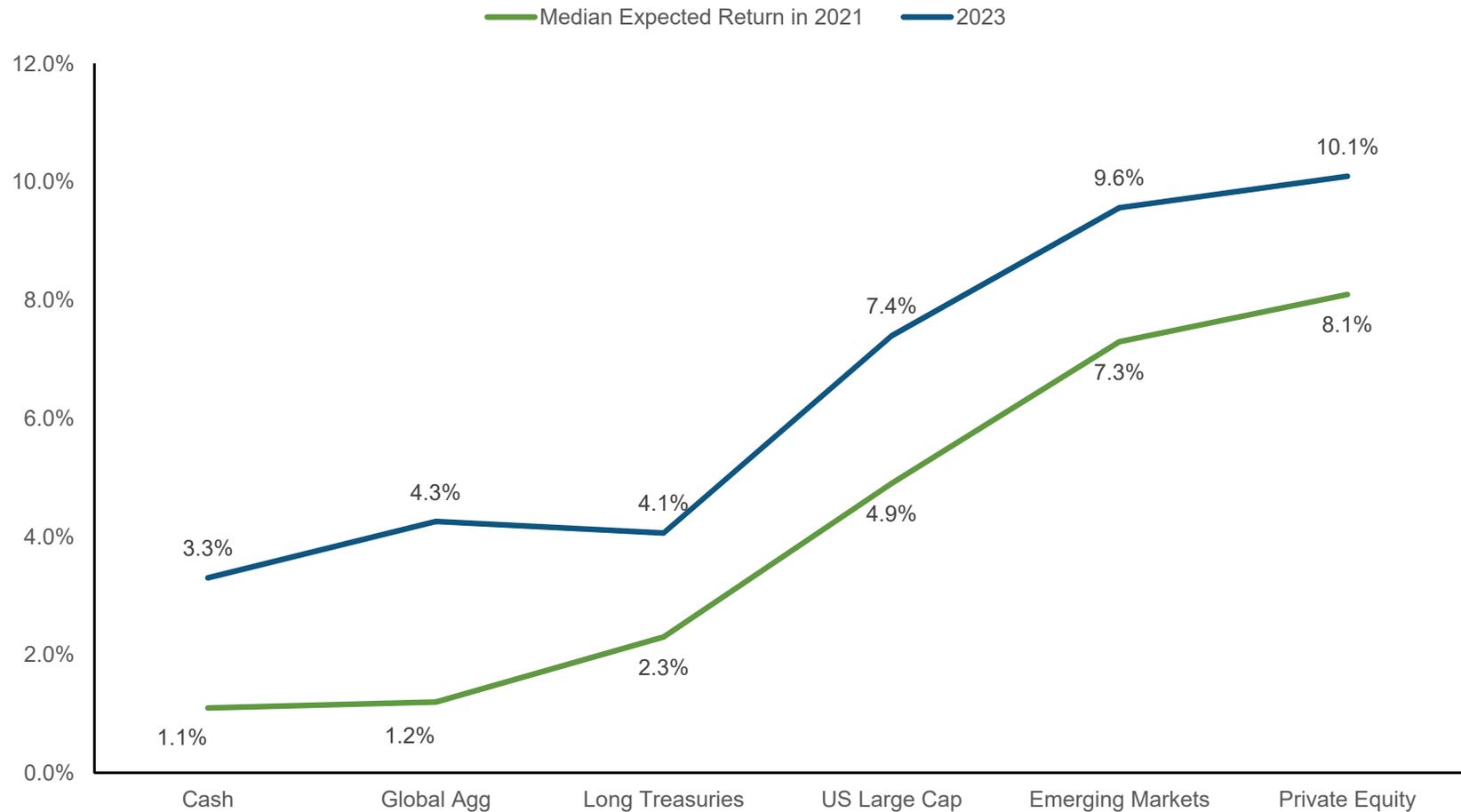
Modest Changes With Modest Impacts

	<u>Endowments</u>			<u>ITF</u>				
	2018	2021	Change	2018	2021	Change		
Total Risk Level	Volatility	11.6%	12.0%	+0.4%	Volatility	4.9%	6.1%	+1.2%
	Exp Return	6.6%	6.8%	+0.2%	Exp Return	4.2%	4.8%	+0.6%
	Sharpe	0.47	0.48	+0.01	Sharpe	0.64	0.6	-0.04
Allocation Across Regime Portfolios	+2% Global Equity			(-6%) Global Equity				
	(-2%) Stable Value			(-4%) Stable Value				
Allocation Within Regime Portfolios	Introduced Long Treasuries as key deflationary hedge			Funded Long Treasuries and SVHF out of IGFI				
	Increased Liquidity of Real Return Portfolio by funding TIPS			Reduced Directional HF and EM Public Equity ; Increased Developed Public Equity				



Asset Class Expected Returns Higher in 2023

Whole Curve Shifted Up by ~2% Due to Higher Cash Rate; Yield Curve Inverted



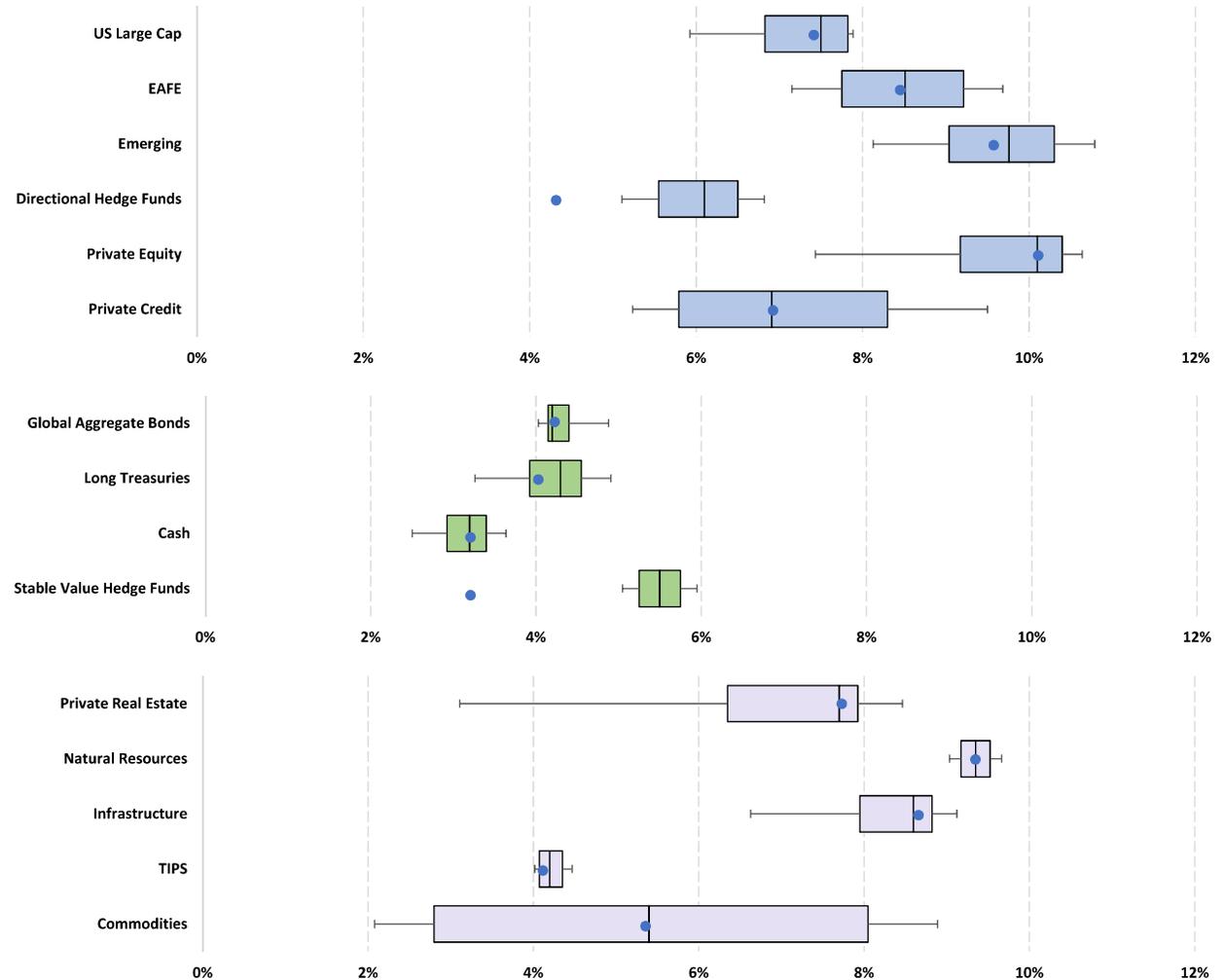
Source: UTIMCO CMA Survey



Preliminary Capital Market Assumptions - 2023

Backbone of Assumptions is CMA Survey to Partners – Reviewing for Consistency

	Beta	Alpha	Total Return
US Large Cap	7.4%	0.5%	7.9%
EAFE	8.4%	1.0%	9.4%
Emerging	9.6%	1.5%	11.1%
Directional Hedge Funds	4.5%	3.0%	7.5%
Private Equity	10.1%	1.0%	11.1%
Private Credit	6.9%	1.0%	7.9%
Global Equity			
Global Aggregate Bonds	4.3%	0.4%	4.7%
Long Treasuries	4.1%	0.1%	4.2%
Cash	3.3%	0.0%	3.3%
Stable Value Hedge Funds	3.3%	3.0%	6.3%
Stable Value			
Private Real Estate	7.7%	1.5%	9.2%
Natural Resources	9.3%	0.0%	9.3%
Infrastructure	8.6%	1.0%	9.6%
TIPS	4.2%	0.1%	4.3%
Commodities	5.4%	0.0%	5.4%
Real Return			

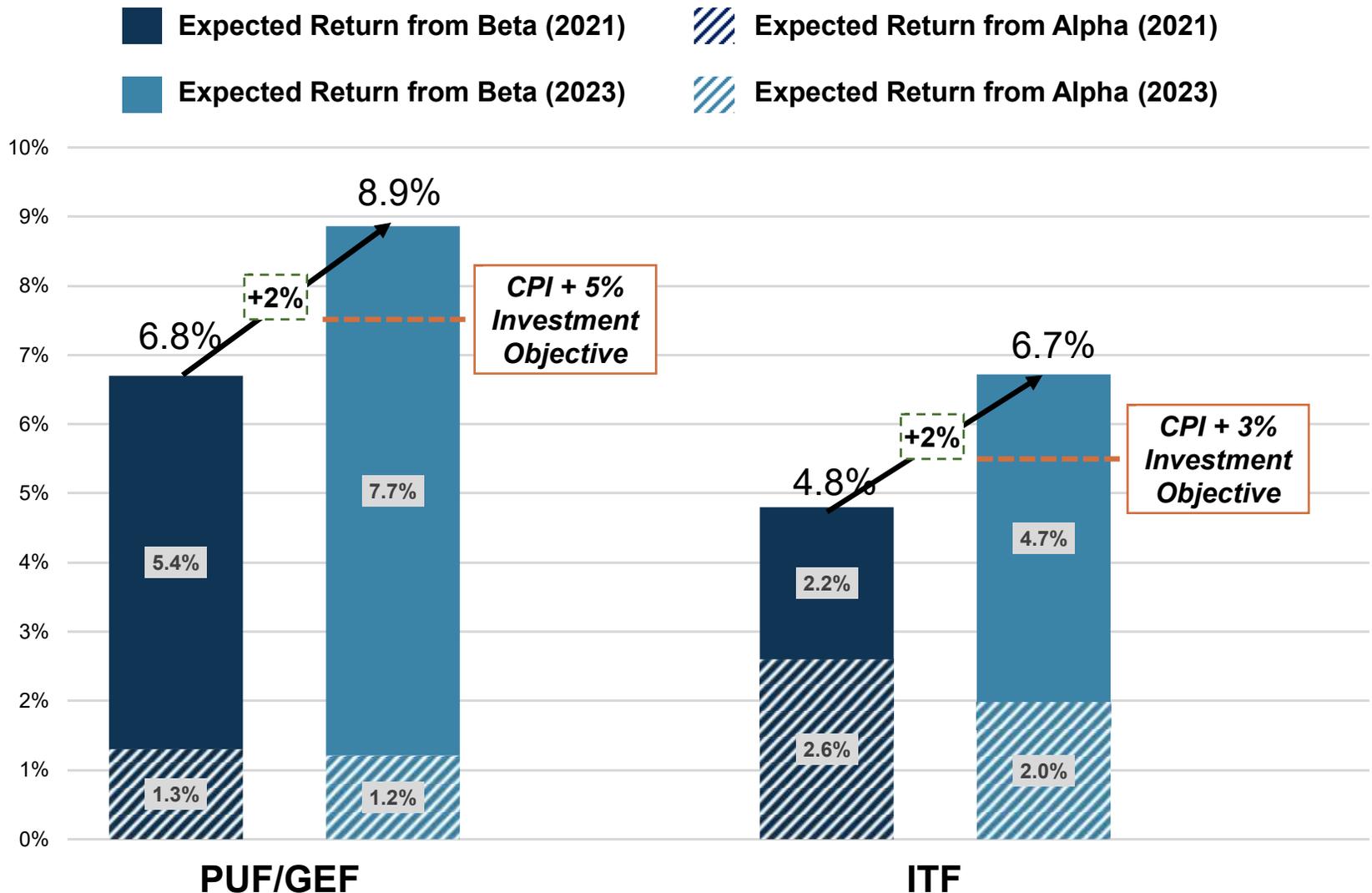


Note: Box-And-Whiskers Plot reflects external CMA Survey responses for Beta Returns. Blue Dots reflect UTIMCO's CMAs which are a blend of 90% Partner Median Expected Return and 10% UTIMCO PM Expected Return. Alpha Numbers are consistent with 2021 with the exception of Hedge Funds and NR which reflect decreased alpha expectations.



Portfolio Expected Returns Now Above Target

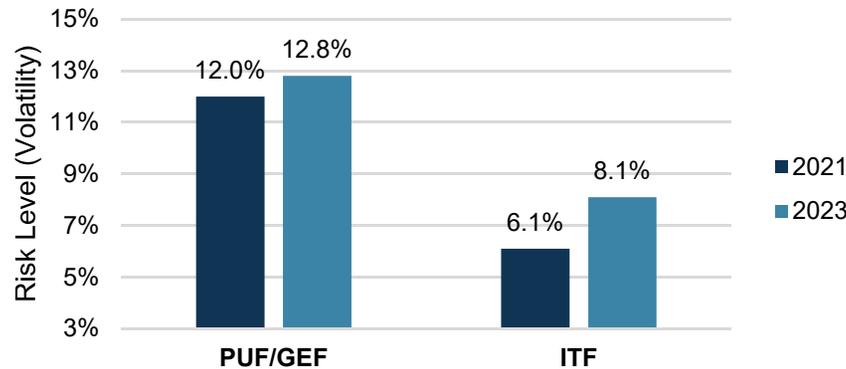
Holding SAA Constant, Increase in Cash Rate Leads to Higher Expected Returns



Note: CPI estimated as Market-implied 10-year rate of 2.5%.



But Total Risk Also Higher, Sharpe Lower

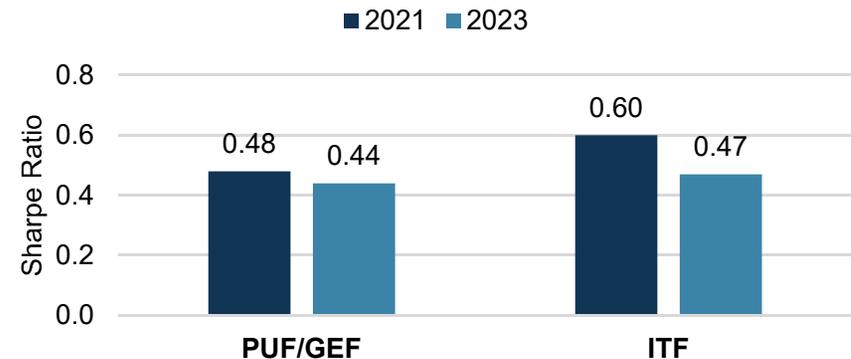


Expected Risk Level driven higher by two factors:

- Higher asset-level volatility
- Lower Diversification Benefit

A decline in Sharpe Ratio merits further investigation

May be opportunities to *increase the quality of returns*, accomplishing objectives with *less risk*



