

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



Presentation Materials

Board of Directors Meeting

June 15, 2023

**UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
June 15, 2023
UTIMCO
210 West 7th Street, Suite 1700
Austin, Texas 78701**

Time	Item #	Agenda Item
Begin	End	OPEN MEETING:
9:00 a.m.	9:05 a.m.	1 Call to Order/Discussion and Appropriate Action Related to Minutes of March 30, 2023 and June 1, 2023 Meetings*
9:05 a.m.	9:35 a.m.	2 Discussion and Appropriate Action Related to Corporate Resolution: - Election of Corporate Officers* - Committee Assignments*,** - Resolutions of Appreciation*
9:35 a.m.	10:05 a.m.	3 CEO Update
10:05 a.m.	10:40 a.m.	4 Market Update and UTIMCO Performance
10:40 a.m.	10:55 a.m.	5 Real Return Presentation
10:55 a.m.	11:10 a.m.	6 Private Equity Presentation
11:10 a.m.	11:40 a.m.	7 Report from Policy Committee - 2023 SAA Summary - Discussion and Appropriate Action Related to Proposed Amendments to: Investment Policy Statements*,** Liquidity Policy*,** UTIMCO Code of Ethics*,**
11:40 a.m.	11:45 a.m.	8 Report from Investment Risk Committee
11:45 a.m.	11:50 a.m.	9 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Engaging Corporate External Auditor*
11:50 a.m.	11:55 a.m.	10 Report from Cyber Risk Committee
11:55 a.m.	12:15 p.m.	11 Executive Session Pursuant to Section 551.074 <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to deliberate individual personnel compensation matters, including the CEO, President and CIO. Reconvene into Open Session Report from Compensation Committee - Discussion and Appropriate Action Related to the: CEO's Base Salary for 2023-2024 Fiscal Year and Ratification of Offer of Employment* CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2024*
12:15 p.m.	12:30 p.m.	12 Discussion and Appropriate Action Related to UTIMCO 2023-2024 Budget*,**
12:30 p.m.		Adjourn followed by Lunch

* Action by resolution required

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

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

Next Regularly Scheduled Meeting: September 28, 2023

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meetings of the Board of Directors held on **March 30, 2023, and June 1, 2023**, 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 (“UTIMCO” or the “Corporation”) convened in an open meeting on **March 30, 2023**, 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 Corporation’s 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 9:02 a.m. Employees of the Corporation attending the meeting were Britt Harris, CEO and President; Rich Hall, Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Lane Arnold, Senior Director – Legal & Compliance; Susan Chen, Senior Managing Director – Public Equity; Amanda Hopper, Managing Director – Public Equity; Courtney Powers, Managing Director – Hedge Funds; Tony Caruso, Managing Director – Hedge Funds; Ken Standley, Senior Director – Strategic Partnerships; Ashley Fleming, Director – Human Resources; and other team members. Other attendees were Jerry Kyle of Orrick, Herrington, & Sutcliffe LLP; Robert Cowley and Trinh Huyen Tran 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 December 9, 2022. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on December 9, 2022, be, and are hereby, approved.

CEO Update

Chairman Weaver asked Britt Harris to provide the Board with the CEO update. Mr. Harris began by reflecting on what he believes are the keys to long-term investing: markets go through long regimes, valuations vary

based on economic conditions, down markets occur regularly, the U.S. remains dominant, debt levels are now a concern, demographics and values are shifting, and change is expected to accelerate. Mr. Harris continued with an analysis of regime returns, comparing March 1999-February 2009 and March 2009-February 2023, noting that the former decade consisted of two major bubble bursts, while the latter has no major bubble bursts and was the longest market expansion in history. Mr. Harris also provided an analysis of the economy and valuations across the same time regimes. Lastly, Mr. Harris touched on the future factors that will impact markets, including China, the energy transition, technological advancements, investment concentration, and societal demographics. Mr. Harris then answered questions from the Board.

UTIMCO and Market Update

Chairman Weaver asked Rich Hall to present the Corporation's performance and provide an update on the financial markets. Mr. Hall began by presenting a 2022 recap, noting that the portfolio performed as expected in an inflationary environment, and was down 8.4% overall. Mr. Hall explained that the 2022 markets were defined by persistent inflation and the Fed's response to that inflation, which led to the fastest rate hike in 60 years. As a result, rising rates were a big headwind in the equity and bond markets. Mr. Hall continued by presenting a 2023 market outlook. Mr. Hall then discussed portfolio performance. As of December 31, 2022, the Corporation had approximately \$66 billion of assets under management, specifically: \$31.5 billion in the Permanent University Fund ("PUF"), \$20.0 billion in the Long Term Fund ("LTF"), \$1.5 billion in the Permanent Health Fund ("PHF"); \$8.7 billion in the Intermediate Term Fund ("ITF"), \$2.7 billion in the Short Term Fund ("STF"), \$1.5 billion in the Permanent Health Fund ("PHF"), and \$0.2 billion in other funds. Over the last three years, the Endowments have grown by \$16 billion, net of \$6 billion in distributions. He discussed the diversification framework within the PUF and GEF ("Endowments") and presented a performance comparison both in terms of alpha and relative to peers, noting that UTIMCO's performance relative to peers in the Trust Universe Comparison Service ("TUCS") exceeded the median by 573 basis points on a one-year basis and 171 basis points on the ten-year basis. Mr. Hall wrapped up his presentation by presenting the TUCS risk and return comparison, noting that the UTIMCO portfolio falls in the bottom decile of risk relative to peers, while also being in the highest decile of returns relative to peers.

Strategic Asset Allocation Update

Chairman Weaver invited Mr. Hall to introduce the Strategic Asset Allocation study. Mr. Hall noted that this is the third study completed in the last five years. Mr. Hall reminded the Board that this study helps set the long-term view of where to deploy capital and introduces and facilitates dialogues on key topics relevant to market performance. Mr. Hall then turned the presentation over to Ken Standley to provide an update on the emerging themes related to revising the Strategic Asset Allocation. Mr. Standley noted that when reviewing the Strategic Asset Allocation policy, the team looks at three key items: the total portfolio risk level, allocations across regimes, and allocations within regimes. Mr. Standley discussed the team's next steps, which include evaluating the impact of maintaining or decreasing current risk levels, identifying optimal sources and uses of funding for an increased Real Return allocation, considering the costs and benefits of holding more cash and liquidity, and continuing other ongoing research projects. Mr. Standley wrapped up by presenting early thoughts and areas for further research. Mr. Hall then answered questions from the Board.

Public Equity Presentation

Chairman Weaver invited Susan Chen and Amanda Hopper to present an update on the Public Equity portfolio. Ms. Chen reported that Public Equity assets are approximately \$16 billion, approximately 28% of

the Endowments and approximately 14% of ITF assets as of December 31, 2022. Ms. Chen discussed market conditions, noting the poor macro backdrop for Global Equity assets in 2022, including low GDP growth, inflation, and rising rates. As a result, equity returns were broadly negative, with developed markets declining 18% and emerging markets declining 20%. Ms. Chen detailed the proactive strategy adjustments made in 2022 including a new risk management approach and an increased volume of capital activity. Ms. Chen then turned the presentation over to Ms. Hopper. Ms. Hopper detailed the one-year performance for developed and emerging markets, as well as performance attribution. Ms. Hopper further detailed strategy adjustments including initiating over \$2 billion in redemptions and adding almost \$4 billion to active managers, an increased focus on risk budgeting, implementing a factor framework, and launching a new portable alpha program. Ms. Chen wrapped up her presentation with a preview of 2023 priorities. Ms. Chen and Ms. Hopper answered questions from the Board.

Hedge Funds Presentation

Chairman Weaver asked Courtney Powers and Tony Caruso to present the Hedge Funds Review. Mr. Powers began by sharing the role of Hedge Funds in the UTIMCO diversification framework, noting that the Hedge Funds portfolio has been in place for over 20 years and has returned profits of approximately \$10 billion to the Endowments during that time. Mr. Powers also shared that the team has reached the end of the five-year strategic plan to build out a Stable Value Hedge Fund portfolio. He provided an executive summary stating that performance has been strong in both the Directional and Stable Value portfolios, meeting, or exceeding expectations. Mr. Powers continued by highlighting the upgraded risk system, which has significantly improved the ability to understand and manage risk more effectively and efficiently. Mr. Powers then turned the presentation over to Mr. Caruso to discuss the Stable Value Hedge Fund portfolio. Mr. Caruso noted that Stable Value is designed to be uncorrelated to the rest of the Endowment. Mr. Caruso noted that Stable Value represents 9% of the Endowment NAV, but only contributes 1.2% of total risk. The portfolio has grown to \$6.5B in 2022 and is on track to be 25% of the ITF by the end of the fiscal year. He concluded by sharing the team's priorities going forward, including a focus on optimizing performance and alpha generation in both portfolios, and determining and executing new Strategic Asset Allocation targets. Mr. Powers and Mr. Caruso then answered questions from the Board.

Human Resources Presentation

Chairman Weaver asked Ashley Fleming to present an update on the Human Resources team. Ms. Fleming began with an introduction to UTIMCO's culture, highlighting UTIMCO's Mission, Vision, and Values, the development of a personal effectiveness growth pyramid, and the development of an empowerment formula. Ms. Fleming discussed the Organizational Health Check results. Next, Ms. Fleming discussed 2022 accomplishments including talent acquisition, development, retention, and expansion. Ms. Fleming concluded the presentation with 2023 priorities and initiatives. Ms. Fleming answered questions from the Board.

Report from Audit and Ethics Committee

Chairman Weaver asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on March 23, 2023. All members except for Director Jiles were present. The Committee approved the minutes of its December 1, 2022 meeting. The Committee also approved Deloitte & Touche LLP's Audit Results and Communications for the

Corporation for the fiscal year ended August 31, 2022 and the audit reports for the Corporation for the fiscal year ended August 31, 2022 and 2021. The Committee received a quarterly compliance update as well as an update on the revised Enterprise Risk Management Program. The Committee was also provided the Contracts Report. Finally, the Committee received a report on the unaudited financial statements without footnotes for the Funds for the three months ended November 30, 2022, the unaudited financial statements with footnotes for the Corporation for the four months ended December 31, 2022, and the budget versus actual expenses and capital expenses versus actual expenses for the four months ended December 31, 2022. Director Handley requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP 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 year ended August 31, 2022, and August 31, 2021, be, and are hereby approved in the form as presented to the Board.

Report from Investment Risk Committee

Chairman Weaver asked Director Longoria to provide a report from the Investment Risk Committee. Director Longoria reported that the Investment Risk Committee met via teleconference on March 23, 2023. All members except for Director Rothrock were present. The Committee approved the minutes of its December 1, 2022, meeting. The Committee also received a report on compliance matters for the quarter ended November 30, 2022, and a market and portfolio risk update, and had a discussion of banking sector volatility.

Report from Cyber Risk Committee

Chairman Weaver asked Director Rothrock to provide a report from the Cyber Risk Committee. Director Rothrock reported that the Cyber Risk Committee met via teleconference on March 23, 2023. All members except for Director Gauntt were present. The Committee approved the minutes of its December 1, 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, Chairman Weaver 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 of the Board, for the purpose of deliberating individual personnel matters, including the CEO and President. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074. The date is March 30, 2023, and the time is now 11:24 a.m." With the

exception of Mr. Harris, Ms. Moeller, Mr. Arnold, Dr. Brown, and Mr. Kyle, all others left the meeting at this time.

Reconvene in Open Session

The Board reconvened in open session and Chairman Weaver announced that, "The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is March 30, 2023, and the time is now 11:41 a.m. During the Executive Session, the Board discussed individual personnel matters, including the CEO and President, but no action was taken, nor decisions made, and no vote was called for or had by the Board in Executive Session."

Corporate Resolutions

Chairman Weaver presented a recommendation that the annual meeting of the Board of Directors of the Corporation be held on June 27, 2023. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

Chairman Weaver invited Britt Harris to make an announcement. Mr. Harris announced his resignation from UTIMCO, effective June 30, 2023. Mr. Harris thanked the Board for the opportunity to serve, thanked the UTIMCO team for their dedication and professionalism, and noted his unwavering confidence in UTIMCO's continued success under the direction of Rich Hall. Chairman Weaver thanked Britt Harris, on behalf of the Board, for his immeasurable impact. Chairman Weaver read and recommended for approval a resolution of resignation for Mr. Harris and the appointment of Mr. Hall as Chief Executive Officer, President and CIO for the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

WHEREAS, Britt Harris has resigned his position as Chief Executive Officer and President of the University of Texas/Texas A&M Investment Management Company ("UTIMCO"), effective June 30, 2023; and

WHEREAS, Rich Hall was appointed Chief Investment Officer ("CIO") of UTIMCO, effective January 1, 2022, and will continue to serve in his role as CIO until the next Annual Meeting of the Board of Directors or his earlier resignation or removal.

NOW THEREFORE, BE IT RESOLVED that Rich Hall be appointed Chief Executive Officer, President and CIO of UTIMCO, effective July 1, 2023; and

BE IT FURTHER RESOLVED that Britt Harris shall continue to serve as Chief Executive Officer and President of UTIMCO until Rich Hall assumes the office of Chief Executive Officer, President and CIO of UTIMCO.

Chairman Weaver and the Board congratulated Rich Hall on his appointment as Chief Executive Officer, President and CIO of UTIMCO, effective July 1, 2023.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:48 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

**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 ("UTIMCO" or the "Corporation") convened in an open meeting on **June 1, 2023**, 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, Austin, Texas, said meeting having been called by the Chairman, James C. "Rad" Weaver ("Chairman"), with notice provided to each member in accordance with the Corporation's 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
Howard Berk
Jay Graham
Janet Handley
Jodie L. Jiles

thus constituting a majority and quorum of the Board. Director Longoria and Director Nixon did not attend the meeting. Chairman Weaver called the meeting to order at 9:00 a.m. Employees of the Corporation attending the meeting were Rich Hall, Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Carolina de Onís, General Counsel and Chief Compliance Officer; and other UTIMCO employees. Other attendees included Jerry Kyle and Taylor Raymond of Orrick, Herrington, & Sutcliffe LLP. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Corporate Resolutions

Before moving to approval of the Corporate Resolutions, Chairman Weaver welcomed Howard Berk and Jay Graham as new members of the UTIMCO Board of Directors. After a brief introduction, Chairman Weaver presented a recommendation for new, temporary Board committee assignments. Chairman Weaver answered questions from other Board members. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

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

Janet Handley
Ray Nixon
Ray Rothrock
James C. "Rad" Weaver

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

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

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

Jodie L. Jiles
Ray Nixon
James C. "Rad" Weaver

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

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

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

James B. Milliken
Ray Rothrock
James C. "Rad" Weaver

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

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

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 9:08 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
June 15, 2023

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: (1) Election of Corporate Officers; (2) Committee Assignments; (3) Resolutions of Appreciation

Developed By: Hall, Moeller, de Onís

Presented By: Weaver

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

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

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

Chairman Weaver will present a recommendation to the Board to approve resolutions acknowledging the Board services of Robert Gaunt and Cliff Thomas, and Britt Harris' service as CEO, President and CIO.

Recommendation: Chairman Weaver will recommend approval of the election of Corporate Officers, approval of committee assignments, and resolutions of appreciation.

Reference: None

RESOLUTION RELATED TO CORPORATE OFFICERS

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

<u>Name</u>	<u>Office or Offices</u>
_____	Chairman
_____	Vice Chairman
_____	Vice Chairman for Policy
Britt Harris	Chief Executive Officer and President (through June 30, 2023)
Rich Hall	Chief Investment Officer (Chief Executive Officer, President and Chief Investment Officer effective July 1, 2023)
Joan Moeller	Senior Managing Director, COO, Treasurer and Secretary
Carolina de Onís	Managing Director, General Counsel and Chief Compliance Officer
Susan Chen	Senior Managing Director
Eddie Lewis	Senior Managing Director
Ryan Ruebsahm	Senior Managing Director
Tony Caruso	Managing Director
Gus Deering	Managing Director and Chief Technology Officer
Gary Hill	Managing Director
Amanda Hopper	Managing Director
Mukund Joshi	Managing Director
Russ Kampfe	Managing Director
Pat Pace	Managing Director
Courtney Powers	Managing Director
Uzi Yoeli	Managing Director

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

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

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

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

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

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

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

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

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

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

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

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

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Investment Risk Committee and shall preside at its meetings.

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

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

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

RESOLUTION OF APPRECIATION ROBERT P. GAUNTT

WHEREAS, in recognition of his substantial background and expertise in business and dedication to higher education in the State of Texas, Robert P. Gauntt was appointed by the Board of Regents of The University of Texas System to the Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company ("UTIMCO") on August 24, 2017; and

WHEREAS, during his tenure on the Board of UTIMCO, Mr. Gauntt served as Chair of the Policy Committee and the Investment Risk Committee and as a member of the Cyber Risk Committee and the Compensation Committee; and

WHEREAS, Mr. Gauntt provided invaluable insight and counsel, drawing on his many years of experience in business as the Founding Partner of Capital Creek Partners, a private investment firm located in Austin serving the needs of family offices, foundations, endowments and private investment companies, and before that as Co-Founder of Avalon Advisors, LLC, a \$9 billion Registered Investment Advisor in Houston; and

WHEREAS, Mr. Gauntt's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to public service to the State of Texas and its educational system, as further evidence by his service as a Trustee to the Teacher Retirement System of Texas, as a member of the Texas Higher Education Coordinating Board, and in his new role as a member of the Board of Regents of the University of Texas System; and

WHEREAS, Mr. Gauntt's generous philanthropic contributions are also evidenced in the civic arena by his service to numerous organizations in areas as diverse as childhood education, the arts, and sports, including service on the Boards of Little League International, The Contemporary Austin, the Ascend Academy, and RBI Austin; and

WHEREAS, Mr. Gauntt remains the only member of the UTIMCO Board to have played varsity baseball for the University of Texas at Austin on the 1983 NCAA Division I National Championship team; and

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

WHEREAS, during Mr. Gauntt's tenure on the Board of UTIMCO, total assets under management by UTIMCO grew by over \$27 billion; and

WHEREAS, Mr. Gauntt's leadership, wisdom, and devotion has contributed greatly to UTIMCO's success.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of UTIMCO, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Robert P. Gauntt their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

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

PASSED AND ADOPTED this 15th day of June 2023.

RESOLUTION OF APPRECIATION CLIFTON L. THOMAS, JR.

WHEREAS, in recognition of his substantial background and expertise in business and dedication to higher education in the State of Texas, Clifton L. Thomas, Jr. was appointed by the Board of Regents of The Texas A&M University System to the Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company ("UTIMCO") on April 19, 2018; and

WHEREAS, Mr. Thomas completed his second six-year term as a member of the Board of Regents of The Texas A&M University System, having first been appointed by Governor Rick Perry in 2011 and reappointed in 2017 by Governor Greg Abbott; and

WHEREAS, during his tenure on the Board of Regents of The Texas A&M University System he has served in various capacities, including Chairman of the Board from 2015 to 2017, Vice Chairman of the Board from 2013 to 2015, and Chairman of the Committee on Audit, Chairman of the Committee on Academic and Student Affairs, Chairman of the Policy Review Committee, and a member of other Committees, and as liaison to the 12th Man Foundation; and

WHEREAS, during his tenure on the Board of UTIMCO, Mr. Thomas served as a member of the Cyber Risk Committee, the Investment Risk Committee, and the Policy Committee; and

WHEREAS, Mr. Thomas provided invaluable insight and counsel, drawing on his many years of experience in business as President, Owner and CEO of Speedy Stop Food Stores and C.L. Thomas Inc., and Owner, Chairman and Board Member of Pilot Thomas Logistics, and former board member of Wells Fargo Bank; and

WHEREAS, Mr. Thomas's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education, health and development of children and students of all ages, and further evidenced by his receipt of the Texas A&M Distinguished Alumni Award in 2022 and the Texas A&M Letterman's Lifetime Achievement Award in 2021; and

WHEREAS, Mr. Thomas's unselfish contributions are also evidenced in the civic arena by his service to numerous organizations, including service on the board of the Victoria Regional Airport, and prior service on the boards of the Guadalupe-Blanco River Authority and DeTar Hospital System; and

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

WHEREAS, during Mr. Thomas's tenure on the Board of UTIMCO, total assets under management by UTIMCO grew by over \$23 billion; and

WHEREAS, Mr. Thomas's leadership, judgment, and commitment has contributed greatly to UTIMCO's success.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of UTIMCO, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Clifton L. Thomas, Jr. their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Thomas has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested

and managed in the State of Texas, to the benefit of all the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

PASSED AND ADOPTED this 15th day of June 2023.

RESOLUTION OF APPRECIATION T. BRITTON “BRITT” HARRIS, IV

WHEREAS, in recognition of his substantial background, expertise and leadership in asset management and dedication to public service to the State of Texas, T. Britton “Britt” Harris, IV was appointed by the Board of Directors of The University of Texas/Texas A&M Investment Management Company (“UTIMCO”) as Chief Executive Officer (“CEO”), President, and Chief Investment Officer (“CIO”) of UTIMCO effective August 1, 2017; and

WHEREAS, during his tenure as CEO, President and CIO of UTIMCO, Mr. Harris brought fundamental cultural changes to UTIMCO, such as a renewed and relentless focus on UTIMCO’s mission and purpose to eradicate poverty through education, enhance society through research, and cure and care for cancer patients and those with debilitating diseases; introducing the RIGHT culture (responsible/accountable, integrity, great alignment, high performance and transparency/openness); establishing a culture of Total Alignment between the UTIMCO Board and professional management; instituting a Servant Leadership model of leadership and followership at UTIMCO; and creating a culture where people are empowered and flourish; and

WHEREAS, during Mr. Harris’s tenure at UTIMCO, total assets under management by UTIMCO grew by over \$27 billion, institutionalizing best practices, heightened professionalism, excellence, and efficiencies across all areas of the firm, including investments, operations, legal and compliance, information technology and human resources; and

WHEREAS, Mr. Harris is the only investment leader to oversee investment organizations in four major sectors, serving as CIO of a private pension fund, CEO of a hedge fund, CIO of a public pension fund, and now CEO and CIO of UTIMCO; and has served in leadership roles and as adviser throughout the financial services industry, such as on the President’s Working Council on Financial Markets, the New York Federal Reserve Board, the Dallas Federal Reserve Board, various international funds such as the Japanese Postal System, the New York Stock Exchange, and MSCI Barra; and

WHEREAS, Mr. Harris’s impact on the financial services industry has been sustained and far-reaching, as evidenced by his innovative approaches to, among many other things, strategic partnerships, risk management, and “fair and just” performance-based fees such as the “1% or 30%” fee structure for hedge funds, all of which have become standard in the industry; and

WHEREAS, Mr. Harris’s legendary status as an investor has been repeatedly recognized by his peers and the industry, as evidenced by his induction into the Investment Hall of Fame, three lifetime achievement awards, Britt Harris Day on Wall Street, and the Distinguished Alumni Award from Texas A&M University; and

WHEREAS, Mr. Harris’s devotion to public education in the State of Texas is evidenced through his role as Adjunct Professor for Texas A&M University, The University of Texas at Austin, and Baylor University, where he has taught his “Titans of Investing” course at various times over the past 17 years, focusing the course on “Narrow Path” Leaders who bring family, community, company, and country toward a collective calling and common objective of serving the world around them, and growing the Titans Alumni Network to over 800 members in 23 states and seven countries, with several former Titans running multi-billion and -million dollar companies; and

WHEREAS, Mr. Harris’s teacher’s heart extends beyond the classroom, having served as a mentor, counselor, adviser, guide, and guru to countless of his colleagues, peers, friends, and a new generation of investment leaders who now include the current CIOs of various endowments and public and private funds in Texas and throughout the country, and to the next generation of investment leaders through the UTIMCO Scholars and Growing Investment Leaders programs; and

WHEREAS, Mr. Harris’s philanthropic efforts will continue for many years as the Chairman of the San Jacinto Project, where he will continue to bring leadership, strength, wisdom, and clarity to the issue of energy transition; and

WHEREAS, Mr. Harris’s leadership, wisdom, and devotion has contributed greatly to UTIMCO’s success.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of UTIMCO, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to T. Britton "Britt" Harris, IV their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

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

PASSED AND ADOPTED this 15th day of June 2023.