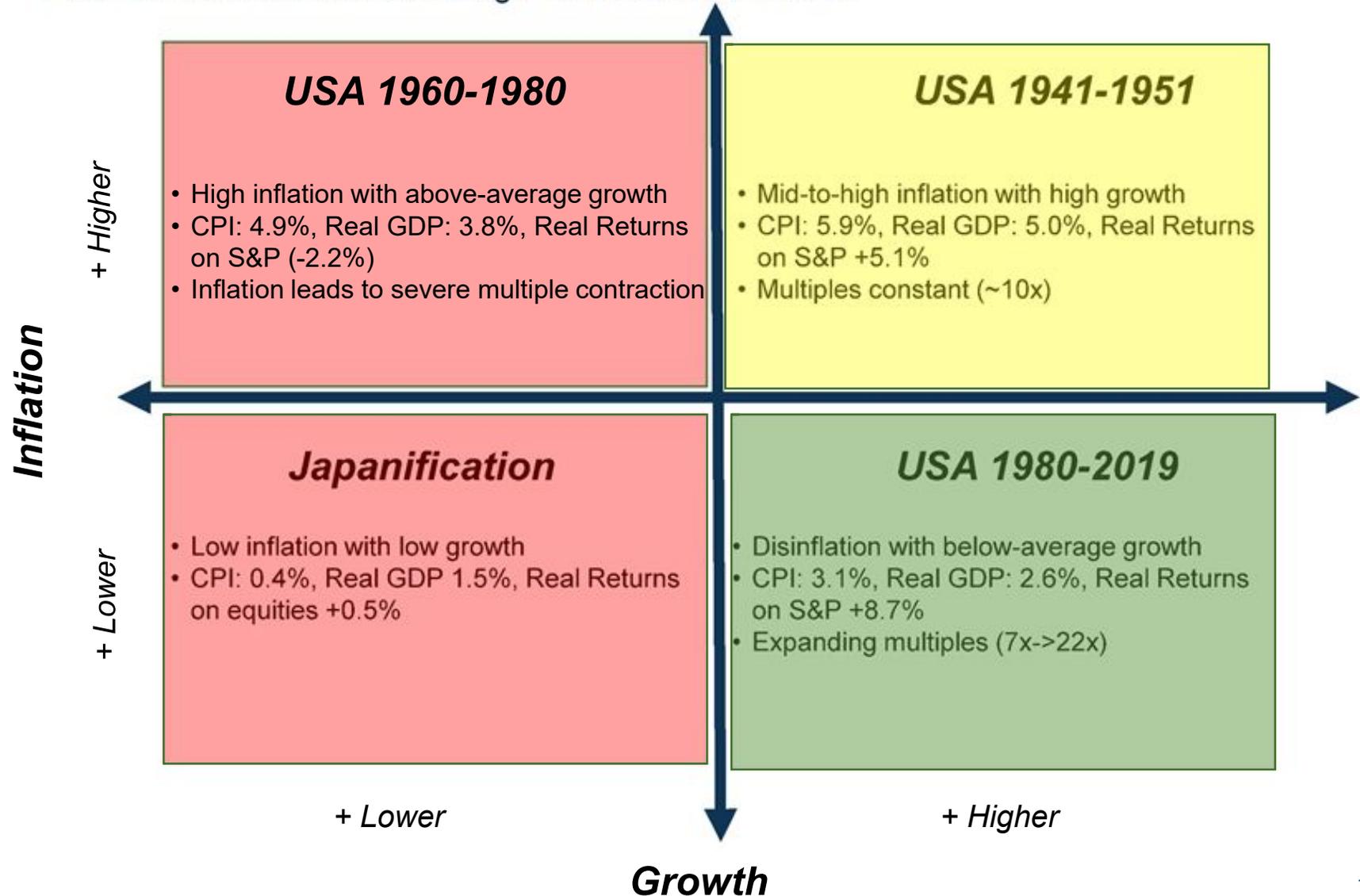
Conclusion

Evaluate Impact of Maintaining or Decreasing Current Risk Level



Where We Left Off: Four Paths Forward

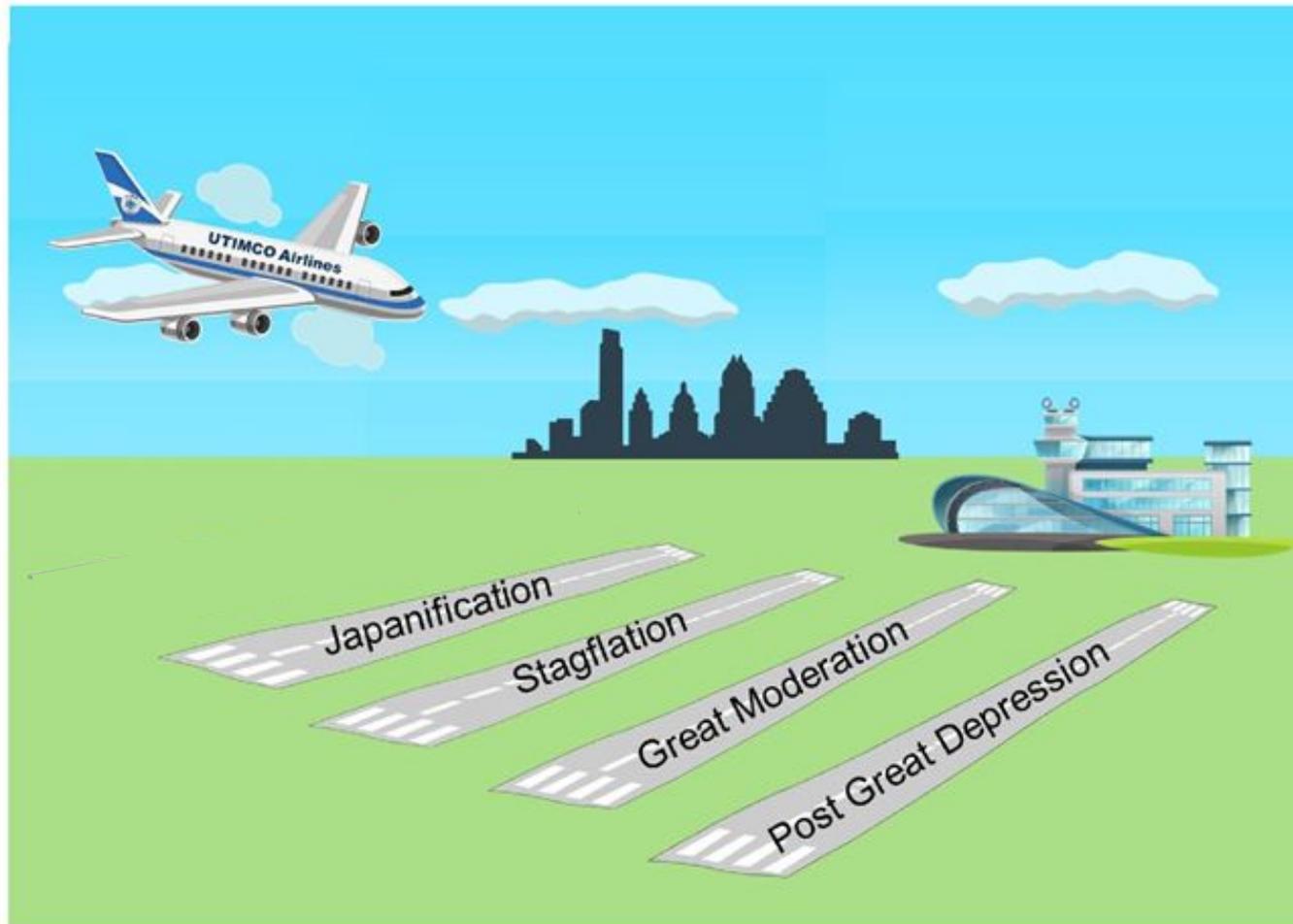
Four Different Economic Analogs We Reviewed in 2021





Where we left off: Regime Change Ahead

Secular Regime Change is Taking Place, But Not Sure Where We'll Land

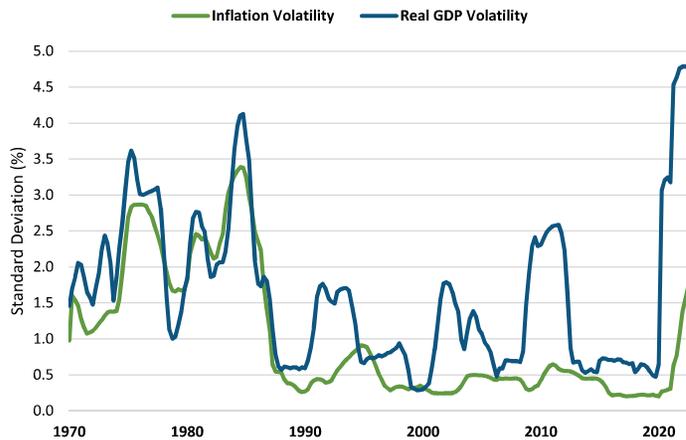




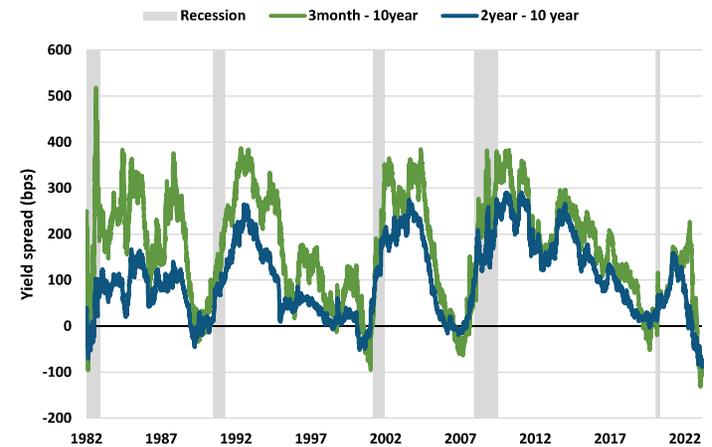
Significant Uncertainty on Inflation + Growth

Next Secular Regime May Depend in Part on Fed's Ability to Stop Inflation Today

Macro Volatility is Extremely High



Yield Curve Pricing in a Recession



And Inflation Expectations Anchored



But Recent Data Too Hot For the Fed

Date	Data Point	Survey	Actual	Surprise
2/1/2023	Job Openings	10,300k	11,012k	↑
2/3/2023	Nonfarm Payrolls	189k	517k	↑↑
2/14/2023	Retail Sales ex Auto MoM	0.9%	2.3%	↑↑
2/16/2023	PPI Final Demand MoM	0.4%	0.7%	↑
2/24/2023	Core PCE MoM	0.4%	0.6%	↑

Labor Markets
Consumer
Inflation



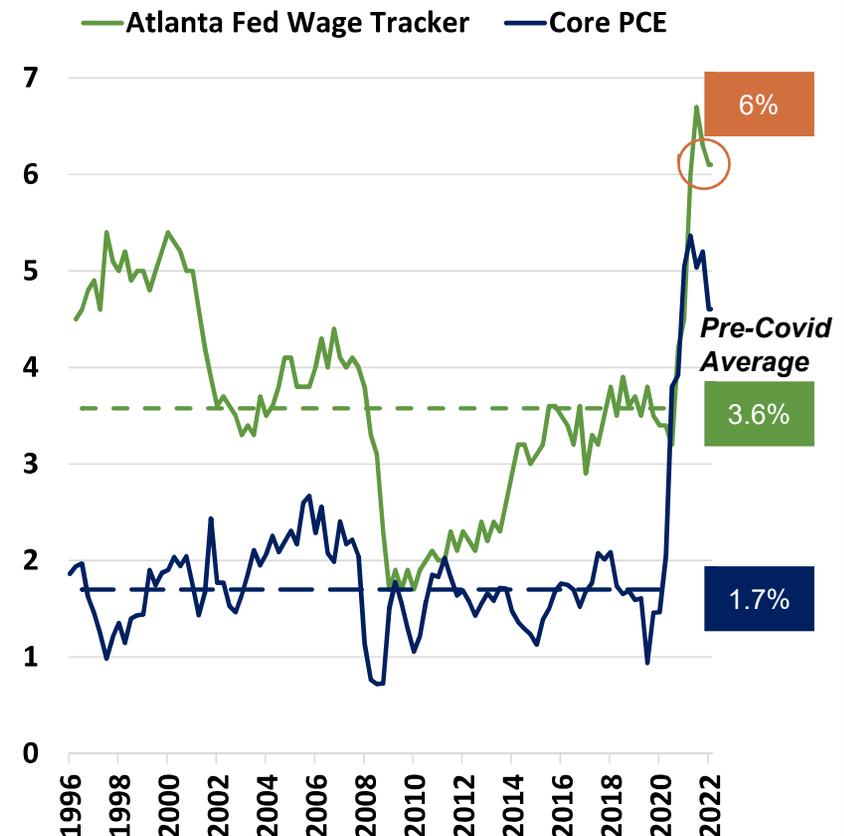
Inflation To Come Down, but Remain Persistent

Secular economic forces look to be more inflationary than the prior regime...

Economic forces	Last global expansion (2008-19)	Next 10-15 years
Income distribution	-	+
Globalization Process	-	+
ESG	0	+
Inflation Expectations	-	+
Targeting unemployment below NAIRU	0	+
Fiscal policy	-	-
Online markets & information availability	--	-
Energy costs	+	0
Union membership	-	-
Technology adoption	-	-

Source: JP Morgan

Current wage growth consistent with 3-4% inflation, above the Fed's 2% target



Conclusion

Identify Optimal Sources and Uses for Increased Real Returns Allocation



Early Thoughts and Areas for Further Research

Common Theme of Increased Liquidity and Novel Diversifiers

Evaluating Regional Equity Breakdown

- US Equities dominant for past 10+ years, Dollar at secular highs
- Reviewing **role of Non-US equities** and impact of foreign currency on total returns

Considering Liquid Real Return Options

- Future inflation may be underestimated by Fixed Income markets and Equities
- Evaluating increase to **TIPs or Commodities** to capture increases in unexpected inflation

Considering Higher Cash Allocation

- Challenging near-term environment for Fixed Income, but you'll want Long Treasury deflation hedge when the time comes
- Considering tactically shortening duration in immediate environment or **holding more cash**

Considering New Sources of Diversification

- Few assets outside of Long Treasuries perform well in highly volatile risk-off markets
- Identifying **blend of strategies that creates liquidity in market drawdowns** irrespective of economic environment

Conclusion

Consider costs and benefits of holding more cash + liquidity to increase portfolio optionality, evaluate regional equity exposure



Other Key Policy Items Related to SAA

Specific Benchmarking Issues and Areas of Further Research

- **Future of Natural Resources**
 - UT System is naturally overweight Oil and Gas due to PUF Lands funding source
 - NR portfolio explicitly underweights Oil and Gas, overweight Metals/Mining + Agriculture by design to accommodate our Client's outsized existing exposure
 - This intentional tilt in the portfolio creates a mismatch vs. the Cambridge NR Benchmark which is 80%+ oil related
 - Reviewing strategy and considering benchmark changes to more accurately judge portfolio performance
- **Role of China in the portfolio**
 - Emerging Markets Public Equity is benchmarked to MSCI Emerging Market Index, which has ~47% allocation to Greater China (China + Taiwan) and is skewed to offshore China (technology sector, ADRs) vs. onshore China (consumer sector)
 - Considering benchmark changes to adjust China target exposure without generating active risk against MSCI Benchmark
- **Leverage and Liquidity**
 - Process and policy have not materially changed in 10+ years
 - Evaluating what policy changes may be required to support upsized Portable Alpha program
 - Determining what changes to strategy and policy may need to take place to support growing liquidity needs



Initial Thoughts and Further Analysis

Review Risk Level, Increased Real Return Allocation and Leaning into Liquidity

Initial Thoughts

Next Steps

Total Risk Level

At current risk-level, expected returns from market beta and UTIMCO alpha exceed return objectives

Evaluate impact of modest reduction in risk level as we approach a possible recession

Allocation Across Regime Portfolios

Secular and cyclical pressures indicate inflation-risk remains tilted to the upside

Identify best sources and uses for increased allocation to Real Return portfolio

Allocation Within Regime Portfolios

Possible recession is looming and changing regime indicates higher-for-longer rates

Evaluate benefits/costs of holding more cash and liquid fixed income to increase flexibility and support new uses of liquidity, review regional equity exposure

Appendix





Detail on 2021 SAA Revisions

Changes to Stable Value framework, introduced Real Returns to ITF

Endowment LT SAA Changes

	Δ	New SAA
<i>Developed</i>	+2.0%	27%
<i>Emerging</i>	-	8%
<i>Directional HF</i>	-	5%
<i>Private Equity</i>	-	25%
Global Equity	+2.0%	65%
<i>Global Agg</i>	(-7.0%)	0%
<i>Long Treasuries</i>	+5.0%	5%
<i>Cash</i>	-	1%
<i>Stable Value HF</i>	-	10%
Stable Value	(-2.0%)	16%
<i>Real Estate</i>	(-1.0%)	9%
<i>Nat Resources</i>	-	3%
<i>Infrastructure</i>	(-1.0%)	5%
<i>TIPS</i>	+2.0%	2%
<i>Commodities</i>	-	0%
Real Return	-	19%

Replaced IGFI with Long Treasuries enabling additional equity exposure

Raised liquidity of Real Return portfolio

Long-Term Expected Return	6.8%
Risk (Volatility)	12.0%
Sharpe Ratio	0.48

ITF LT SAA Changes

	Δ	New SAA
<i>Developed</i>	+2.3%	12%
<i>Emerging</i>	(-0.3%)	4%
<i>Directional HF</i>	(-8.0%)	35%
<i>Private Equity</i>	-	-
Global Equity	(-6.0%)	50%
<i>Global Agg</i>	(-29.0%)	6%
<i>Long Treasuries</i>	+7.0%	7%
<i>Cash</i>	-	2%
<i>Stable Value HF</i>	+18.0%	25%
Stable Value	(-4.0%)	40%
<i>Real Estate</i>	+2.5%	3%
<i>Nat Resources</i>	-	-
<i>Infrastructure</i>	-	-
<i>TIPS</i>	+5.0%	5%
<i>Commodities</i>	+2.5%	3%
Real Return	+10.0%	10%

Increased Long Treasuries and SVHF for diversification benefits

Decreased Global Equity and Stable Value Exposure to fund Liquid Real Return

Long-Term Expected Return	4.8%
Risk (Volatility)	6.1%
Sharpe	0.60

Note: Long-Term Expected Return Includes Alpha



Endowment Contribution Analysis

2% Increase in Expected Returns since 2021

	Updated Returns			Policy	OLD RETURNS				Policy	NEW RETURNS			
	Beta	Alpha	Total		Beta	Alpha	Total Return	Risk		Beta	Alpha	Total Return	Risk
Global Developed	7.7%	0.7%	8.4%	27.0%	25.8%	13.4%	23.3%	31.4%	27.0%	27.3%	15.1%	25.7%	31.7%
US Large Cap	7.4%	0.5%	7.9%	18.0%	16.2%	6.7%	14.3%	19.8%	18.0%	17.4%	7.6%	16.1%	20.5%
EAFE	8.4%	1.0%	9.4%	9.0%	9.6%	6.7%	9.0%	11.6%	9.0%	9.9%	7.6%	9.6%	11.2%
Emerging	9.6%	1.5%	11.1%	8.0%	10.7%	8.9%	10.4%	12.6%	8.0%	10.0%	10.1%	10.0%	11.4%
Directional Hedge Funds	4.5%	3.0%	7.5%	5.0%	1.4%	15.3%	4.1%	2.3%	5.0%	2.9%	12.6%	4.2%	4.0%
Private Equity	10.1%	1.0%	11.1%	25.0%	37.2%	17.6%	33.3%	36.3%	25.0%	33.0%	21.0%	31.4%	36.7%
Total Global Equity				65.0%	75.1%	55.3%	71.2%	82.6%	65.0%	73.2%	58.9%	71.3%	83.7%
Global Aggregate Bonds	4.3%	0.4%	4.7%	-	-	-	-	-	-	-	-	-	-
Long Treasuries	4.1%	0.1%	4.2%	5.0%	2.1%	0.4%	1.8%	(-2.0%)	5.0%	2.7%	0.5%	2.4%	(-1.0%)
Cash	3.3%	0.0%	3.3%	1.0%	0.2%	-	0.2%	0.0%	1.0%	0.4%	-	0.4%	-
Stable Value Hedge Funds	3.3%	3.0%	6.3%	10.0%	2.0%	28.2%	7.2%	4.4%	10.0%	4.3%	25.2%	7.1%	4.4%
Total Stable Value				16.0%	4.3%	28.6%	9.2%	2.4%	16.0%	7.3%	25.8%	9.8%	3.4%
Real Estate	7.7%	1.5%	9.2%	9.0%	10.1%	10.0%	10.1%	8.3%	9.0%	9.1%	11.0%	9.3%	6.6%
Natural Resources	9.3%	0.0%	9.3%	3.0%	3.5%	2.2%	3.2%	3.6%	3.0%	3.6%	-	3.2%	3.3%
Infrastructure	8.6%	1.0%	9.6%	5.0%	6.4%	3.7%	5.9%	2.9%	5.0%	5.6%	4.2%	5.4%	2.8%
TIPS	4.2%	0.1%	4.3%	2.0%	0.6%	0.1%	0.5%	0.1%	2.0%	1.1%	0.2%	1.0%	0.2%
Commodities	5.4%	0.0%	5.4%	-	-	-	-	-	-	-	-	-	-
Total Real Return				19.0%	20.5%	16.1%	19.7%	15.0%	19.0%	19.5%	15.3%	18.9%	12.9%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Portfolio Expectations		Change
Beta Returns	5.4%	7.7%
Alpha Returns	1.3%	1.2%
Total Returns	6.8%	8.8%
Total Risk	12.0%	12.80%
Sharpe Ratio	0.48	0.44



ITF Contribution Analysis

	Updated Returns			Policy	OLD RETURNS				Policy	NEW RETURNS			
	Beta	Alpha	Total		Beta	Alpha	Total Return	Risk		Beta	Alpha	Total Return	Risk
Global Developed	7.8%	0.7%	8.5%	11.5%	40.7%	3.0%	23.3%	31.4%	11.5%	18.9%	4.0%	14.5%	21.3%
US Large Cap	7.4%	0.5%	7.9%	7.3%	24.4%	1.4%	14.3%	19.8%	7.3%	11.3%	1.8%	8.5%	13.0%
EAFE	8.4%	1.0%	9.4%	4.3%	16.3%	1.6%	9.0%	11.6%	4.3%	7.6%	2.1%	6.0%	8.3%
Emerging	9.6%	1.5%	11.1%	3.5%	15.2%	2.0%	10.4%	12.6%	3.5%	7.1%	2.6%	5.8%	7.7%
Directional Hedge Funds	4.5%	3.0%	7.5%	35.0%	71.2%	40.4%	4.1%	2.3%	35.0%	33.1%	53.0%	39.0%	46.3%
Total Global Equity				50.0%	127.1%	45.4%	71.2%	82.6%	50.0%	59.0%	59.6%	59.2%	75.4%
Global Aggregate Bonds	4.3%	0.4%	4.7%	6.0%	11.6%	0.9%	-	-	6.0%	5.4%	1.2%	4.2%	0.1%
Long Treasuries	4.1%	0.1%	4.2%	7.0%	12.9%	0.3%	1.8%	(-2.0%)	7.0%	6.0%	0.4%	4.4%	(-0.3%)
Cash	3.3%	0.0%	3.3%	2.0%	3.0%	-	0.2%	0.0%	2.0%	1.4%	-	1.0%	
Stable Value Hedge Funds	3.3%	3.0%	6.3%	25.0%	37.0%	28.8%	7.2%	4.4%	25.0%	17.2%	37.8%	23.3%	18.4%
Total Stable Value				40.0%	64.5%	30.1%	9.2%	2.4%	40.0%	29.9%	39.5%	32.8%	18.2%
Public REITs	7.1%	0.5%	7.6%	2.5%	8.1%	0.5%	10.1%	8.3%	2.5%	3.7%	0.6%	2.8%	3.3%
TIPS	4.2%	0.1%	4.3%	5.0%	9.5%	0.2%	0.5%	0.1%	5.0%	4.4%	0.2%	3.2%	1.4%
Commodities	5.4%	0.0%	5.4%	2.5%	6.1%	-	-	-	2.5%	2.9%	-	2.0%	1.7%
Total Real Return				10.0%	23.7%	-	19.7%	15.0%	10.0%	11.0%	0.9%	8.0%	6.4%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Portfolio Expectations				Change
Beta Returns		2.2%		4.7%
Alpha Returns		2.6%		2.0%
Total Returns		4.8%		6.7%
Total Risk		6.1%		8.1%
Sharpe Ratio		0.60		0.42
				2.5%
				(-0.6%)
				1.9%
				2.0%
				(0.18)



Risk Premiums

After a recent period of painful resets, Risk Premium structure looks rational

	Expected Risk Premium	Historical Average	1970s	1980s	1990s	2000s	2010s	2020-2023
Inflation (Cash - inflation)	+0.7	+0.8	(-1.0)	+3.8	+2.0	+0.2	(-1.2)	(-4.1)
Duration (Long Treasuries - Cash)	+0.8	+3.9	+0.6	+3.9	+3.6	+4.8	+6.5	(-7.5)
Credit (IG - Long Treasuries)	+0.2	(-0.5)	+0.4	+0.1	(-0.4)	(-1.0)	(-1.5)	+4.2
Default (HY-IG)	+2.5	+1.2	+0.3	+1.2	+2.5	+0.1	+2.0	+3.3
Large Cap (SP 500 - HY)	+0.6	+0.3	(-4.0)	+1.0	+7.5	(-7.7)	+6.0	+7.7
Size (SC - SP 500)	+0.7	(-0.4)	+2.4	(-3.7)	(-5.4)	+6.6	(-3.0)	(-0.4)
Illiquidity (PE - SC)	+2.0	+4.5	+5.9	+2.2	+6.6	+4.5	+3.5	+7.9
Non-US (EAFE - SP 500)	+1.0	(-2.0)	+2.2	+4.4	(-11.9)	+2.6	(-7.5)	(-5.5)
Emerging (EM - EAFE)	+1.2	+2.9	+1.7	+3.1	+3.3	+8.3	(-2.1)	(-5.3)



2021 CMAs and Forward Path of Returns

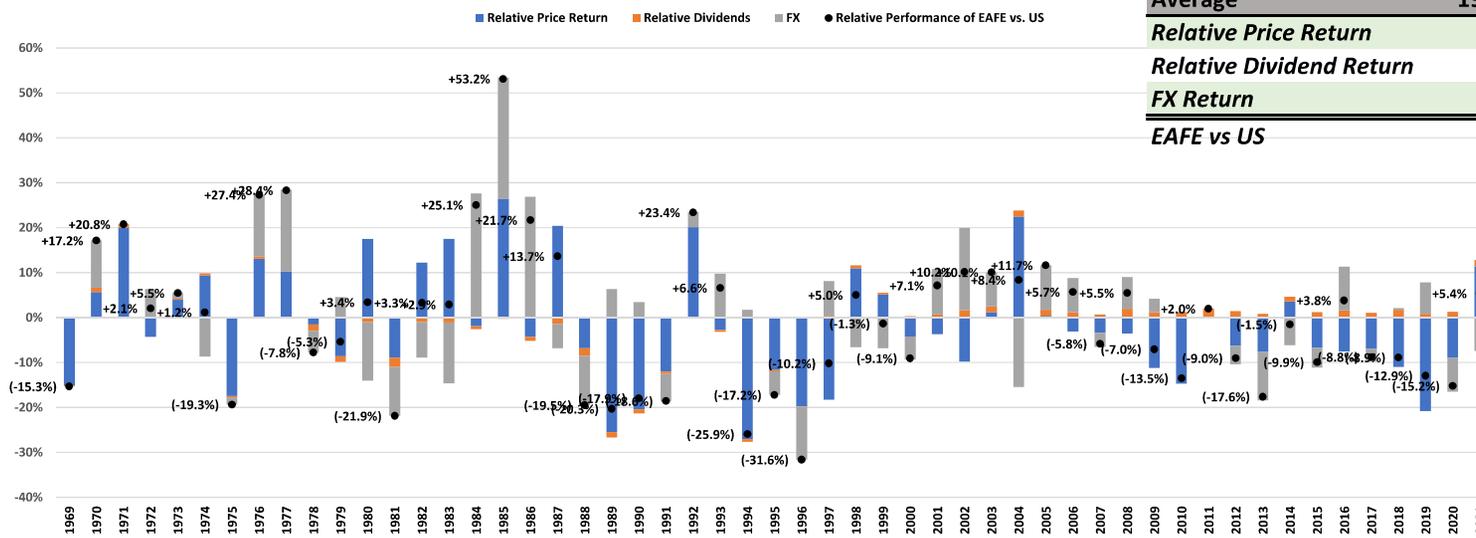
Asset Class	2021 Expected Return	Realized Return*	Implied Return*
US Large Cap	4.9%	-3.2%	6.6%
EAFE	5.8%	-4.4%	8.0%
Emerging	7.3%	-16.9%	12.9%
Directional Hedge Funds	1.5%	-1.5%	2.1%
Private Equity	8.1%	2.8%	9.2%
Total Global Equity			
Global Aggregate Bonds	1.2%	-6.5%	2.8%
Long Treasuries	2.3%	-16.4%	6.5%
Cash	1.1%	1.3%	1.1%
Stable Value Hedge Funds	1.1%	2.0%	0.9%
Total Stable Value			
Private Real Estate	6.1%	14.2%	4.6%
Public REITs	4.9%	-4.0%	6.8%
Natural Resources	6.3%	23.8%	3.1%
Infrastructure	7.0%	9.9%	6.4%
TIPS	1.5%	-4.8%	2.8%
Commodities	2.3%	7.2%	1.3%
Total Real Return			

*Realized returns are annualized returns from 7/1/2021 through 2/28/2023. Implied returns are the subsequent annualized returns required over the remaining period to make the 10y realized returns equal to the initial expected returns.



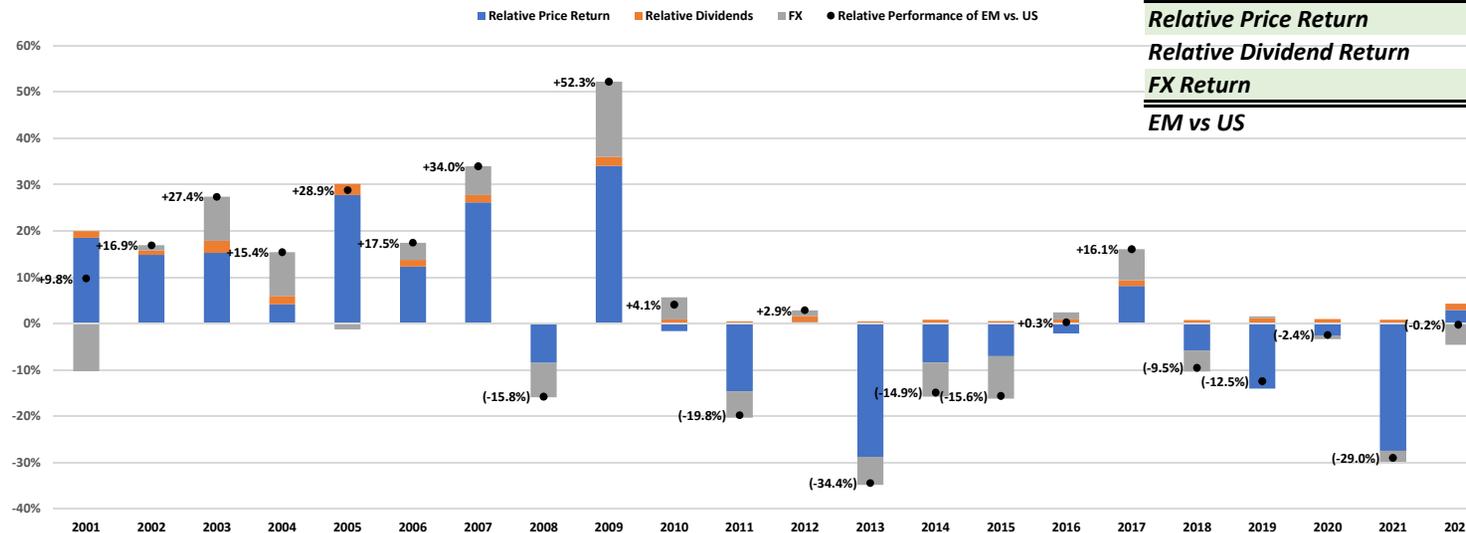
International vs US Equities: Attribution

EAFE vs US attribution



Average	1969-2022	2001-2022
Relative Price Return	(-2.0%)	(-4.1%)
Relative Dividend Return	+0.3%	+1.3%
FX Return	+1.3%	+0.6%
EAFE vs US	(-0.4%)	(-2.2%)

EM vs US attribution



Average	2001-2022	2009-2022
Relative Price Return	+2.0%	(-4.8%)
Relative Dividend Return	+1.2%	+1.0%
FX Return	+0.1%	(-0.7%)
EM vs US	+3.2%	(-4.5%)



Currency Valuation

USD Valuation Near Historical Highs



Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: Public Equity Presentation

Developed By: Public Equity Team

Presented By: Chen, Hopper

Type of Item: Information Item

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

Reference: *Public Equity* presentation



Public Equity

Susan Chen, Senior Managing Director
Amanda Hopper, Managing Director

March 30, 2023



Executive Summary

Role of Public Equity in UTIMCO Portfolio

- ~\$16 billion at end of 2022
- **~28% of Endowments and ~14% of ITF**
- ~43% of “Global Equity” Regime assets, which perform best during periods of positive GDP growth and moderate inflation

Market Environment in 2022

- **Poor macro backdrop** for Global Equity assets:
 - Low GDP growth
 - Inflation surprises
 - Rising rates
- **Equity index returns** were broadly **negative**:
 - MSCI World returned -18%
 - MSCI EM returned -20%
- Relative **underperformers**:
 - Growth, residual volatility, beta, momentum
 - Information technology, consumer discretionary
 - Russia, China

UTIMCO Public Equity Performance

- **Alpha was negative in calendar 2022**
 - Developed Markets: -2.6%
 - Emerging Markets: -5.2%
- **Long-term annualized alpha remains positive***:
 - 5y alpha: +0.4% Public Equity (-0.4% in DM, +2.2% in EM)
 - 10y alpha: +1.5% Public Equity (+0.7% in DM, + 2.8% in EM)

Proactive Strategy Adjustments in 2022

- Team made **proactive adjustments** starting in early 2022 to address magnitude of underperformance:
 - Risk budgeting
 - Factor framework
 - Portable alpha
 - Factor basket
- The early results of these adjustments are positive
 - **DM alpha stabilized in April 2022** and has begun to recover
 - **EM alpha starting to recover in early 2023**

* PUF returns



Team

BIOGRAPHIES

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

Strategic Partnerships / TAA

	<p>Amanda Hopper <i>PM, Developed Markets</i> Managing Director MBA, U. Chicago</p>
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	<p>Drury Morris, CFA, CAIA <i>PM, Developed Markets</i> Senior Director BA, Rhodes College</p>
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	<p>Russ Brown, CFA, CPA <i>PM, Emerging Markets</i> Director MS, UT Austin</p>
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	<p>Ken Standley, CFA, CAIA Senior Director <i>PM, Strategic Partnerships/TAA</i> BA, George Washington Univ.</p>
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	<p>David Huang, CFA Associate Director MS, NYU</p>
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	<p>Andres Delgado, CMT, CFA, FRM Associate BBA, Texas State University</p>
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	<p>Patrick Zerda Associate Director <i>TAA, Trading *</i> MPA, UT Austin</p>
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	<p>Anson Chuah, CFA Associate Director <i>Strategic Partnerships</i> BBA, UT Austin</p>
--	--

	<p>Christian Taylor Senior Data Analyst * BA, Stanford University</p>
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	<p>Kayla Young Senior Analyst BA, Cornell University</p>
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	<p>Sam Gujrathi Analyst MS, Columbia University</p>
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	<p>Fernanda Rice Analyst MBA, UT Permian Basin</p>
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	<p>Alexander Law Senior Analyst MS, Baylor University</p>
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	<p>Brendan Pellegrino Analyst MAF, Emory <i>(starts June 2023)</i></p>
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	<p>Kathy Simons Team Coordinator Texas A&M</p>
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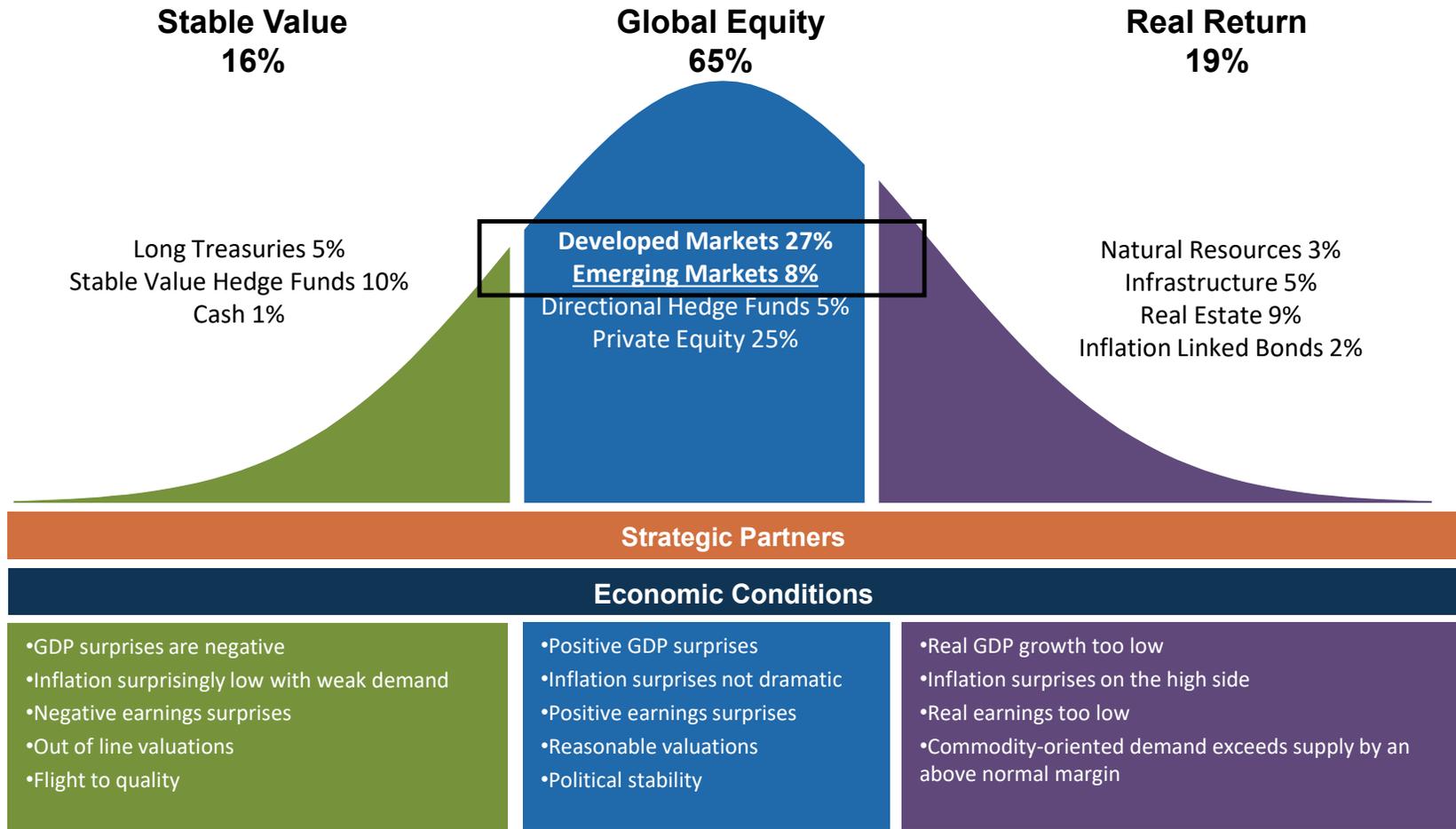
	<p>Jenna Hudson Team Coordinator * BA, UT Austin</p>
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* Shared with other teams (Hedge Funds, Risk)
--- * New in 2023



Role in Endowment

*LTSAA Policy Weights



Annual Returns			Annual Returns			Annual Returns		
1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr	1 Yr	3 Yr	10 Yr
-2.2%	2.5%	2.1%	-12.6%	10.2%	9.7%	4.0%	9.2%	6.3%

Performance as of December 31, 2022



Market Environment – Growth and Inflation

US POLICY SIGNAL CHART

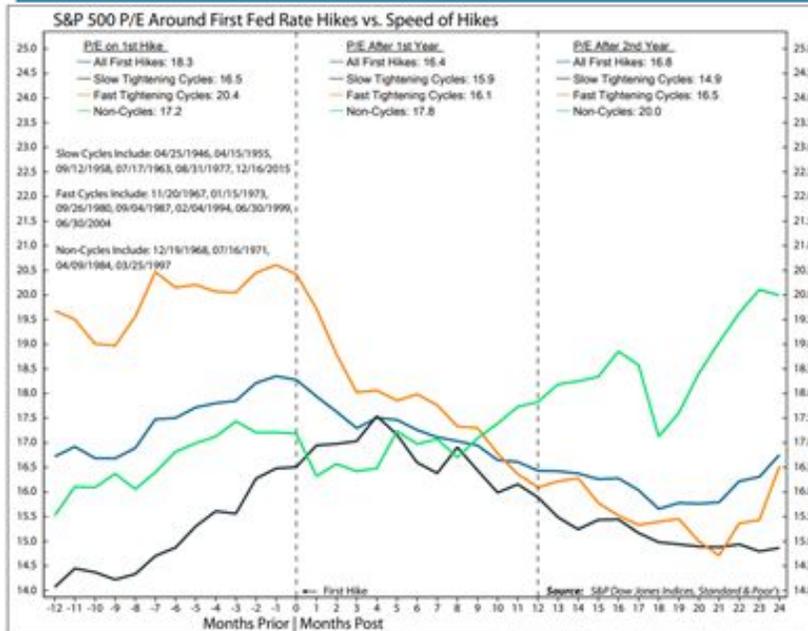


Historical Market Annualized Returns

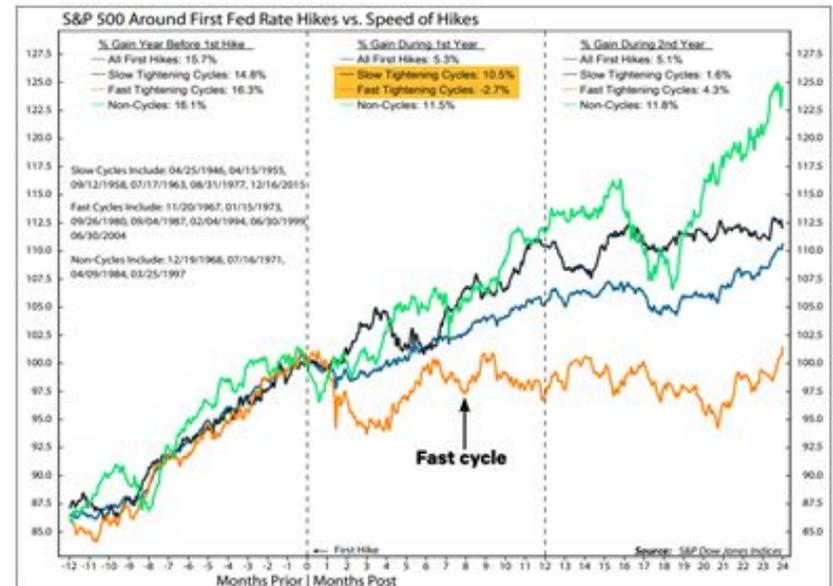
Box #	S&P 500 Nominal	S&P 500 Real
1	18.2%	8.7%
2	-4.3%	-11.7%
3	11.0%	2.4%
4	7.4%	5.4%
5	11.9%	9.3%
6	11.6%	9.1%
7	-7.1%	-2.7%
8	20.1%	23.1%
9	44.8%	45.0%

- During 2022, market conditions were in **Box 1 or 2** (low GDP growth, high inflation) in **8 out of 12** months.
 - These conditions favor Real Return assets but are generally negative for Global Equity returns, including Public Equity.
- Market conditions have **recently returned to Box 5** (moderate GDP growth, moderate inflation), a more supportive environment for Global Equity assets.

Market Environment - Rates



- During prior “fast tightening” cycles:
 - S&P 500 P/E multiples have contracted by a median of ~4.9 points
 - S&P 500 absolute returns have been flat to negative



Source: Ned Davis Research, Feb. 2022.