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: CEO Update

Developed By: Harris

Presented By: Harris

Type of Item: Information Item

Description: Britt Harris will present his final update on UTIMCO, priorities, and accomplishments.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: Market Update and UTIMCO Performance

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: *Market Update and UTIMCO Performance* presentation



Board of Directors Meeting

Market Update and UTIMCO Performance

Rich Hall, CIO

June 15, 2023

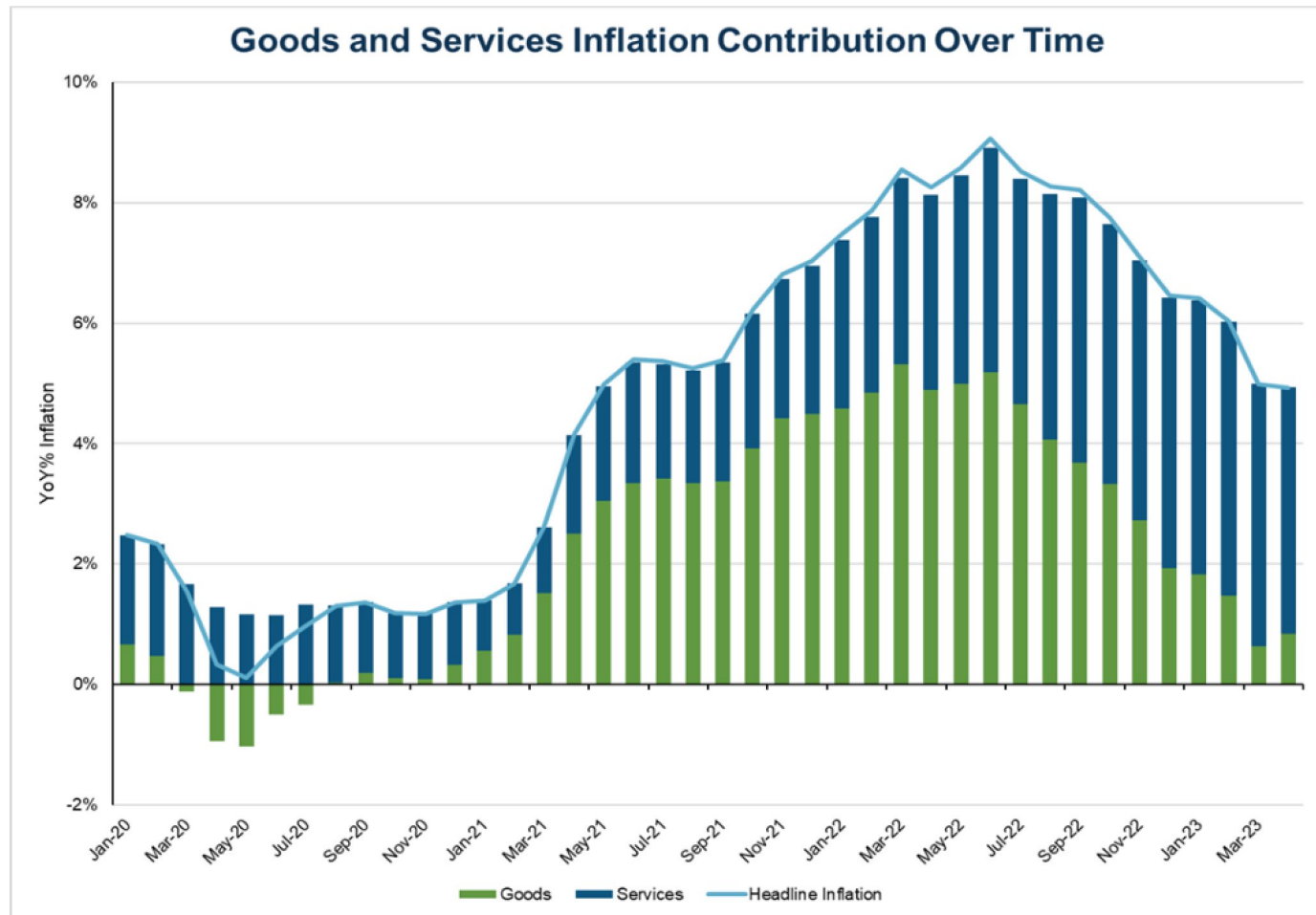
Market Overview





Market Overview

Inflation still the key issue: moderating overall but still stubbornly high



Source: Bloomberg



Market Overview

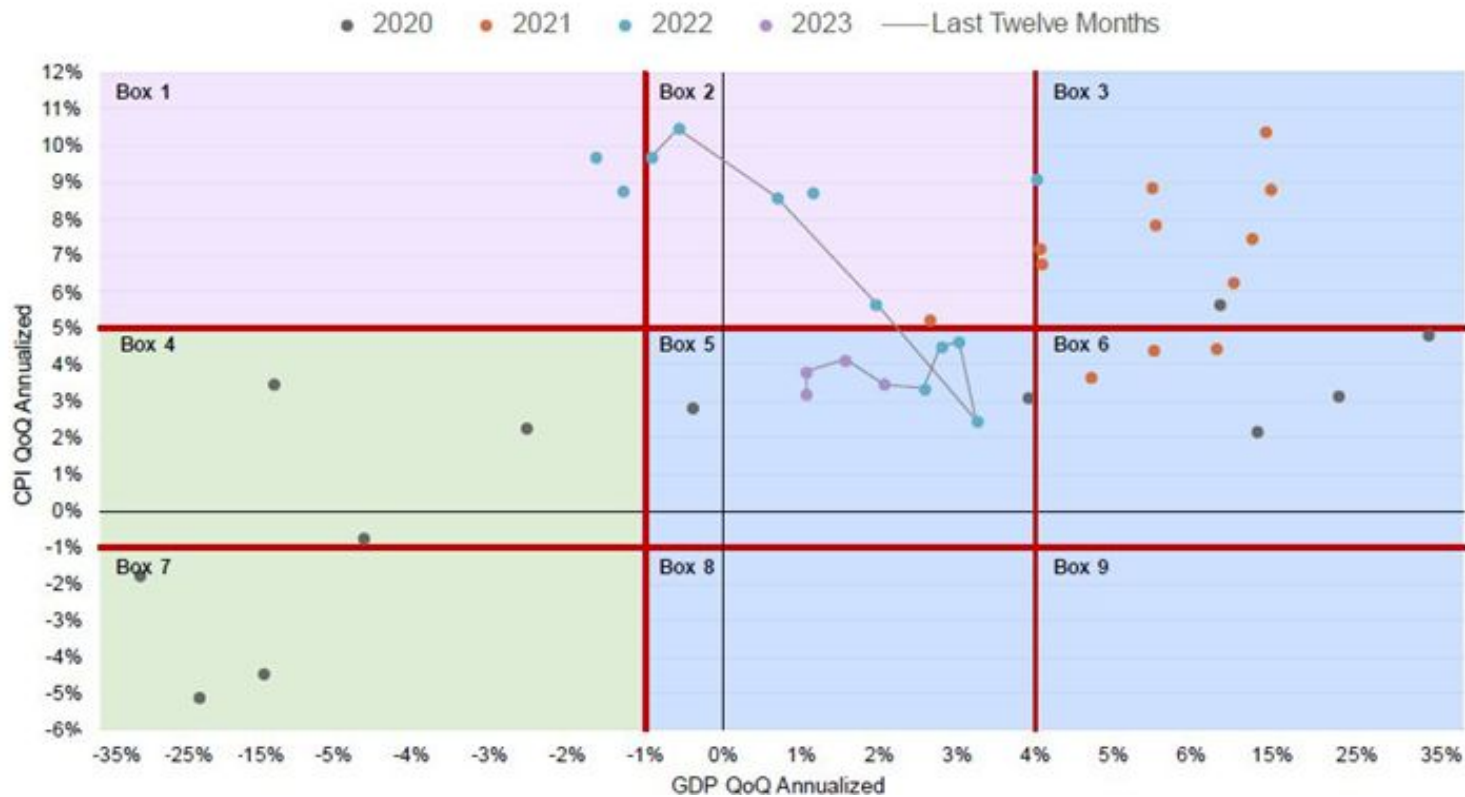
Widening gap between what the Fed says and what the market thinks





Market Overview

Box 5, no Bear Market and no Bubbles – historically, a good situation for equities



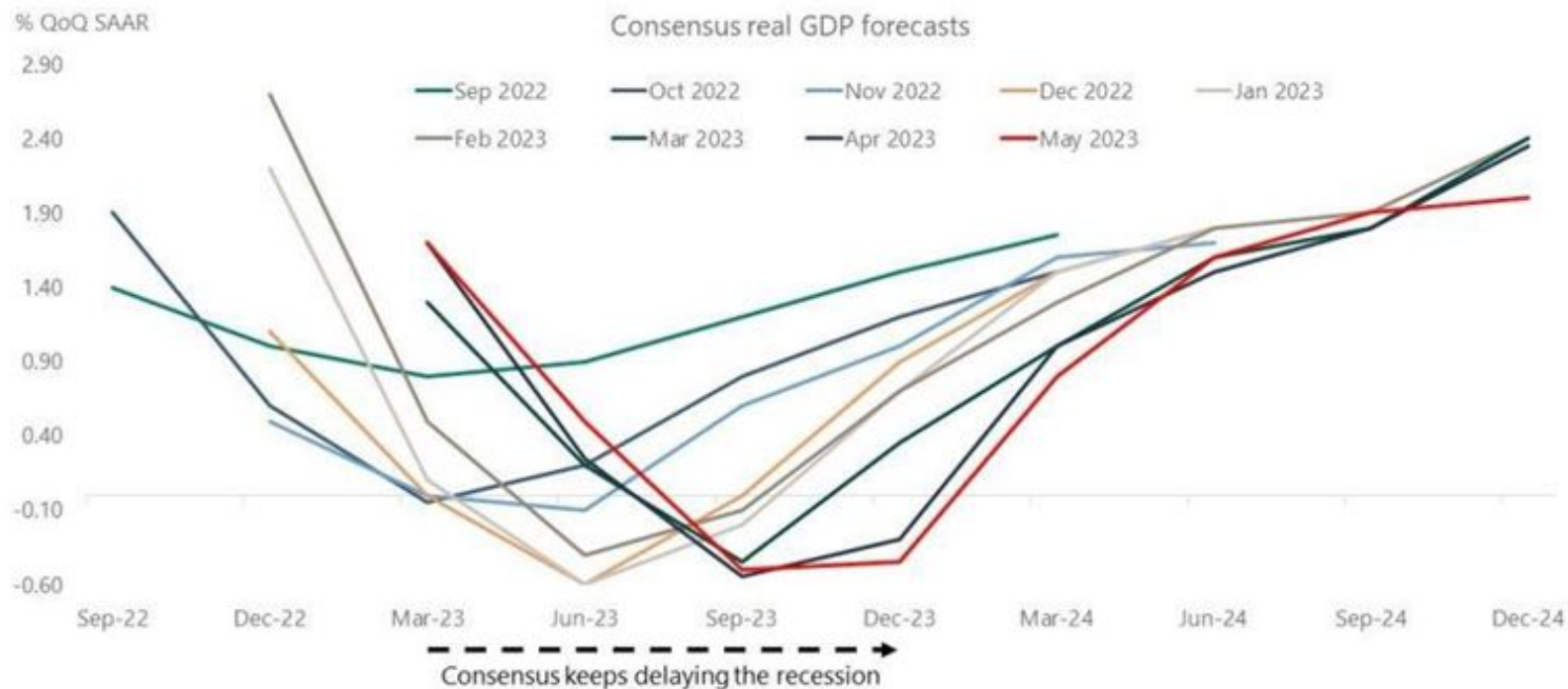


Market Overview

Recession Watch: Consensus keeps delaying

APOLLO

Consensus has been forecasting a recession since October 2022

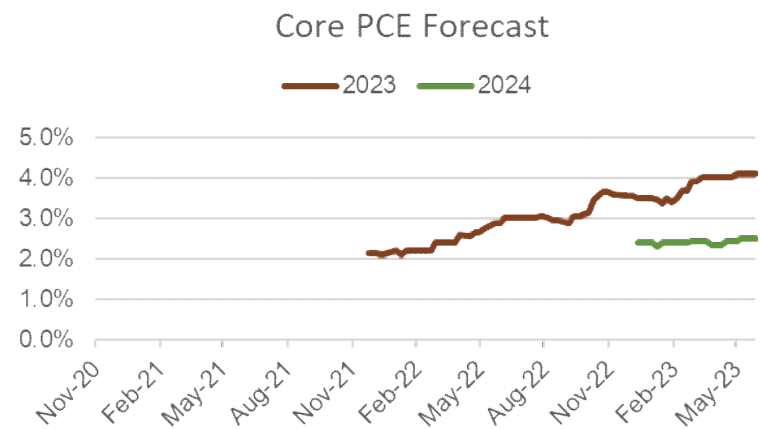
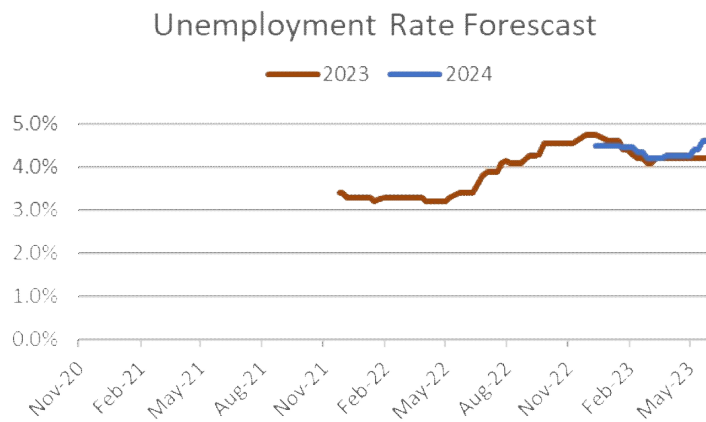
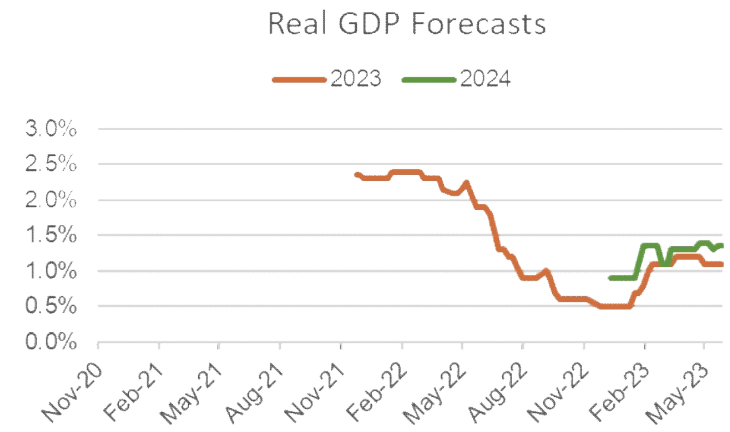
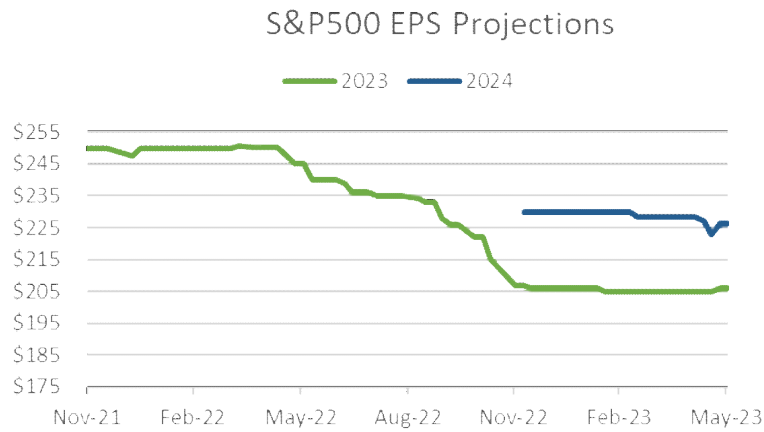


Source: Bloomberg, Apollo Chief Economist



Market Overview

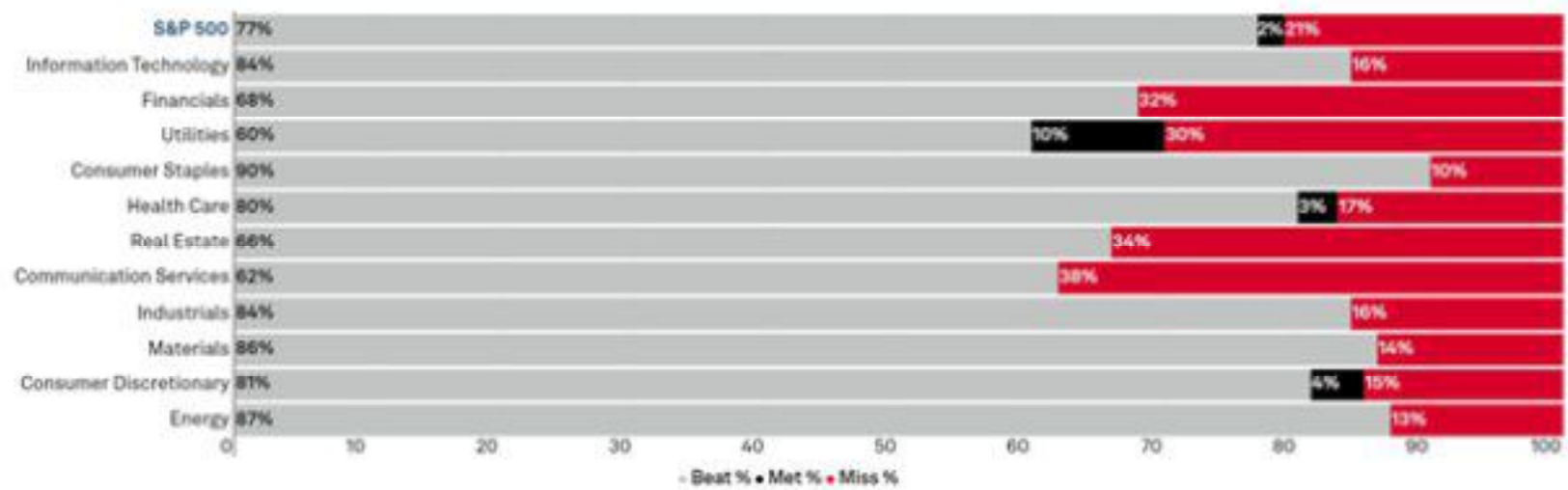
Economic Indicator forecasts have stabilized





Market Overview

Majority of companies have exceeded earnings expectations



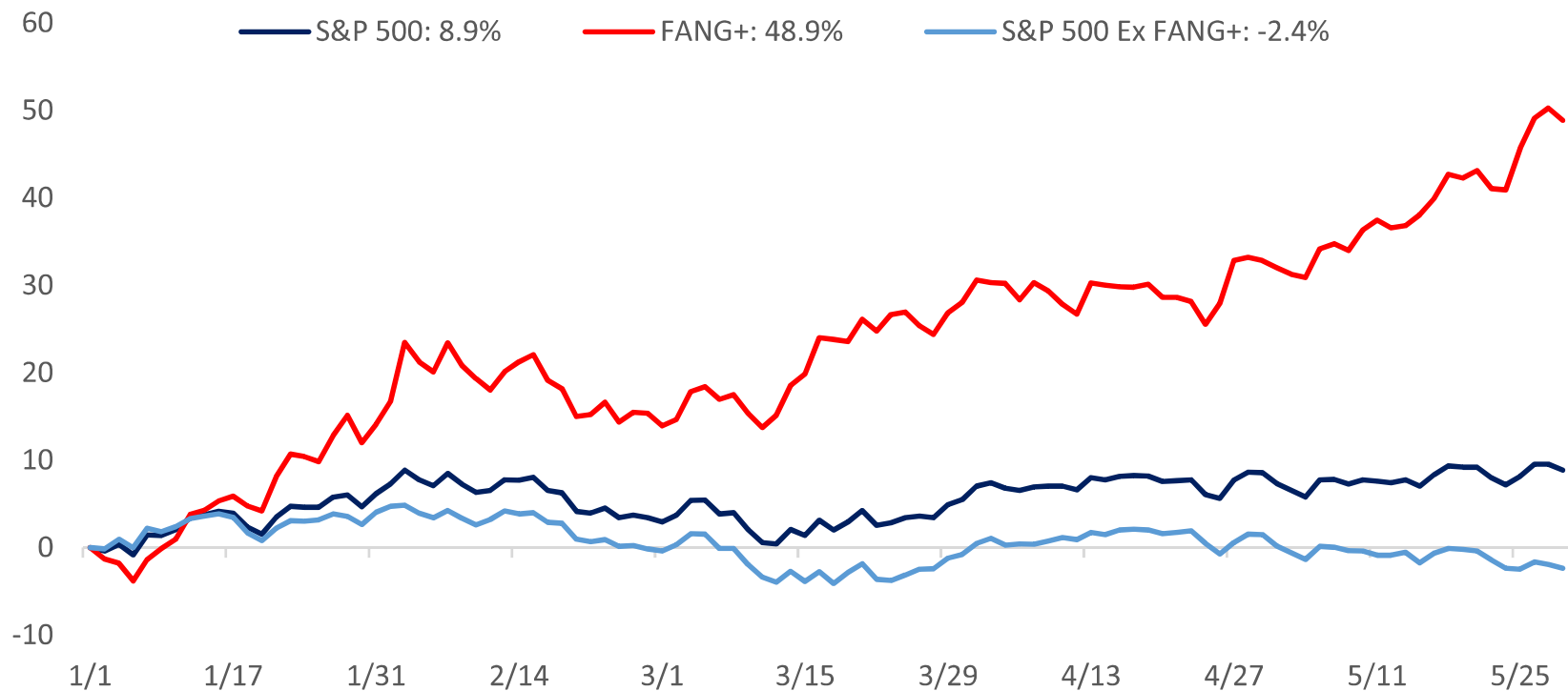
Source: S&P Global Market Intelligence



Market Overview

Market Trends: FANG+ Megacap stocks are dominating, YTD Returns

S&P 500 , FANG+, & S&P 500 Ex FANG+ YTD Through 5/31 (%)



FANG+ consists of AAPL, MSFT, NVDA, META, AMZN, GOOGL, GOOG, TSLA, AMD, NFLX

Source: Bespoke



Market Overview

Sector return dispersion as of May 31, 2023



◆ 10-year Average P/E Ratios



Market Overview

Style and Market Cap return dispersion as of May 31, 2023



◆ 10-year Average P/E Ratios



Market Overview

Country Return dispersion as of May 31, 2023



◆ 10-year Average P/E Ratios

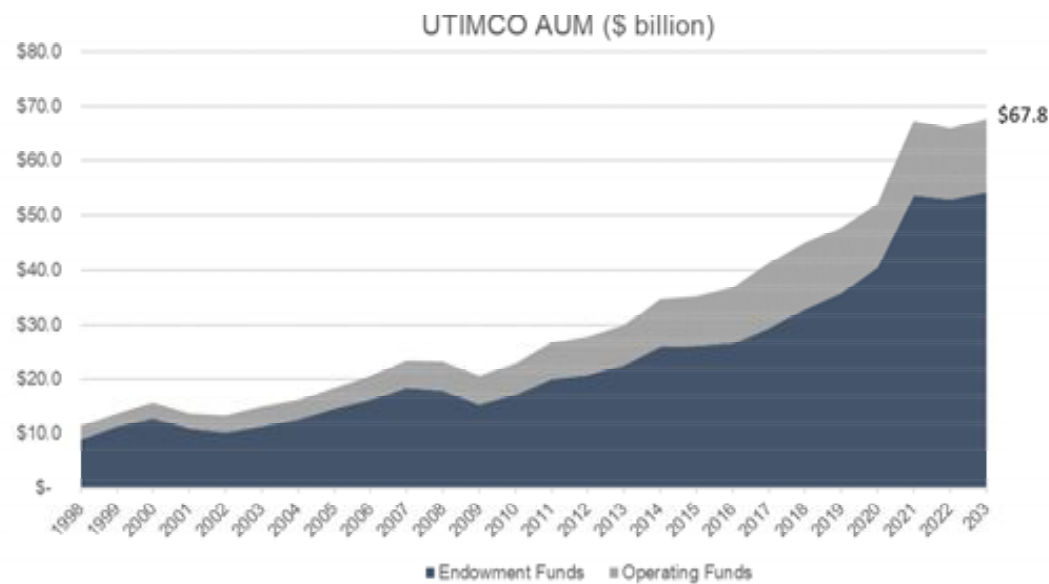
Portfolio Performance





Portfolio Performance

Growth in Assets Under Management (March 31, 2023)



3 Month Change in AUM

	\$ Billion
Beginning Net Asset Value (NAV)	66.1
Contributions	1.1
Net Investment Income	1.5
Distributions	-0.9
Ending Net Asset Value	67.8

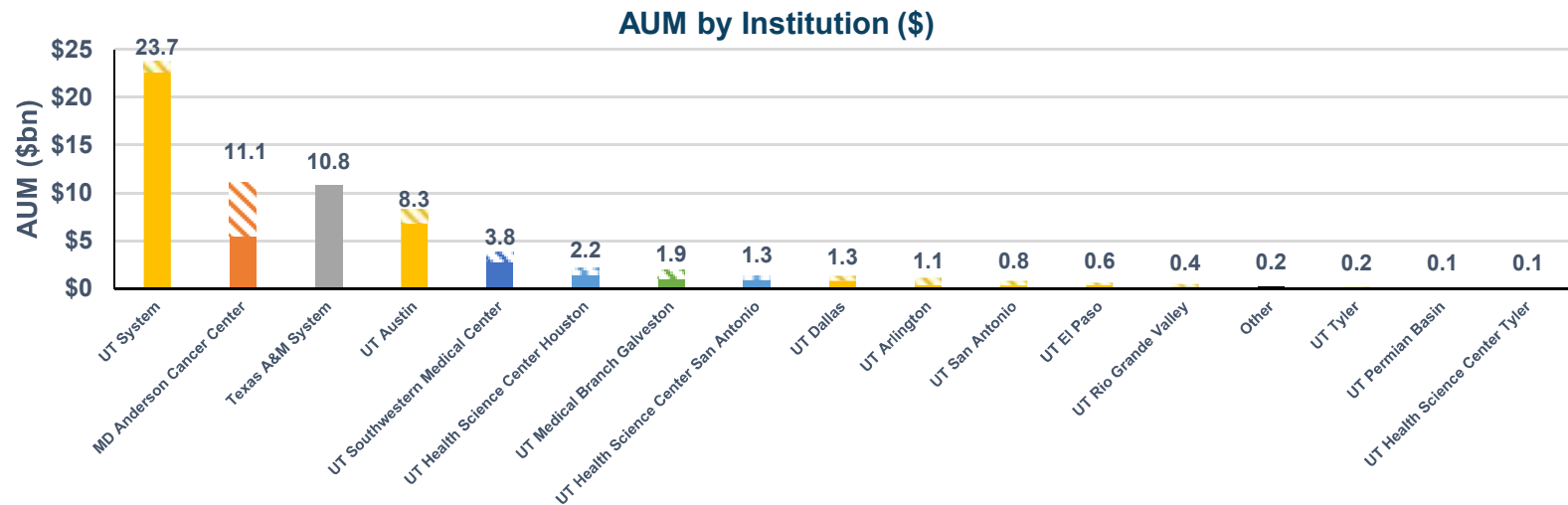
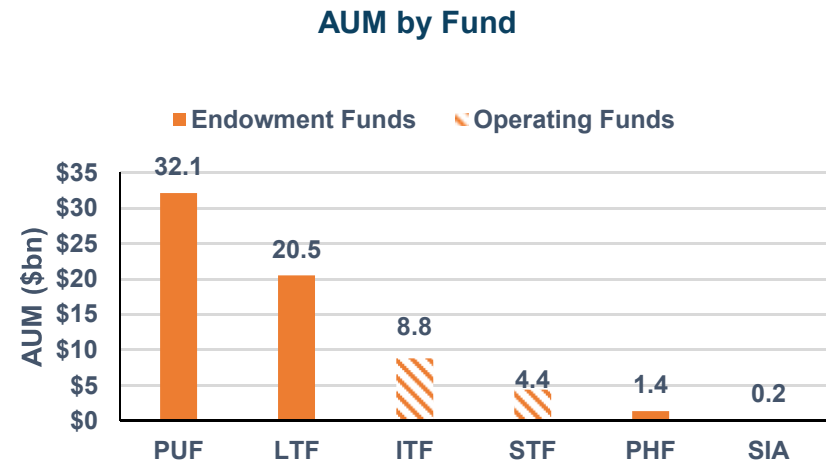
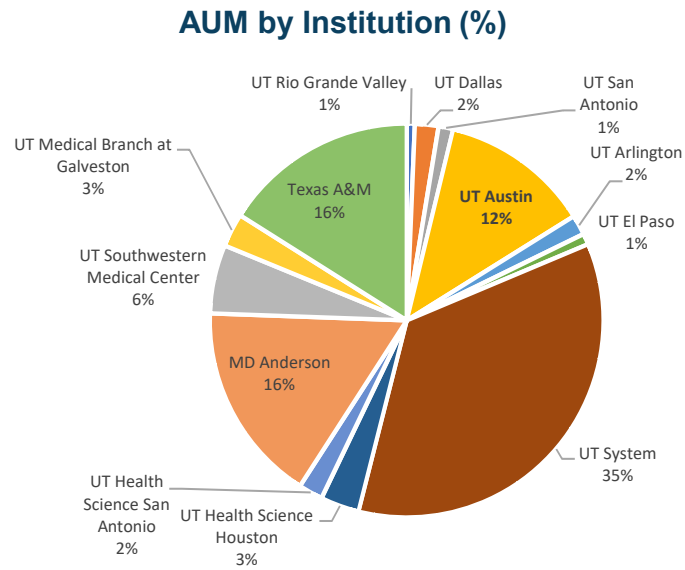
3 Year Change in AUM

	\$ Billion
Beginning Net Asset Value	46.0
Contributions	12.7
Net Investment Income	15.5
Distributions	-6.4
Ending Net Asset Value	67.8



Portfolio Performance

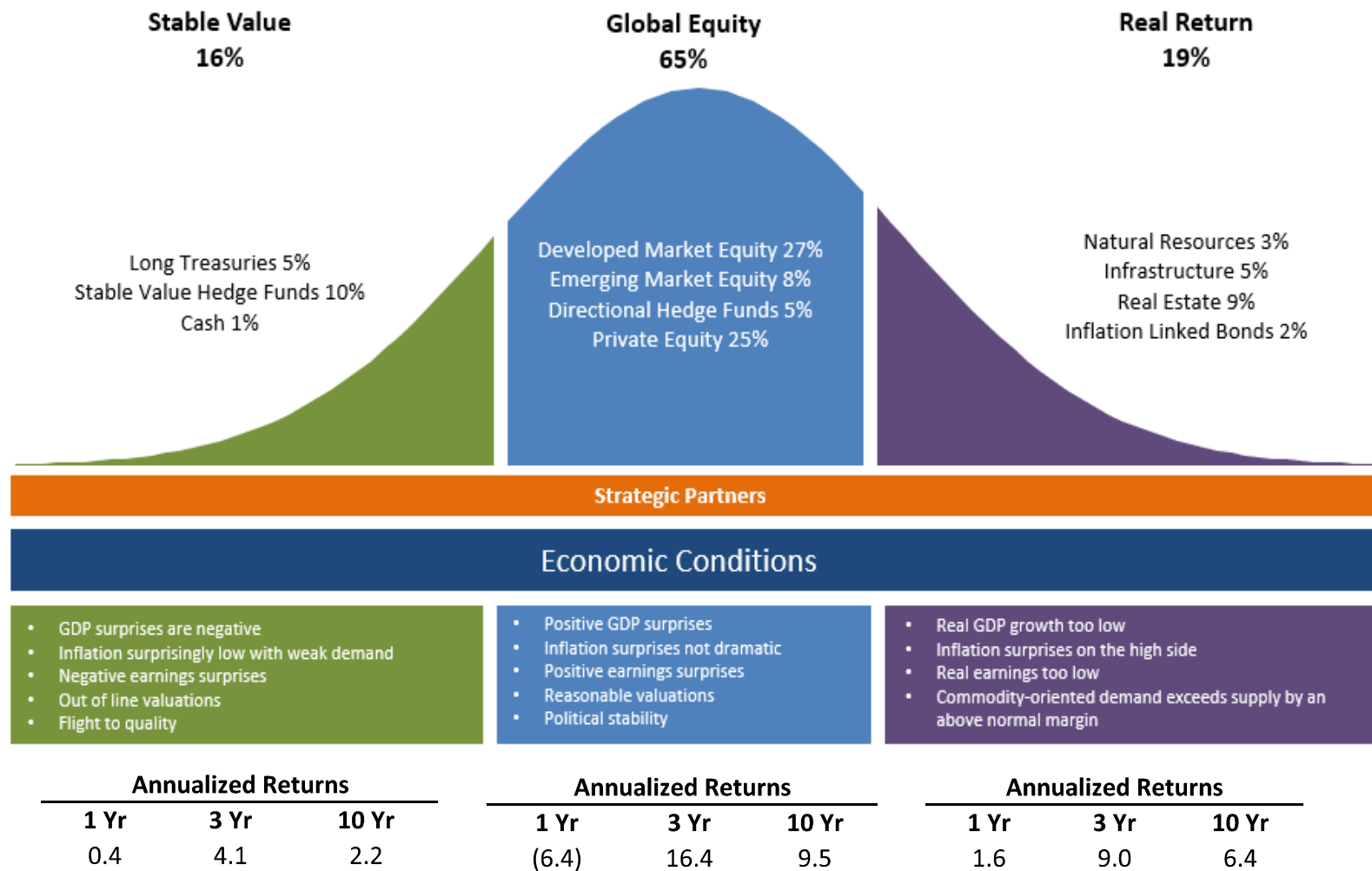
AUM Breakdown (March 31, 2023)





Portfolio Performance

UTIMCO Diversification Framework

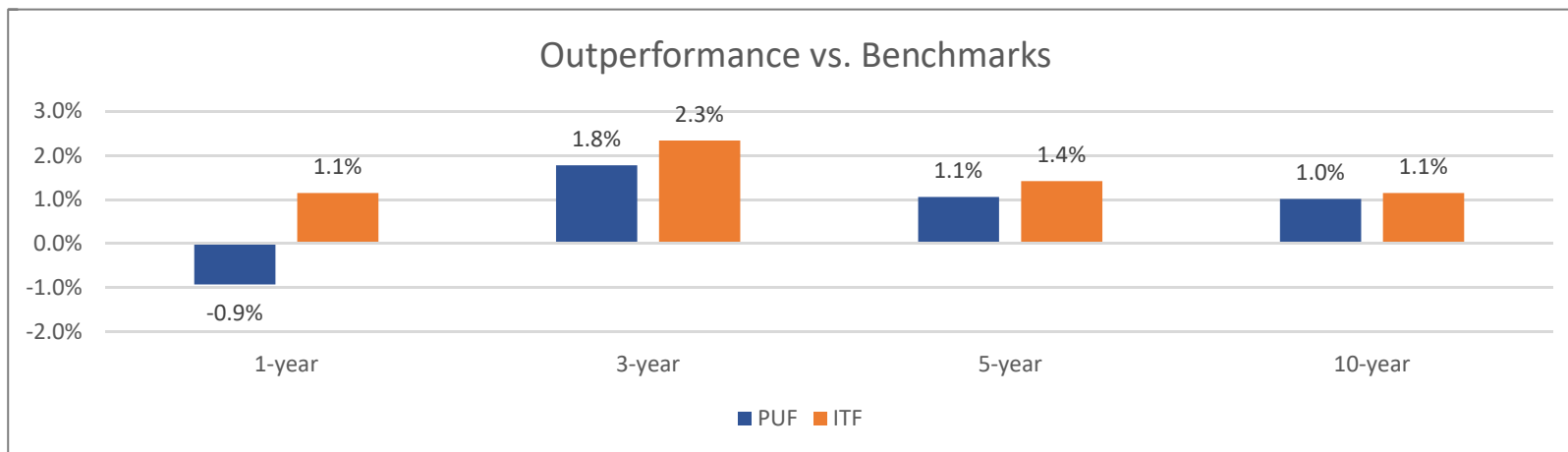
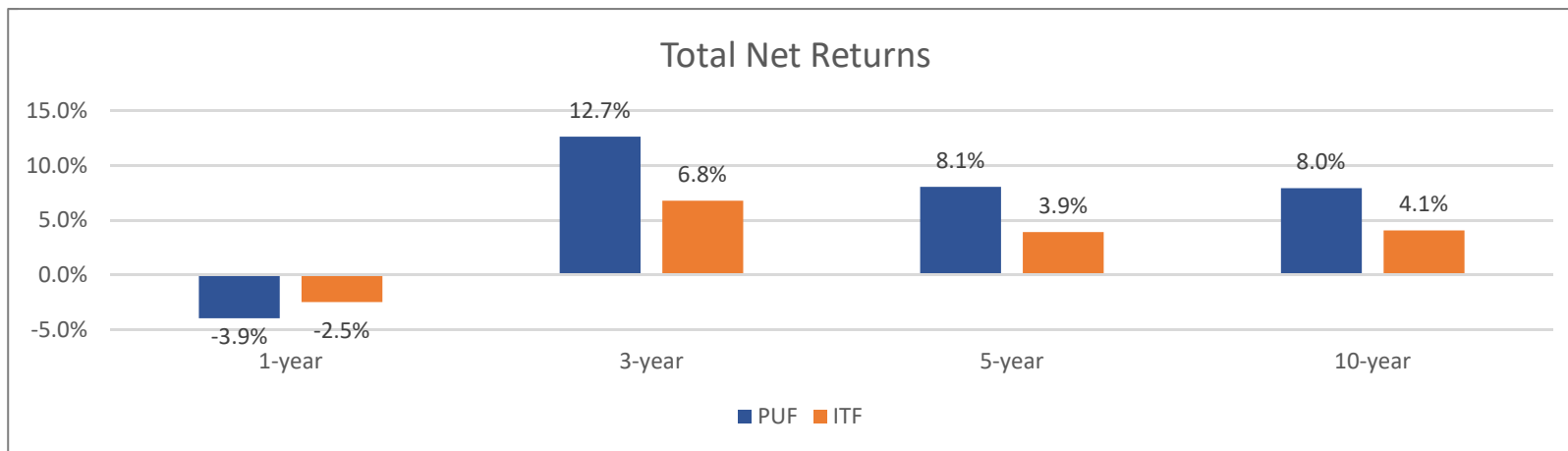


*Current LTSAA Policy Weights. Returns as of 3/31/2023



Portfolio Performance

UTIMCO Returns and Alpha (March 31, 2023)





Portfolio Performance

Endowment Returns and Alpha (March 31, 2023)

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(7.2%)	0.6%	14.1%	(0.3%)	16,021	29.6%	0.9%
	Directional Hedge Funds	0.6%	2.6%	10.3%	3.9%	2,907	5.4%	(0.3%)
	Total Private Equity	(7.5%)	(1.7%)	20.9%	4.9%	14,625	27.0%	(0.1%)
	Total Global Equity	(6.4%)	(0.5%)	16.4%	2.2%	33,553	62.0%	0.5%
Stable Value	Investment Grade Fixed Income	(4.0%)	(0.2%)	(0.4%)	1.8%	1,102	2.0%	0.3%
	Long Treasuries	(16.4%)	(0.4%)			1,779	3.3%	0.1%
	Cash	2.7%	0.2%	1.0%	0.1%	413	0.8%	(0.2%)
	Stable Value Hedge Funds	5.6%	4.7%	10.8%	4.5%	4,986	9.2%	(0.5%)
	Total Stable Value	0.4%	2.2%	4.1%	1.9%	8,287	15.3%	(0.3%)
Real Return	Inflation Linked Bonds	(6.7%)	(0.6%)	0.9%	(0.8%)	1,103	2.0%	0.0%
	Natural Resources	0.8%	(20.5%)	4.4%	(7.2%)	2,378	4.4%	(0.2%)
	Infrastructure	8.2%	(1.8%)	25.4%	13.7%	1,766	3.3%	0.0%
	Real Estate	1.9%	1.0%	8.4%	0.2%	4,505	8.3%	0.2%
	Total Real Return	1.6%	(6.4%)	9.0%	(0.2%)	9,751	18.0%	0.1%
Strategic Partnerships	Total Strategic Partnerships	(7.1%)	2.0%			2,526	4.7%	(0.3%)
TAA	TAA	(0.0%)	(0.0%)	0.1%	0.1%	(2)		
Total Fund	Endowment Total	(3.9%)	(0.9%)	12.7%	1.8%	54,116	100.0%	(0.0%)



Portfolio Performance

ITF Returns and Alpha (March 31, 2023)

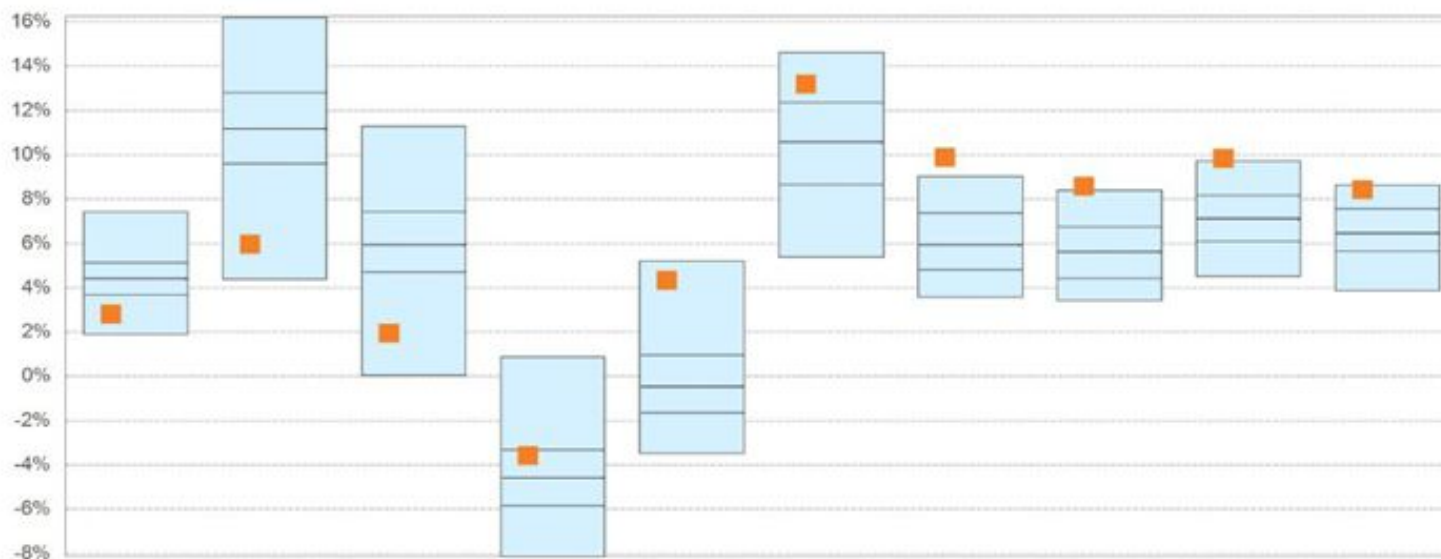
		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
Global Equity	Public Equity	(7.0%)	0.6%	13.6%	(0.6%)	1,321	15.0%	0.4%
	Directional Hedge Funds	0.5%	2.5%	10.3%	3.8%	3,161	35.8%	(0.5%)
	Total Global Equity	(0.9%)	2.1%	11.5%	2.9%	4,481	50.8%	(0.1%)
Stable Value	Investment Grade Fixed Income	(4.0%)	(0.1%)	(0.4%)	1.8%	987	0.0%	0.0%
	Long Treasuries	(16.8%)	(0.8%)			526	6.0%	0.2%
	Cash	2.7%	0.2%	1.0%	0.1%	137	1.6%	(0.4%)
	Stable Value Hedge Funds	5.2%	4.2%	10.6%	4.3%	1,805	20.4%	(0.8%)
	Total Stable Value	(1.8%)	0.9%	1.6%	2.1%	3,468	39.3%	0.1%
Real Return	Inflation Linked Bonds	(6.7%)	(0.6%)			458	5.2%	0.2%
	Commodities	(12.5%)	0.0%			218	2.5%	(0.0%)
	Real Estate	(19.9%)	(0.7%)			206	2.3%	(0.2%)
	Total Real Return	(11.2%)	(0.4%)			882	10.0%	(0.0%)
Total Fund	ITF Total	(2.5%)	1.1%	6.8%	2.3%	8,831	100.0%	0.0%



Portfolio Performance

Trust Universe Comparison Service Performance Comparison

Total Returns of Master Trusts - Foundation & Endowment
Cumulative Periods Ending : March 31, 2023

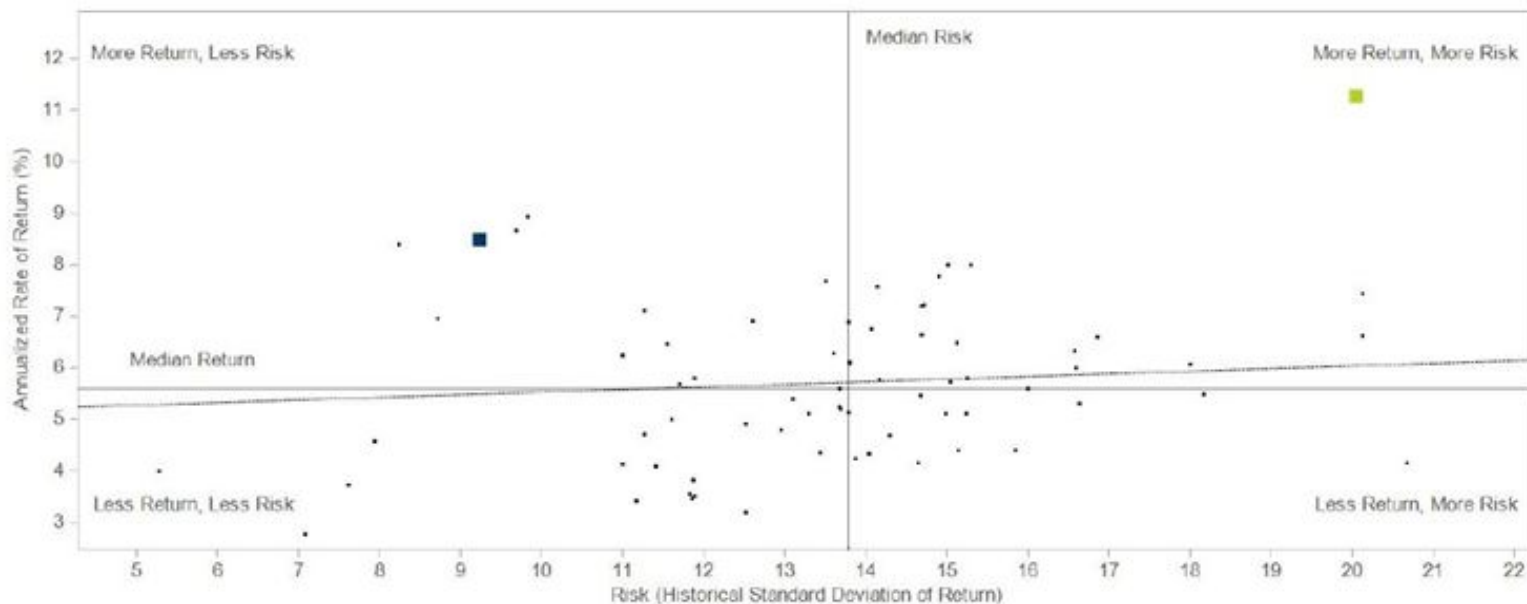


Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	7.44	16.21	11.29	0.87	5.21	14.62	9.04	8.41	9.72	8.64
25th	5.13	12.80	7.42	-3.33	0.96	12.36	7.38	6.76	8.16	7.56
50th	4.42	11.19	5.94	-4.58	-0.45	10.58	5.94	5.61	7.11	6.47
75th	3.68	9.60	4.71	-5.84	-1.65	8.67	4.81	4.42	6.08	5.64
95th	1.91	4.39	0.04	-8.14	-3.48	5.39	3.58	3.43	4.53	3.86
No. Of Obs	87	86	86	85	80	80	73	72	71	70
PUF TOTAL FUND	2.67 (88)	5.81 (88)	1.79 (89)	-3.74 (29)	4.17 (8)	13.04 (17)	9.74 (2)	8.42 (3)	9.68 (6)	8.27 (13)



Portfolio Performance

Trust Universe Comparison Service
 Risk vs Total Returns of Master Trusts - Foundation & Endowment
 5 Years Ending March 31, 2023



Alpha: 5.05
 Beta: 0.05
 R-Squared: 0.01

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.29	91	8.40	6
PUF TOTAL FUND	9.29	91	8.42	3
S&P 500	20.11	5	11.19	1
Median	13.79		5.61	

Appendix





Economic Indicators

Estimates as of 6/2/23

	Quarterly Real GDP		Real GDP		S&P 500 EPS		Unemployment		Core PCE	
	Q2	Q3	2023	2024	2023	2024	2023	2024	2023	2024
AGMR	-0.2%	-0.8%	0.0%	1.6%	\$186	\$181	4.5%	5.4%	4.0%	4.0%
Barclays	0.5%	-0.5%	1.1%	-0.1%	\$200		4.4%	4.4%	4.1%	2.5%
BofA	1.0%	-1.0%	1.1%	-0.1%	\$215	\$235	4.3%	4.8%	4.1%	2.2%
Citi	2.0%	0.5%	1.4%		\$212	\$223	4.4%		4.5%	
Credit Suisse	0.6%	0.1%	1.3%	1.1%	\$210	\$215	3.9%	4.0%	4.2%	2.7%
Goldman	2.1%	0.6%	1.7%	1.6%	\$224	\$237	3.6%	3.6%	3.4%	2.3%
ISI	0.0%	-1.0%	-0.5%	1.8%	\$206	\$221	4.5%	4.8%	2.0%	2.5%
JP Morgan	1.5%	0.5%	1.5%	0.4%	\$205	\$230	4.2%	4.9%	4.2%	2.4%
Morgan Stanley	0.1%	0.1%	1.1%	0.9%	\$195	\$241	4.1%	4.3%	3.6%	2.5%
UBS	0.6%	-1.8%	-0.4%	1.7%	\$198	\$215	4.2%	5.4%	2.9%	1.6%
Yardeni	1.0%	2.0%	1.7%	2.5%	\$225	\$250	3.5%	3.5%	4.3%	3.0%
Median	1.1%	0.1%	1.1%	1.4%	\$206	\$227	4.2%	4.6%	4.1%	2.5%
Average	0.8%	-0.1%	0.9%	1.1%	\$207	\$225	4.1%	4.5%	3.8%	2.6%
FOMC			0.4%	1.2%			4.5%	4.6%	3.6%	2.6%

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	\$221	6.7%	3.9%	3.5%	1.5%	5.0%	4.4%



Economic Indicators

Median Over Time

			Quarterly Real GDP				Unemployment		Core PCE	
	Q2	Q3	2023	2024	2023	2024	2023	2024	2023	2024
6/2/2023	1.1%	0.1%	1.1%	1.4%	\$206	\$227	4.2%	4.6%	4.1%	2.5%
5/26/2023	1.1%	0.1%	1.1%	1.4%	\$206	\$227	4.2%	4.6%	4.1%	2.5%
5/19/2023	1.1%	0.1%	1.1%	1.3%	\$205	\$223	4.2%	4.4%	4.1%	2.5%
5/12/2023	1.1%	-0.1%	1.1%	1.4%	\$205	\$227	4.2%	4.4%	4.1%	2.5%
5/5/2023	1.1%	0.2%	1.1%	1.4%	\$205	\$229	4.2%	4.3%	4.1%	2.5%
4/28/2023	1.0%	0.2%	1.2%	1.4%	\$205	\$229	4.2%	4.3%	4.0%	2.5%
4/21/2023	0.6%		1.2%	1.3%	\$205	\$229	4.2%	4.3%	4.0%	2.5%
4/14/2023	0.6%		1.2%	1.3%	\$205	\$229	4.2%	4.3%	4.0%	2.4%
3/31/2023	0.6%		1.2%	1.3%	\$205	\$229	4.2%	4.3%	4.0%	2.4%
3/24/2023	0.7%		1.2%	1.3%	\$205	\$229	4.2%	4.2%	4.0%	2.5%
3/17/2023	0.7%		1.1%	1.3%	\$205	\$229	4.2%	4.2%	4.0%	2.5%
3/10/2023	0.8%		1.1%	1.1%	\$205	\$230	4.1%	4.2%	3.9%	2.5%
3/3/2023	0.8%		1.1%	1.1%	\$205	\$230	4.1%	4.2%	3.9%	2.5%
2/24/2023	0.7%		1.1%	1.4%	\$205	\$230	4.2%	4.4%	3.7%	2.4%
2/17/2023	0.7%		1.1%	1.4%	\$205	\$230	4.2%	4.4%	3.7%	2.4%
2/10/2023	0.4%		1.0%	1.4%	\$206	\$230	4.3%	4.5%	3.5%	2.4%
2/3/2023	0.2%		0.8%	1.4%	\$206	\$230	4.4%	4.5%	3.4%	2.4%



Market Dashboard: CY 2022 and YTD 2023

Rates

	12/31/2021	12/30/2022	Change 2022	5/31/2023	Change YTD
Fed Funds	0.25	4.50	4.25	5.25	0.75
2-yr Treasury	0.73	4.43	3.69	4.40	-0.02
5-yr Treasury	1.26	4.00	2.74	3.75	-0.25
10-yr Treasury	1.51	3.87	2.36	3.64	-0.23
30-yr Treasury	1.90	3.96	2.06	3.86	-0.10
Investment Grade Bonds	2.34	5.60	3.26	5.49	-0.11
High Yield	4.61	9.09	4.48	8.83	-0.26

Equities

	12/31/2021	12/30/2022	Change	5/31/2023	Change
S&P 500	4,766	3,840	-18%	4,180	9%
Forward P/E	21.4x	16.9x	-4.6x	18.3x	1.4x
Trailing P/E	25.8x	18.2x	-7.6x	20.0x	1.8x
Shiller P/E	34.9x	27.0x	-7.9x	27.4x	.4x
Forward Earnings Yield	4.7%	5.9%	1.3%	5.5%	-0.5%
Nasdaq	15,645	10,466	-33%	12,935	24%
MSCI Europe	162	143	-14%	152	8%
MSCI Japan	1,232	1,150	-16%	1,308	8%
MSCI China	84	64	-22%	59	-9%
Developed: MSCI World	9,756	7,986	-18%	8,667	9%
Emerging: MSCI EM	608	486	-20%	491	1%
Global: MSCI ACWI	389	318	-18%	342	8%

Inflation

	12/31/2021	12/30/2022	Change	5/31/2023	Change
5-yr TIPS	-1.66	1.64	3.30	1.68	0.05
5-yr TIPS Breakeven	2.9	2.4	-0.6	2.1	-0.3
10-yr TIPS	-1.10	1.57	2.67	1.47	-0.09
10-yr TIPS Breakeven	2.6	2.3	-0.3	2.2	-0.1

Commodities

	12/31/2021	12/30/2022	Change	5/31/2023	Change
Gold	1,829	1,824	0%	1,963	8%
Oil	75	80	7%	68	-15%
Copper	446	381	-15%	364	-5%
Bloomberg Commodities Index	212	246	16%	218	-11%



2023 YTD

Market Trends: FANG+ Megacap Stocks are Dominating

	Weight %	Return %	Contribution %
S&P 500 Total	100.00	8.86	8.86
Apple	6.81	33.53	1.98
Microsoft	5.96	36.54	1.97
NVIDIA	1.74	159.93	1.75
Meta Platforms	1.25	109.98	0.91
Amazon.com	2.63	36.90	0.87
Alphabet Inc. Class A	1.78	39.95	0.65
Alphabet Inc. Class C	1.57	40.14	0.57
Tesla	1.37	49.76	0.49
Advanced Micro Devices	0.41	85.81	0.27
Netflix	0.44	21.74	0.09
<i>Nine FANG+ Members</i>	23.96		9.56

Source: Leuthold



2023 YTD

Inflation is Moderating: Freight Rates are Falling



Source: WCI, Bloomberg, Apollo Chief Economist



2023 YTD

Inflation is Moderating: Supply Chains are Back to Normal



Source: Haver, Apollo Chief Economist



2023 YTD

Inflation is Moderating: Businesses are Not Planning to Raise Prices



Source: National Federation of Independent Businesses, Haver, Apollo Chief Economist

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: Real Return Presentation

Developed By: Real Return Team

Presented By: Lewis, Joshi

Type of Item: Information Item

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

Recommendation: None

Reference: *Real Return* presentation



Board of Directors Meeting

Real Return

Edward Lewis, Senior Managing Director

Mukund Joshi, Managing Director

June 15, 2023



Executive Summary

Role of Real Return

- \$10.4 billion portfolio, including \$9.5 billion in the endowments and \$862 million in ITF at the end of 2022
- Represents 18% of endowments and 10% of ITF
- Designed to outperform during periods of high inflation
- Encompasses private and public investments in real estate, natural resources, infrastructure, and TIPs

Market Conditions

- Real Estate
 - Fundamentals deteriorating with declining rents, lower lease absorption, and increasing costs all impacting valuations
 - Rate increases impacting debt costs in real estate
- Commodities
 - WTI decreased from \$100/bbl to \$80/bbl over past year but still supportive of production
 - Henry Hub pricing collapsed in past year from over \$9MMBtu to \$2MMBtu due to supply glut and weather events

Portfolio Initiatives

- New real estate initiative to invest alongside general partners to reduce fee and carry drag
- Invested in one new infrastructure partner increasing exposure to lower middle market opportunities
- Core Permian drilling investment in heart of Midland Basin

Performance

- Positive returns in calendar year 2022 in the endowment accounts
 - Private Real Return in aggregate generated a 3.2% IRR and 3.1% TWR in 2022
 - Private Real Estate: -0.6% IRR and 1.6% TWR
 - Private Natural Resources: 5.6% IRR and 1.1% TWR
 - Private Infrastructure: 9.5% IRR and 10.7% TWR
- Poor alpha, particularly in natural resources in 2022
 - Overall Private Real Return 1-year alpha of -5.7% IRR and 3-year alpha of -0.6% IRR
 - Excluding NR, 1-year alpha was -2.2% IRR and 3-year alpha was +3.3% IRR



Real Return Team

Stable team with average tenure of 7 years at UTIMCO



Edward Lewis
Senior Managing Director
MBA, U. of Chicago



Mukund Joshi, CFA
Managing Director
MBA, UT Austin



Spencer Branch
Director
MBA, UT Austin



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



Matt Saverin
Director
MBA, UC-Berkeley



Adam Harrison
Associate
BBA, UT Austin



Steve Muenzen
Associate
BE, Dartmouth



Cam Powell
Associate
MSc, London School of Economics



Tara Hamilton
Investment Team
Coordinator
BA, Eastern Washington University



Tyler Sevcik
Senior Analyst
MSF, Texas A&M



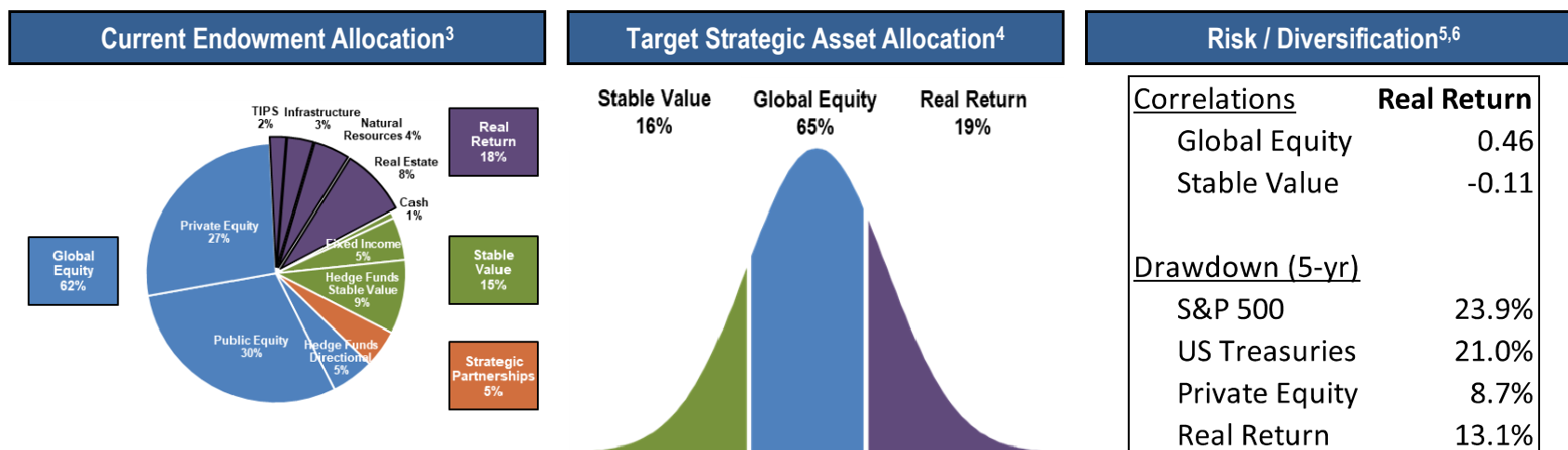
Walker Wade
Analyst
MSF, Texas A&M



Role in Total Portfolio

Investment Results and Exposures as of 4/30/23; (\$ millions)