Performance

- Negative absolute and relative performance in H1 2022, followed by recovery in H2 2022
- Equity valuations compressed as rates increased during 2022
 - MSCI World forward P/E: 19.3x → 14.4x → 15.0x
 - MSCI EM forward P/E: 11.7x → 10.9x → 11.4x
- Key drivers of underperformance
 - Developed Markets: style factor and industry exposures
 - Emerging Markets: style factor and country/currency exposures
- We implemented significant changes starting April 2022 to improve factor profile of portfolio
- Magnitude of 1-year underperformance has depressed trailing 3- and 5-year returns

Performance Summary - Dec 2022

	UTIMCO Performance						Alpha vs. Benchmark					
	H1 2022	H2 2022	1y	3y	5y	10y	H1 2022	H2 2022	1y	3y	5y	10y
Total Developed Markets	(23.5%)	3.7%	(20.7%)	3.5%	5.7%	9.5%	(3.0%)	0.7%	(2.6%)	(1.4%)	(0.3%)	0.7%
Tracking Error	3.5%	2.3%	3.2%	4.4%	4.0%	3.8%	--	--	--	--	--	--
Information Ratio	na	na	-0.80	-0.32	-0.09	0.17	--	--	--	--	--	--
Total Emerging Markets	(23.7%)	(2.1%)	(25.3%)	(2.0%)	0.8%	4.2%	(6.0%)	0.8%	(5.2%)	0.7%	2.2%	2.8%
Tracking Error	4.2%	5.4%	5.3%	5.3%	5.2%	5.0%	--	--	--	--	--	--
Information Ratio	na	na	-0.98	0.13	0.43	0.52	--	--	--	--	--	--
Total Public Equity	(23.5%)	2.1%	(21.9%)	2.2%	4.4%	7.7%	(3.7%)	0.6%	(3.3%)	(0.8%)	0.4%	1.5%
Total Strategic Partnerships ¹	--	--	(16.9%)	8.9%	--	--	--	--	2.3%	3.1%	--	--
Tracking Error	--	--	2.2%	2.5%	--	--	--	--	--	--	--	--
Information Ratio	--	--	1.03	1.25	--	--	--	--	--	--	--	--
TAA PnL (Endowment bps)	--	--	--	--	--	--	--	--	8.2	10.5	--	--
Tracking Error ²	--	--	11.9	10.8	--	--	--	--	--	--	--	--
Information Ratio	--	--	0.69	0.97	--	--	--	--	--	--	--	--

Note: Performance as of December 31, 2022; all returns are for the PUF; returns for periods longer than 1 year are annualized.

¹ 3Y for SP & TAA reflects ITD performance; JP Morgan and BlackRock's from 4/30/2020, and Bridgewater's from 9/30/2022

² TAA stand alone volatility in Endowment basis points (TAA upsized from targeting 10bps of risk to 20bps of risk in October 2022)

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



Developed Markets

Market Conditions in 2022

Performance as of December 31, 2022

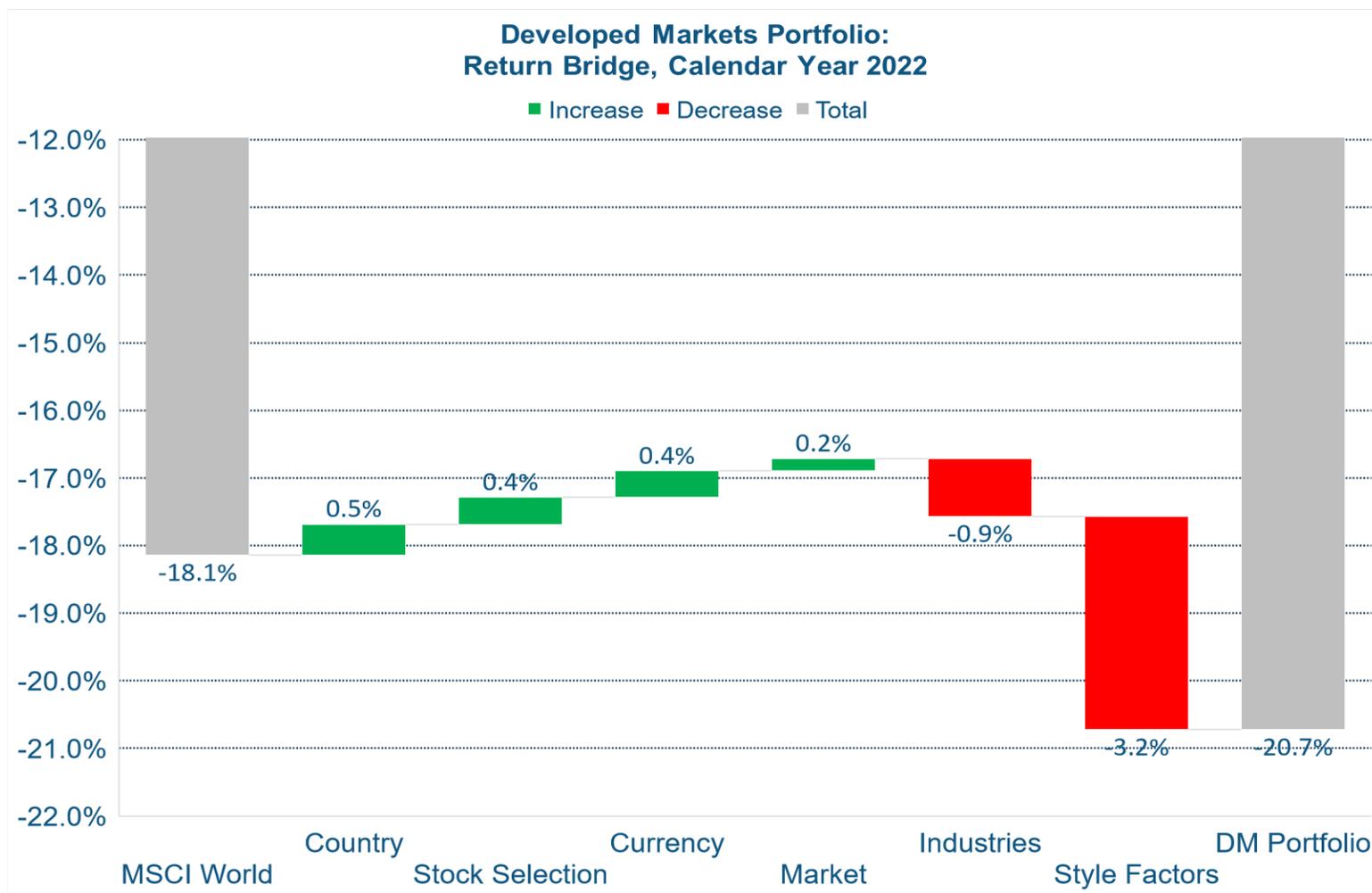
	Developed Markets						
	H1 2022	H2 2022	Annualized Returns (in USD)				
			1-Year	3-Year	5-Year	7-Year	10-Year
Factors							
MSCI World <u>Growth</u>	(28.8)	(0.6)	(29.2)	4.7	7.4	9.5	10.1
MSCI World Value	(12.2)	6.4	(6.5)	4.1	4.1	7.0	7.2
Growth vs Value	(16.6)	(7.0)	(22.7)	0.7	3.3	2.4	2.8
MSCI World <u>Quality</u>	(24.0)	2.3	(22.2)	6.1	9.0	10.6	11.2
MSCI World	(20.5)	3.0	(18.1)	4.9	6.1	8.5	8.8
Excess Return	(3.5)	(0.7)	(4.1)	1.2	2.8	2.1	2.3
MSCI World <u>Momentum</u>	(22.8)	6.5	(17.8)	6.5	8.5	10.9	11.5
MSCI World	(20.5)	3.0	(18.1)	4.9	6.1	8.5	8.8
Excess Return	(2.3)	3.5	0.4	1.6	2.3	2.4	2.6
Size							
MSCI World Large Cap	(20.1)	2.7	(18.0)	5.3	6.6	8.8	9.0
MSCI World Small Cap	(22.6)	4.9	(18.8)	2.9	3.5	7.3	8.2
Large Cap vs. Small Cap	2.5	(2.2)	0.8	2.3	3.1	1.5	0.8
Sectors							
<u>MSCI World</u>							
Communication Services	(27.8)	(12.6)	(36.9)	(3.9)	0.3	1.8	4.1
Consumer Discretionary	(31.9)	(2.2)	(33.4)	2.4	5.1	7.3	9.6
Consumer Staples	(9.8)	4.0	(6.1)	4.6	4.8	6.0	7.6
Energy	24.0	17.8	46.0	11.9	5.6	8.3	3.5
Financials	(17.5)	8.9	(10.2)	3.7	3.1	7.0	7.4
Healthcare	(10.3)	5.5	(5.4)	8.7	10.2	8.9	12.0
Industrials	(21.8)	11.0	(13.2)	4.2	4.3	8.3	8.5
Information Technology	(29.7)	(1.5)	(30.8)	8.9	13.2	16.2	16.2
Materials	(17.5)	8.2	(10.7)	7.6	5.0	10.5	5.3
Real Estate	(19.7)	(6.8)	(25.1)	(2.9)	1.1	3.2	3.9
Utilities	(6.2)	1.7	(4.7)	3.1	6.5	7.4	7.2
Geographies							
North America	(20.9)	1.7	(19.5)	6.9	8.5	10.6	11.3
Europe	(20.8)	7.2	(15.1)	1.3	1.9	4.6	4.6
Asia Pacific	(17.1)	4.9	(13.0)	(0.0)	0.9	4.5	4.9

Note: Periods longer than 1 year are annualized.



Developed Markets

2022 PERFORMANCE ATTRIBUTION

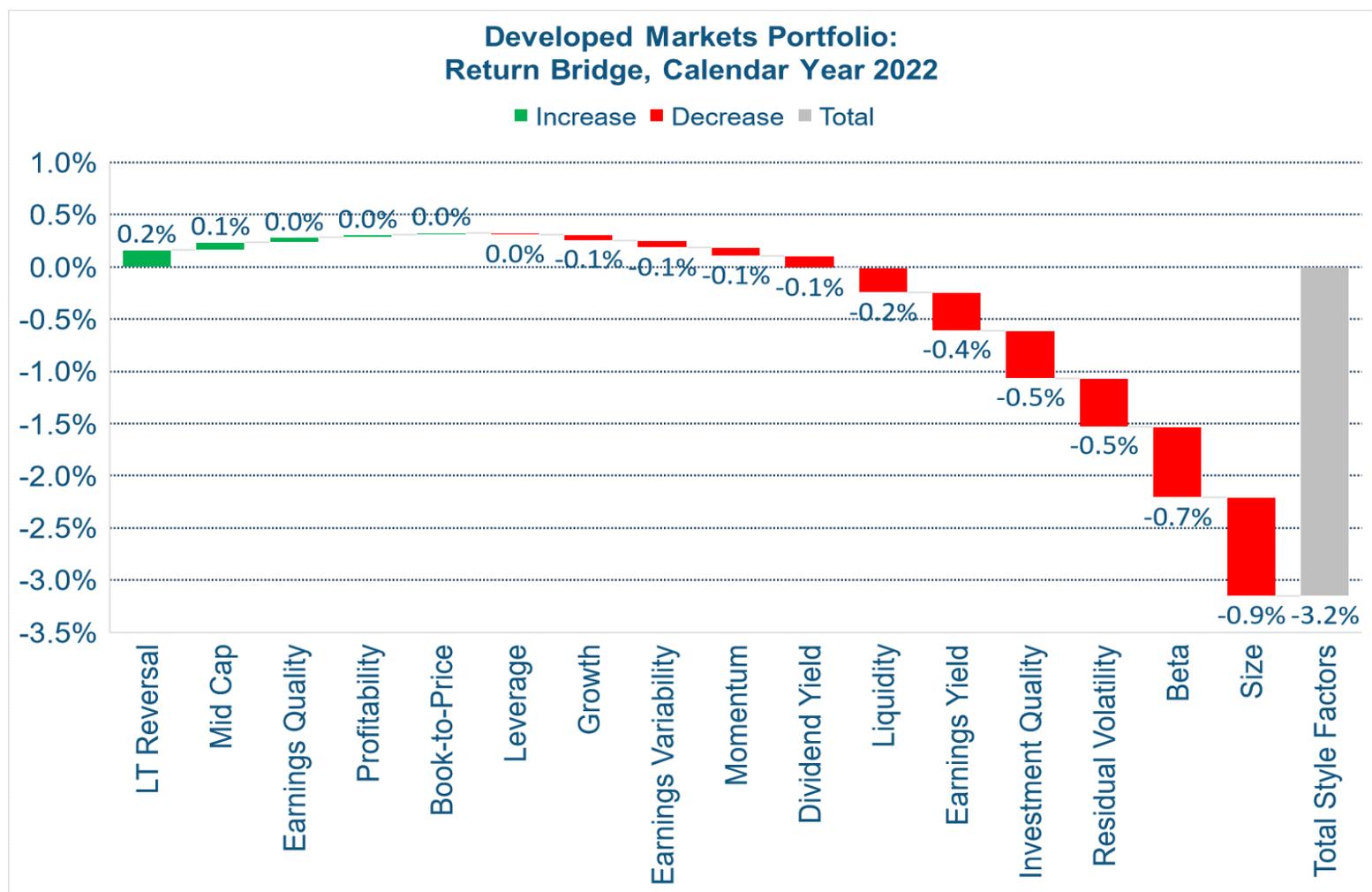


Source: BPM; Barra Global Equity Market Risk Model.



Developed Markets

2022 ATTRIBUTION OF ALPHA FROM FACTORS – SORTED BY IMPACT



Source: BPM; Barra Global Equity Market Risk Model. See Appendix for summary factor definitions.



Emerging Markets

MARKET CONDITIONS IN 2022

Performance as of December 31, 2022

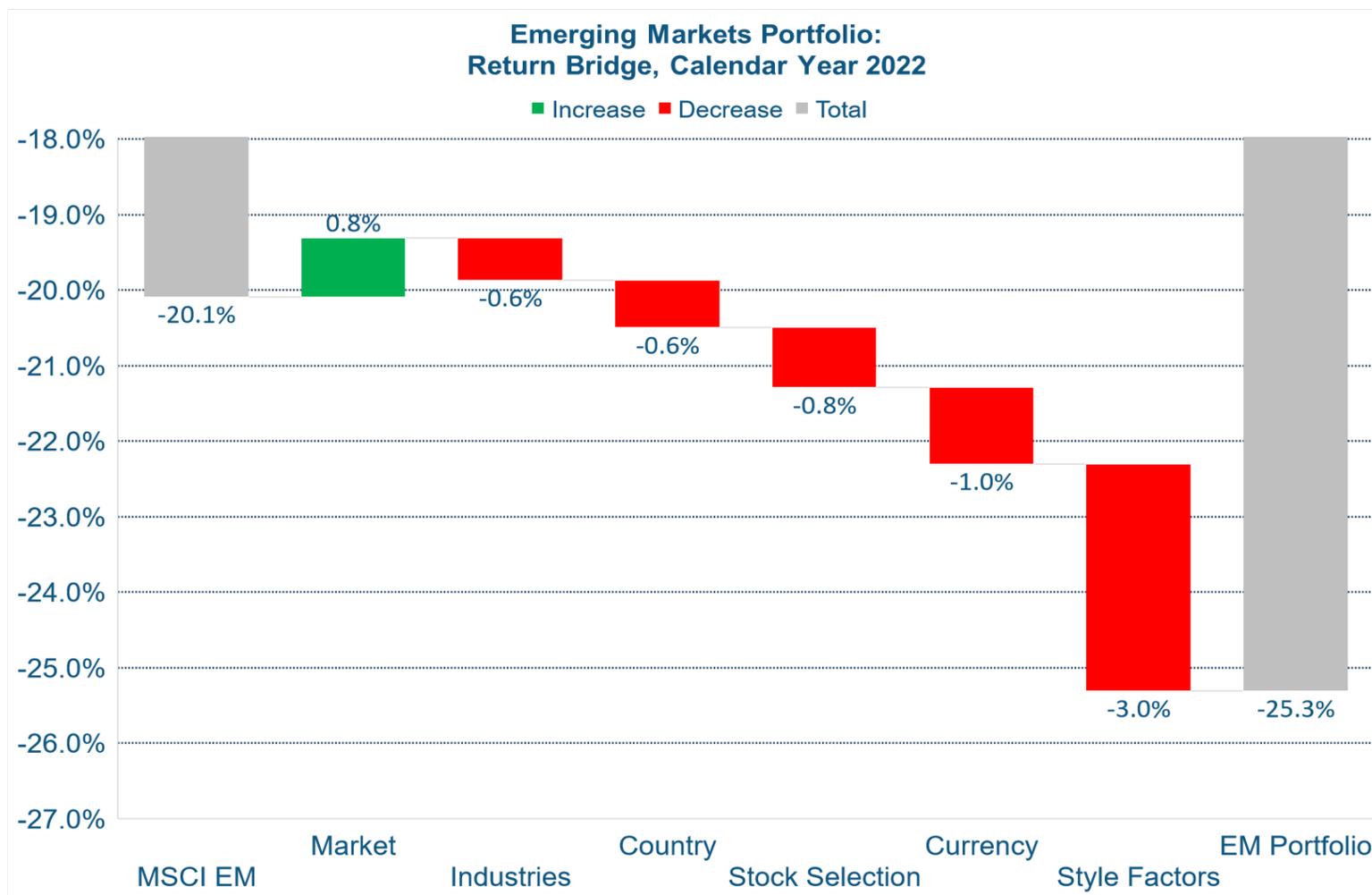
	Emerging Markets						
	H1 2022	H2 2022	1-Year	3-Year	5-Year	7-Year	10-Year
Annualized Returns (in USD)							
Factors							
MSCI EM <u>Growth</u>	(21.1)	(3.7)	(3.7)	(24.0)	(2.9)	(1.3)	5.7
MSCI EM Value	(13.9)	(2.3)	(2.3)	(15.8)	(2.6)	(1.6)	4.5
Growth vs Value	(7.2)	(1.4)	(1.4)	(8.1)	(0.3)	0.3	1.3
MSCI EM <u>Quality</u>	(21.1)	(1.4)	(1.4)	(22.2)	0.3	0.2	5.4
MSCI EM	(17.6)	(3.0)	(3.0)	(20.1)	(2.7)	(1.4)	5.2
Excess Return	(3.4)	1.6	1.6	(2.1)	3.0	1.6	0.2
MSCI EM <u>Momentum</u>	(27.3)	0.3	0.3	(27.1)	0.9	1.5	7.6
MSCI EM	(17.6)	(3.0)	(3.0)	(20.1)	(2.7)	(1.4)	5.2
Excess Return	(9.7)	3.3	3.3	(7.0)	3.6	2.9	2.5
Size							
MSCI EM Large Cap	(17.6)	(3.9)	(3.9)	(20.8)	(3.2)	(1.6)	5.2
MSCI EM Small Cap	(20.0)	2.5	2.5	(18.0)	5.1	1.1	5.4
Large Cap vs. Small Cap	2.4	(6.4)	(6.4)	(2.8)	(8.3)	(2.7)	(0.2)
Sectors							
MSCI EM							
Communication Services	(20.5)	(8.2)	(8.2)	(27.0)	(5.5)	(4.4)	(0.7)
Consumer Discretionary	(11.1)	(10.9)	(10.9)	(20.8)	(8.4)	(6.9)	(0.2)
Consumer Staples	(12.1)	1.7	1.7	(10.6)	(2.0)	(2.1)	1.8
Energy	(25.4)	1.5	1.5	(24.3)	(8.2)	(0.6)	7.0
Financials	(9.3)	1.5	1.5	(7.9)	(2.9)	(1.2)	5.0
Healthcare	(21.6)	(2.5)	(2.5)	(23.5)	(2.1)	(5.1)	(0.8)
Industrials	(11.9)	1.2	1.2	(10.8)	0.5	(1.0)	2.3
Information Technology	(29.7)	(5.3)	(5.3)	(33.4)	5.4	6.0	14.1
Materials	(18.0)	3.8	3.8	(14.9)	5.1	1.7	9.7
Real Estate	(7.7)	(11.9)	(11.9)	(18.7)	(19.2)	(11.5)	(3.3)
Utilities	(4.6)	0.1	0.1	(4.5)	0.6	1.1	3.5
Geographies							
Asia	(17.2)	(4.7)	(4.7)	(21.1)	(1.3)	(0.6)	5.6
Latin America	(0.6)	9.5	9.5	8.9	(4.8)	(1.1)	6.3
EMEA	(28.4)	0.1	0.1	(28.3)	(7.6)	(5.2)	1.9

Note: Periods longer than 1 year are annualized.