Real Return Portfolio	Investment Results (TWR)				Net Asset Value			
	1-Year	3-Year	5-Year	10-Year	NAV ¹	% of RR Portfolio	% of Endowments	Target Weighting
Private Real Estate	1.6%	8.8%	9.1%	13.6%	\$4,525	45.8%	8.3%	9.0%
Private Natural Resources	1.1%	4.8%	0.1%	5.8%	\$2,416	24.5%	4.4%	3.0%
Private Infrastructure	10.7%	27.6%	16.4%	16.2%	\$1,859	18.8%	3.4%	5.0%
Private Real Return	3.1%	10.7%	6.8%	10.9%	\$8,799	89.1%	16.1%	17.0%
Inflation-Linked Bonds	(4.2%)	0.7%	n.a.	n.a.	\$1,073	10.9%	2.0%	2.0%
Total Real Return²	2.2%	9.5%	6.3%	6.5%	\$9,872	100.0%	18.1%	19.0%



- 1) Private Real Estate NAV includes an \$8 million private co-investment in a public REIT
- 2) Excludes \$228 million of Public Real Estate, \$216 million of Commodities, and \$440 million of Inflation-Linked Bonds from the ITF
- 3) Endowment Allocation as of 4/30/2023
- 4) Strategic Partners exposures are consolidated into the Long-Term Strategic Asset Allocation target weightings based on projected 90% stock, 10% bond portfolios
- 5) Correlations account for the lagged nature of private investments and reflect 1-year returns over rolling quarters from 2012 to 2022
- 6) Drawdown statistics are based on monthly returns

Source: Bloomberg



Real Return Private Performance

Performance of Private Real Return as of 12/31/2022

- RE returns and alpha declined in 2022 due to poor manager performance in Europe and a downward adjustment in U.S. asset valuations due to the impact of rising debt costs and increasing cap rates
- NR returns positive in 2022, yet negative alpha due to under allocation to oil and gas relative to the benchmark
- Infrastructure returns strong in 2022 and ahead of benchmark returns

Sector Portfolio	Exposure	Investment Results (Linked IRR)				Existing Managers
	% of Endowments ¹	1-Year	3-Year	5-Year	10-Year	Premier List ²
Private Real Estate	8.3%	(0.6%)	7.9%	9.0%	13.5%	22
CA RE Benchmark (Pooled IRR)	---	2.6%	9.2%	8.6%	10.3%	
RE Alpha (RE vs CA Benchmark)	---	(3.2%)	(1.3%)	0.3%	3.2%	
Private Natural Resources	4.4%	5.6%	4.8%	0.3%	6.4%	7
CA NR Benchmark (Pooled IRR)	---	19.8%	10.5%	4.7%	3.0%	
NR Alpha (NR vs CA Benchmark)	---	(14.1%)	(5.7%)	(4.5%)	3.3%	
Private Infrastructure	3.4%	9.5%	23.1%	14.9%	15.3%	10
CA Infra Benchmark (Pooled IRR)	---	8.7%	10.8%	9.9%	10.0%	
Infra Alpha (Infra vs CA Benchmark)	---	0.8%	12.3%	5.0%	5.2%	
Total Private Real Return Portfolio	16.1%	3.2%	9.7%	6.5%	11.0%	36
Weighted Avg Asset Class Benchmark	---	8.9%	10.2%	7.3%	7.5%	
RR Alpha (RR vs CA Benchmark)	---	(5.7%)	(0.6%)	(0.8%)	3.5%	

1) Endowment weighting as of 4/30/2023

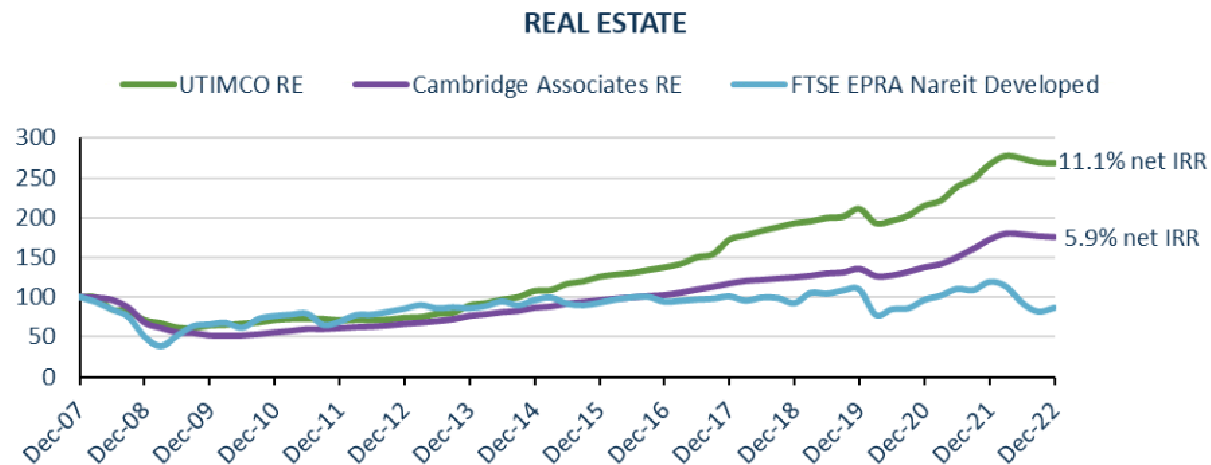
2) Two Premier List Managers covering both Real Estate and Infrastructure and one Premier List Manager covering both Natural Resources and Infrastructure are not double-counted in the total of 36

Note: Private performance returns and CA benchmarks as of 12/31/22



Real Return Long-Term Performance

UTIMCO Real Estate and Natural Resources have outperformed benchmarks and liquid alternatives over long time periods



Note 1: Infrastructure not shown as portfolio was created in 2018

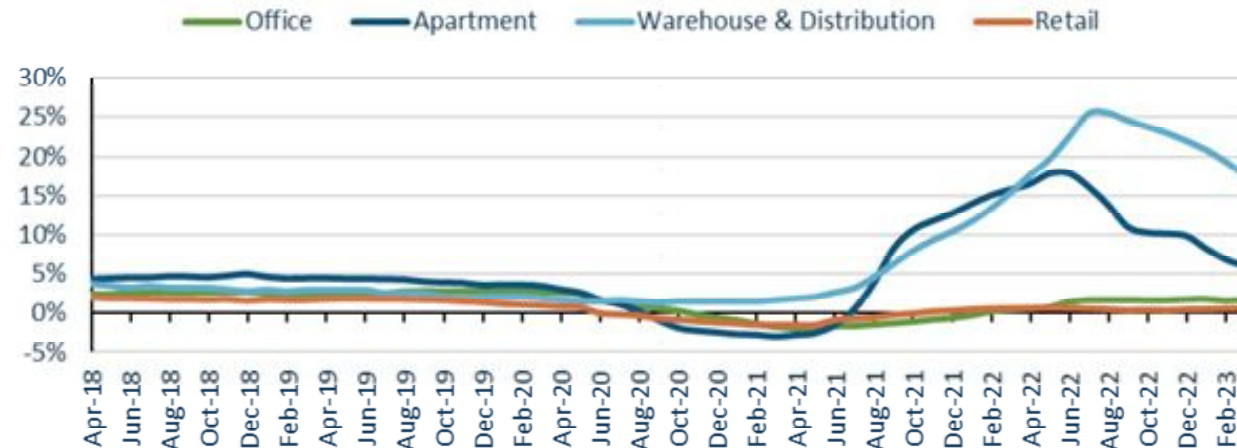
Note 2: Net IRR metrics are from Q1 2008 to Q4 2022, which is since the inception of the Real Estate Portfolio



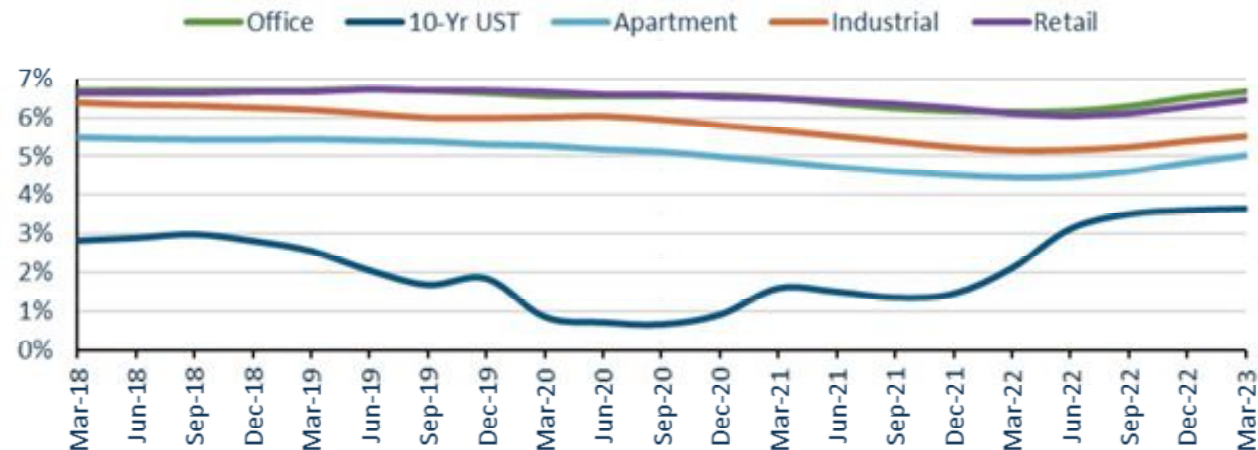
Real Estate Rents Rolling Over

Property types across the board have been challenged in the current environment

U.S. ANNUAL CHANGE IN RENTS



U.S. CAP RATES

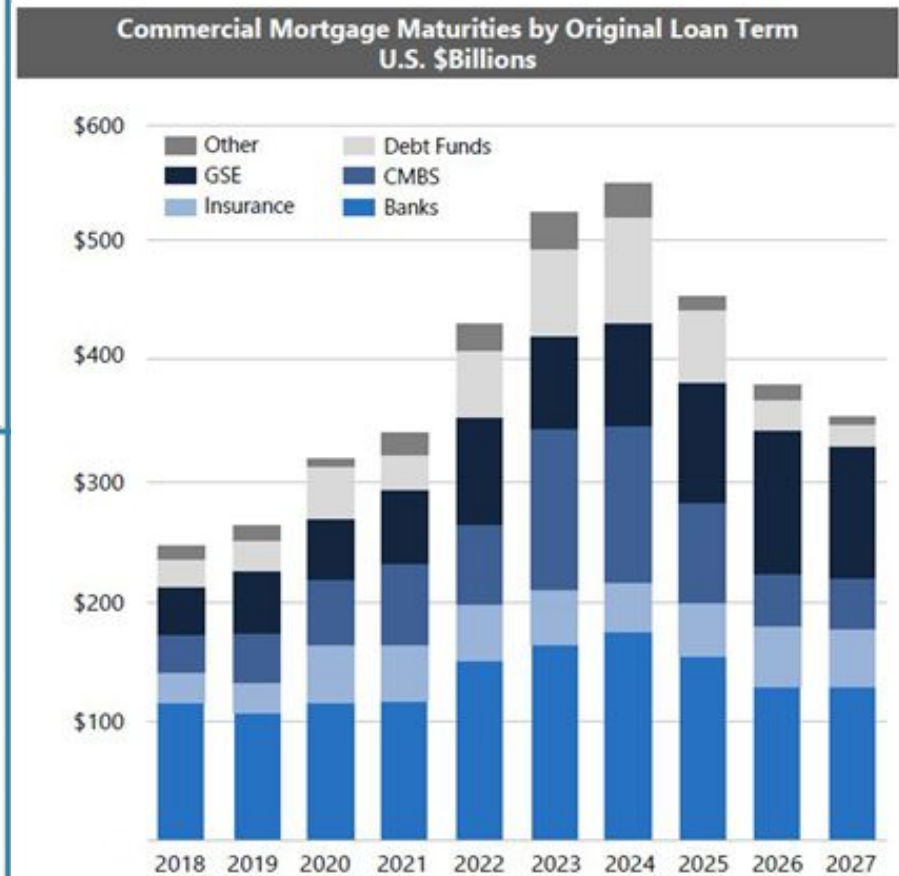
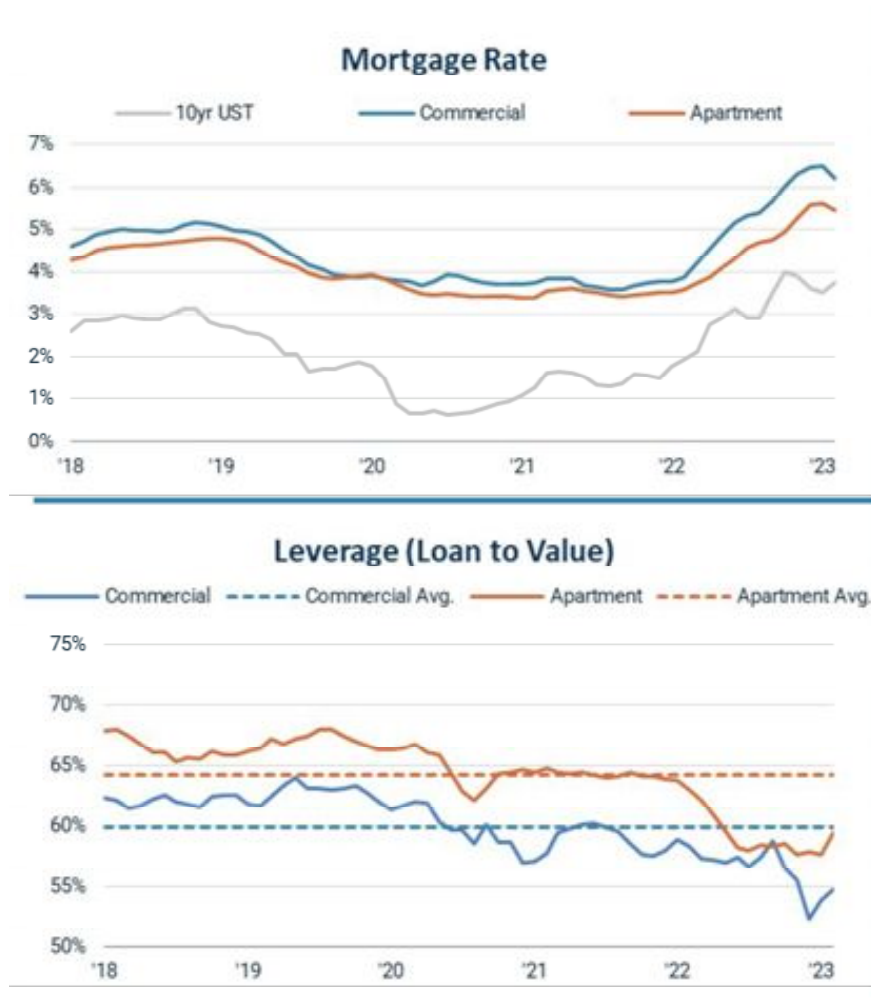


Sources: REIS, RCA



Real Estate Debt Fundamentals

- More than \$1.1 trillion in commercial mortgages are scheduled to mature in 2023 and 2024
- Increased interest rates have yielded more expensive debt and tighter lending standards

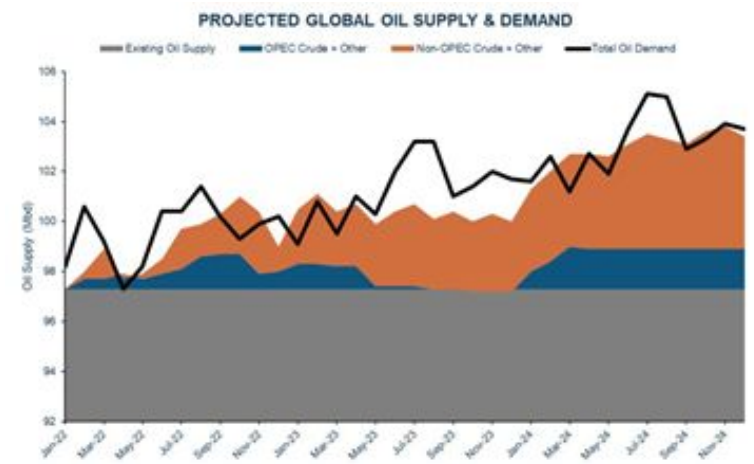
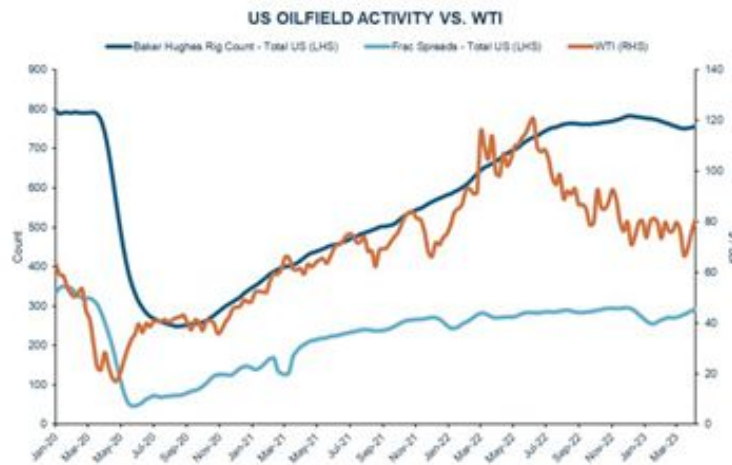


Note: Commercial is defined as Office, Industrial, and Retail in the above charts
Sources: Goldman Sachs, Newmark, RCA, Sterling Investors



Oil & Gas Market Conditions

Under-investment is expected to support the next bullish oil cycle, while export limitations and cheap supply are expected to temper natural gas prices

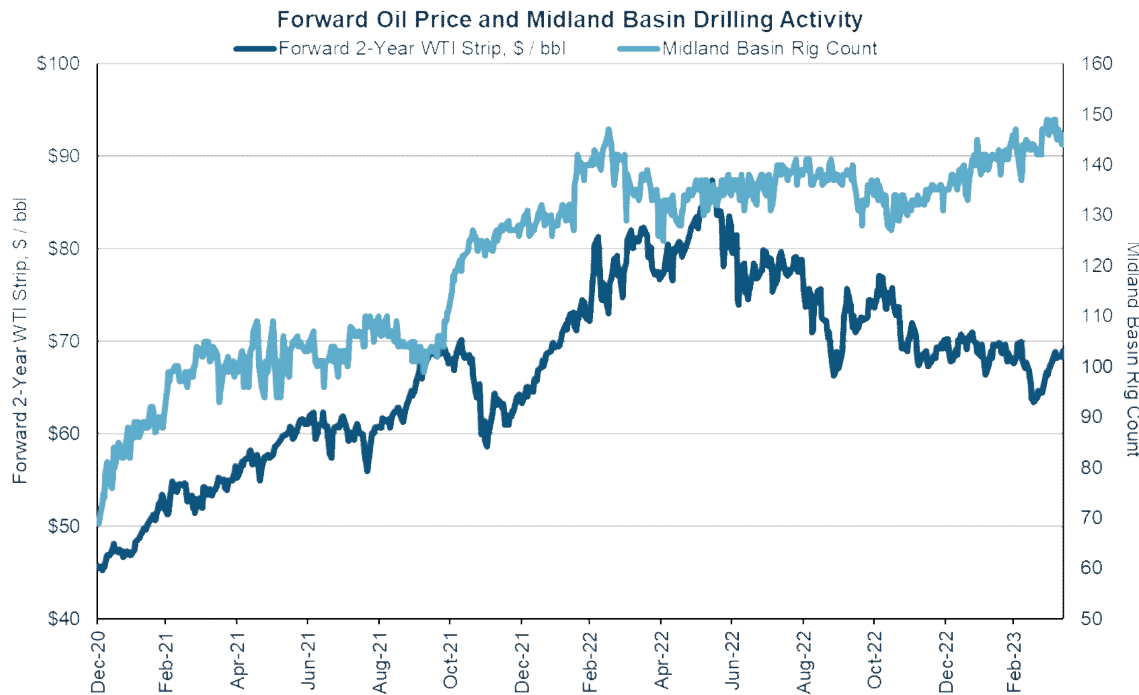


Sources: Bloomberg, EIA, Goldman Sachs, JP Morgan



Permian Activity and Well Costs Up

Commodity prices and drilling activity have responded to post-COVID demand surge but so have well costs



Casing +100%	Drilling Rig +75%
Completion +75%	Cementing +30%
Fuel +50%	Labor +30%

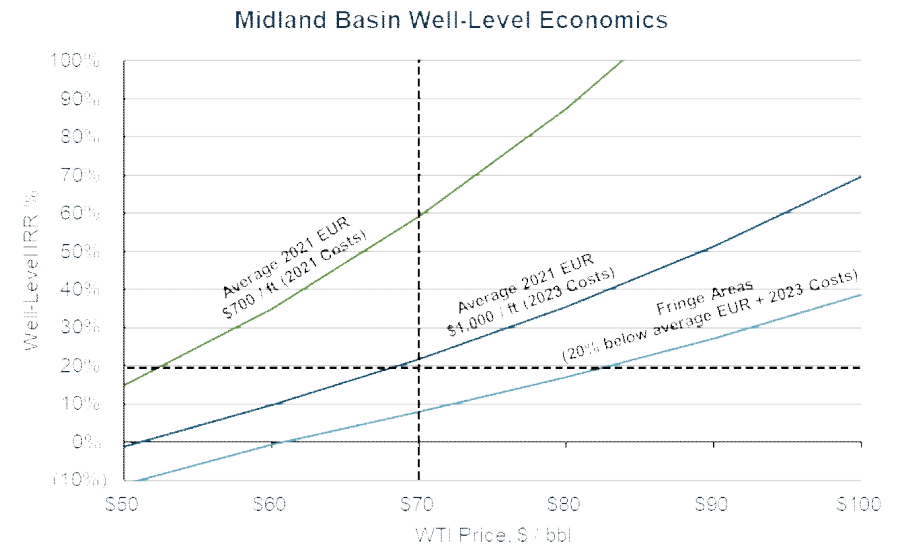
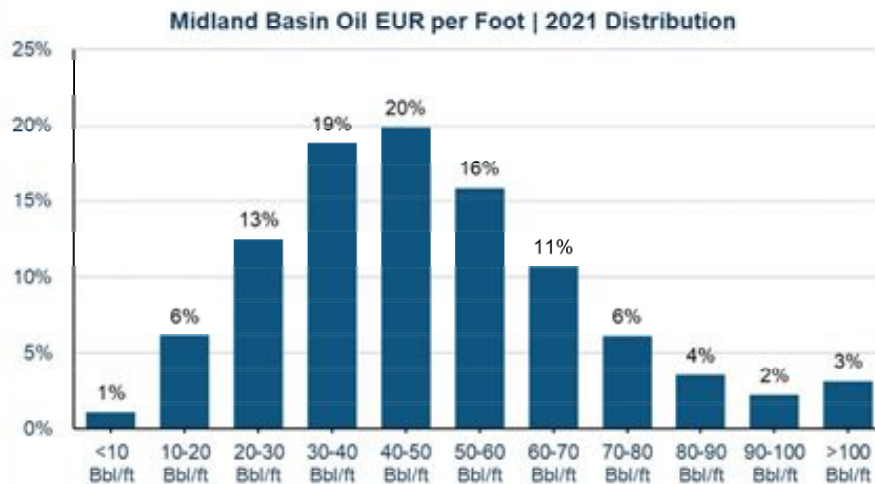
\$700 / ft 2021 → **\$1,000 / ft 2023E**



Increased Costs Impacting Economics

Increased well costs have altered the economics of Midland Basin development

- Pickering Energy Partners (“PEP”) has estimated the productivity outcomes for every well drilled in the Midland Basin during 2021 and created a median “2021 type curve” for this analysis
- PEP has then subjected the “2021 type curve” to current oilfield service costs to demonstrate the effects of OFS inflation on well-level economics
 - If the North American shales are being asked to provide some portion of global supply growth going forward, something has to give: OFS pricing must moderate or commodity prices must increase



Note: EUR distribution and Midland Basin type curve based on wells spud during 2021 (2,040 wells). Well returns utilize various flat realized oil price strips and \$2.00 MMBtu realized gas pricing
Sources: Enverus, Pickering Energy Partners



Summary

Performance & Portfolio

- Positive Private Real Return performance of 3.2% IRR in 2022 despite significant rate hike headwinds
- Committed \$2.6 billion in 2022 across 27 investments

Collaboration

- Active dialogue and idea sharing with University Lands in assessing Permian related oil and gas investment opportunities
- Worked closely with Risk to provide over 1,000 real estate data points from our partners for the implementation and refinement of the MSCI risk tool

Organization

- Active engagement across the firm on Strategic Asset Allocation
- No team departures or additions as team remains stable
- Team members active on numerous industry boards and organizations enhancing UTIMCO brand

2023 Priorities

- Continue to generate strong relative returns compared to other regimes during periods of high or rising inflation
- Work closely with leadership on the strategic asset allocation including return projections and benchmark assessments
- Continue working with risk on refinement of risk tools to better analyze risk contribution of private real return strategies and to create a common language for discussing private investment risk

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: Private Equity Presentation

Developed By: Private Equity Team

Presented By: Pace

Type of Item: Information Item

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

Recommendation: None

Reference: *Private Equity* presentation



Board of Directors Meeting

Private Equity

Patrick Pace, Managing Director
Craig Thomas, Senior Director
Brad McCarter, Senior Director

June 15, 2023



Key Highlights

Role in Endowment and Team

- Private Equity NAV is \$14.5 billion (26.6% of the Endowments) as of December 31, 2022
 - \$6.7 billion in Buyouts and Growth (12.3%), \$5.1 billion in Venture Capital (9.2%), \$1.5 billion in Emerging Markets (2.8%), and \$1.2 billion in Private Credit (2.3%)
- Managed by 13-person investment team, with average of 11 years of experience and three years at UTIMCO

Market Conditions

- Investment and exit activity slowed through the back half of the year, declining from historic levels in 2021
- Private equity fundraising pace decelerated
- Valuations have been slower to adjust to the changing environment
- Debt availability has declined with rising rates and spreads

Performance Summary

- Private Equity generated a negative 8.7% return over the past 12 months but outperformed by 80 basis points when compared to a NAV-weighted benchmark across Buyouts and Growth, Venture Capital, Emerging Markets, and Private Credit
- Over the past ten years, Private Equity generated a 15.8% return, contributing 101 basis points of alpha when compared to the same benchmark
- In a PME analysis over the same ten-year period, the portfolio generated 565 basis points of alpha relative to the MSCI World Index

2023 Priorities

- **Strategy:** Fine tune the strategy for the Buyouts & Growth portfolio
- **Teamwork:** Integrate new team members into the Private Equity Team
- **Reverse Relationship Management:** Successfully expand the UTIMCO brand for access and deal flow



Private Equity Team



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



Craig Thomas
Senior Director
MBA, Yale University
Prior: Investure



Brad McCarter
Senior Director
BBA, University of San Diego
Prior: Hewlett Foundation



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



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



Susan Spears
Associate Director
MSA, University of Notre Dame
Prior: Atento, Argonaut



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



Tori Lee
Associate
BBA, University of Texas at Austin



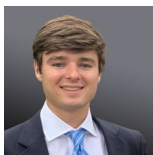
Lane Ware
Associate
BA, University of Virginia
Prior: First Reserve, Oryx Midstream



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



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



Allen Corpening
Analyst
BA, University of North Carolina
Prior: Pacific Western Bank



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

 2022/2023 New Team Member

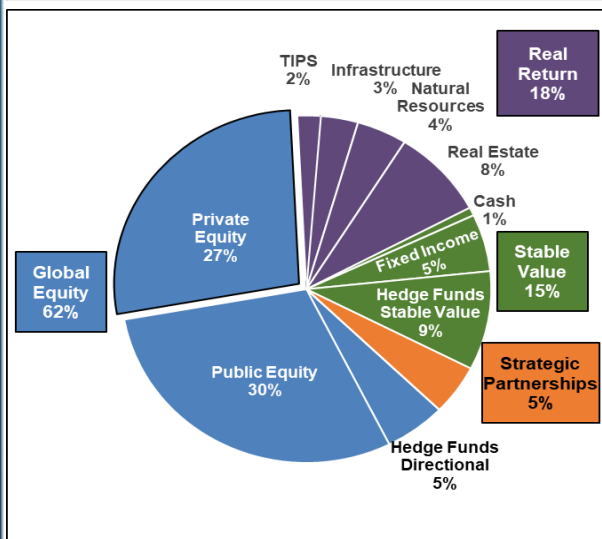


Role in Endowments

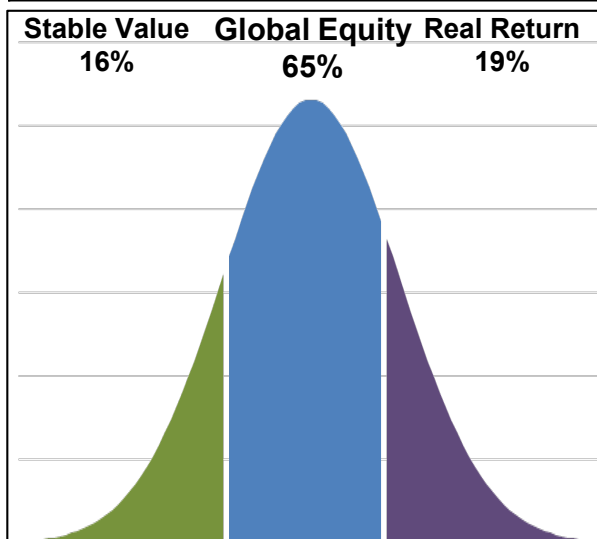
NAV and Exposure as of December 31, 2022; (\$ millions)

Private Equity Portfolio	Exposure				Existing Managers - 63 Premier List Partners				
	NAV	Exposure	NAV % of PE Portfolio	NAV % of Endowments ¹	Platinum	Gold	Silver	Bronze	Other
Buyouts and Growth	\$6,722	\$11,240	46.3%	12.3%	1	6	25	2	0
Venture Capital	\$5,044	\$6,483	34.7%	9.2%	0	3	8	13	0
Emerging Markets	\$1,517	\$1,774	10.5%	2.8%	0	1	0	0	0
Private Credit	\$1,238	\$1,930	8.5%	2.3%	0	0	3	1	0
Total	\$14,521	\$21,427	100.0%	26.6%	1	10	36	16	0

Current Endowment Allocation¹



Target Strategic Asset Allocation²



Risk / Diversification^{3,4}

Correlations	Private Equity
Global Equity	0.47
Stable Value	-0.03
Drawdown (5 yr)	
S&P 500	23.9%
US Treasuries	21.0%
Private Equity	8.7%
Real Return	13.1%

Sources: Burgiss, BNY Mellon

(1) Endowment Allocation and NAV as of 4/30/2023

(2) Strategic Partner exposures are consolidated into the Long-Term Strategic Asset Allocation target weightings based on projected 90% stock, 10% bond portfolios

(3) Correlations take into account the lagged nature of private investments and reflect 1-year returns over rolling quarters from 2012 to 2022

(4) Drawdown statistics based on monthly returns



Performance and Key Highlights

Investment Results and Cambridge Associates Indices as of December 31, 2022; (\$ millions)

Private Equity Portfolio	NAV		Investment Results (TWR)			
	NAV	% of PE Portfolio	1-Year	3-Year	5-Year	10-Year
Total	\$14,521	100.0%	(8.7%)	20.7%	17.8%	15.8%
Weighted Avg. Asset Class Policy Benchmark ¹			(9.5%)	16.4%	14.9%	14.8%
Alpha			0.8%	4.3%	2.9%	1.0%
Buyouts and Growth	\$6,722	46.3%	2.4%	18.7%	15.4%	14.9%
CA Buyouts Benchmark (Pooled TWR)			(3.5%)	16.4%	14.9%	14.7%
Alpha			5.9%	2.3%	0.5%	0.2%
Venture Capital	\$5,044	34.7%	(18.8%)	32.1%	28.0%	22.9%
CA Venture Capital Benchmark (Pooled TWR)			(18.7%)	21.5%	20.1%	17.6%
Alpha			(0.1%)	10.6%	7.9%	5.3%
Emerging Markets	\$1,517	10.5%	(16.9%)	4.1%	6.3%	7.0%
CA Emerging Markets PE & VC (Pooled TWR)			(8.1%)	9.5%	9.6%	10.6%
Alpha			(8.8%)	(5.4%)	(3.3%)	(3.6%)
Private Credit	\$1,238	8.5%	3.1%	8.4%	7.8%	9.7%
CA Credit Opportunities (Pooled TWR)			3.5%	6.9%	6.0%	7.6%
Alpha			(0.4%)	1.5%	1.8%	2.1%

Buyouts and Growth

- Newer positions are beginning to show through in recent outperformance; energy services began to contribute to short term alpha, driven by rising oil prices

Venture Capital

- The Venture Capital portfolio is in the top 1% of all venture capital portfolios in the TUCS universe for the 3-, 5- and 10-year time periods

Emerging Markets

- The Emerging Markets portfolio's underperformance is driven by write-downs of Russian exposure and a secondary sale of assets

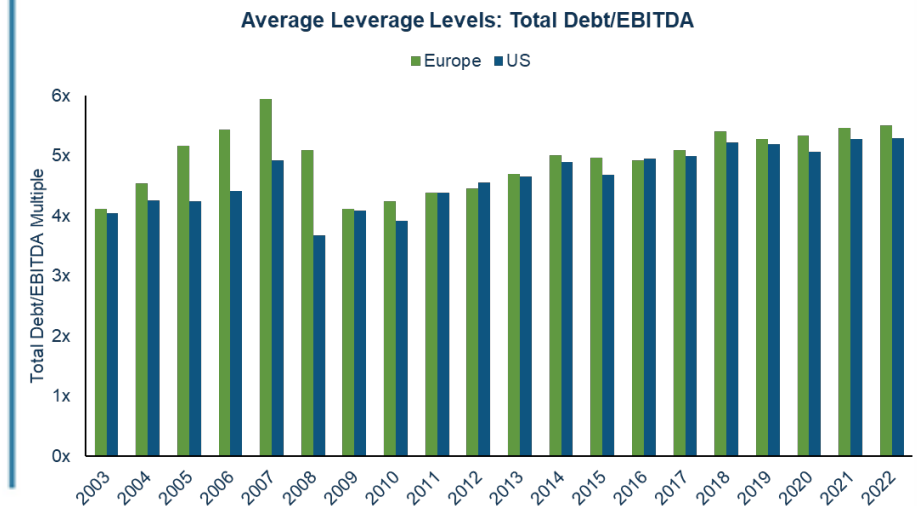
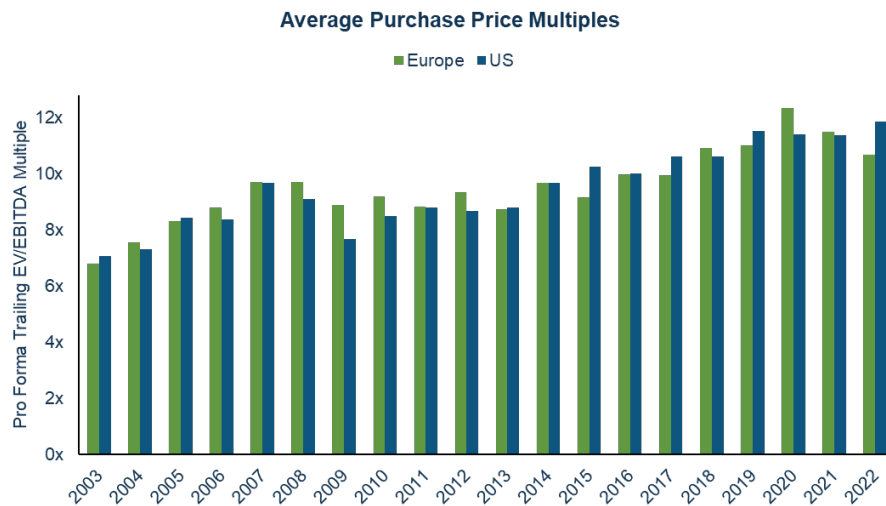
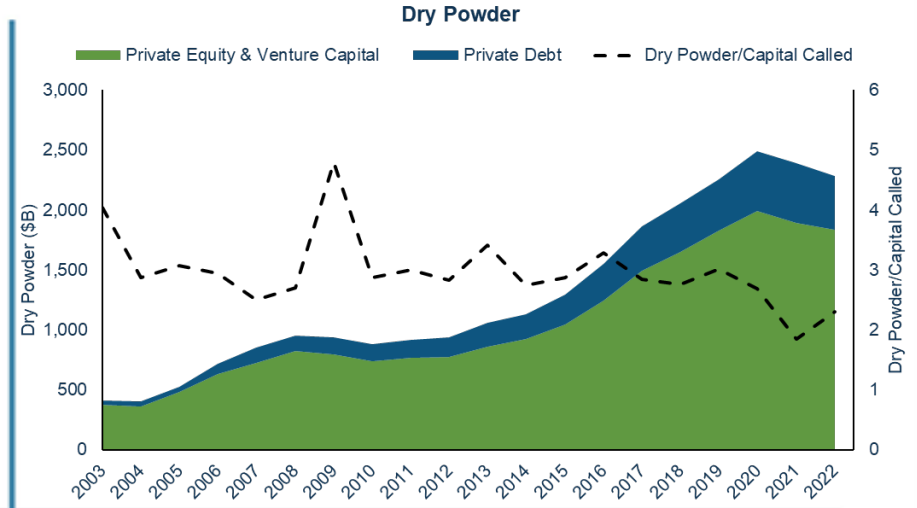
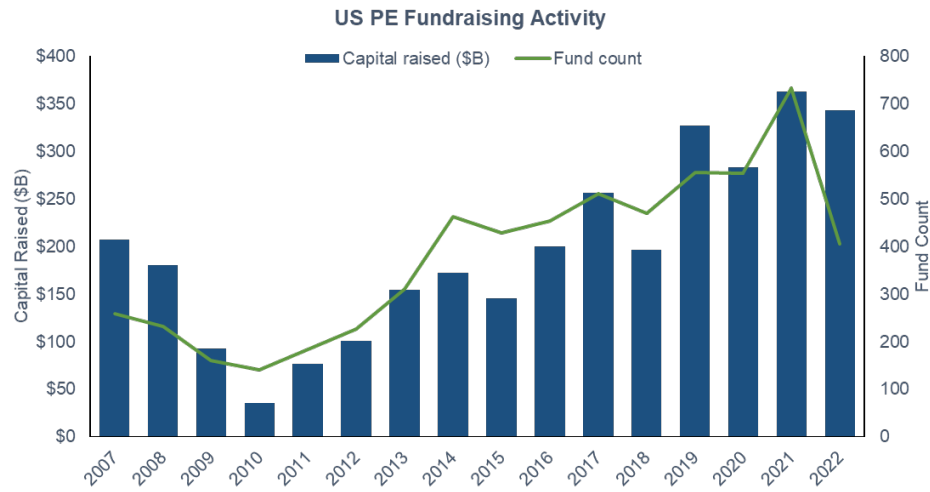
Private Credit

- The Private Credit portfolio has generated consistent long-term alpha for the portfolio

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



Market Conditions: Significant Deceleration

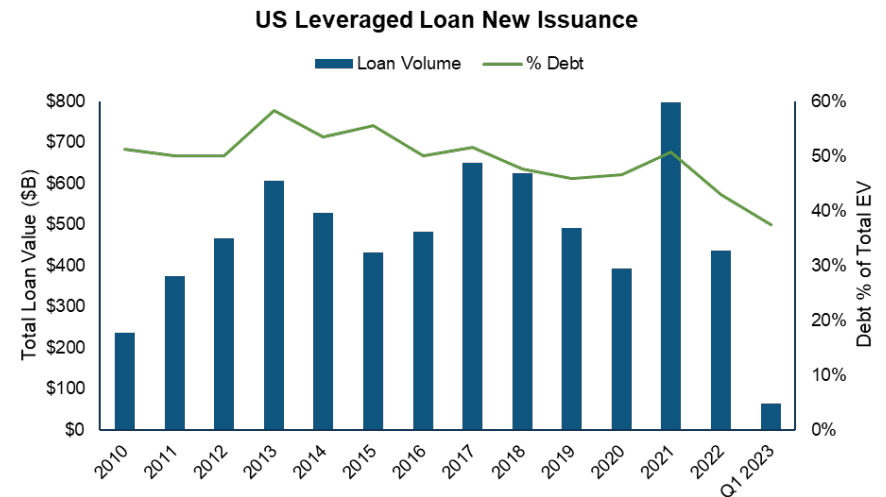
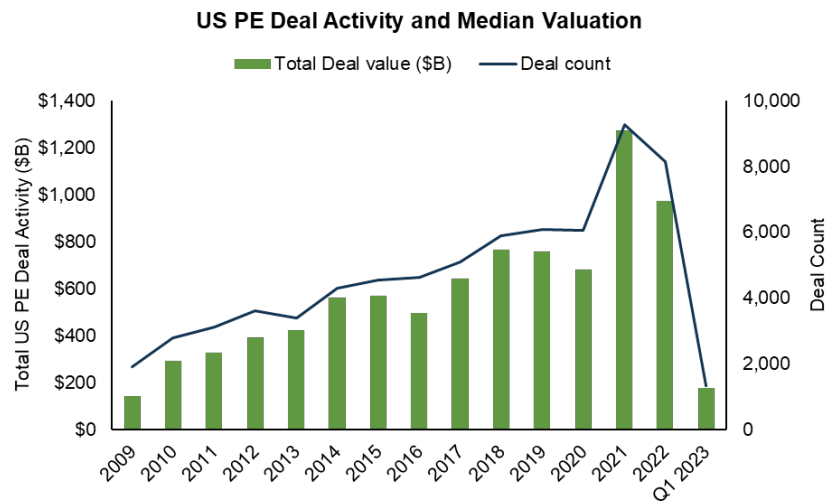


Sources: Pitchbook and S&P LCD



Market Conditions – Buyouts & Growth

- Deal activity continues to decline from the historic peaks in 2021.
 - Debt availability has dried up, with Q1 2023 new loan issuance putting leveraged loan markets on pace for activity levels not seen since 2010.
 - Without abundant access to debt, private equity managers are increasingly funding new transactions with equity, further driving down deal values.

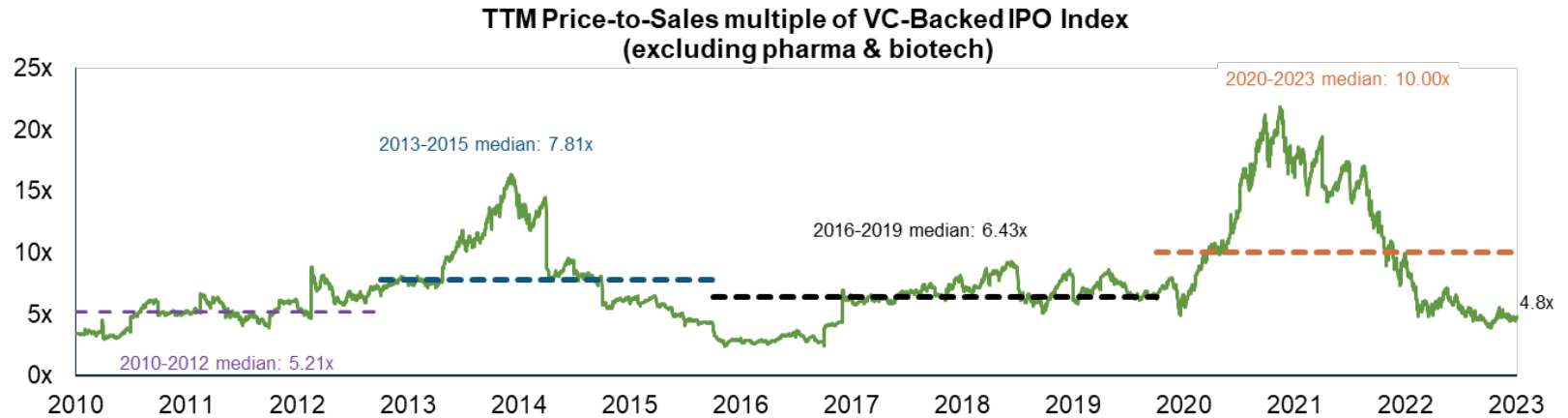


Source: Pitchbook and S&P LCD
(1) EV/EBITDA multiples include North American and European private equity transactions

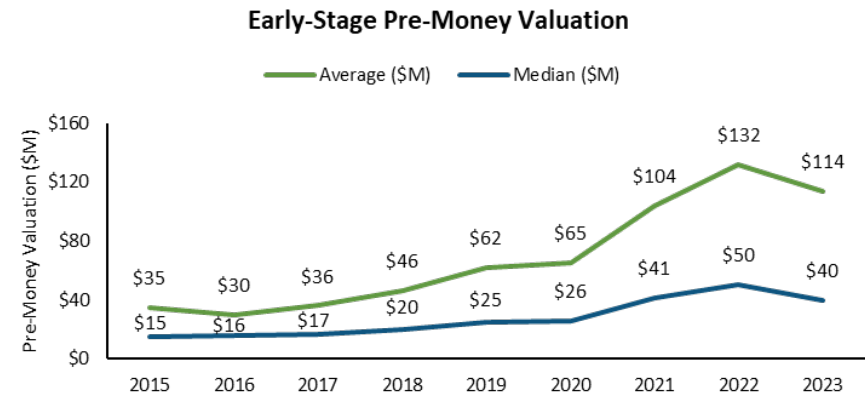
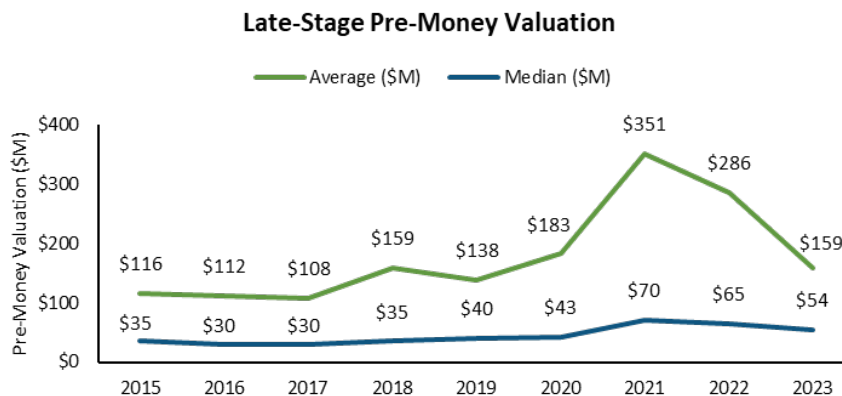


Market Conditions – Venture Capital

- Valuations of previously venture-backed public companies have fallen rapidly since 2021, bringing them back in line with longer-term historical trends.



- Late-stage venture activity experienced a significant decline in valuations, falling back to pre-Covid levels.
- Pricing for early-stage transactions has remained resilient compared to the frenzied environment in 2020 and 2021; however, deal activity has declined considerably.

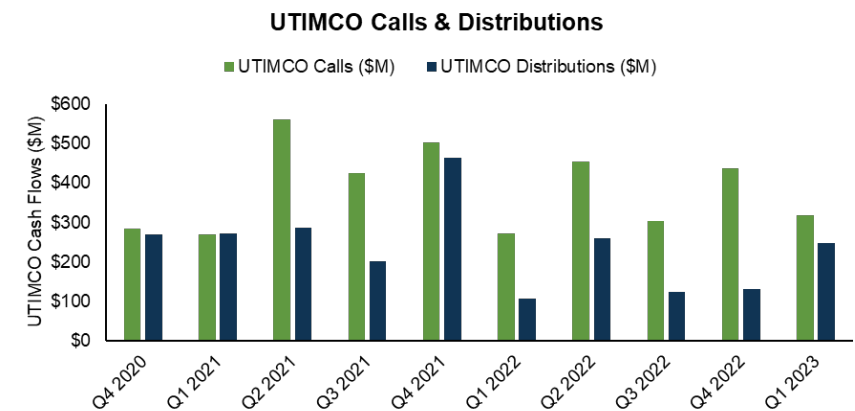
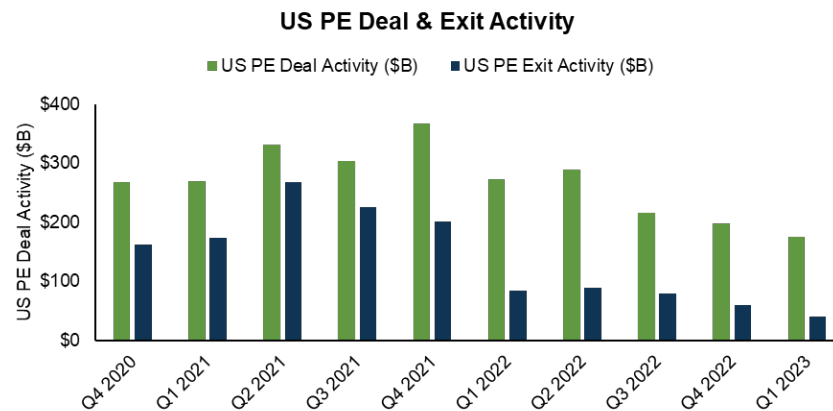




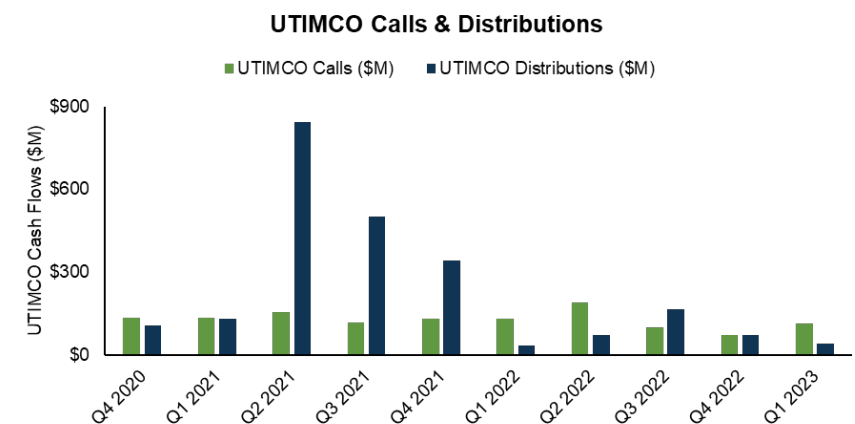
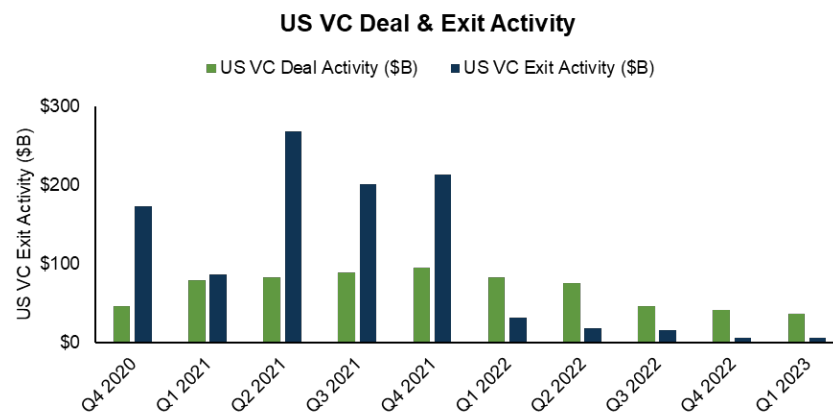
Market Conditions – UTIMCO Activity

- UTIMCO’s buyout managers saw calls outpace distributions, similar to the US private equity market.
- As capital markets began to freeze in the venture space, UTIMCO’s managers remained active in making new investments; however, distributions dried up, similar to the broader markets.

Buyouts & Growth



Venture Capital



Source: Pitchbook



2022 Operational Highlights

Sustained improvement in portfolio construction, processes, and performance

- Brought 30 funds and one SMA representing \$3.0 billion in aggregate commitments to Investment Committee.
- Active portfolio management led to secondary sales of legacy assets.

Successfully expanded HarbourVest partnership

- Longhorn CI vehicle committed \$212 million across 25 co-investment opportunities.
- Seconded program off to a great start.

Recruited high quality lead for Buyouts and Growth portfolio

- Hired Brad McCarter to lead the Buyouts and Growth portfolio; his network and vision are already providing new momentum.



2023 Priorities

Strategy: Establish the future vision for the Buyouts & Growth portfolio

- Strategy fine tuned in the first quarter.

Teamwork: Integrate new additions into the Private Equity Team

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

Reverse Relationship Management: Successfully expand the UTIMCO brand for access and deal flow

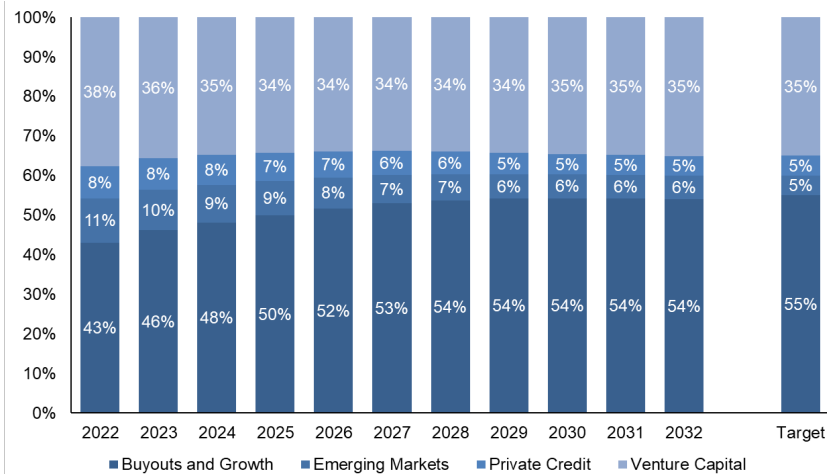
- Grow UTIMCO's reputation as a premier investment partner within the VC community.
- Strengthen UTIMCO's position as a partner of choice for co-investments and continuation opportunities.
- Co-sponsor Life Science Innovation Summit with UT-Austin and Breyer Capital.