Emerging Markets

2022 PERFORMANCE ATTRIBUTION

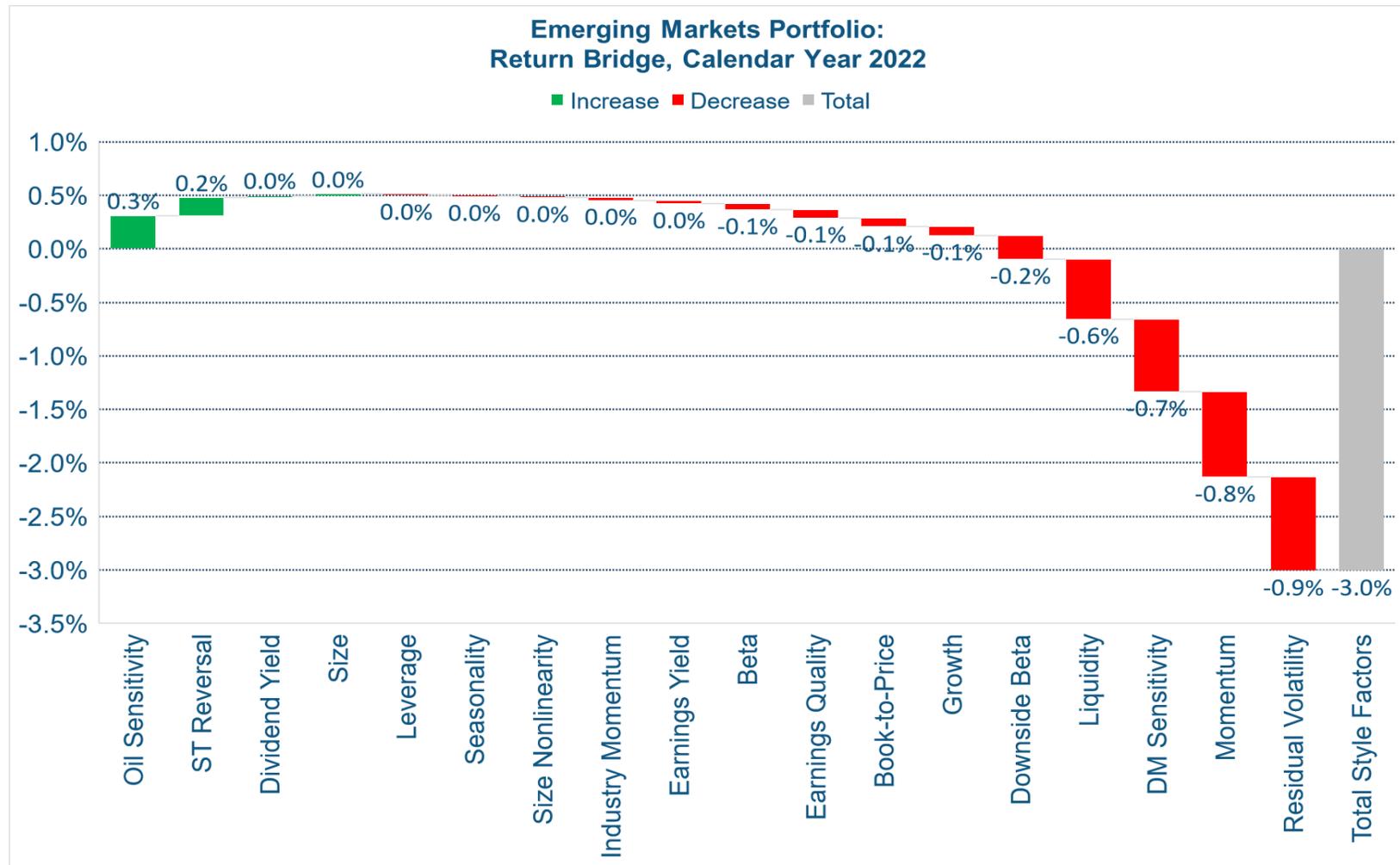


Source: BPM; Barra Emerging Markets Equity Market Risk Model.



Emerging Markets

2022 ATTRIBUTION OF ALPHA FROM FACTORS – SORTED BY IMPACT



Source: BPM; Barra Emerging Markets Equity Market Risk Model. See Appendix for summary factor definitions.



2022 in Review

Role in Endowment

- Negative absolute returns in both DM and EM
- Reflective of high-inflation, low-growth environment

Portfolio Actions

- Extremely active year – over \$2B redemptions and almost \$4B additions in active strategies
- Increased focus on risk budgeting
- Implemented factor framework
- Launched portable alpha program
- Initiated factor basket

Team & Talent

- Hired and integrated three new team members
- Two departures

Firm Initiatives

- Mentored second UTIMCO Scholars class
- Continued to advise UT and TAMU student funds
- Collaborated w/HR Team to streamline internship (GIL) program
- Transitioned chair role on DEI Task Force



Preview of Calendar 2023

- **Public Equity Portfolio**

- Expand Portable Alpha (pending Board approval of Policy revisions in August 2023)
- Continue Barra Implementation with analytics and visualizations
- New manager sourcing tools

Developed Markets

- Continue implementation of factor framework; consider tactical enhancements; expand factor basket
- Continue use of risk budgeting framework

Emerging Markets

- Continue increasing weights to global emerging markets (“GEM”) and quantitative managers
- Monitor China developments and plan for tail risks

- **Team**

- Integration of a new Senior Analyst (Alexander) and Analyst (Brendan)
- Amanda Hopper and Drury Morris will continue as co-PMs of Developed Markets
- Russ Brown will continue as PM of Emerging Markets



Conclusion

- **Public equity markets were negative in calendar 2022** across most countries, sectors and factors
- The UTIMCO **Public Equity portfolios generated negative alpha** in calendar 2022
 - **Factor exposures** negatively affected relative performance in both DM and EM
 - In DM, majority of negative alpha was in Q1 2022, as factor and market trends from H2 2021 continued/worsened
- **In response** to the challenging environment and portfolio underperformance, the Public Equity team was **very active in 2022**:
 - **2x “normal” level of capital flows**
 - New frameworks for risk management: **risk budgeting; factor framework**
 - New portfolio tools: **portable alpha; factor basket**
 - **Early results are promising**
- The team welcomed **three new members** and **continued our strong contributions** to firm initiatives
- We remain **focused on executing** in a fluid and unusual market environment

Appendix





2023 Action Plan

Performance / Fulfill Role in Portfolio		
Action	Metric	Timing
Accomplish investment objectives	Generate 75 bps alpha vs. market benchmarks and top quartile vs. peers (over 1y period)	Q4 2023
Collaborate with Risk, IRC and investment teams on total equity and China positioning	Maintain clear plan for extreme events Develop China and EM Policy recommendation for June 2023	Q2 2023
Refine PubEq manager scorecards and competitive manager dashboard	Increase automation of, and expand universe used in, manager scorecard and dashboard	Q3 2023

Portfolio Initiatives		
Action	Metric	Timing
Continue expansion of Portable Alpha program (contingent on Board approval)	Revise Investment Policies to accommodate larger program Expansion of program beyond initial \$1.1 billion	Q2 2023 Q4 2023
Refine Barra output visualization	Finalize Power BI dashboards for manager trends, portfolio trends and data integrity	Q2 2023
Tactical enhancements to factor framework	Expand factor basket Quant manager positioning dashboard Add external managers to PL	Q2 2023

Talent Development		
Action	Metric	Timing
Collaborate with ISS, Risk and other investment teams on Citizen Developer roles	Formulate and adopt best practices for Citizen Developers	Q2 2023
Recruit and integrate 2 new Analysts	Hire and successfully onboard strong candidates	Q3 2023
Execute IDPs Legal terms training	Each team member successfully completes objectives Analysts through Associate Directors to complete	Q4 2023

Firm and Client Initiatives		
Action	Metric	Timing
Continue building connectivity with UT and TAMU students Lead UTIMCO brand-building activities	Serve as student fund and FAP mentors (SC, DH, AD) Mentor GILs and Scholars (AH, DM, RB, DH, AD, KY, SG)	Q3 2023
Collaborate with ISS on investment data mart (feedback and testing)	Work with ISS team to replicate IDM data in Investment Data Mart	Q2 2023
Support DEI Council Initiatives	Participate in events and programming	Q4 2023



Barra Factors – Historical Return/Risk

As of: 12/31/2022

Description	Historical Risk Premia			Performance & Valuation						Z-Score Val ²
	Return ¹	Risk ¹	Sharpe	1M	6M	1Y	3Y ¹	5Y ¹	10Y ¹	
Earnings Quality	1.4%	0.8%	1.7	0.1%	-0.1%	0.9%	0.9%	0.6%	0.7%	-0.7
Earning Yield	3.6%	2.2%	1.7	0.3%	0.9%	4.5%	1.6%	0.6%	1.0%	0.2
Book-to-Price	2.3%	1.6%	1.4	0.3%	0.3%	1.2%	1.5%	1.0%	1.0%	-0.6
Investment Quality	1.1%	0.9%	1.2	0.2%	1.4%	2.5%	0.8%	0.4%	0.9%	1.1
Momentum	4.3%	4.2%	1.0	-0.1%	0.1%	-1.2%	2.9%	2.6%	3.3%	-0.5
Profitability	1.1%	1.2%	0.9	0.1%	0.5%	0.3%	1.5%	1.1%	1.0%	-0.1
Growth	0.9%	1.2%	0.8	-0.2%	-0.2%	-1.0%	0.5%	0.4%	0.7%	-0.7
Long-Term Reversal	1.1%	1.6%	0.7	0.4%	2.1%	5.5%	1.5%	0.4%	0.4%	0.8
Dividend Yield	0.8%	1.3%	0.6	0.1%	0.2%	0.8%	-1.5%	-0.5%	0.2%	0.8
Beta	1.0%	5.1%	0.2	-1.2%	3.1%	-1.5%	3.7%	2.7%	1.9%	0.2
Size	0.1%	2.3%	0.0	-0.4%	0.4%	2.1%	0.8%	1.3%	0.2%	0.1
Mid Capitalization	-0.1%	1.4%	-0.1	0.4%	0.4%	1.2%	-0.6%	-0.4%	0.1%	1.4
Leverage	-0.2%	1.2%	-0.1	0.4%	0.3%	1.1%	0.3%	0.2%	0.0%	0.1
Earnings Variability	-0.4%	1.3%	-0.3	-0.3%	-1.3%	-1.2%	-0.3%	-0.7%	-0.7%	-1.4
Liquidity	-1.0%	2.4%	-0.4	-0.7%	-0.6%	-2.8%	-0.7%	-0.8%	-0.8%	-0.2
Residual Volatility	-2.4%	3.2%	-0.8	-0.6%	-1.1%	-6.4%	-2.9%	-3.2%	-2.6%	0.0
World	5.8%	14.4%	0.2	-4.4%	2.2%	-15.7%	3.8%	4.3%	8.1%	-0.1

Barra Global Equity Market Risk Model, 1995-2022.

¹ Annualized.

² Z-score uses 6-month rolling returns and a rolling 3-year average window.



Barra Factors – Glossary

Barra Factor	Description	Long Exposure to:
Beta	<p>Represents sensitivity to global market <u>after isolating impact of other factors</u></p> <p><u>Different from CAPM beta</u>, which is simply [covariance (portfolio, market)] / [variance (market)]</p>	Companies that have outsized performance relative to market (positive or negative)
Residual Volatility	<p>Blend of metrics encompassing:</p> <ul style="list-style-type: none"> • Volatility of daily excess returns • Width/narrowness of 12-month trading band 	Companies that trade in a wide band
Liquidity	Blend of share turnover measured across various trailing time periods	More liquid companies, where trading is expected to have low price impact



Barra Factors – Glossary

CATEGORY – MARKET CAPITALIZATION

Barra Factor	Description	Long Exposure to:
Size	Natural log of market capitalization	Large- and mega-cap companies
Mid-Cap	Cube of size exposure	Mid-cap companies

CATEGORY – PRICE TRENDS

Barra Factor	Description	Long exposure to:
Momentum	Blend of metrics encompassing relative strength and historical alpha over <u>1y and 11d windows</u>	Companies that have outperformed market in <u>last 1y</u>
Long-Term Reversal	-1 * Blend of metrics encompassing relative strength and historical alpha over <u>4y windows with 13m lag</u>	Companies that have performed poorly in <u>past 4y with 13m lag</u>



Barra Factors – Glossary

CATEGORY – VALUE AND GROWTH

Barra Factor	Description	Long Exposure to:
Book-to-price	Book value / current market cap	Cheap companies
Earnings yield	Blend of metrics covering trailing and forward 12m expected earnings and cash flow, divided by current price	Cheap companies
Dividend yield	Blend of trailing and forward 12m expected dividends, divided by current price	Cheap companies
Growth	Blend of metrics covering historical EPS and sales/share growth, as well as 3-5y forward estimated earnings growth	Companies with high: <ul style="list-style-type: none">• Historical EPS and sales growth• Expected earnings growth



Barra Factors – Glossary

CATEGORY – QUALITY

Barra Factor	Description	Long Exposure to:
Investment quality	Blend of metrics re: growth of: <ul style="list-style-type: none"> • Assets • Shares outstanding • Capex 	Companies with lower growth of these metrics
Earnings variability	Blend of metrics encompassing variabilities of 5y historical: <ul style="list-style-type: none"> • Sales • Earnings • Cash flow • Forward 12m EPS 	Companies with lower variability
Earnings quality	Blend of metrics re: <ul style="list-style-type: none"> • Balance sheet accruals • Cash accruals • Difference between cash and book earnings 	Companies with lower accruals
Profitability	Blend of metrics covering: <ul style="list-style-type: none"> • Asset turnover • Gross profitability and margins • ROA 	Companies with high metrics
Leverage	Blend of metrics covering: <ul style="list-style-type: none"> • Market leverage • Book leverage • Asset leverage 	Companies with higher debt ratios

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: Hedge Funds Presentation

Developed By: Hedge Funds Team

Presented By: Powers, Caruso

Type of Item: Information Item

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

Reference: *Hedge Funds Review* presentation



Hedge Funds Review

Courtney Powers, Managing Director

Tony Caruso, Managing Director

March 30, 2023



Team Structure

EXPERIENCE SUMMARY: 6 MBAs, 4 CFAs



Ryan Ruebsahm
Senior Managing Director
MBA, UT Austin



Tony Caruso, CFA
Managing Director
MBA, University of Chicago



Russell Kampfe
Managing Director
MBA, UT Austin



Courtney Powers
Managing Director
MBA, UT Austin



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



Kyle Burhop, CFA
Director
BS, Virginia Tech



Jared Brimberry
Director
BBA, Baylor University



Jim Ricker
Associate Director
BA, Hamilton College



Melanie Cass, CFA
Associate
MBA, UT Austin



Will Haynes
Senior Analyst
MSF, UT Austin



Angelica Blesa
Analyst
BBA, UT Austin



Lori Shaver
Executive Assistant
BS, Sam Houston State

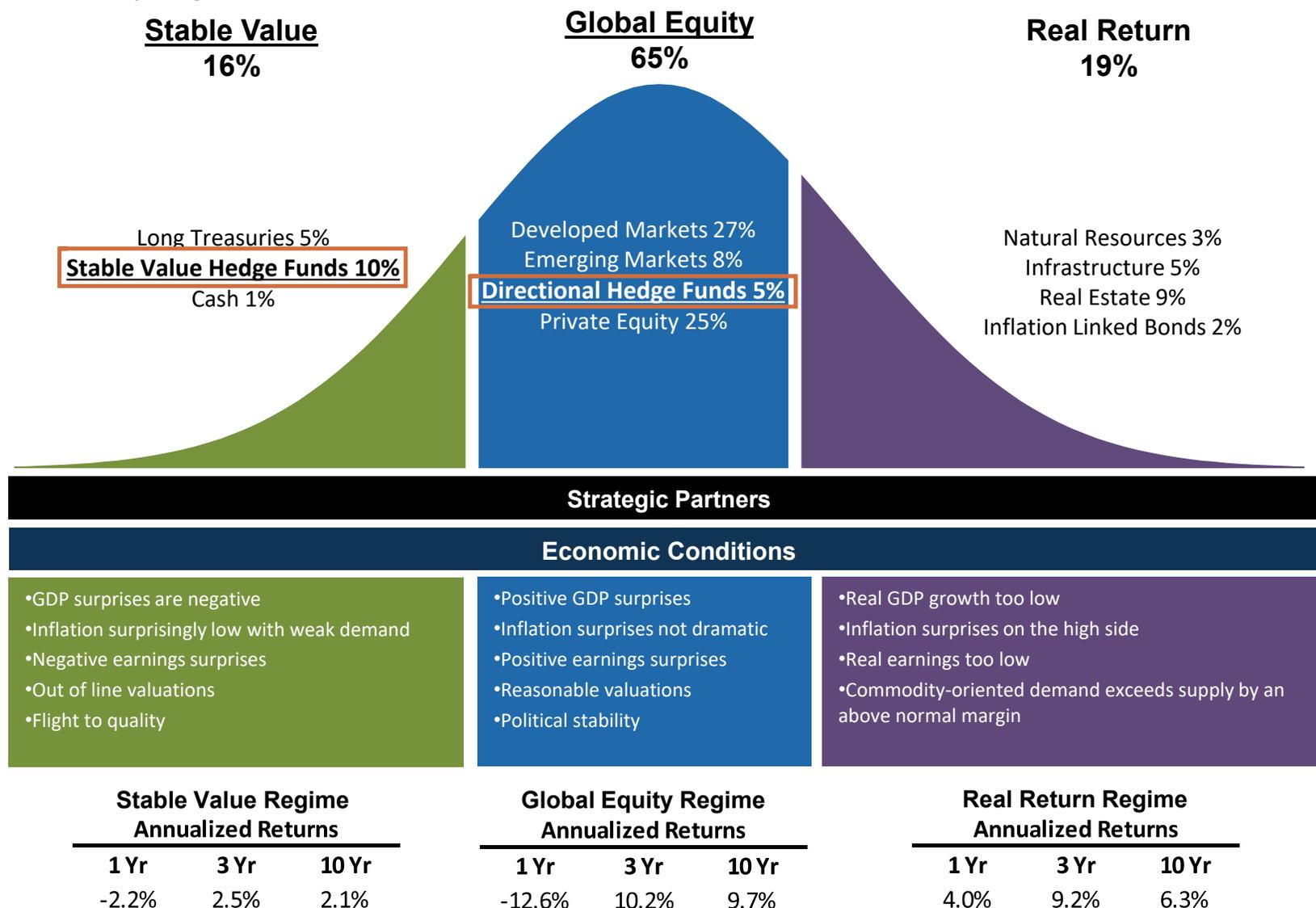


Christian Taylor
Senior Analyst
BA, Stanford University



UTIMCO Diversification Framework

LTSAA Policy Weights

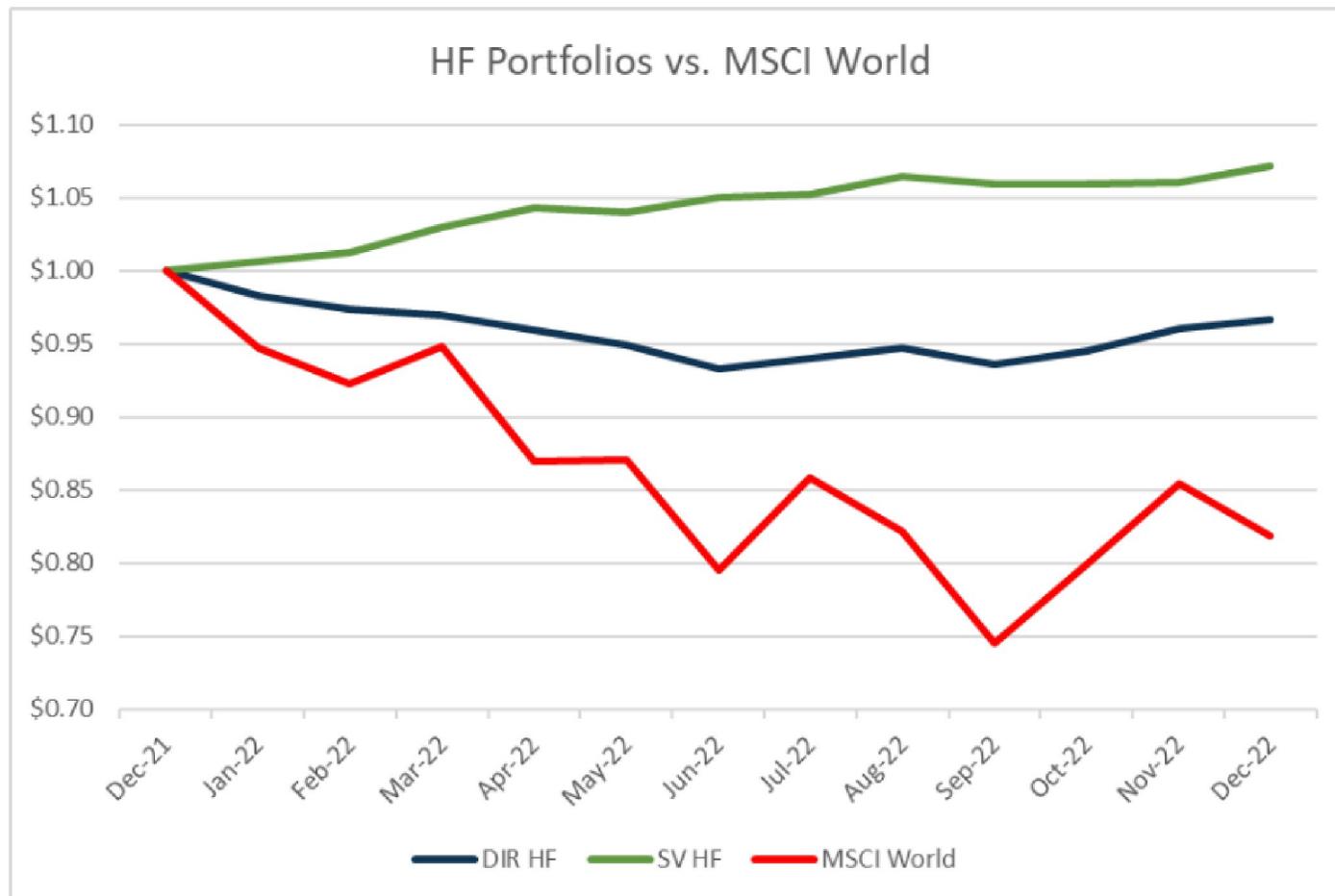


Returns through December 2022



Hedge Funds - “Slow, Middle, & Fast Lanes”