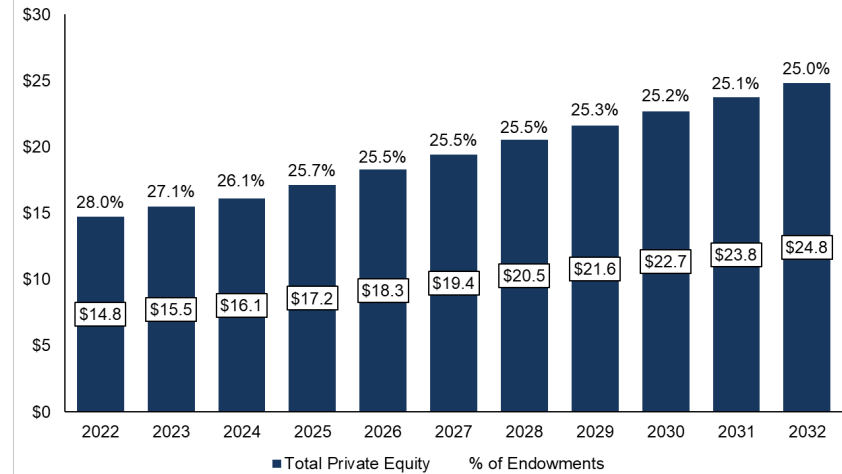
Commitment Plan

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

Sub-Strategy Glidepath to Target¹



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



(1) Base Scenario Commitment Plan; most recent model updated 8/31/2022



Conclusions

- The PE portfolio generated a negative 8.7% return in 2022, outperforming the combined benchmark by 80 bps
- Calls exceeded distributions, reversing from the record levels of 2021
- Throughout the year the portfolio experienced a decline in activity and liquidity, consistent with the broader private equity market
- The Team continued to expand its robust co-investment strategy through its partnership with HarbourVest, growing the UTIMCO brand as a go-to co-investing partner

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: Report from Policy Committee: 2023 SAA Summary; and Discussion and Appropriate Action Related to Proposed Amendments to Investment Policy Statements, Liquidity Policy and UTIMCO Code of Ethics

Developed By: Team

Presented By: Weaver, Hall, Standley, Yoeli, de Onís

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

Description: The Policy Committee (“Committee”) met separately and jointly with the Investment Risk Committee on June 8, 2023. The Joint Committee meeting agenda included discussion and appropriate action related to proposed amendments to the Investment Policy Statements and the Liquidity Policy. The Committee’s separate meeting agenda included: (1) discussion and appropriate action related to the approval of minutes of the June 2, 2022 meeting and the June 2, 2022 joint meeting of the Policy and Investment Risk Committees; and (2) discussion and appropriate action related to proposed amendments to the Code of Ethics.

The IMSA requires that UTIMCO review the current Investment Polices 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 Board or its staff designees may request. The Committee also reviewed the Liquidity Policy.

Texas Education Code Section 66.08(c)(4) requires that the UT Board approve the Code of Ethics of UTIMCO. The Code of Ethics (“Code”) sets forth the basic principles and guidelines for Directors and Employees of UTIMCO. In accordance with the Audit Charter of the Audit and Ethics Committee, the Audit and Ethics Committee will periodically review the Code and recommend any proposed changes to the Policy Committee for concurrence and submission to the UTIMCO Board for approval. The charter of the Policy Committee also requires the Policy Committee to review proposed amendments to the Code and recommend to the UTIMCO Board the approval of such amendments. The current Code was approved by the UT Board on December 6, 2012.

Discussion: Mr. Hall, Mr. Standley and Dr. Yoeli will review the *2023 SAA Summary* presentation and the proposed amendments to the Investment Policy Statements and the Liquidity Policy. Ms. de Onís will review the proposed amendments to the Code.

The **Investment Policy Statements** of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund

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(LTF), and Intermediate Term Fund (ITF) are being amended to reflect the proposed changes effective September 1, 2023.

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

Pages 5, 6; adds detail to the non-exclusive lists of strategies that may be employed by Hedge Funds.

Pages 5, 6; clarifies that Fixed Income strategies may utilize ETFs.

The **ITF Investment Policy Statement** will include the same changes as the PUF, except those related to Exhibit A.

Exhibits A of the PUF, GEF, and ITF, and Exhibits B of the PHF and LTF Investment Policy Statements have been amended to set forth the revised Asset Class targets and ranges for fiscal year beginning September 1, 2023. The benchmarks applicable to Emerging Markets Public Equity and Natural Resources have been modified. In addition, the Expected 10-Year Annual Real Returns and the One Year Downside Volatility have been updated. Finally, permissible Asset Class exposure has been increased from 105% to 110% (leverage of 10%) for the PUF and GEF. For the ITF, permissible Asset Class exposure has been increased from 100% to 105% (leverage of 5%).

Recommended changes to the **Liquidity Policy** raise maximum permitted illiquidity by 5%, from 70% to 75% in the Endowment Funds (PUF and GEF) and from 55% to 60% in the ITF. Unfunded Commitments as a percent of the highest total Net Asset Value of the Endowment Funds over a trailing 24-month period has increased from 30% to 35%.

The recommended changes to the **Code of Ethics** have been reviewed by fiduciary counsel and representatives of the UT Board. The changes to the Code include the following:

Revising Section 1.02 (Definitions) as follows:

- Revise the definition of General Counsel to conform to the current organizational structure
- Revise the definition of the Chief Compliance Officer to conform to the Charter of the Audit and Ethics Committee
- Add a new definition of Fiduciary Counsel
- Add a new definition of UTIMCO Contractor and make provisions of the Code applicable to UTIMCO Contractors as if they were UTIMCO employees

Revising Section 1.12 (Nepotism) as follows:

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- Revise to prohibit UTIMCO from employing a relative of a Board-appointed consultant rather than all UTIMCO consultants

Revising Section 1.13 (Gifts and Entertainment) as follows:

- Make explicit that cash gifts and equivalents of any value are prohibited
- Allow employees who receive prohibited gifts to donate the gift or its equivalent value to charity instead of returning the gift to the donor
- Allow employees to have their travel, lodging and meal expenses paid for by conference sponsors in exchange for speaking at conferences

Revising Section 3.07 (Employee Personal Securities Transactions) as follows:

- Remove outdated personal trading procedures and create a new requirement for UTIMCO to develop and implement a Personal Trading Policy

Revising Section 4.01 (Employee Ethics and Compliance Committee) as follows:

- Create new obligations on and requirements for the Chief Compliance Officer (“CCO”) and delegate obligations of the Employee Ethics and Compliance Committee to the CCO.

Revising Section 4.02 (Financial Disclosure Statements) as follows:

- Add a new requirement that material updates to a financial disclosure statement must be made as soon as practicable, and no later than 90 days after the change occurred

Revising Section 4.04 (Certification of No Pecuniary Interest) as follows:

- Add a requirement that the CCO must provide summary descriptions of each proposed investment to UTIMCO Directors and Key Employees
- Create duty for UTIMCO Directors and Key Employees to alert the CCO to a pecuniary interest relating to the proposed UTIMCO investment
- Create a new obligation on UTIMCO to develop procedures to ensure compliance with these new requirements

Other minor clarifications, formatting and numbering changes.

Recommendation: Chairman Weaver will request the UTIMCO Board to approve the proposed amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF, the Liquidity Policy, and Code of Ethics, all subject to approval by the UT Board.

Reference: 2023 SAA Summary presentation
PUF Investment Policy Statement - redline
ITF Investment Policy Statement - redline
Liquidity Policy - redline
Code of Ethics – redline
Code of Ethics – clean

RESOLUTION RELATED TO INVESTMENT POLICIES

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

RESOLUTION RELATED TO CODE OF ETHICS

WHEREAS, the charter of the Audit and Ethics Committee requires it to periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Audit and Ethics Committee has reviewed the Code of Ethics policy and recommended its changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Policy Committee has reviewed the changes recommended by the Audit and Ethics Committee and recommends same to the Board for its approval; and

WHEREAS, the Board wishes to document its approval of the amendments to the Code of Ethics policy in the form previously provided to the Board, subject to the approval by the Board of Regents of The University of Texas System.

NOW, THEREFORE, be it:

RESOLVED, that the amendments to the Code of Ethics of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



Board of Directors Meeting

2023 SAA Review

Rich Hall, CIO

Ken Standley, Senior Director, Strategic Partnerships and TAA

Dr. Uzi Yoeli, Managing Director, Risk

June 15, 2023



SAA – Endowments

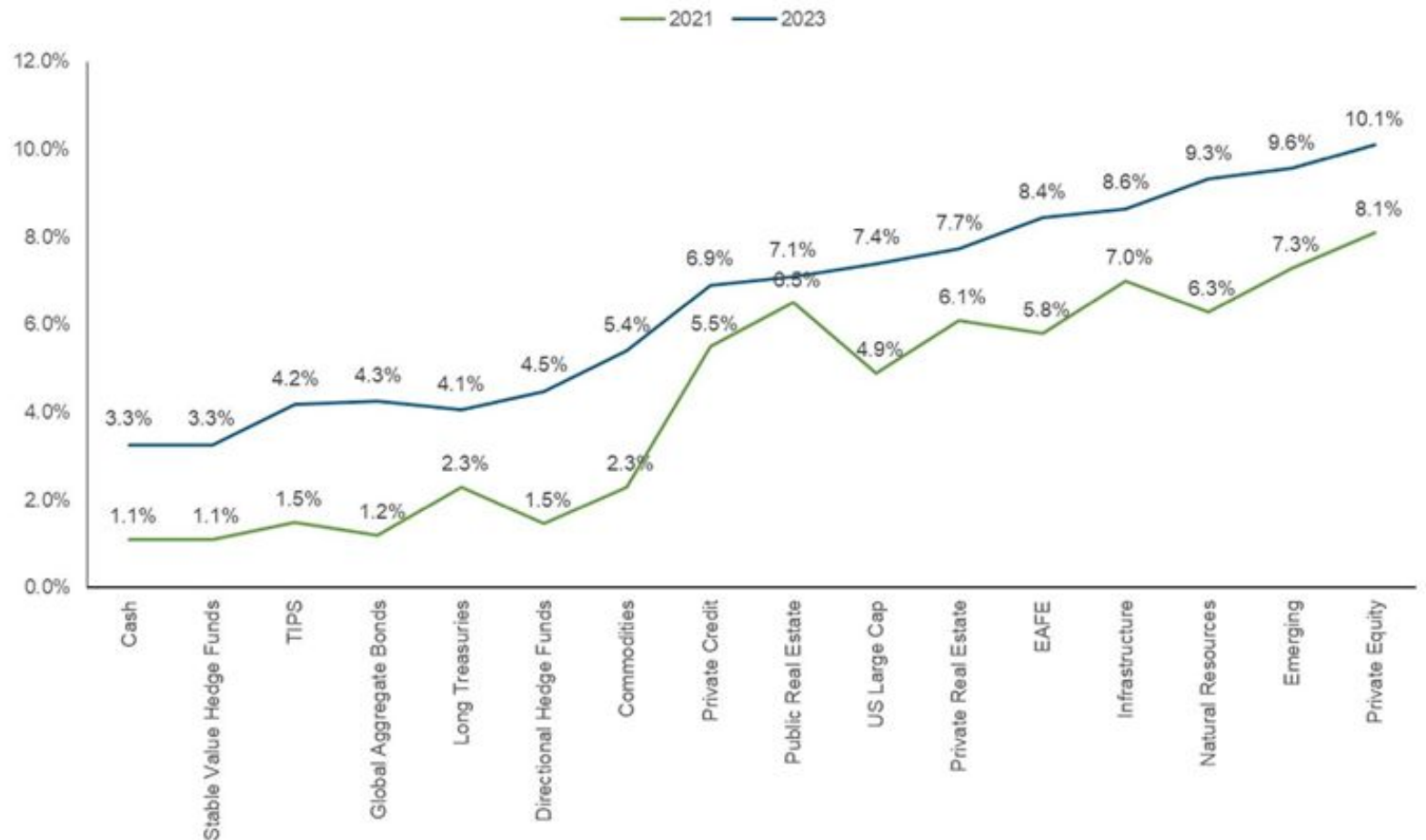
Key Conclusions

- Regime-based diversification framework functions as intended
- Policy backdrop has changed
- Long-term Capital Market Assumptions have improved over the last 5 years
- Beta can now deliver a >7.5% target return
- Endowment strengths: large, liquid, not-levered, long-term
- Risks are well managed: liquidity, leverage and concentration
- High-level economic and market considerations:
 - Fed / Central Bank policy focus has changed
 - US Dollar is highly valued – potential FX implications
 - De-globalization and Energy transition
 - Rising geopolitical tensions
- SAA Recommendation: No major overhaul needed, fine-tuning opportunities exist
 - Expected return: 8.8% up 2% from 2021 with slightly lower volatility
 - Equities: reducing public equities (DM and EM) / increasing U.S. private equity
 - Stable Value: increasing cash, treasuries, SVHF to compensate for higher illiquidity
 - Real Return: reducing NR, TIPS and commodities / increasing RE and Infrastructure



SAA - Endowments

2023 LTCMAs – Higher Returns Across the Curve Driven by Increased Cash Yield



Source: UTIMCO CMA Survey – See Appendix for detailed backup data



SAA - Endowments

Increase UT and A&M System Resources With Improved Expected Returns and Similar Risk

Asset Class	Past/Current		Proposed	Diff	
	2018	2021	L-T Target	vs 2018	vs 2021
Total Public Equity	33%	35%	27%	(-6%)	(-8%)
<i>Developed Market Public Equity</i>	25%	27%	21%	(-4%)	(-6%)
<i>Emerging Market Public Equity</i>	8%	8%	6%	(-2%)	(-2%)
Directional Hedge Funds	5%	5%	6%	+1%	+1%
Private Equity	25%	25%	30%	+5%	+5%
Private Credit	-	-	-	-	-
Total Global Equity	63%	65%	63%	-	(-2%)
Global Aggregate Bonds	7%	-	-	(-7%)	-
Long Treasuries	-	5%	6%	+6%	+1%
Cash	1%	1%	2%	+1%	+1%
Stable Value Hedge Funds	10%	10%	11%	+1%	+1%
Total Stable Value	18%	16%	19%	+1%	+3%
Private Real Estate	10%	9%	9%	(-1%)	-
Natural Resources	5%	3%	-	(-5%)	(-3%)
Infrastructure	4%	5%	9%	+5%	+4%
TIPS	-	2%	-	-	(-2%)
Commodities	-	-	-	-	-
Public Real Estate	-	-	-	-	-
Total Real Return	19%	19%	18%	(-1%)	(-1%)
TOTAL	100%	100%	100%		

Headline Portfolio Stats					
Expected Return	7.45%	6.80%	8.83%	+1.38%	+2.03%
Beta	6.45%	5.40%	7.59%	+1.14%	+2.19%
Alpha	1.00%	1.40%	1.24%	+0.24%	(-0.16%)
Volatility	15.79%	12.00%	12.34%	(-3.45%)	+0.34%
Sharpe	0.47	0.48	0.45	(-0.02)	(-0.03)

Long-Term expected returns increased 1.4% - 2.0% from 2018 and 2021

- Strong Beta contribution meets 7.5% return Target
- Shift in Capital Market Assumptions Line a key driver of uplift

Very minor changes to risk-level and allocations across regimes

- +35 bps in Expected Risk level
- More Stable Value (+3%); Less Global Equity (-2%) and Real Return (-1%)

Incremental changes within regimes

- More Private Equity, Less Public Equity
- More Infrastructure, Less NR + TIPS
- More Cash + Fixed Income



SAA - Endowments

Key Elements of the SAA recommendation

- Increase private investments from 42% to 48% (5% private equity, 1% real return)
- Reduce public equity from 35% to 27% and increase private equity from 25% to 30%
 - Increases expected returns: PE 10% + 20% vol, vs. public 7.5% - 9.8% w/ 16% - 21% vol
 - Leverages unique cash flow attributes of the endowments, particularly the PUF
 - Retains prudent levels of liquidity, even in market drawdowns of 50%
 - Requires adjustments to Liquidity Policy and Unfunded Commitment limits
- Public equity reduction also reduces uncompensated currency risks
 - Fundamental drivers of expected equity returns are relatively equal across geographies
 - Currency return is frequently the differentiator in relative performance across markets
 - Acknowledges heightened equity risk driven by geopolitical factors
- Enable growth of Portable Alpha strategies in Public Equities
 - Combines UTIMCO's best alpha-strategies, Stable Value Hedge Funds, with higher returning Public Equities as replacement for some Long-Only equity strategies
 - Requires increased leverage utilization



SAA - Endowments

Key Elements of the SAA recommendation

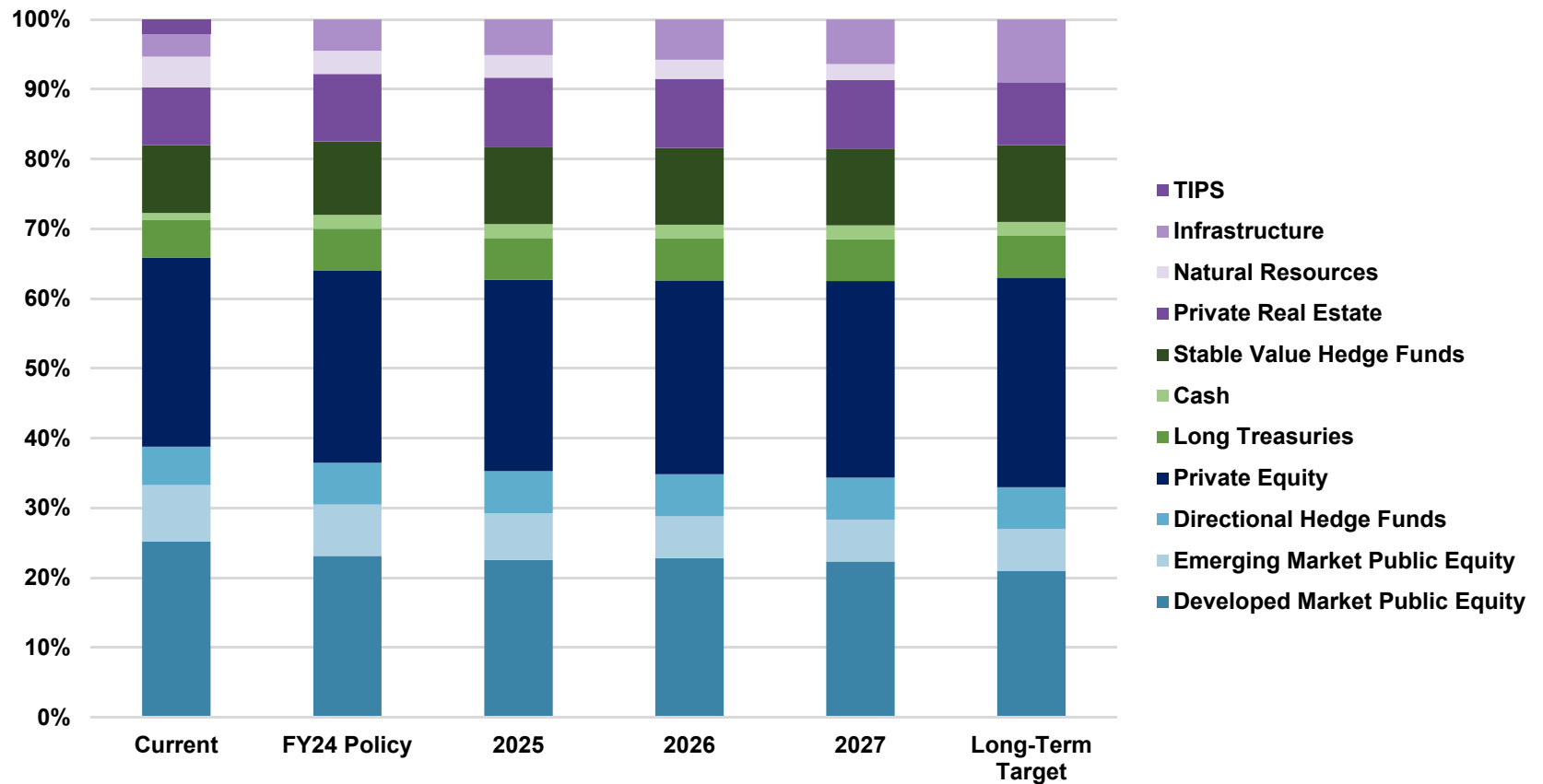
- Increase Stable Value Assets from 16% to 19% (Cash, Treasuries, Stable Value Hedge Funds)
 - Additional ballast to the endowments in recessions
 - Increases overall liquidity profile to offset growth in illiquidity
- Shift Real Return Portfolio composition to focus on Real Estate (9%) and Infrastructure (9%)
 - On a look-through basis, University Lands ~14% of institutional assets, providing significant inflation protection to UT System when it matters the most
 - Recognizing this existing exposure, allows endowments to shift NR portfolio to more opportunistic strategy
 - Benefit from high risk adjusted returns of Real Estate and Infrastructure to protect portfolio against inflation across the cycle



SAA - Endowments

Transition Plan to New Long-Term Target Weights

- Transitions to target weights in Fixed Income, Cash, and Hedge Funds largely completed by next year
- Developed Equities are funding source for increased Privates allocation, reaching target in next 5 years
- Remaining transitions across Private Market Investments will play out over a longer time horizon



% Public

57%

55%

54%

54%

53%

52%

% Private

43%

45%

46%

46%

47%

48%



SAA - ITF

Current SAA very close to Regime Optimized Portfolio, no changes recommended

Asset Class	Current	Current Risk	Regime Optimized
Total Public Equity	15%	10%	16%
Directional Hedge Funds	35%	40%	34%
Global Aggregate Bonds	6%	19%	3%
Long Treasuries	7%		7%
Cash	2%	1%	1%
Stable Value Hedge Funds	25%	20%	29%
TIPS	5%		5%
Commodities	3%		3%
Public Real Estate	3%	10%	2%
TOTAL	100%	100%	100%
Sharpe	0.51	0.52	0.50
Return	6.7%	6.8%	6.8%
Vol	6.7%	6.7%	6.9%
Privates	0%	0%	0%
Liquidity	40%	40%	37%
First Responders	20%	20%	17%
GE	50%	50%	50%
SV	40%	40%	40%
RR	10%	10%	10%
Overall Portfolio Beta vs Equities	0.3	0.3	0.3
Overall Portfolio Beta vs 10y Bonds	-0.1	-0.3	-0.1
Overall Portfolio Beta vs Inflation	0.5	0.7	0.6
GE Portfolio Beta vs Equities	0.5	0.4	0.5
SV Portfolio Beta vs 10y Bonds	0.3	0.2	0.3
RR Portfolio Beta vs Inflation	2.6	4.1	2.5

* Regime Optimized portfolio forces the sub-portfolios to target the same beta to the reference asset as the current portfolio while maximizing Sharpe.



Policy Changes

Proposed Policy Changes

- Liquidity – facilitates increase in private investments and portable alpha
 - \$21 billion of assets that are liquid within 120 days
 - 8x expected annual liquidity needs
 - Endowments: Increase to 75% of assets with liquidity longer than 120-day (currently 70%)
 - ITF: Increase to 60% of assets with liquidity longer than 120-day (currently 55%)
 - Increase Maximum unfunded commitments to 35% of NAV (currently 30%)
- Leverage – facilitates expansion of portable alpha programs:
 - Increase endowment leverage limit to 10% (currently 5%)
 - Increase ITF to 5% leverage
- Benchmarks – Improve alignment with strategy
 - Public Emerging Markets – adopt blended 33% MSCI ex-China + 67% MSCI EM w/ China All Share (currently MSCI Emerging Markets Index)
 - Natural Resources – Cambridge Associates Natural Resources NAV weighted by component

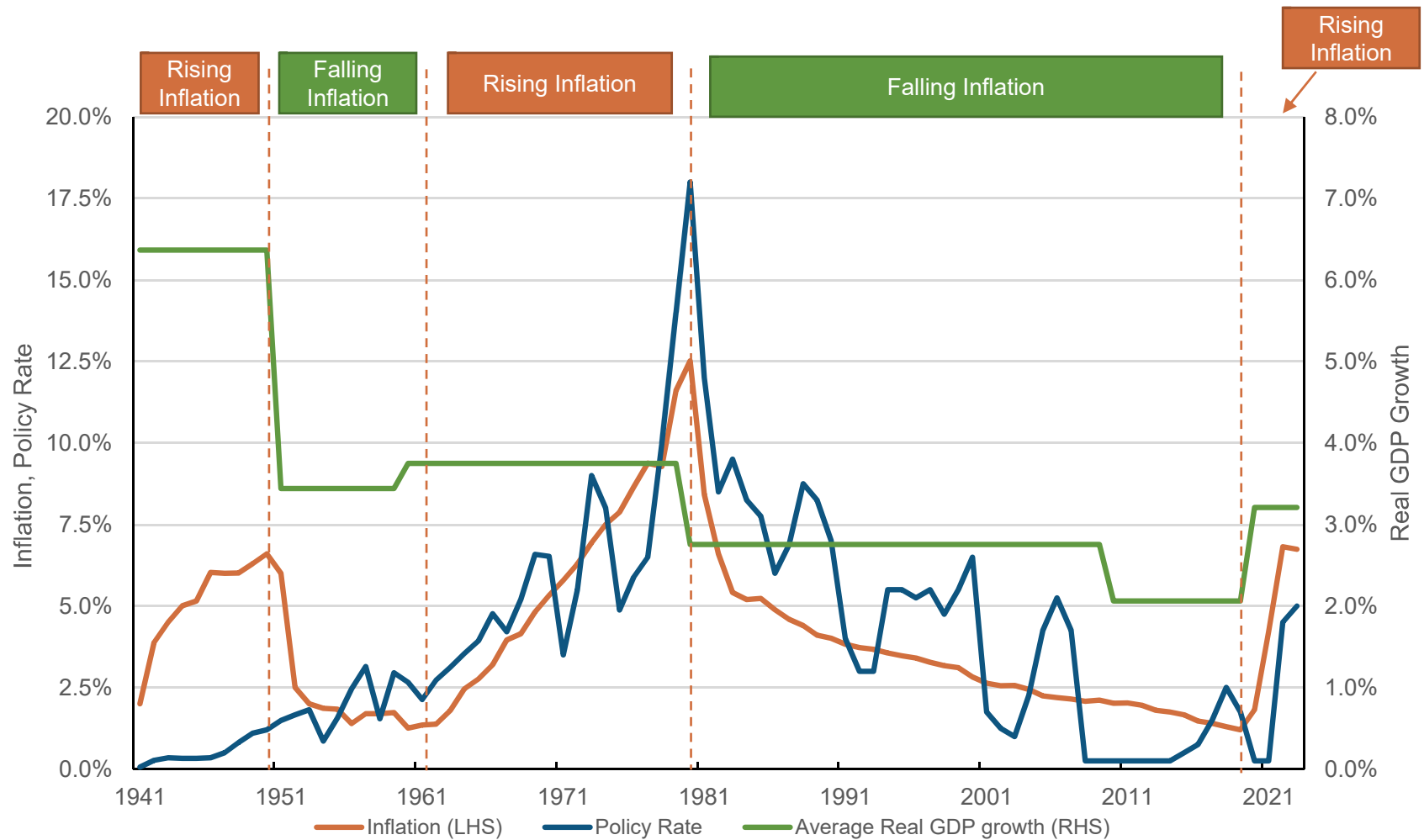
Appendix





SAA – Endowments

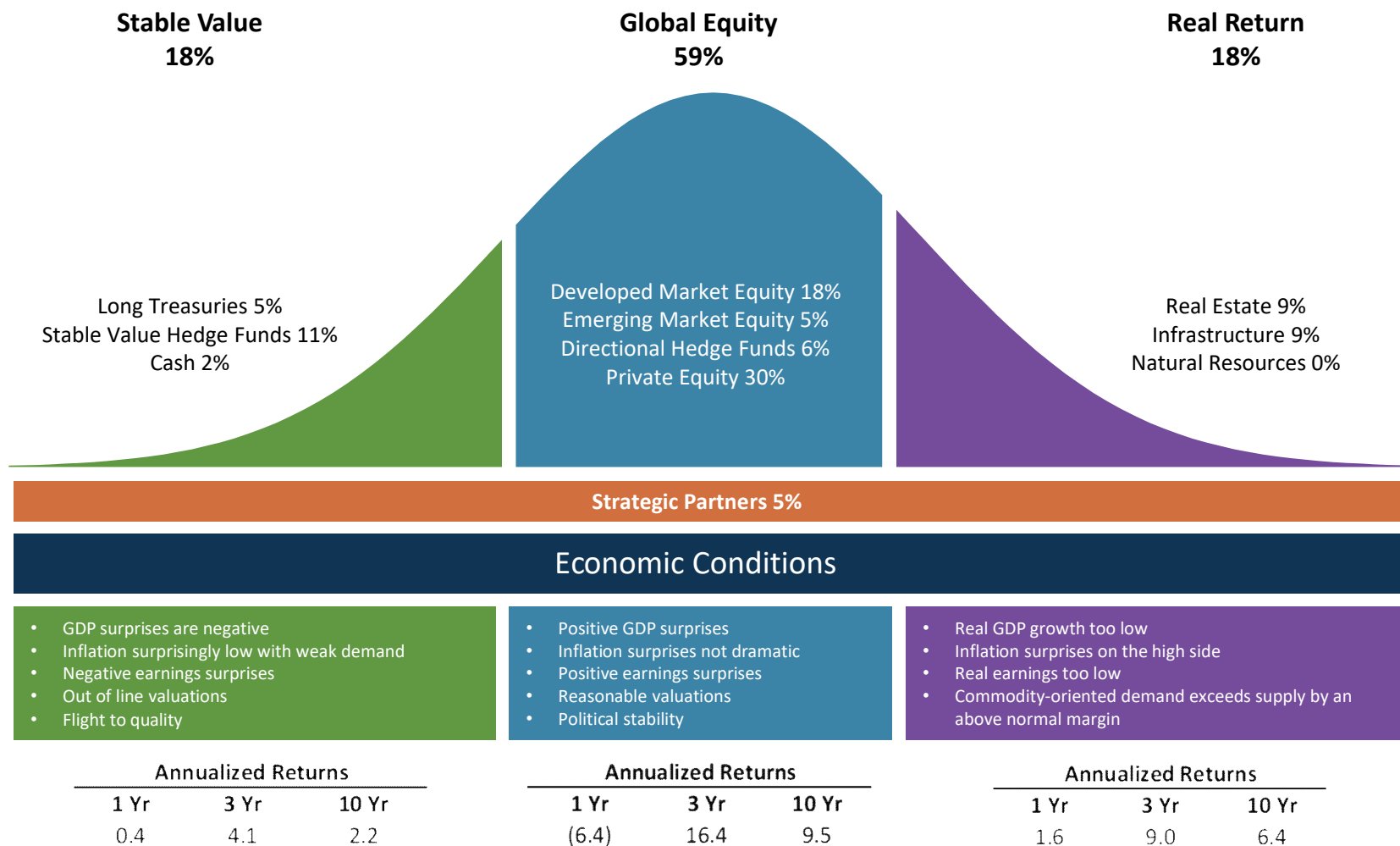
The Federal Reserve Policy Backdrop Has Shifted





SAA - Endowments

UTIMCO Diversification Framework



Note: As of 3/31/2023



SAA - Endowments

Historical Asset Class Performance and Regime Sensitivity

- Regime based diversification is premised on asset class investment returns that shift along with changes in economic regimes
- Historical trends show outperformance within regime relative to across regimes

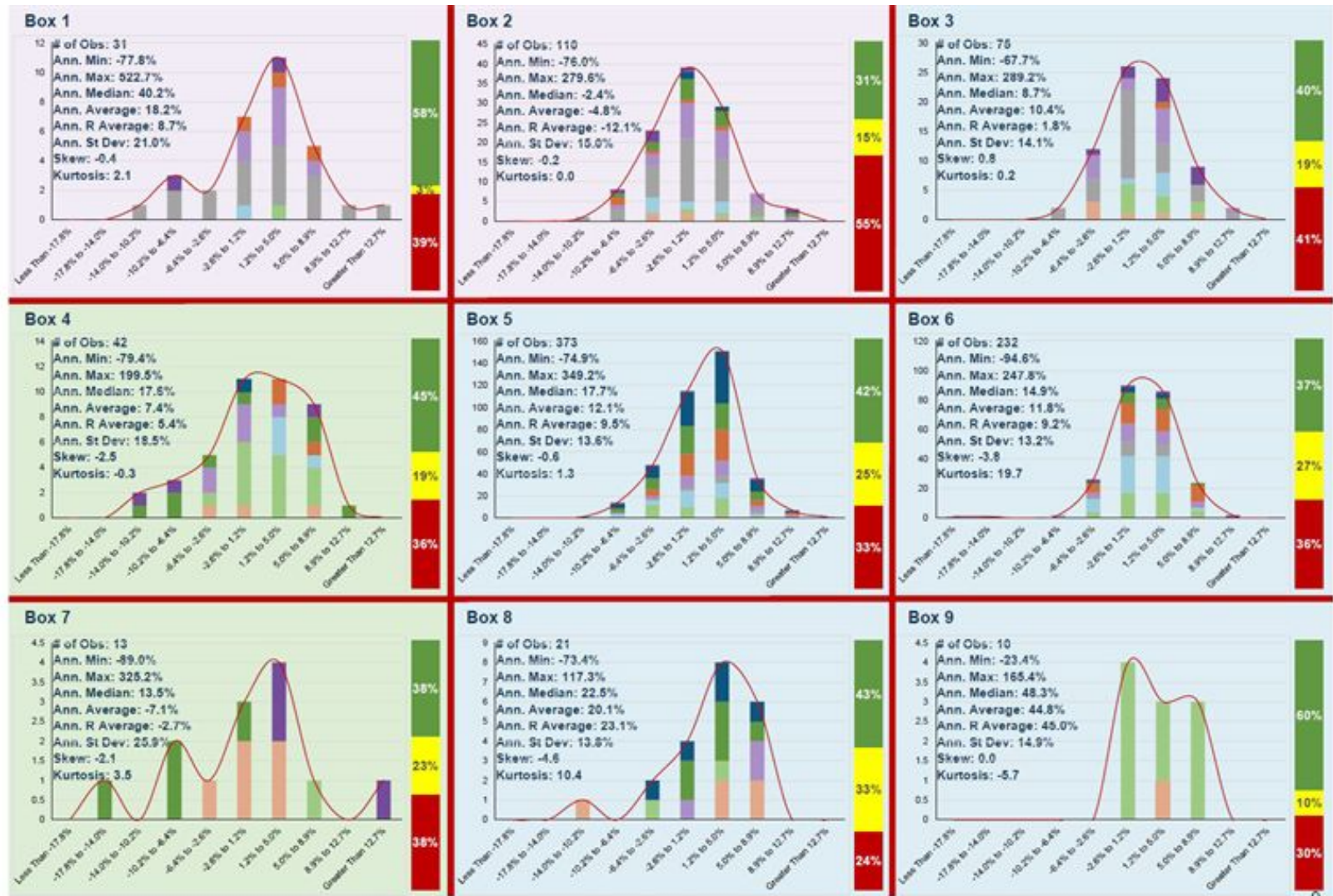
Asset Classes	Across Regimes			Global Equity - ~66% Frequency				Stable Value - ~16% Frequency				Real Return - ~18% Frequency			
	Return	Vol	Sharpe	Return	Vol	Sharpe	Beta	Return	Vol	Sharpe	Beta	Return	Vol	Sharpe	Beta
US Large Cap	10%	15%	0.39	14%	14%	0.75	1.00	3%	19%	0.04	-0.32	1%	17%	-0.31	0.59
EAFE	8%	19%	0.21	15%	16%	0.70	0.71	-11%	25%	-0.55	-0.39	2%	21%	-0.23	0.64
Emerging	7%	25%	0.17	13%	22%	0.48	0.99	-16%	34%	-0.54	-2.02	6%	23%	0.12	1.22
Directional Hedge Funds	7%	5%	0.67	8%	4%	1.02	0.29	4%	6%	0.23	-0.04	7%	5%	0.11	0.19
Private Equity	14%	10%	1.16	18%	10%	1.59	0.03	4%	10%	0.20	0.46	9%	11%	0.60	0.29
Private Credit	11%	8%	1.08	13%	6%	1.85	0.19	2%	14%	-0.02	-0.33	12%	5%	2.05	-0.59
Total Global Equity															
Global Aggregate Bonds	5%	4%	0.72	5%	3%	0.61	-0.02	9%	3%	2.01	0.31	4%	5%	0.15	0.47
Long Treasuries	6%	11%	0.14	5%	10%	0.09	0.00	17%	13%	1.08	1.41	1%	13%	-0.42	1.11
Cash	4%	2%	0.00	4%	1%	0.00	0.00	3%	1%	0.00	0.07	6%	2%	0.00	0.00
Stable Value Hedge Funds	7%	2%	2.03	7%	1%	2.35	0.00	6%	1%	2.42	0.07	9%	2%	1.66	0.00
Total Stable Value															
Private Real Estate	11%	11%	0.81	14%	10%	1.23	0.02	0%	11%	-0.14	0.41	8%	13%	0.43	-1.09
Natural Resources	12%	12%	0.80	14%	10%	1.16	0.09	-7%	14%	-0.66	-0.32	28%	8%	3.23	4.35
Infrastructure	10%	10%	0.93	12%	9%	1.24	0.21	-3%	13%	-0.27	-0.51	17%	5%	2.80	2.47
TIPS	5%	5%	0.59	5%	4%	0.73	-0.09	4%	7%	0.31	0.09	5%	6%	0.55	-3.68
Commodities	1%	16%	-0.20	3%	13%	-0.07	-0.08	-25%	19%	-1.42	-0.27	16%	20%	0.45	-0.21
Public Real Estate	7%	30%	0.09	12%	25%	0.35	1.14	-6%	35%	-0.24	-0.69	-1%	41%	-0.18	0.54
Total Real Return															

Note: Beta measures the sensitivity of each asset class to a proxy asset that represents "pure" exposure to a given regime. Global equity beta shows asset betas vs MSCI ACWI Index, Stable Value is measured vs 10-year US Treasury Bonds, and Real Return is measured vs. CPI Inflation.



SAA - Endowments

Detailed Nine-box Environmental Model



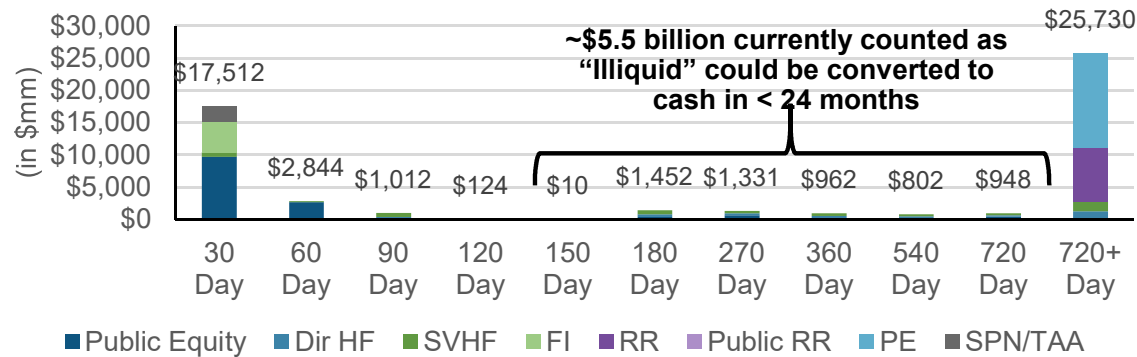
■ 1940 ■ 1950 ■ 1960 ■ 1970 ■ 1980 ■ 1990 ■ 2000 ■ 2010 ■ 2020
■ Good % (Nominal Monthly Return Above 2%) ■ Neutral % (Nominal Monthly Return between 0 and 2%; Inclusive) ■ Bad % (Nominal Monthly Return Below 0%)



SAA - Endowments

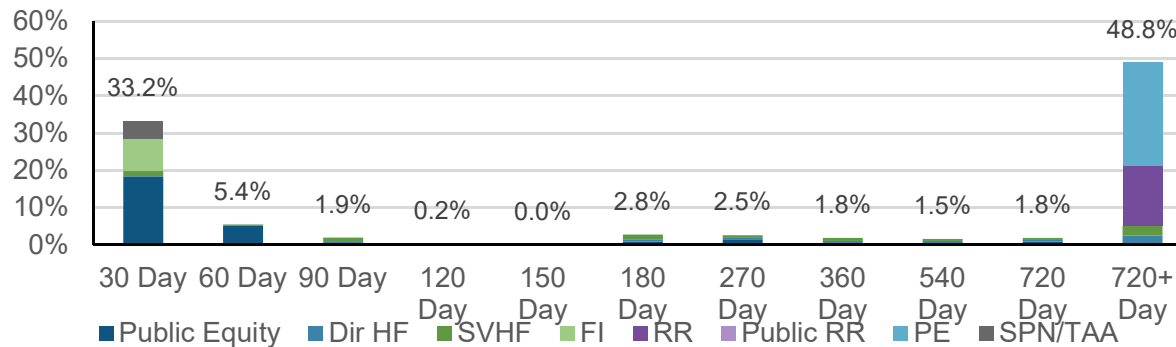
Endowment Has a Strong Liquidity Profile – Supports Increase in Private Assets

Endowment Liquidity



- \$17.5 billion liquid in 30 days
- \$21.4 billion liquid in 120 days
- \$26.9 billion liquid in 24 months

Endowment % Liquid



- Liquid asset = convertible to cash within 120 days, with a discount < 10%.
- Illiquid asset = everything else
- Current Max 70% Illiquid assets



SAA - Endowments

“Ordinary Course” Liquidity of the Endowments Is Very Strong

Ordinary Sources of Liquidity	
Available in 120 days	\$21.4 billion
Available in 120 days – 2 years	\$5.5 billion
Average annual contributions ^(a)	\$1.2 billion – Royalties \$0.6 billion - Philanthropy
Total Sources Available in 24 months	\$ 27.0 billion from assets 1.8 billion contributions \$28.8 billion

Ordinary Uses of Liquidity	
Annual distributions to client ^(a)	(\$-1.3 billion) PUF (\$-0.9 billion) GEF
Excess Capital Calls ^(b)	(\$-1.2 billion)
Rebalancing + Derivatives	\$0.0 billion
Total Ordinary Uses	(\$-3.5 billion)

8.3x coverage of ordinary demands for liquidity

(a) Reflects Trailing 5-year historical average values
 (b) Net Cash Flow projected by 2023 Commitment Model with 48% Private Market Allocation



SAA - Endowments

“Stress Scenario” - Illiquidity Does Not Compromise Ability to Make Distributions

50% Drawdown, Zero-out contributions	
Stressed Sources of Liquidity	
Available in 120 days	\$10.0 billion
Available in 120 days – 2 years	\$0.0 billion
Average annual contributions	\$0.0 billion – Royalties \$0.0 billion – Philanthropy
Total Liquidity Available in Stress Scenario	\$ 10.0 billion from assets <u>0.0 billion contributions</u> \$10.0 billion

Covers Distributions, Worst-case Capital Calls and Derivatives Mark-to-Market	
Stressed Uses of Liquidity	
Annual distributions to client ^(a)	(\$-1.3 billion) PUF (\$-0.9 billion) GEF
Excess Capital Calls ^(b)	(\$-2.0 billion)
Rebalancing + Derivatives ^(c)	(\$-1.2 billion)
Total Liquidity Needed in Stress Scenario	(\$-5.4 billion)

1.8x coverage of stressed demands for liquidity

(a) Maximum aggregate distribution made in 2022

(b) Assumes ~20% of unfunded commitments are called and distributions are significantly curtailed. Historical maximum gap was \$886 million in 2016.

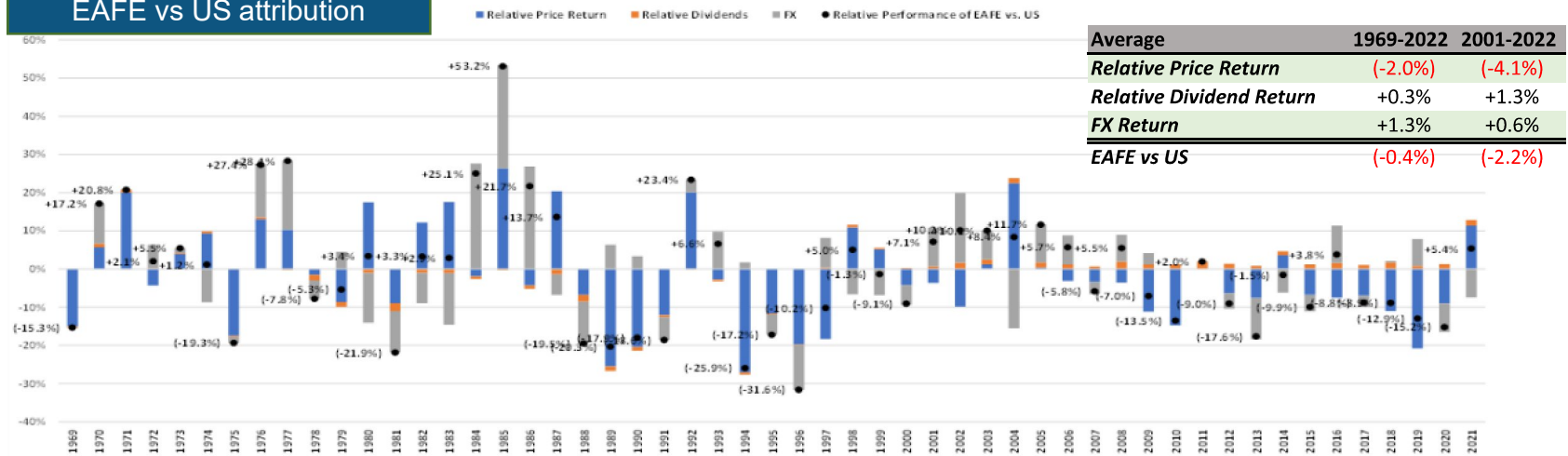
(c) Shocks anticipated uses of derivatives in Portable Alpha overlay and Tactical Asset Allocation strategies



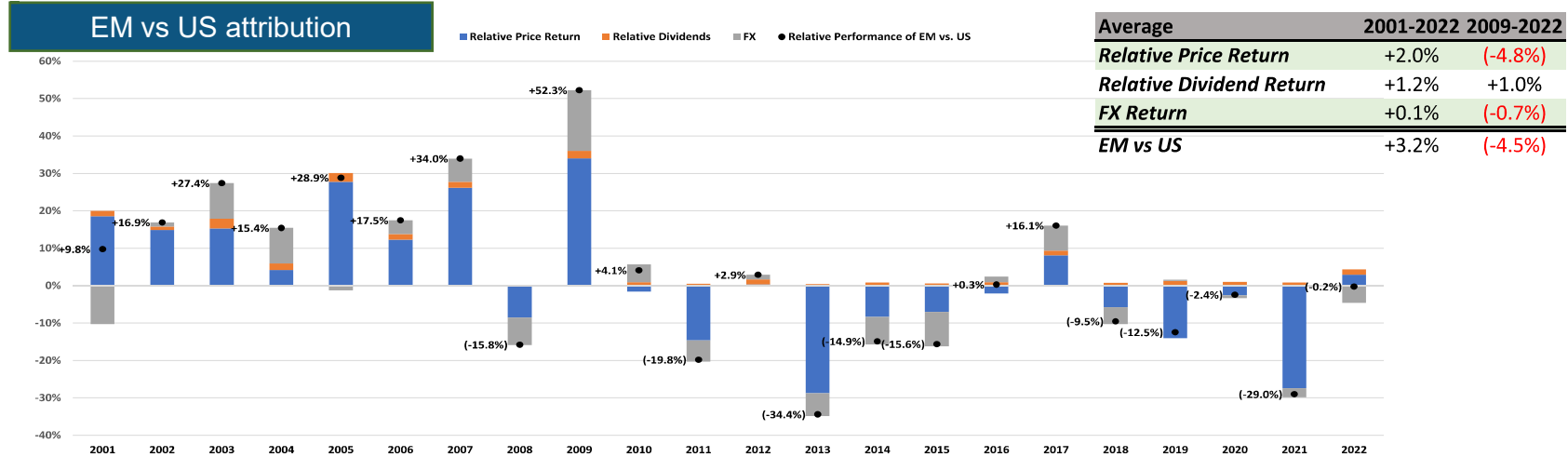
SAA - Endowments

Currency Has Been an Uncompensated Risk in DM + EM equities

EAFE vs US attribution



EM vs US attribution

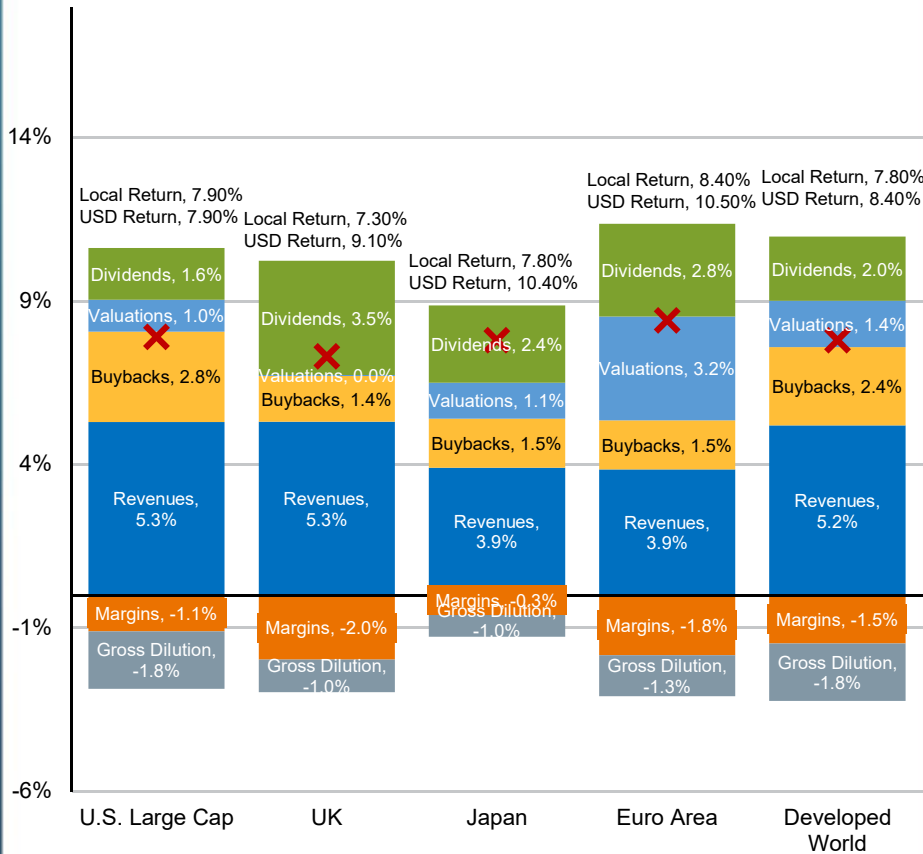




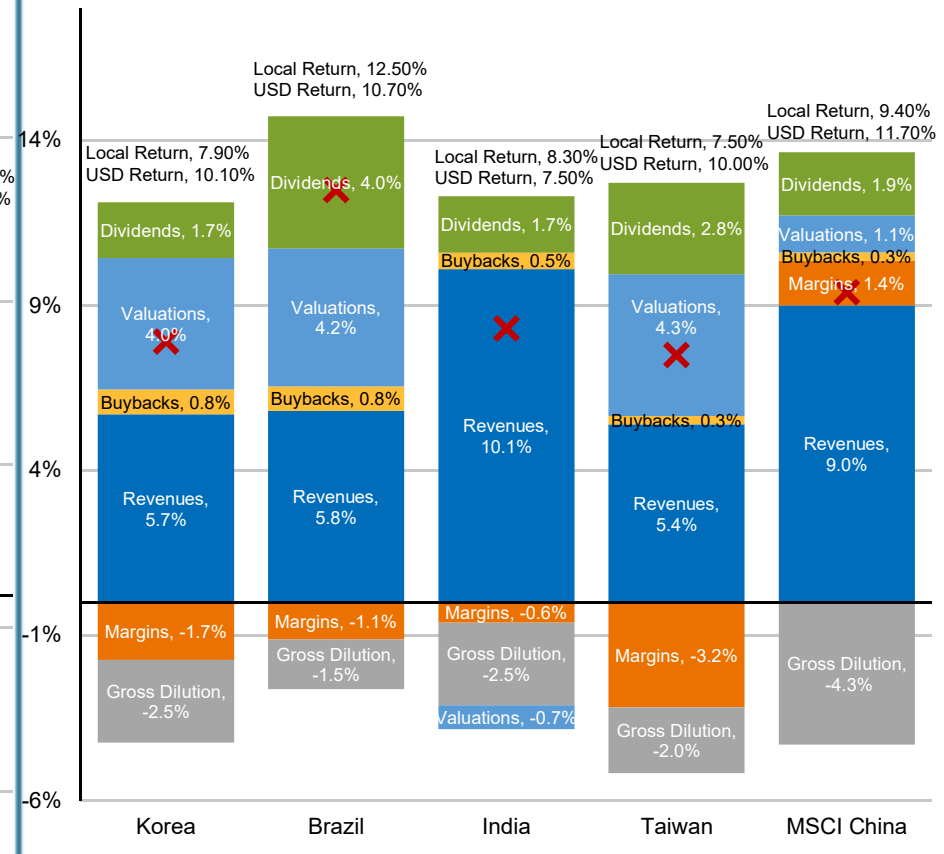
SAA – Endowments

Fundamental Equity Return Drivers are Similar Across Most Geographies

Selected DM equity long-term return assumptions and building blocks, in USD



Selected EM equity long-term return assumptions and building blocks, in USD



Source: J.P. Morgan Asset Management Multi-Asset Solutions; data as of September 2022. Components may not add up to totals due to rounding.