- **2022:**
 - **MSCI World -18%**
 - **SV +7%** remained uncorrelated and generated positive returns
 - **DIR -3%** preserved capital and delivered alpha





Hedge Funds Executive Summary

- Consistent Performance and Capital Preservation

Portfolio	Return			Alpha vs. Policy Bench		
	1yr	3yr	5yr	1yr	3yr	5yr
Directional HF	-3.4%	5.9%	6.0%	1.9%	2.1%	3.0%

Portfolio	Return			Alpha vs. Policy Bench		
	1yr	3yr	ITD	1yr	3yr	ITD
Stable Value HF	7.1%	8.6%	8.0%	6.7%	4.0%	4.0%

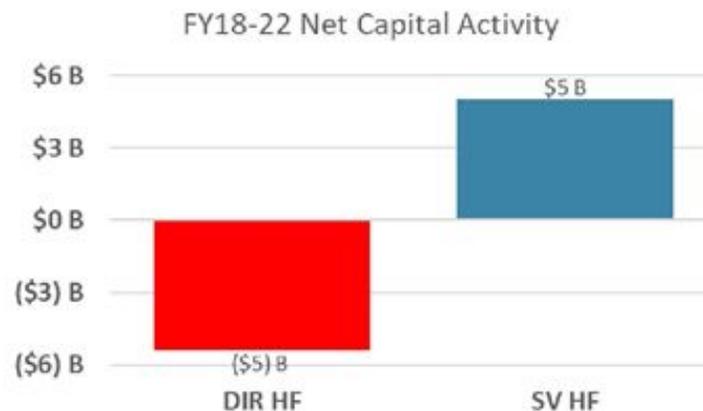
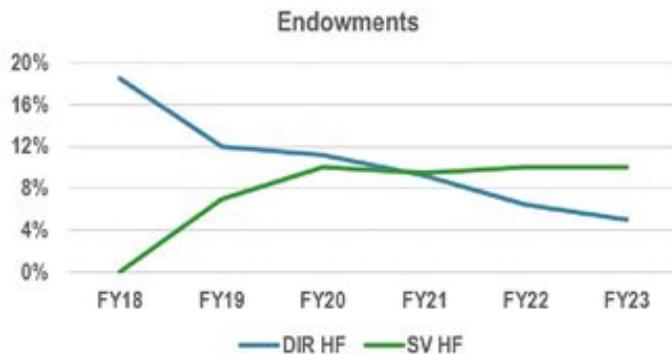
Stable Value HF ITD = September 2018 - present

- Directional HF meeting or exceeding its objectives
 - Stable Value HF exceeding expectations
 - 8% returns since inception: outperforming benchmark return of 4%, bond return of 0%, and SAA forecast of 5%**
- Team is strong and fully built out at 13 people
- Meaningful contributions to 2022 firmwide priorities:
 - Successfully grew SV HF to \$6.5B**, on track with SAA policy target
 - Applied **Essentialism** to workflow, improving team's efficiency by an estimated 10%
 - Improved investment analytics** – continued to build Power BI tools using MSCI RiskMetrics analytics
- Total Alignment with 2023 firmwide priorities:
 - Final year of SAA plan execution**, growing SV HF in ITF to 25% and reducing DIR HF in ITF to 35%;
 - Reinforce and solidify all prior years' themes into people and processes (**consolidating Total Alignment, Development, Servant Leadership, and Essentialism**)
 - Continuous **improvement of critical processes and productivity** of team



2023 Strategic Plan Implementation

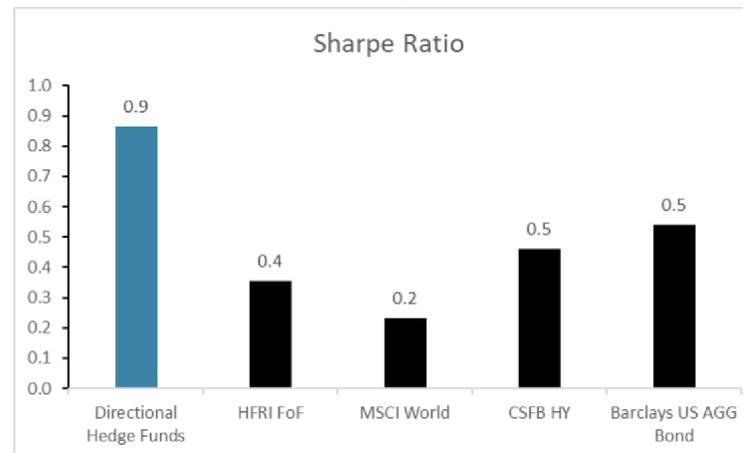
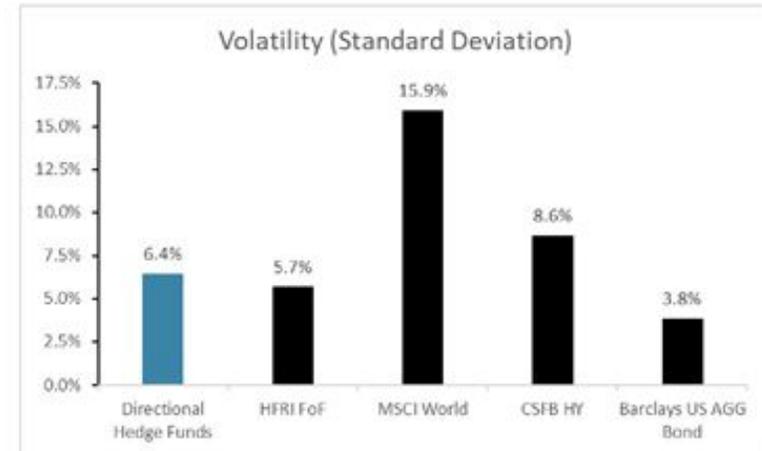
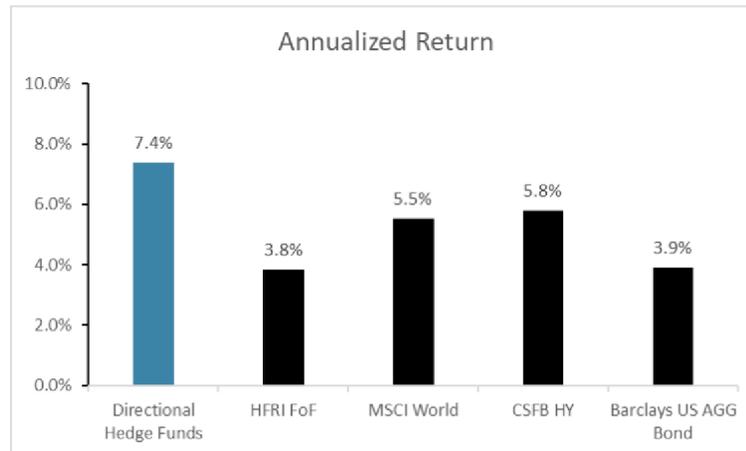
- **On target to complete SAA transition this year**
 - SV HF remaining 10% in Endowments and increasing to 25% in ITF
 - DIR HF reducing to 5% in Endowments and 35% in ITF
- The following charts illustrate the **gradual implementation over the last 5 years**, resulting in **\$5B of aggregate transfers** between the two HF portfolios





DIR HF Performance Since 1998 Inception

August 1998 Inception - December 2022



- Directional HF has **outperformed MSCI World by 2% on lower volatility (6% vs 16%)**
- **7.4% net return** comprised of 1.8% from cash, 1.0% from beta, and **4.5% from alpha** vs. MSCI World
- **Outstanding Sharpe Ratio of 0.9**
- **\$8.6B of profits** (net of fees), which is \$2.1B greater than our current NAV of \$6.5B



Directional Hedge Funds – 2022 Results

As of December 31, 2022

Asset Allocation

- **\$6.5B**
- 6% of PUF/GEF; 38% of ITF

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$52,930	\$8,733	\$61,663
Public Equity	14,725	1,240	15,965
Private Equity	14,582	-	14,582
Directional Hedge Funds	\$3.186	\$3.301	\$6.487
Global Regime AUM	32,493	4,541	37,034
Global Equity Regime % of Total Fund	61%	52%	60%
Directional Hedge Funds % of Total Fund	6%	38%	11%
Directional Hedge Funds % of Regime	10%	73%	18%

Performance

- **1-yr alpha +1.9%; 3-yr alpha +2.1%.**
- 3-yr portfolio Sharpe ratio of 0.5
- **All strategies performing**
- **Long/Short Equity continues to be the largest driver**

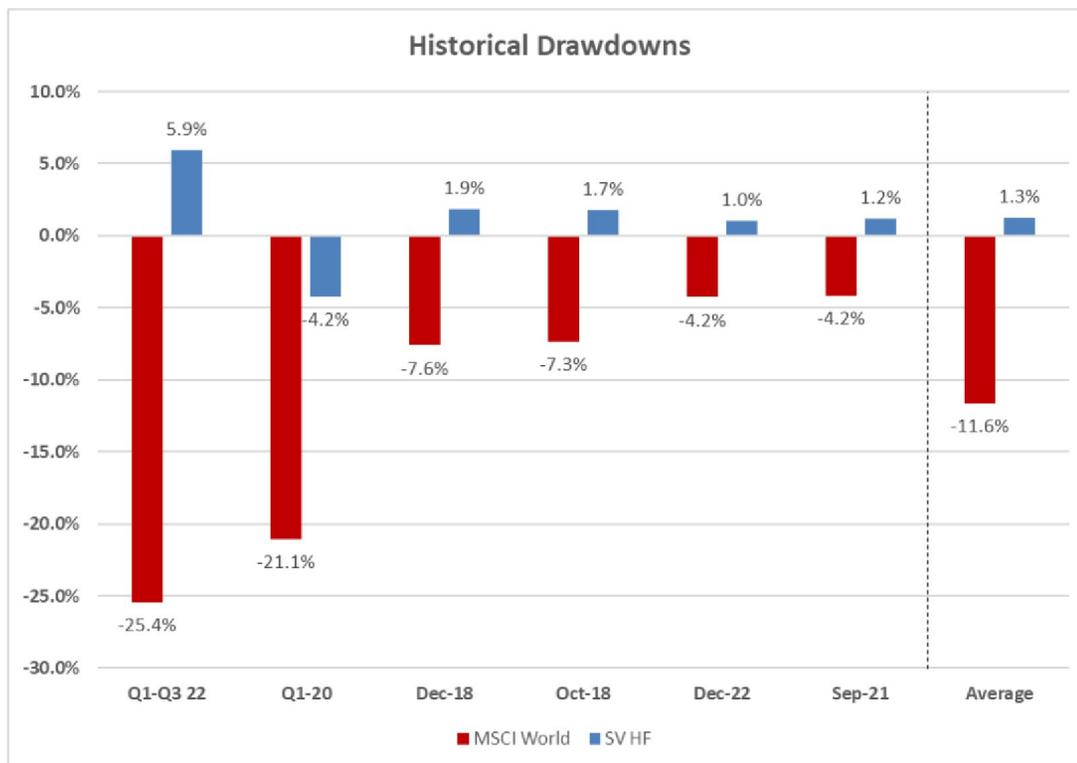
			RETURN	ALPHA	VOLATILITY	SHARPE
Directional HF	\$6,487	1yr	-3.4%	1.9%	3.6%	-1.3
		3yr	5.9%	2.1%	9.7%	0.5
Long/Short Equity	\$4,346	1yr	-5.1%	5.1%	4.9%	-1.3
		% DIR HF Weight	67%	3yr 6.5%	0.7%	11.3%
Multi-Strategy	\$1,031	1yr	2.7%	7.8%	3.3%	0.4
		% DIR HF Weight	16%	3yr 5.6%	1.9%	7.9%
Credit	\$1,110	1yr	-1.8%	1.3%	5.9%	-0.5
		% DIR HF Weight	17%	3yr 4.0%	-3.8%	11.3%

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



Stable Value Hedge Funds – Diversification Benefits

- **Uncorrelated** returns to the rest of the Endowment
- Represents 9% of Endowment NAV but **contributes only 1.2% of total risk**
- Capital has been preserved during six equity sell-offs since September 2018



SV HF - CORRELATION TO STRATEGY POLICY BENCHMARKS (SI)	
Global Fixed Income	0.08
Internal Fixed Income	0.08
Emerging Markets Public Equity	0.38
Total Developed Public Equity	0.30

SV HF - CORRELATION TO DIR HF (SI)	
Directional Hedge	0.45

Correlations calculated based on weekly data for the period September 2018 - December 2022.



Stable Value Hedge Funds – 2022 Results

As of December 31, 2022

Asset Allocation

- **\$6.5B**
- 9% of PUF/GEF; 18% of ITF
- Portfolio is built out and will continue to be optimized as it scales to SAA target

Performance

- **1-yr Alpha +6.7%**
3-yr Alpha +4.0%
- **High Sharpe Ratio of 2.0** over 3-yr
- **Strong performance** from most strategies, with RV-Multi and EMN being the top performers
- Insurance underperformed in 2022 due to Hurricane Ian; pricing has since improved materially and should contribute positively in 2023

	PUF/GEF	ITF	PUF/GEF/ITF
NAV	\$52,930	\$8,733	\$61,663
Cash	988	161	1,150
Fixed Income	2,655	1,588	
Stable Value Hedge Funds	\$4,936	\$1,606	\$6,542
Stable Value Regime AUM	8,546	3,330	11,877
Stable Value Regime % of Total Fund	16%	38%	19%
Stable Value Hedge Funds % of Total Fund	9%	18%	11%
Stable Value Hedge Funds % of Regime	58%	48%	55%

			RETURN	ALPHA	VOLATILITY	SHARPE
Stable Value HF	\$6,542	1yr	7.1%	6.7%	2.4%	2.3
		3yr	8.6%	4.0%	4.0%	2.0
RV-Multi	\$2,300	1yr	12.5%	12.0%	2.8%	3.8
% SV HF Weight	35%	3yr	14.7%	9.9%	3.3%	4.2
Equity Market Neutral	\$2,187	1yr	8.8%	7.3%	2.8%	2.6
% SV HF Weight	33%	3yr	11.1%	8.3%	4.8%	2.2
Credit	\$912	1yr	3.2%	6.3%	3.0%	0.6
% SV HF Weight	14%	3yr	7.5%	-0.3%	5.9%	1.1
Niche RV	\$592	1yr	-0.7%	0.1%	4.5%	-0.5
% SV HF Weight	9%	3yr	11.2%	7.9%	6.1%	1.7
Insurance	\$523	1yr	-10.9%	-8.9%	14.3%	-0.9
% SV HF Weight	8%	3yr	-2.7%	-2.3%	8.9%	-0.4

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



Where Do We Go from Here?

- Execute 2023 Action Plan
 - Focus on **optimizing performance and alpha generation in both portfolios**
 - Work with broader investment team to **determine new SAA targets and successfully execute SAA plan**
 - **Enhance productivity by 10%** by improving work-flow management
 - **Reinforce all prior year's themes**
(Total Alignment, Development, Servant Leadership, & Essentialism)
 - Continued **Culture and Development** by mentoring team and Ryan's executive coaching



Summary

- Both portfolios are **preserving capital as expected**
 - **Directional HF generated return of -3.4%** and alpha of 1.9%
 - **Stable Value HF generated return of 7.1%** and alpha of 6.7%
- We are on track to successfully implement the new SAA targets in the ITF with Stable Value allocation growing to 25% and Directional shrinking to 35%
- **Risk is being monitored and managed well**, with 100% participation on RiskMetrics
- We are **executing our Action Plan** that is meaningful to firmwide initiatives

Appendix





Directional Hedge Funds – Execution Update

- Met or exceeded all objectives over the last 3 years
- SAA reduction is on schedule
- Optimizing manager weights to increase alpha and reduce volatility

Directional Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on equity and market sensitive hedge funds	✓	<ul style="list-style-type: none"> • Return: 5.9%¹ • Sharpe Ratio: 0.5
Market Sensitivity and Risk Core strategies have moderate market sensitivity (beta) and lower risk (volatility) than equities	✓	<ul style="list-style-type: none"> • Correlation to MSCI World: 0.8⁴ • Beta to MSCI World: 0.3⁴ • Directional HF Volatility of 9.8% vs MSCI World 20.7%
Market Regime Performance Expected to outperform equities when markets are down, but will underperform strong markets	✓ +	<ul style="list-style-type: none"> • 87% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: 3.6% • 3-year ann. return of 5.9% vs. MSCI World 4.9%
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓ +	<ul style="list-style-type: none"> • 5.9% return vs. Treasuries -3.1% (current 10-year YTM 3.5%) • 9.8% volatility vs. Treasuries 5.6%
Performance vs. Benchmark HFRI Fund of Funds Composite benchmark	✓	<ul style="list-style-type: none"> • Ann. outperformance of 2.1% over last 3 years³ • Tracking Error: 4.3%³

(1) Dates: Directional HF returns and details reflective of trailing three-year period (January 2020 through December 2022).

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

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

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



Stable Value HF - Execution Update

- Scaled from **\$6.2B to \$6.5B in 2022** while preserving attractive return and risk characteristics
- **Met or exceeded all objectives over the last 3 years:**
 - **Outperformed FoF Conservative benchmark by 4.0%** last 3 years (+6.7% in 2022).
 - Exhibited a **beta close to zero** over this period vs. benchmark of ~0.2.

Stable Value Portfolio Objectives	Status	Details – 3 Years
Hedge Fund Types Focus on absolute return hedge funds	✓+	<ul style="list-style-type: none"> • Return: 8.6%¹ • Sharpe Ratio: 2.0
Market Sensitivity and Risk Core strategies have low to negative market sensitivity	✓	<ul style="list-style-type: none"> • Stable Value HF Volatility: 3.9% • Beta to MSCI World: 0.1⁴ • Correlation to MSCI World: 0.2⁴
Market Regime Performance Expected to have positive returns when markets are down	✓+	<ul style="list-style-type: none"> • 100% hit rate vs. equity in equity down months • Average monthly excess return over equities in down months: +5.6% • Positive absolute returns in 12 of 15 down equity months
Performance vs. US Treasuries Expected to outperform US Treasuries ² over the long term	✓+	<ul style="list-style-type: none"> • 8.6% return vs. Treasuries -3.1%² (current 10Y YTM 3.5%) • 3.9% volatility vs. Treasuries 5.6%
Performance vs. Benchmark HFRI Fund of Funds Conservative benchmark	✓+	<ul style="list-style-type: none"> • Ann. outperformance of 4.0% over last 3 years³ • Tracking Error: 2.8%³

(1) Dates: Stable Value HF returns and details reflective of trailing 3-year period (January 2020 through December 2022).

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

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

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



2023 Hedge Fund & Fixed Income Action Plan

Deliver Results			Refine Risk Management			Portfolio Initiatives			Culture and Development		
Action	Metric	Timing	Action	Metric	Timing	Action	Metric	Timing	Action	Metric	Timing
Deliver Alpha Targets	HFs: (i) Generate 1%+ Alpha vs. policy benchmarks; (ii) Outperform UST FI: IGFI 50bps+ of Alpha	Jun-23	Utilize RiskMetrics, PowerBI, and Excel Reporting and Analytics	Continue to work across HFFI Team and with Risk for "one language"; create new contribution to Vol/TE and top 10 holdings reports	Jun-23	Complete Annual Review and Business Plan with buy-in from Leadership Team	Annual Review / Business Plan	Aug-23 / Dec-23	Talent Management	i) Execute IDPs, and Leadership Team's Action Plan; ii) basic LP legal education for anyone below Director	Dec-23
Diversify Global Equity Regime	(i) SV portfolio correlation ≤ 0.25 ; (ii) Positive SV expected returns when equity markets down	Jun-23	FI Complete Transition to New Risk System	Customized risk reports to assist investment decisions; use barra to create rate shifts, shocks/stress tests and country, fx, sector exposure report for IGFI	Jun-23	Work with PM Team and IRC on when/how to OW/UW asset classes	Develop clear execution plan	Mar-23	Year of Consolidation	Reinforce and solidify all prior themes into people and processes; Total Alignment, Development, Servant Leadership, Essentialism	Dec-23
Execute SAA Targets	(i) Increase SV HF and Long Treasuries; 2) decrease DIR HF and IGFI as per capital plans	Sep-23	Continuous Improvement of Critical Processes	Refine and enhance capital plans, manager/PM reviews, and analytics	Jun-23	Monitor and Refine FI Overlay	Deliver expected alpha of 75bps on TE of 150bps; incorporate barra IGFI risk reports	Jun-23	Continue to Apply Essentialism into HF and FI workflow	Improve team productivity by 10% as measured by time saved per year / total work hours per year	Dec-23
Successful Portable Alpha Ramp	(i) Help PubEq ramp PA to \$1.15B and possibly more if the target is increased, (ii) Generate minimum of 1% Alpha vs benchmark	Jun-23	FI Work with Risk to Implement new UTIMCO U.S. Economic Model	Compare internal model to external products to judge value add	Jun-23	Set up SV HF Managed Account Capabilities with Walleye	Improve cash efficiency, liquidity, and transparency using their managed account platform	Jun-23	Identify Opportunities to be Meaningful Participants in Firmwide Initiatives and/or Further UTIMCO Presence in Market	CP (Scholars), TC (Mission), KB (GIL, Scholars), JB (Scholars), JR (ET Task Force, GIL), MC (UT FAP, MBA UT), WH (DA Task Force)	Dec-23
Construct best-in-class Hedge Fund and Fixed Income portfolios			Refine risk metrics and risk management			Provide clarity on investment strategies throughout the organization			10% annual productivity improvement		

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: Human Resources Presentation

Developed By: Human Resources Team

Presented By: Fleming

Type of Item: Information Item

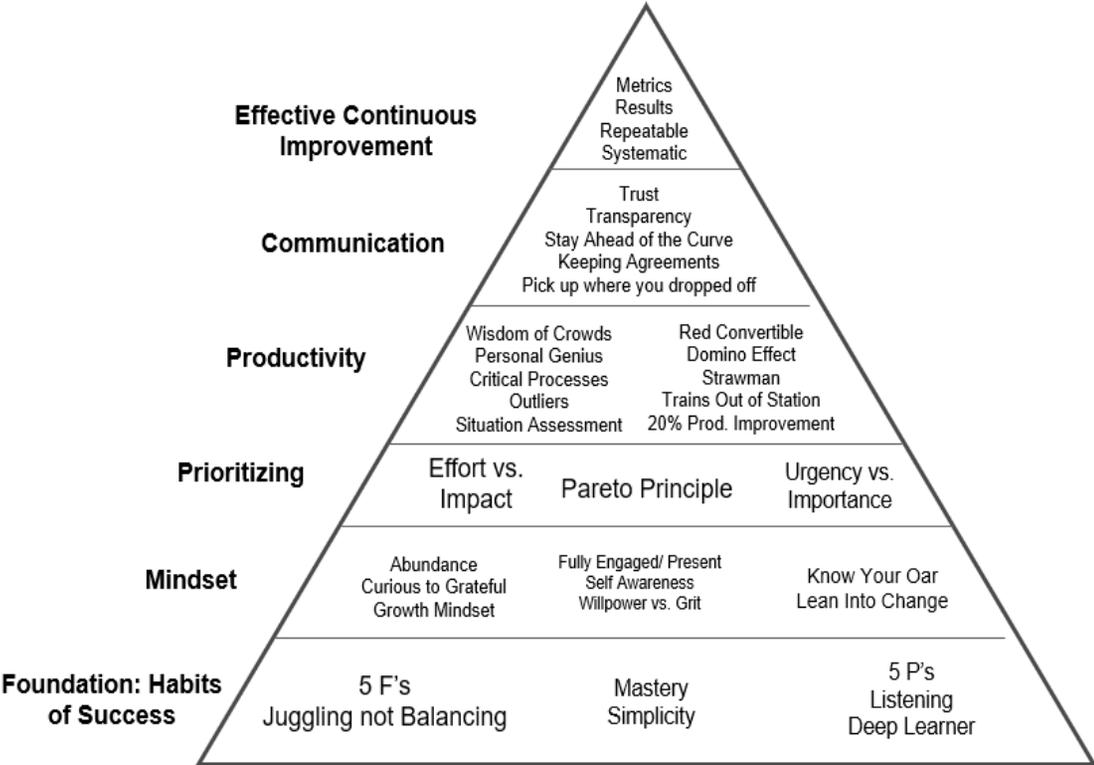
Description: Ms. Fleming will report on 2022 accomplishments and 2023 HR initiatives.

Reference: *Review with UTIMCO Board – March 2023 presentation*

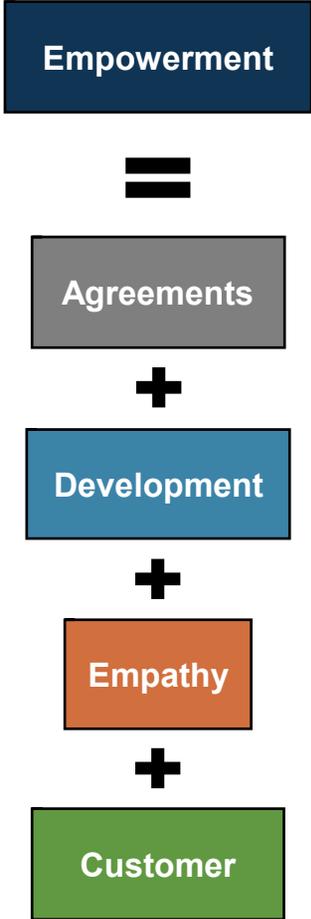
Review with UTIMCO Board – March 2023



Ashley Fleming, Interim Head of HR



Growth Pyramid





2022 Review

Our Purpose: To attract, develop, and retain “A Players” to deliver exceptional performance

Five Year Extensive Organizational Health Survey

- Top 1% of FCG database
- 97% Participation Rate
- Outperformed all Success Factors in FCG database
- Our Values are Embedded in the Culture
- Our Mission is Core to the Organization and People
- Our Culture is Strong, especially in the area of Belonging and Connection

ATTRACT

- Preferred Employer in the Southwest
- Hired and Onboarded 25 “A Players”
- Improved Onboarding Process



DEVELOP

- Delivered 3,000+ Learning Institute Hours
- Completed 4th Leadership Development Program Cohort
- Implemented On-Demand Learning Platforms



RETAIN

- Strong Culture with Unique Mission
- Provide Environment Where People Flourish
- Transparent Performance Metrics and Incentives



EXPAND

- Deepened Connection to our Purpose
- Growing Investment Leaders Internship Program (15)
- UTIMCO Scholars (50)





2023 Priorities

“If you build, they will come”

-Field of Dreams

- Complete the Team
- Recruit “A Players”
- Continually Develop Everyone
- Retain the “RIGHT” People
- Respond as a Servant Leader
- Preserve and Expand Competitive Advantages
- Reputation for Performance and Integrity
- Positive and Professional Collaboration



2023 Priorities

Complete the Team

- Hired National Recruiter for Senior Position (Internal/ External)



Alexa Piggott, SHRM-CP
Associate
BS, UT Austin



Ashley Fleming, SHRM-CP
Interim Head of HR / Director
BA, UT Austin
MA, St. Edward's University



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

Recruit “A Players”

- Projection: 20 (9 Strategic Plan)
- Additional 65 for UTIMCO Scholars and Intern Program

Continually Develop Everyone

- 3000-5000 hours of Organized Training
- Training Partners: UT, A&M, FCG
- 2023 Focus: Reflection and Listening



2023 Priorities



Retain the “RIGHT” People

- Healthy Professional Environment
- Modern Technology/Systems
- Competitive, Performance Based Compensation
- Clear Metrics to Empowerment
- Fair and Inclusive

Respond as Servant Leader

- People Come First
- Speak the Truth with Love
- Curious not Defensive



2023 Priorities

Preserve and Expand Competitive Advantages

- Total Alignment
- Continual Development
- Performance Based Competitive Compensation
- Communication and Decision Making
- Servant Leadership
- Essentialism
- Keep Austin Weird

Reputation for Performance and Integrity

- Leaders are Role Models
- Ride for the Brand
- Behavior under Pressure
- Committed to Customer

2023 Priorities

Positive and Professional Collaboration

- Leadership: Board and Leadership Team
- Excellent Relationships and Guidance for all Employees

Encouragement Objective



Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item:	Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Corporation for the year ended August 31, 2022
Developed By:	Moeller, de Onís
Presented By:	Handley
Type of Item:	Action required by UTIMCO Board related to Audit; Information item on other items
Description:	<p>The Audit and Ethics Committee (the “Committee”) met on March 23, 2023. The Committee’s agenda included (1) discussion and appropriate action related to the approval of minutes of December 9, 2022 meeting; (2) discussion and appropriate action related to financial statement audit results and communications and audited financial statements for the Corporation; (3) an update on UTIMCO’s compliance, reporting, and audit matters; and (4) a presentation of unaudited financial for the Investment Funds and the Corporation.</p>
Discussion:	<p>The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2022 and 2021 financial statements. Robert Cowley, the engagement partner, presented to the Committee the Deloitte & Touche LLP’s Audit Results and Communications letter and answered questions related to the financial statements. A copy of the Audit Results and Communications Letter and the audited financial statements are included.</p> <p>Routine activities of the Committee included a report from Ms. de Onís related to the quarterly compliance reports. She also presented an update on the revised Enterprise Risk Management Program. The Committee reviewed the unaudited financial statements for the Funds and the UTIMCO Corporation.</p> <p>The Committee also was provided the Contracts Report. In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases or other commercial arrangements of \$250,000 or more to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more.</p>
Recommendation:	The Committee will request the UTIMCO Board take appropriate action based on the Committee’s action from its meeting related to approval of Deloitte and Touche LLP Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.
Reference:	Deloitte & Touche LLP’s Audit Results and Communications Letter Audited Financial Statements and Audit Report for the Corporation Contract Report

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2022**

RESOLVED, that Deloitte & Touche LLP Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2022, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2022 and August 31, 2021, be, and are hereby approved in the form as presented to the Board.



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

Results of the Audit



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January 31, 2023

Mr. Britt Harris

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

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

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

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

We have performed an audit of the financial statements of The University of Texas/ Texas A&M Investment Management Company (the "Company") as of and for the year ended August 31, 2022 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated January 31, 2023.

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

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

Yours truly,

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

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated August 18, 2022, a copy of which has been provided to you. As described in that letter, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of Audit and Ethics Committee are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the financial statements does not relieve management or Audit and Ethics Committee of their responsibilities. We considered internal control relevant to the Company’s preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

Significant Accounting Policies

The Company’s significant accounting policies are set forth in Note 2 to the Company’s 2022 financial statements.

We are aware of the following change in previously adopted significant accounting policies or their application during the year ended August 31, 2022:

- The implementation and retroactive restatement of all the years presented related to Government Auditing Standards Board (GASB) Statement No. 87, *Leases*.

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

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company’s 2022 financial statements include the recoverability of long-term assets such as property and equipment and liabilities, as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2022, we are not aware of any significant changes in accounting estimates or in management’s judgments relating to such estimates.

The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors’ report on the financial statements, is our development of an independent expectation of the estimates to corroborate management’s estimates or our understanding and testing of the process used by management to develop the estimates.

Uncorrected Misstatements

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

Material Corrected Misstatements

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

Other Information Included in the Annual Report

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

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Company’s 2022 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2022.

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

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

Significant Difficulties Encountered in Performing the Audit

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

Management's Representations

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

Emphasis of Matter

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

As discussed in Note 2, UTIMCO restated its ending financial statements as of and for the year ended August 31, 2021 to reflect the effects of the adoption of Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Required Supplementary Information

We included the following required supplementary information in our opinion on the financial statements:

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on page 4 through 10 of the financial statements be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Appendix A – Management Representation Letter



210 West 7th St.
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UTIMCO.org

January 31, 2023

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

We are providing this letter in connection with your audits of the financial statements of The University of Texas/Texas A&M Investment Management Company (the "Company"), which comprise the statements of net position as of August 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements (the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

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

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

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

1. The financial statements referred to above are fairly presented in accordance with GAAP.



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

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

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



11. Regarding related parties:
 - a. We have disclosed to you the identity of the Company's related parties and all the related-party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
12. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
13. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
15. The Company has complied with all aspects of contractual agreements that may affect the financial statements.
16. The performance incentive awards approved for the year ended August 31, 2022 and approved on December 9, 2022, totaled \$20,384,133.
17. Upon adoption of GASB Statement No. 87, *Leases*, the Company has evaluated its leases and has properly classified, recognized, and reported all leases in accordance with the recognition, measurement, financial reporting, and disclosure requirements set forth in the standard.



18. Regarding required supplementary information:

- a. We confirm that we are responsible for the required supplementary information
- b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

19. No events have occurred after August 31, 2022 but before January 31, 2023, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.



TBA

Britt Harris
President and Chief Executive Officer

Joan Moeller

Joan Moeller
Senior Managing Director and Chief Operating Officer

Kim Bauer

Kim Bauer
Senior Director – Corporate Accounting

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

Years ended August 31, 2022 and 2021

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

Financial Statements

Years Ended August 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The University of Texas/Texas A&M Investment Management Company ("UTIMCO"), as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2022 and 2021, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UTIMCO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, UTIMCO restated its ending financial statements as of and for the year ended August 31, 2021 to reflect the effects of the adoption of Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UTIMCO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UTIMCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

January 31, 2023

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

Our discussion and analysis of the financial performance for The University of Texas/Texas A&M Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2022. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$65 billion as of August 31, 2022. UTIMCO is governed by a nine-member Board of Directors consisting of at least three members of the UT Board and four other members appointed by the UT Board, and two members appointed by The Texas A&M University System Board of Regents (A&M Board). At least three members appointed by the UT Board and at least one member appointed by the A&M Board must have substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for most investments to UTIMCO.

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

Financial Highlights

Net position increased approximately \$2.1 million from \$24.9 million to \$27.0 million, or approximately 8.5%, for the year ended August 31, 2022. Net position decreased by \$0.1 million from \$25.0 million to \$24.9 million for the year ended August 31, 2021.

There were two main contributing factors that affected the change in net position in FY 2022. The increase was primarily the result of the extraordinary deferral provision of the UTIMCO Compensation Program (the “Plan”) that was triggered, and which resulted in \$7.7 million of the June 30, 2022, awards that would have normally been earned in FY 2022, being deferred to June 30, 2023. The Plan provides that, subject to certain limited exceptions, if the net returns earned by the Total Endowment Funds (Permanent University Fund and The University of Texas General Endowment Fund) for the Performance Period are negative at the end of the Performance Period, Participants will not become entitled to payment of the extraordinary deferral until the following year. The increase in net position from the extraordinary deferrals was offset by a \$6,000,000 rebate to the investment assets that are under the fiduciary care of the UT Board (“Investment Funds”) as required by the Master Investment Management Services Agreement (“IMSA”) between UTIMCO and the UT System Board of Regents. The decrease in net position for FY 2021, is a combination of certain expenses that were under budget and others that were over budget. Primarily, performance compensation was higher than budgeted because exceptional investment performance exceeded maximum performance measurement standards in almost all quantitative categories prescribed in the Plan which resulted in higher-than-normal performance awards. The offsetting expenses that were less than budgeted included travel, contract services and maintenance costs.

Governmental Accounting Standards Board (“GASB”) Statement No. 87, Leases (“GASB 87”) was implemented in FY 2022. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset. Changes to the accounting for UTIMCO’s lease with the University of Texas System for its office space and parking (“building lease”) were adopted to conform to the provisions of GASB 87 and were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2021. Additional details are provided in the Notes to the Financial Statements.

Use of Financial Statements and Notes

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

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

Statements of Net Position

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

The following summarizes the Statements of Net Position:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 34,166,841	\$ 36,376,444	\$ 32,421,890
Prepaid expenses and other assets	1,487,619	1,448,217	2,085,049
Total Current Assets	<u>35,654,460</u>	<u>37,824,661</u>	<u>34,506,939</u>
Non-Current Assets			
Assets of the 457(b) deferred compensation plan	3,373,186	3,562,712	2,712,919
Capital assets, net of accumulated depreciation	8,787,083	10,682,056	9,649,854
Right-of-use asset - building lease, net of accumulated amortization	16,747,595	18,916,097	-
Total Non-Current Assets	<u>28,907,864</u>	<u>33,160,865</u>	<u>12,362,773</u>
Total Assets	<u>\$ 64,562,324</u>	<u>\$ 70,985,526</u>	<u>\$ 46,869,712</u>
Liabilities and Net Position			
Current Liabilities	\$ 16,462,266	\$ 22,494,009	\$ 15,883,976
Non-Current Liabilities	21,112,988	23,622,829	5,989,661
Total Liabilities	<u>37,575,254</u>	<u>46,116,838</u>	<u>21,873,637</u>
Net Position	<u>26,987,070</u>	<u>24,868,688</u>	<u>24,996,075</u>
Total Liabilities and Net Position	<u>\$ 64,562,324</u>	<u>\$ 70,985,526</u>	<u>\$ 46,869,712</u>

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

- Net position increased in FY 2022 by \$2,118,382 and decreased by \$127,387 in FY 2021. The increase in net position in FY 2022 was primarily the result of the extraordinary deferral provision in the Plan that resulted in the deferral of \$7.7 million in awards to June 2023. Other expenses that were under budget include salaries, travel, online data and subscriptions, and contract services. This was offset by the \$6,000,000 rebate to the Investment Funds in addition to payroll and excise taxes, relocation, and hiring expenses that were higher than budgeted. In FY 2021, performance compensation was higher than budgeted because of the exceptional

investment results. However, this was offset by lower than budgeted travel, contract services and maintenance costs.

- Cash & cash equivalents decreased between FY 2021 and FY 2022 by \$2,209,603 and increased between FY 2020 and FY 2021 by \$3,954,554. The decrease for FY 2022 is primarily the result of the rebate to the Investment Funds as well as expenses that were less than budgeted. This was offset by the timing of the payments of the performance compensation awards. The increase for FY 2021 is also primarily due to the timing of payments for the performance compensation awards.
- Prepaid expenses and other assets increased slightly by \$39,402 in FY 2022. Prepaid expenses and other assets decreased in FY 2021 by \$636,832 primarily resulting from the culmination of two one-time occurrences from the prior year, expensing the construction deposits and receipt of the 457(b) deferred compensation plan distribution receivable.
- Non-current assets decreased in FY 2022 by \$4,253,001 and increased in FY 2021 by \$20,798,092. The decrease in FY 2022 was primarily the result of a decrease in net capital assets from depreciation and a decrease in the net right-of-use asset from amortization. The increase in FY 2021 was the result of an increase in net capital assets related to the office space remodel and expansion, an increase in the assets of the 457(b) deferred compensation plan, and the addition of a new right-of-use asset for the building lease related to the adoption of GASB 87.
- Current liabilities decreased in FY 2022 by \$6,031,743 and increased in FY 2021 by \$6,610,033. The decrease in FY 2022 was primarily the result of a decrease in the performance compensation liability due to the extraordinary deferral provision of the performance compensation plan. The increase in FY 2021 was mainly the result of an increase in the performance compensation liability and the addition of the current portion of the building lease liability related to GASB 87.
- Non-current liabilities decreased in FY 2022 by \$2,509,841 and increased in FY 2021 by \$17,633,168. The decrease in FY 2022 is the result of a reduction of the non-current portion of the building lease liability. The increase in FY 2021 was primarily the result of the addition of the non-current portion of the building lease liability related to GASB 87 and to an increase in the liabilities of the 457(b) deferred compensation plan.

Statements of Revenues, Expenses and Changes in Net Position

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue			
Management fees and advisory board fees	\$ 60,648,574	\$ 55,617,711	\$ 49,881,196
Net non-operating revenues/(expenses)	<u>(2,318)</u>	<u>(207,640)</u>	<u>362,878</u>
Total Revenue	60,646,256	55,410,071	50,244,074
Expenses			
Salaries, benefits & payroll taxes	26,212,465	23,206,384	21,080,241
Performance compensation	12,873,958	19,986,731	15,184,902
General operating	7,286,911	6,290,081	5,552,875
Depreciation and amortization	4,169,605	3,944,850	1,646,105
Lease	899,153	914,670	2,744,234
Other	1,085,782	1,194,742	1,082,339
Total Expenses	<u>52,527,874</u>	<u>55,537,458</u>	<u>47,290,696</u>
Other Changes in Net Position			
Rebate of management fees to Investment Funds	<u>(6,000,000)</u>	<u>-</u>	<u>-</u>
Net Position, beginning of year	<u>24,868,688</u>	<u>24,996,075</u>	<u>22,042,697</u>
Net Position, end of year	<u>\$ 26,987,070</u>	<u>\$ 24,868,688</u>	<u>\$ 24,996,075</u>

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

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. The revenue fluctuations are the direct result of these approved budgets. In FY 2022, UTIMCO rebated \$6,000,000 back to the Investment Funds as required by the IMSA.
- Total Expenses decreased in FY 2022 by \$3,009,584 and increased in FY 2021 by \$8,246,762. The decrease in FY 2022 was primarily the result of the decrease in performance compensation related to the extraordinary deferral provision of the performance compensation plan. This was offset by an increase in other employee-related expenses including salaries, employee benefits, payroll and excise taxes, and employee development. The increase in FY 2021 was primarily the result of an increase in salaries, employee benefits, payroll and excise taxes, and performance compensation. In both FY 2022 and FY 2021, these employee-related expenses increased mainly because of normal raises and promotions. In FY 2021, performance compensation increased primarily because of the exceptional investment performance, resulting in achieving maximum award opportunities in almost all the quantitative categories.
- Other expenses contributed to the changes in Total Expenses in FY 2022 and FY 2021. In FY 2022, travel expense increased because pandemic-related travel restrictions were lifted, and travel started to return to a more normal level. Other contributing factors include increases in subscriptions, contract services and employee development. In FY 2021, lease related expenses, which includes amortization of the right-of-use asset, increased as a result of the office space remodel and expansion. In FY 2021, increases in online data, subscriptions, and contract services were also contributing factors.

Statements of Cash Flows

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from Operating Activities			
Proceeds from management fees and advisory board fees	\$ 60,648,574	\$ 55,617,711	\$ 49,881,196
Payments to and for employees	(45,247,001)	(38,677,343)	(33,634,129)
Other payments	(11,502,728)	(9,969,624)	(9,896,453)
Net cash provided by Operating Activities	3,898,845	6,970,744	6,350,614
Cash flows from Noncapital Financing Activities:			
Rebate of management fees to Investment Funds	(6,000,000)	-	-
Net Cash used in Noncapital Financing Activities	(6,000,000)	-	-
Cash flows from Capital and Related Financing Activities			
Purchase of capital assets, net	(123,580)	(2,809,995)	(319,545)
Proceeds from sale of assets	16,300	-	-
Interest expense - building lease	(204,378)	(225,652)	-
Net cash used for Capital and Related Financing Activities	(311,658)	(3,035,647)	(319,545)
Cash flows from Investing Activities			
Interest income	203,210	19,457	362,878
Net cash provided by Investing Activities	203,210	19,457	362,878
Net Change in cash & cash equivalents	(2,209,603)	3,954,554	6,393,947
Cash & cash equivalents, beginning of year	36,376,444	32,421,890	26,027,943
Cash & cash equivalents, end of year	\$ 34,166,841	\$ 36,376,444	\$ 32,421,890

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

- Proceeds from management fees increased in FY 2022 and FY 2021. The increases in both years were mainly due to an increase in employee-related expenses. The UTIMCO budget is approved in advance each year by both the UTIMCO Board, and the UT Board and the management fee fluctuates as the direct result of the approved budget. In FY 2022, UTIMCO rebated \$6,000,000 back to the Investment Funds as required by the IMSA.
- Payments to and for employees increased in fiscal years 2022 and 2021 mainly

because of the increase in salaries and other personnel expenses that are directly related to compensation. These expenses increased as a result of normal raises and promotions.

- Purchases of capital assets decreased in FY 2022 and increased in FY 2021 because of the office space remodel and expansion that was completed in FY 2021.
- Other payments increased in FY 2022 primarily because of increased operating expenses including travel and meetings, employee development, subscriptions, and contract services.

Contacting UTIMCO

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

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

Financial Statements

Statements of Net Position

August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 34,166,841	\$ 36,376,444
Prepaid expenses and other assets	1,487,619	1,448,217
Total Current Assets	<u>35,654,460</u>	<u>37,824,661</u>
Non-Current Assets		
Assets of the 457(b) deferred compensation plan	3,373,186	3,562,712
Capital assets, net of accumulated depreciation of \$8,091,887 and \$6,677,547, respectively	8,787,083	10,682,056
Right-of-use asset - building lease, net of accumulated amortization of \$4,337,004 and \$2,168,502, respectively	<u>16,747,595</u>	<u>18,916,097</u>
Total Non-Current Assets	<u>28,907,864</u>	<u>33,160,865</u>
Total Assets	<u><u>\$ 64,562,324</u></u>	<u><u>\$ 70,985,526</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 14,141,951	\$ 20,259,355
Current portion - lease liability - building	<u>2,320,315</u>	<u>2,234,654</u>
Total Current Liabilities	16,462,266	22,494,009
Non-Current Liabilities		
457(b) deferred compensation plan obligations	3,373,186	3,562,712
Long-term portion - lease liability - building	<u>17,739,802</u>	<u>20,060,117</u>
Total Non-Current Liabilities	<u>21,112,988</u>	<u>23,622,829</u>
Total Liabilities	37,575,254	46,116,838
Net Position		
Net investment in capital assets	25,534,678	29,598,153
Unrestricted	<u>1,452,392</u>	<u>(4,729,465)</u>
Total Net Position	<u>26,987,070</u>	<u>24,868,688</u>
Total Liabilities and Net Position	<u><u>\$ 64,562,324</u></u>	<u><u>\$ 70,985,526</u></u>

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

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

Financial Statements

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Management Fees	\$ 60,638,574	\$ 55,617,711
Advisory Board Fees	10,000	-
Total Operating Revenues	<u>60,648,574</u>	<u>55,617,711</u>
Operating Expenses		
Salaries	20,289,489	18,193,968
Performance Compensation	12,873,958	19,986,731
Employee Benefits	3,361,180	2,938,869
Payroll Taxes	2,561,796	2,073,547
General Operating	7,286,911	6,290,081
Depreciation	2,001,103	1,776,348
Amortization - Right-of-Use Asset	2,168,502	2,168,502
Lease Operating and Parking	899,153	914,670
Professional Fees	854,352	975,083
Insurance	231,430	219,659
Total Operating Expenses	<u>52,527,874</u>	<u>55,537,458</u>
Operating Income	8,120,700	80,253
Non-Operating Revenues/(Expenses)		
Interest Income	203,210	19,457
Interest Expense- building lease	(204,378)	(225,652)
Loss on Disposal of Equipment	(1,150)	(1,445)
Net Non-Operating Revenues/(Expenses)	<u>(2,318)</u>	<u>(207,640)</u>
Income/(Loss) Before Other Changes in Net Position	<u>8,118,382</u>	<u>(127,387)</u>
Other Changes in Net Position		
Rebate of management fees to Investment Funds	<u>(6,000,000)</u>	<u>-</u>
Increase/(decrease) in Net Position	2,118,382	(127,387)
Net Position at beginning of year	24,868,688	24,996,075
Net Position at end of year	<u>\$ 26,987,070</u>	<u>\$ 24,868,688</u>

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

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

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from Operating Activities:		
Proceeds from management fees and advisory board fees	\$ 60,648,574	\$ 55,617,711
Payments to suppliers for goods and services	(8,368,921)	(6,905,135)
Payments for facility	(3,133,807)	(3,064,489)
Payments to employees	(39,699,865)	(34,229,379)
Payments for employees	<u>(5,547,136)</u>	<u>(4,447,964)</u>
Net Cash provided by Operating Activities	3,898,845	6,970,744
Cash flows from Noncapital Financing Activities:		
Rebate of management fees to Investment Funds	<u>(6,000,000)</u>	-
Net Cash used in Noncapital Financing Activities	(6,000,000)	-
Cash flows from Capital and Related Financing Activities:		
Purchases of capital assets	(123,580)	(2,809,995)
Proceeds from sale of assets	16,300	-
Interest expense - building lease	<u>(204,378)</u>	<u>(225,652)</u>
Net Cash used in Capital and Related Financing Activities	(311,658)	(3,035,647)
Cash flows from Investing Activities:		
Interest income	<u>203,210</u>	<u>19,457</u>
Net Cash provided by Investing Activities	203,210	19,457
Net (decrease)/increase in cash and cash equivalents:	(2,209,603)	3,954,554
Cash and cash equivalents at beginning of year	<u>36,376,444</u>	<u>32,421,890</u>
Cash and cash equivalents at end of year	<u>\$ 34,166,841</u>	<u>\$ 36,376,444</u>

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

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

Financial Statements

Statements of Cash Flows, Continued

For the years ended August 31, 2022 and 2021

Reconciliation of operating income to net cash provided by

Operating Activities:

	<u>2022</u>	<u>2021</u>
Operating Income:	\$ 8,120,700	\$ 80,253
Adjustments to reconcile operating income to net cash provided by Operating Activities		
Depreciation and amortization	4,169,605	3,944,850
Changes in assets and liabilities:		
(Increase)/decrease in prepaid expenses and other assets	(39,402)	636,832
(Increase)/decrease in assets of 457(b) deferred compensation plan	189,526	(849,793)
Increase/(decrease) in accounts payable and accrued expenses	(6,117,404)	4,458,629
Increase/(decrease) in liabilities of 457(b) deferred compensation plan	(189,526)	849,793
Decrease in lease liability-building	(2,234,654)	(2,149,820)
Net cash provided by Operating Activities	<u>\$ 3,898,845</u>	<u>\$ 6,970,744</u>

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

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

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Cash and cash equivalents

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

Prepaid expenses and other assets

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

GASB Statement Implemented in Fiscal Year 2022

GASB Statement No. 87, Leases (“GASB 87”), effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments, and certain regulated leases. Changes adopted to conform to the provisions of GASB 87 were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2021.

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

The cumulative effect of implementing GASB 87 on UTIMCO's financial statements for the year ending August 31, 2021 was as follows:

	As Reported in Fiscal Year 2021	GASB Statement No. 87 Restatement	Restated Fiscal Year 2021
Assets			
Total Current Assets	\$ 37,824,661	\$ -	\$ 37,824,661
Total Non-Current Assets	14,244,768	18,916,097	33,160,865
Total Assets	\$ 52,069,429	\$ 18,916,097	\$ 70,985,526
Liabilities and Net Position			
Total Current Liabilities	20,406,166	2,087,843	22,494,009
Total Non-Current Liabilities	6,692,643	16,930,186	23,622,829
Total Liabilities	27,098,809	19,018,029	46,116,838
Net Position			
Net investment in capital assets	10,682,056	18,916,097	29,598,153
Unrestricted	14,288,564	(19,018,029)	(4,729,465)
Total Net Position	24,970,620	(101,932)	24,868,688
Total Liabilities and Net Position	\$ 52,069,429	\$ 18,916,097	\$ 70,985,526
Operating Revenues and Expenses			
Total Operating Revenues	\$ 55,617,711	\$ -	\$ 55,617,711
Total Operating Expenses	55,661,178	(123,720)	55,537,458
Operating Income/(Loss)	(43,467)	123,720	80,253
Net Non-Operating Revenues/(Expenses)	18,012	(225,652)	(207,640)
Decrease in Net Position	(25,455)	(101,932)	(127,387)
Net Position at beginning of year	24,996,075	-	24,996,075
Net Position at end of year	\$ 24,970,620	\$ (101,932)	\$ 24,868,688
Cash and Cash Equivalents			
Net Cash provided by Operating Activities	\$ 6,745,092	\$ 225,652	\$ 6,970,744
Net Cash used in Capital and Related Financing Activities	(2,809,995)	(225,652)	(3,035,647)
Net Cash provided by Investing Activities	19,457	-	19,457
Net change in cash and cash equivalents	3,954,554	-	3,954,554
Cash and cash equivalents at beginning of year	32,421,890	-	32,421,890
Cash and cash equivalents at end of year	\$ 36,376,444	\$ -	\$ 36,376,444

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

Capital and Intangible assets, net of accumulated depreciation and amortization

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

Right-of-Use (ROU) intangible assets are recognized at the lease commencement date and represent UTIMCO's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor at or before commencement and initial direct costs. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

The following is a schedule of the depreciable capital assets as of August 31, 2022 and 2021:

	Balance	Additions/		Balance
	8/31/2021	Transfers	Deletions	8/31/2022
Office furniture	\$ 3,176,591	\$ 2,730	\$ -	\$ 3,179,321
Office equipment	2,612,407	120,850	(586,645)	2,146,612
Software	198,884	-	(17,568)	181,316
Leasehold improvements	11,371,721	-	-	11,371,721
Total property and equipment	17,359,603	123,580	(604,213)	16,878,970
Less accumulated depreciation	(6,677,547)	(2,001,103)	586,763	(8,091,887)
Net Capital Assets	<u>\$ 10,682,056</u>	<u>\$ (1,877,523)</u>	<u>\$ (17,450)</u>	<u>\$ 8,787,083</u>

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

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

The following is a schedule of the amortizable intangible asset as of August 31, 2022 and 2021:

	Balance	FY 2022	Balance
	8/31/2021	Activity	8/31/2022
Right-of-use asset, building lease	\$ 21,084,599	\$ -	\$ 21,084,599
Less accumulated amortization	(2,168,502)	(2,168,502)	(4,337,004)
Net Intangible Assets	<u>\$ 18,916,097</u>	<u>\$ (2,168,502)</u>	<u>\$ 16,747,595</u>
	*Balance	FY 2021	Balance
	9/1/2020	Activity	8/31/2021
Right-of-use asset, building lease	\$ 21,084,599	\$ -	\$ 21,084,599
Less accumulated amortization	-	(2,168,502)	(2,168,502)
Net Intangible Assets	<u>\$ 21,084,599</u>	<u>\$ (2,168,502)</u>	<u>\$ 18,916,097</u>

*GASB 87 implementation

Lease liability

Lease liabilities on the statement of net position represents UTIMCO's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short term leases, those with a maximum period of 12 months, are expensed as incurred. For the years ended August 31, 2022 and 2021, UTIMCO has one lease liability that is for the building lease for office space and parking. Additional lease details are discussed in Note 6 below.

Income taxes

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

Use of Estimates

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

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

Fair Value Measurement

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

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

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

New Accounting Standards

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

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the years ended August 31, 2022 and 2021 were \$60,631,074 and \$55,610,211, respectively. This represents fees for the following:

	<u>2022</u>	<u>2021</u>
Permanent University Fund	\$ 30,238,367	\$ 27,874,913
The University of Texas System General Endowment Fund	20,057,046	17,072,628
The University of Texas System Intermediate Term Fund	<u>10,335,661</u>	<u>10,662,670</u>
	<u>\$ 60,631,074</u>	<u>\$ 55,610,211</u>

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

On January 10, 2022, UTIMCO rebated \$6,000,000 back to the Investment Funds as required by the Master Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. The rebate is detailed below:

Permanent University Fund	\$ 2,992,363
The University of Texas System General Endowment Fund	1,984,829
The University of Texas System Intermediate Term Fund	<u>1,022,808</u>
	<u>\$ 6,000,000</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System and The University of Texas at Austin. The total for these services for the years ended August 31, 2022 and 2021 were \$147,808 and \$159,499 respectively.
- c) UTIMCO entered into a 124-month lease agreement on July 31, 2017, and subsequent amendment on June 1, 2018, for its current office space and parking with The University of Texas System that commenced on February 1, 2018. The minimum rental commitment was \$154,507 per month for the first year with the first four months abated and escalated annually by \$4,544 per month. A tenant improvement allowance of \$2,726,600 was applied towards the tenant construction costs. Effective May 1, 2020, the lease was amended to include additional space and extends the lease through May 21, 2030. The minimum rental commitment for UTIMCO's office space as amended effective May 1, 2020 and expiring May 21, 2030 was \$192,166 per month for the first nine months and escalates annually as of February 1, 2021 per a predetermined escalation clause in the lease. An additional tenant improvement allowance of \$270,870 was applied towards the tenant construction costs and was recorded as an unamortized rent liability.

As a result of implementing GASB 87, the balance of this unamortized rent liability at September 1, 2020 in the amount of \$3,359,992, was removed and recorded as a reduction in the right-of-use asset for the lease. As of August 31, 2022, the monthly rent payment was \$202,760. Additional lease details are discussed in Note 6 below.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2022 and 2021, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk. The UTIMCO operating funds are invested in an institutional preferred money market account. The current fair value of the assets of the account is categorized as Level 1 of the fair value hierarchy as described above. The money market account balances as of August 31, 2022 and 2021 were \$33,992,247 and \$36,307,964, respectively.

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, the UTIMCO 403(b) Tax Sheltered Annuity Plan, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the years ended August 31, 2022 and 2021 were \$1,470,167 and \$1,290,358, respectively.

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

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the years ended August 31, 2022 and 2021 were \$319,628 and \$300,670 respectively.

Note 6 – Lease

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

Effective May 1, 2020, the lease was amended and extended through May 21, 2030. The lease amendment includes additional space and base rent and operating expense adjustments. The lease also includes a rent escalation clause providing for scheduled rent increases annually. An additional tenant improvement allowance of \$270,870 was applied towards tenant construction costs.

As a result of implementing GASB 87 in FY 2022 and restatement for FY 2021, the future fixed lease payments at September 1, 2020 were recorded as a lease liability and intangible right-of-use asset. The balance of the unamortized rent liability at September 1, 2020 in the amount of \$3,359,992, was removed and recorded as a reduction in the right-of-use asset for the lease. Lease expense for base rent was reversed in FY 2021 and amortization of the right-of-use asset and interest expense were recorded. For the years ended August 31, 2022 and 2021, the building lease liability was \$20,060,117 and \$22,294,771, respectively. The reduction in the lease liability is the result of monthly payments made for rent and reserved parking per

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

the lease agreement and are recorded as a combination of a reduction in the lease liability and interest expense as shown in the table below.

	<u>Lease Liability</u>	<u>Interest Expense</u>
GASB 87 Beginning Balance:		
Implementation 9/1/2020	\$ 24,444,591	\$ -
Less FY 2021 lease payments (\$2,375,472)	<u>(2,149,820)</u>	<u>(225,652)</u>
Balance at 8/31/2021	<u>\$ 22,294,771</u>	<u>\$ (225,652)</u>
Less FY 2022 lease payments (\$2,439,032)	<u>(2,234,654)</u>	<u>(204,378)</u>
Balance at 8/31/2022	<u>\$ 20,060,117</u>	<u>\$ (204,378)</u>

Also, as a result of implementing GASB 87, lease expense will include only variable lease expenses. The variable lease expenses include lease operating expenses and non-reserved parking. For the years ended August 31, 2022 and 2021, related lease operating expenses were \$663,353 and \$699,171, respectively and parking expense was \$235,800 and \$215,500, respectively.

The principal and interest expense for the next five years and beyond are projected below for the building lease obligations:

Lease Principal and Interest - Office Space Rent and Reserved Parking

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,320,315	\$ 182,278	\$ 2,502,593
2024	2,406,811	159,342	2,566,153
2025	2,488,941	135,582	2,624,523
2026	2,568,134	111,052	2,679,186
2027	2,653,306	85,734	2,739,040
2028-2030	<u>7,622,610</u>	<u>98,919</u>	<u>7,721,529</u>
Total Requirements	<u>\$ 20,060,117</u>	<u>\$ 772,907</u>	<u>\$ 20,833,024</u>

Note 7 – Advisory Board Fees

UTIMCO occasionally receives a fee on behalf of an employee who served as an advisory board member for a private equity investment. For the year ended August 31, 2022, advisory board fees were \$10,000. There were no advisory board fees for the year ended August 31, 2021.

CONTRACT REPORT

New Contracts, Leases, and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$250,000)
 November 12, 2022 through March 14, 2023

Agreement	Purpose	Contract Term	Annual Amount
eFront Financial Solutions (annual renewal)	eFront Financial Solutions is a software provider for the alternative investments and risk management areas of the financial services industry	1/1/2023 - 12/31/2023	\$296,364
National Systems America, L.P. (NSI)	Software development on Legacy applications. Originally written in ASP and VB script will be converted using latest Microsoft tech-stack like ASP.NET MVC Core. There are two statements of work: 1) development of four legacy applications, \$62,272; 2) development of ten legacy applications, \$198,440	9/19/2022 - 12/5/2022 1/5/2023 -6/30/2023	\$260,712

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2022

Agenda Item: Report from Investment Risk Committee

Developed By: Moeller, de Onís

Presented By: Longoria

Type of Item: Information item

Description: The Investment Risk Committee (“Committee”) met on March 23, 2023. The Committee’s agenda included (1) discussion and appropriate action related to the approval of minutes of its December 1, 2022 meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.

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

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2023

Agenda Item: Report from Cyber Risk Committee

Developed By: Moeller

Presented By: Rothrock

Type of Item: Information Item

Description: The Cyber Risk Committee (the “Committee”) met on March 23, 2023. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of December 1, 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
March 30, 2023

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: (1) Designation of Annual Meeting of the UTIMCO Board; (2) Election of Corporate Officer

Developed By: Moeller, de Onís

Presented By: Weaver

Type of Item: Action required by UTIMCO Board

Description: Chairman Weaver will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on June 27, 2023. Chairman Weaver will also discuss personnel matters with the Board, including recommending the appointment of a corporate officer.

Recommendation: Chairman Weaver will recommend approval of the designation of the annual meeting and appointment of a corporate officer.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on June 27, 2023, in Austin, Texas.

Resolution to be Distributed at the Meeting