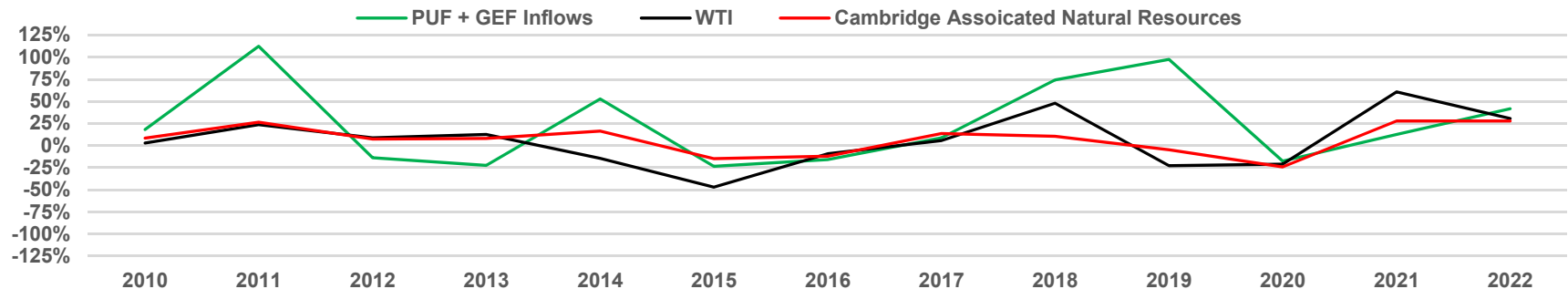


SAA - Endowments

Optimizing Real Return: Concentrating on Real Estate and Infrastructure

- Inflows to the PUF + GEF are highly correlated to oil prices
- Infrastructure and Real Estate provide well-rounded exposure across regimes while still delivering inflation-fighting benefits
- Maintaining opportunistic line item for Natural Resources retains ability to capture unique and attractive investments
- TIPS only outperform private real return assets during the Stable Value regime, prompting a move of this allocation to Cash/Long Treasuries as Stable Value first-responders

Endowment Inflow Growth and Natural Resources Returns (YoY)



Asset Class	Across Regimes			Global Equity - ~ 66% Frequency			Stable Value - ~16% Frequency			Real Return - ~18% Frequency		
	Return	Volatility	Sharpe	Return	Volatility	Sharpe	Return	Volatility	Sharpe	Return	Volatility	Sharpe
Private Real Estate	11%	11%	0.81	14%	10%	1.23	0%	11%	-0.14	8%	13%	0.43
Natural Resources	12%	12%	0.80	14%	10%	1.16	-7%	14%	-0.66	28%	8%	3.23
Infrastructure	10%	10%	0.93	12%	9%	1.24	-3%	13%	-0.27	17%	5%	2.80
TIPS	5%	5%	0.59	5%	4%	0.73	4%	7%	0.31	5%	6%	0.55
Commodities	1%	16%	-0.20	3%	13%	-0.07	-25%	19%	-1.42	16%	20%	0.45
Public Real Estate	7%	30%	0.09	12%	25%	0.35	-6%	35%	-0.24	-1%	41%	-0.18



Benchmark Proposals – Emerging Markets

Impact of recommended changes

- Reducing SAA weight of Emerging Markets from 8% to 6%
- Establishing mechanism for adjusting country-level exposures within Emerging Markets
- Balancing composition of China exposure between tech-heavy offshore and more domestic economy focused onshore markets

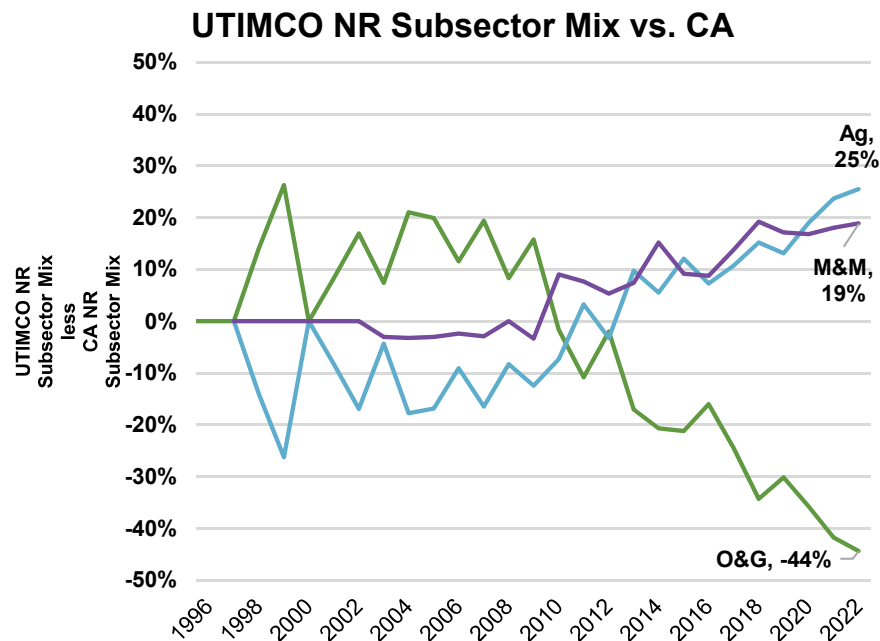
EM Policy Benchmark - Country Exposures						
Current Policy (8% Emerging Markets)		Proposed Policy (6% Emerging Markets)				Difference from Current Policy
MSCI EM	MSCI EM w China All Shares (67%)	MSCI EM ex- China (33%)	Blend			
Taiwan	1.2%	0.5%	0.4%	0.9%	-0.3%	
India	1.1%	0.4%	0.4%	0.8%	-0.3%	
Korea	1.0%	0.4%	0.3%	0.7%	-0.2%	
Brazil	0.4%	0.2%	0.1%	0.3%	-0.1%	
Other	1.9%	0.8%	0.7%	1.4%	-0.4%	
EM ex-China	5.5%	2.2%	2.0%	4.2%	-1.3%	
China Offshore	2.1%	0.9%	-	0.9%	-1.2%	
China Onshore	0.4%	0.9%	-	0.9%	0.5%	
Total China	2.5%	1.8%	-	1.8%	-0.7%	
Total	8.0%	4.0%	2.0%	6.0%	-2.0%	



Benchmark Proposals – Natural Resources

Shift Natural Resources Benchmark to be NAV Weighted by Component

- Current portfolio has significant over/under-weights to underlying benchmark sectors as well as vintage years leading to tracking error
- Proposal is to take last quarter NAV by sub asset class (Total Energy, Metals & Mining, and Agriculture) and apply those weights to the sub asset class benchmark (Total Energy, Metals & Mining, and Timber) for the quarter



UTIMCO Performance Linked Quarterly vs. CA & IQ (Hypothetical Floating Benchmark Analysis) as of 3/31/22

		Investment Results				
Performance		1-Year	2-Year	3-Year	5-Year	10-Year
Natural Resources (UTIMCO)		21.39%	24.66%	5.33%	4.16%	6.26%
Existing	CA Benchmark	33.35%	26.28%	4.64%	4.01%	2.49%
	Alpha	(11.96%)	(1.62%)	0.68%	0.15%	3.77%
Floating	CA Floating Weighted Bench	26.01%	20.82%	5.00%	3.49%	2.39%
	Alpha	(4.62%)	3.84%	0.32%	0.67%	3.88%

THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

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

PUF Organization

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

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

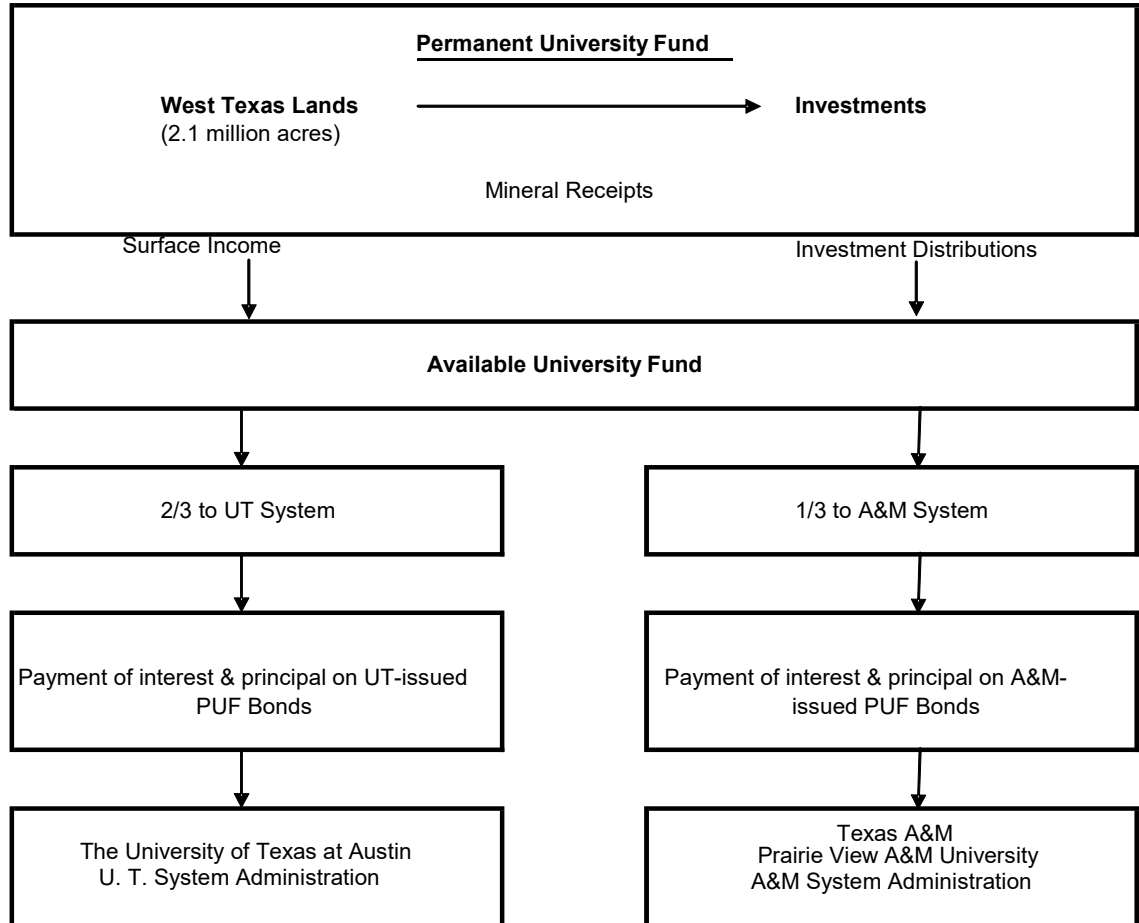
The expenditure of the AUF is subject to a prescribed order of priority:

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

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

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

Exhibit 1



PUF Management

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

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

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

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

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

PUF Administration

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

PUF Investment Objectives

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

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

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

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

Asset Class Allocation and Policy

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

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

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

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

Global Equity:

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

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

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

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

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

Stable Value:

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

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

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

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

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

Real Return:

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

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

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

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

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

Strategic Partnerships:

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

Innovation and Disruption:

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

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

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

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

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

Investment Grade and Credit-Related Fixed Income

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

Public Real Estate, and Public Equity

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

Stable Value

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

PUF Distributions

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

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

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

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

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

PUF Accounting

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

Valuation of Assets

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

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

Compliance

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

approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be September 1, ~~2022~~2023.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2022-2023

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾⁽³⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	23.6% 20.0%	+5% +15.0%	MSCI World Index with Net Dividends MSCI Emerging Markets with Net Dividends Blended 67% MSCI Emerging Markets with China All Shares and 33% MSCI Emerging Markets ex-China
Emerging Markets Public Equity	-5.0%	7.0% 6.4%	+5.0%	
<i>Total Public Equity</i>	-5.0%	30.6% 26.4%	+5% +15.0%	HFRI Fund of Funds Composite Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Directional Hedge Funds	-5.0%	5.0% 6.0%	+5.0%	
Private Equity ⁽³⁾	15.0% 17.5%	25.0% 27.5%	35.0% 37.5%	
Total Global Equity	-7.0%	60.6% 59.9%	+7.0% +15%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged Bloomberg US Treasury: Long Index
Long Treasuries	-5.0%	4.4% 5.1%	+5.0%	
Credit-Related Fixed Income	-5.0%	0.0%	+5.0%	Bloomberg Capital Global High Yield Index 3 month T-Bills
<i>Total Fixed Income</i>	-5.0%	4.4% 5.1%	+5.0%	
Cash	-5.0%	4.0% 2.0%	+5.0%	HFRI Fund of Funds Conservative
Stable Value Hedge Funds	-5.0%	10.0% 10.5%	+5.0%	
Total Stable Value	-10.0%	16.4% 17.6%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	2.0% 0.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index Gold Spot Price (XAU)
Gold	-5.0%	0.0%	+5.0%	
Commodities	-5.0%	0.0%	+5.0%	Bloomberg Commodity TRI Cambridge Natural Resources Blended Cambridge PE Energy and Upstream & Royalty, PE Energy (Mining), and Timber
<i>Total Commodities</i>	-5.0%	0.0%	+5.0%	
Natural Resources ⁽³⁾	0.0%	3.0% 3.3%	8.0%	Cambridge Infrastructure Blended MSCI US REIT Gross Total Return Index (RMSG) and Cambridge Total Real Estate
Infrastructure ⁽³⁾	0.0%	5.0% 4.5%	10.0%	
Real Estate ⁽³⁾	4.0% 5.0%	9.0% 9.7%	14.0% 15.0%	
Total Real Return	-6.0%	19.0% 17.5%	+6.0%	
Strategic Partnerships	-5.0%	5.0%	+5.0%	Blended Bloomberg US Treasury: Long Index, MSCI World Index with Net Dividends, MSCI Emerging Markets Index with Net Dividends, and HFRI Macro
Innovation & Disruption	0.0%	0.0%	5.0%	Aggregate Policy Portfolio Benchmark before returns from Innovation & Disruption portfolio
Total All Asset Classes		100.0%	110.0%	

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed ~~105%~~ 110% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS⁽²⁾	
Expected 10-Year Annual Real Return (Policy Portfolio Beta)	3.43% 5.19%
Expected 10-Year Annual Real Return (Policy Portfolio Total Return)	4.78% 6.43%
One Year Downside Volatility	9.62% 8.24%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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

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

(3) The Adjusted Target weight of each of Private Equity, Real Estate, Natural Resources and Infrastructure, will be set each month as the average ending actual weight of the combined PUF and GEF from the prior month. Any difference in the calculated Private Equity, Real Estate, Natural Resources, and Infrastructure Adjusted Target weights from the original Target weights derived from this table will be offset using ~~other asset classes with 80% Developed Public Equity and 20% to blend of Total Fixed Income components~~ 100% Developed Public Equity.

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose

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

ITF Organization

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

ITF Management

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

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

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

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

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

ITF Administration

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

Funds Eligible to Purchase ITF Units

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

ITF Investment Objectives

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

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

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

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

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

Asset Class Allocation and Policy

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

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

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

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

Global Equity:

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

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

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

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

Stable Value:

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

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

Stable Value Hedge Funds – Stable Value Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Stable Value Hedge Fund investments exhibit little to no market sensitivity, as defined by beta to ~~Developed~~ public Equity equities, and have an absolute return orientation. Strategies may include but are not limited

to market-neutral equity, multi-strategy, re-insurance, risk premia, relative value, trend following, senior-secured direct lending, specialty credit and global macro.

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

Real Return:

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

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

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

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

Performance Measurement

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

Investment Guidelines

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

General

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

Investment Grade Fixed Income

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

Public Real Estate and Public Equity

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

Stable Value

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

ITF Accounting

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

Valuation of ITF Assets

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

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

Compliance

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

ITF Distributions

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

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

Purchase and Redemption of ITF Units

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

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be September 1, ~~2022~~2023.

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2022-2023

Asset Class	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	Benchmark
Global Equity:				
Developed Public Equity	-5.0%	11.5%	+5.0%	MSCI World Index with Net Dividends MSCI Emerging Markets Index with Net Dividends Blended 67% MSCI Emerging Markets with China All Shares and 33% MSCI Emerging Markets ex-China
Emerging Markets Public Equity	-5.0%	3.5%	+5.0%	
<i>Total Public Equity</i>	-5.0%	15.0%	+5.0%	
Directional Hedge Funds	-5.0%	35.0%	+5.0%	HFRI Fund of Funds Composite
Total Global Equity	-7.0%	50.0%	+7.0%	
Stable Value:				
Investment Grade Fixed Income	-5.0%	6.0%	+5.0%	Bloomberg Global Aggregate Index - Hedged Bloomberg US Treasury Long Index
Long Treasuries	-5.0%	7.0%	+5.0%	
<i>Total Fixed Income</i>	-5.0%	13.0%	+5.0%	
Cash	-5.0%	2.0%	+5.0%	3 month T-bills
Stable Value Hedge Funds	-5.0%	25.0%	+5.0%	HFRI Fund of Funds Conservative
Total Stable Value	-10.0%	40.0%	+6.0%	
Real Return:				
Inflation Linked Bonds	-5.0%	5.0%	+5.0%	Bloomberg Global Inflation-Linked: U.S. TIPS Index
Gold	-5.0%	0.0%	+5.0%	Gold Spot Price (XAU)
Commodities	-5.0%	2.5%	+5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	-5.0%	2.5%	+5.0%	
Public Real Estate	-5.0%	2.5%	+5.0%	MSCI US REIT Gross Total Return Index (RMSG)
Total Real Return	-6.0%	10.0%	+6.0%	
Total All Asset Classes		100.0%	105.0%	

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed ~~400%~~ 105% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS ⁽²⁾	
Expected 10-Year Annual Real Return (Policy Portfolio Beta)	0.46% 2.30%
Expected 10-Year Annual Real Return (Policy Portfolio Total Return)	2.73% 4.30%
One Year Downside Volatility	4.56% 3.80%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

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

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

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

Liquidity Policy

Effective Date of Policy: August ~~25~~24, ~~2022~~2023

Date Approved by U. T. System Board of Regents: August ~~25~~24, ~~2022~~2023

Date Approved by UTIMCO Board: June ~~10~~15, ~~2022~~2023

Supersedes: Liquidity Policy effective ~~March 1~~August 25, ~~2020~~2022

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, “liquidity” is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas/Texas A&M Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

“Liquidity risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAM by Standard & Poor’s or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds rated AAAM by Standard & Poor’s Corporation or the equivalent by a NRSRO,
- the Custodian’s late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody’s Investor Service, Inc. (P1 or P2) or Standard & Poor’s Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

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

Liquidity Policy

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of 120 days or less in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of more than 120 days or in a shorter period of time by accepting a discount of more than 10%.

The UTIMCO Team will report individual investments within the Endowment Funds and ITF categorized as follows:

- **Cash:** Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.
- **Liquid (Weekly):** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.
- **Liquid (Annual):** Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third-party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Investment Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies when special review or action is required by the UTIMCO Team, when special action is required by the UTIMCO Board or the Investment Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The permitted maximum for **illiquid** investments for each of the Endowment Funds is ~~70~~75% of the total portfolio for the Endowment Funds. Any **illiquid** investment made that would cause illiquidity to exceed ~~70~~75% requires prior approval by the Investment Risk Committee after consultation with The University of Texas System Office of Business Affairs.

The permitted maximum for **illiquid** investments for the ITF is ~~55~~60% of the total portfolio for the ITF. Any **illiquid** investment that would cause illiquidity to exceed ~~55~~60% requires prior approval by the Investment Risk Committee after consultation with The University of Texas System Office of Business Affairs.

Investment Risk Committee review of new investments above the permitted maximums will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

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

Liquidity Policy

~~2020~~2023

Beg. ~~March~~September 1,

Unfunded Commitment as a percent of the highest total Net Asset Value of the Endowment Funds over a trailing 24-month period:

~~30.0~~35.0%

No new commitments may be made for an Endowment Fund without approval from the Investment Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, maximum illiquidity levels have been established as indicated above to require review and action by the UTIMCO Board or the Investment Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to exceed the permitted maximum illiquidity levels, or in the event market actions caused the actual investment position in illiquid investments to exceed the maximum illiquidity levels. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Investment Risk Committee prior to the change. Any actual positions outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Investment Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Investment Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.



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

CODE OF ETHICS

Approved by the Board of Regents ~~December 6, 2012~~[TBD]

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

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas/Texas A&M Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the Directors and Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for Directors and Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's Directors and Employees will be active investors, either individually or on behalf of

others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those Directors and Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this Code holds all Directors and Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all Directors and Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and Ethics Committee" means the standing Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (5) "Chief Compliance Officer" means the person designated ~~from time to time~~ as the ~~chair of the Employee Ethics and Chief Compliance Officer by the Audit and Ethics Committee of the Board~~.
- (6) "Director" means a member of the Board of Directors of UTIMCO.
- (7) "Director entity" means an investment fund or other entity controlled by a UTIMCO Director.
- (8) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (9) "Employee entity" means an investment fund or other entity controlled by a UTIMCO Employee.
- (10) "General Counsel" means ~~the lawyer or firm of lawyers designated from time to time as the external General Counsel~~ an Employee of UTIMCO serving in the position as the chief legal adviser of UTIMCO.

(11) “Fiduciary Counsel” means the lawyer or firm of lawyers designated from time to time as the external counsel to the Board.

(12) “Key Employee” means an Employee who has been designated by the Board as an officer of UTIMCO.

~~(1213)~~ “Pecuniary interest” in a business entity means:

- (A) ownership of five percent or more of the voting stock or shares of the business entity; or
- (B) ownership of five percent or more of the fair market value of the business entity; or
- (C) receipt of more than five percent of the person’s gross income for the preceding calendar year from the business entity; or
- (D) any private investment in the business entity.

~~(1314)~~ “Personal securities transactions” means:

- (A) transactions for a Director’s or Employee’s own account, including an individual retirement account; or
- (B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director’s or Employee’s spouse, minor child, or other dependent Relative:
 - (i) is an income or principal beneficiary or other equity owner of the account; or
 - (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.

~~(1415)~~ “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.

~~(1516)~~ “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.

(~~16~~17) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

(~~17~~18) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:

- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(~~18~~19) “UTIMCO” means The University of Texas/Texas A&M Investment Management Company.

(20) “UTIMCO Contractor” means an independent contractor or secondee who:

- (i) works on premises at UTIMCO or has access to UTIMCO information systems for at least eight consecutive weeks, and
- (ii) is performing a function that would normally be performed by an Employee of UTIMCO.

A third-party vendor or consultant to UTIMCO is not considered an “UTIMCO Contractor.” UTIMCO Contractors are subject to the provisions of this Code, except with respect to Section 3.11, as if they were Employees.

(1921) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of “Control.” (a) For purposes of this Code, UTIMCO or a Director or Employee is presumed to control an investment fund or other entity if UTIMCO’s or the Director’s or Employee’s management role with or investment in the fund or entity enables UTIMCO or the Director or Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a Director or Employee shall be rebutted if the General Counsel advises the Board that, based upon a review and confirmation of relevant facts provided by the respective Director or Employee, it is the opinion of the General Counsel that the Director or Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a Director or Employee is not presumed to control an investment fund or other entity if UTIMCO or the Director or Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the Director or Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the Director or Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO Directors and Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use

of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a Director or Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the Director or Employee might reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the Director's or Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Director's or Employee's authority or performed the Director's or Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and Employees should be loyal to the interests of UTIMCO to the extent that their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a Relative of a Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related Director's appointment.

(b) UTIMCO may not employ a person who is a Relative of a Key Employee, of a Board-appointed consultant, or of any owner, director, or officer of a Board-appointed consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

(1) before the date of the selection of the Key Employee or Board-appointed consultant; or

(2) before becoming a Relative.

(c) An Employee may not exercise discretionary authority to hire, evaluate, or promote a Relative.

(d) An Employee may not directly or indirectly supervise a Relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's

intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a Relative of an Employee for a short-term special project as a non-exempt Employee if the Employee seeking to employ a Relative discloses the relationship in advance to the Chief Compliance Officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A Director or Employee may not accept a gift that the Director or Employee knows or should know is being offered or given because of the Director's or Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the Director or Employee as well as to gifts to third parties.

(b) The prohibitions in this Code do not apply to the following gifts if acceptance does not violate a law:

- (1) gifts given on special occasions between Employees and/or Directors;
- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a Director or Employee and that are accepted by the Director or Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the Relatives of a Director or Employee that are based solely on a personal relationship between the Director or Employee and his or her Relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the Director's or Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; ~~and~~
- (7) travel, lodging and meal expenses paid by conference sponsors in exchange for speaking at conferences; and

(8) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, ~~but excluding cash or negotiable instruments.~~

(c) Gifts of cash, cash equivalents or negotiable instruments of any value are always prohibited.

(d) Attendance of Directors or Employees at seminars, conferences or other sponsored events that involve entertainment or recreation and that are hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An Employee must obtain specific written approval to attend such events from the CEO or Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(de) A Director or Employee may not accept a gift if the source of the gift is not identified or if the Director or Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(ef) A Director or Employee who receives a prohibited gift should return the gift to its source or, ~~if that is not possible or feasible,~~ donate the gift or an equivalent value to charity.

Sec. 1.14. Communications with ~~General-Fiduciary~~ Counsel. When the ~~General-Fiduciary~~ Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this Code.

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a Director or Employee when the Director or Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the Director's or Employee's independence of judgment in the performance of the Director's or Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or

reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

Sec. 2.02. Duty to Avoid Conflicts of Interest. (a) Directors and Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A Director or Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a Director or Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the Director must disclose that fact to the General Counsel or the Employee must disclose that fact to the Chief Compliance Officer before taking the action.

Sec. 2.03. Duty to Disclose and Cure Conflicts. A Director or Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this Code.

Sec. 2.04. Curing Conflicts of Interest. (a) A Director or Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A Director or Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as defined in Section 1.02(~~12~~13) of this Code.

(c) A Director or Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.05. Disclosing and Refraining from Participation. (a) A Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the General Counsel and/or Fiduciary Counsel, expressly waives the conflict.

Sec. 2.06. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.05(b) of this Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The Chief Compliance Officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.07. Procedures for Director's Disclosure of Conflict of Interest. A Director must disclose conflicts of interest in writing to the General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.08. Procedures for Employee's Disclosure of Conflict of Interest. (a) An Employee must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this Code. The Chief Compliance Officer shall report to the Audit and Ethics Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the Chief Compliance Officer will be ineffective, the person shall disclose the conflict to the Audit and Ethics Committee by filing a written disclosure with the chair of the Committee.

(c) A copy of the disclosure provided to either the Chief Compliance Officer or the Audit and Ethics Committee shall be provided to the Employee's supervisor unless the person with the conflict of interest

believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.09. Procedures for Preventing Conflicts Related to Publicly Traded Companies. UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.

Sec. 2.10. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.

Sec. 2.11. Referrals. Referral of information from a Director related to investment opportunities outside of a posted open meeting of the Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Rule 70201, Section ~~12~~13.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest; or
- (3) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on

or before the first anniversary of the date the person ceased to be a Director or Employee.

(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.

(d) Notwithstanding the prohibitions provided by this section, the CEO, with the approval of the Chairman of the Policy Committee, may waive the application of this section with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee has a pecuniary interest as a result of Section 1.02(~~12~~13)(C) of this Code so long as such spouse, minor child, or other dependent Relative is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

Sec. 3.02. Prohibitions Related to Directors. (a) Except as provided in Sections 3.04 and 3.05, a Director or a Director entity may not enter into an agreement or transaction with:

- (1) UTIMCO or an Employee acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Employee entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or an Employee has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.03. Prohibitions Related to Employees. (a) Except as provided in Sections 3.04 and 3.05, an Employee or Employee entity may not enter into an agreement or transaction with:

- (1) UTIMCO or a Director acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Director entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or a Director has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.04. UTIMCO Investments in Private Investments of Certain Business Entities. UTIMCO or a UTIMCO entity may invest in the private investments of a business entity when a Director or Director entity then owns a private investment in the same business entity if:

- (1) the Director or Director entity acquired the private investment before the date on which the Director assumed a position with UTIMCO;
- (2) the Director's private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(~~1213~~)(A)-(C) of this Code; and
- (3) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially.

Sec. 3.05. Divestment Not Required For Certain Private Investments. A Director, Director entity, Employee or Employee entity that owns a private investment in a business entity on the date on which the Director or Employee assumes a position with UTIMCO is not required by Section 3.02 or 3.03 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(~~132~~)(A)-(C) of this Code. Any transactions concerning the private investment that might occur after that date are subject to this Code.

Sec. 3.06. Director Personal Securities Transactions. (a) A Director or Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a Director's spouse, minor child, or other dependent Relative.

Sec. 3.07. Employee Personal Securities Transactions. (a) Employees are explicitly prohibited from using, directly or indirectly, advance knowledge of a UTIMCO trading decision to buy or sell a security (front-running) or trading a security when he/she has material, non-public information concerning the security or the issuer of the security (insider trading).

(b) UTIMCO shall develop and implement a Personal Trading Policy that addresses policies, procedures, and standards of conduct applicable to Employees' personal securities transactions. It is a condition of employment that Employees comply with the Personal Trading Policy.

(c) Employees must disclose all accounts where they have the influence or control to trade securities subject the Personal Trading Policy.

(d) Employees have an obligation to obtain approval to trade prior to buying or selling securities subject to the Personal Trading Policy. Trade approval must be requested and obtained in the manner set forth in the Personal Trading Policy. UTIMCO will monitor Employee personal trading activities in disclosed accounts.

~~Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.~~

~~(b) An Employee or Employee entity may engage in a personal securities transaction without obtaining preclearance for the transaction from the Chief Compliance Officer with respect to a security that is not a security of an issuer that is held by UTIMCO and included on the UTIMCO maintained list of securities holdings. The UTIMCO list of securities holdings will be posted on the UTIMCO intranet and updated as securities holdings change. An employee may rely on the posted list when engaging in personal securities transactions.~~

~~(c) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the Employee or Employee entity must obtain preclearance for the transaction from the Chief Compliance Officer. Preclearance is effective for one trading day only.~~

~~(d) The Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager with respect to the security of an issuer held by and included on the UTIMCO maintained list of securities holdings that is the subject of the Employee's personal securities transaction. If such a buy/sell order has been placed, an Employee or Employee entity may not conduct the personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.~~

~~(e) The Chief Compliance Officer shall document preclearances in a personal securities transaction log for each Employee, which will provide a record of all requests and approvals or denials of preclearances.~~

~~(f) An Employee who engages in a personal securities transaction must provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the Chief Compliance Officer not~~

~~later than the tenth calendar day after the trade date. The form must contain the:~~

~~(1) name and amount of the security involved;~~

~~(2) date and nature of the transaction;~~

~~(3) price at which the transaction was effected; and~~

~~(4) name of the broker through whom the transaction was effected.~~

~~(g) The preclearance and transactional disclosure requirements apply only to equity or equity related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, co-mingled trust funds, exchange traded funds, interest rate, currency, commodity, and stock index futures, and options on those futures.~~

~~(h)~~ This section applies to an Employee's spouse, minor child, or other dependent Relative.

Sec. 3.08. Interest in Brokerage Firm (a) A Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

(c) The restrictions provided by this section apply to:

(1) stock held for an Employee's own account;

(2) stock or other ownership or profit sharing interests held by an Employee's spouse; and

(3) stock held for an account, other than an account over which the Employee has no direct or indirect influence or control, in which the Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent Relative.

(d) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm if the brokerage firm is not the dominant or primary business of the parent company.

Sec. 3.09. Employee's Outside Employment or Business Activity. (a) An Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) An Employee must obtain advance written approval from the CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The CEO must obtain advance approval from the Board for any outside employment.

(c) An Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company. All compensation paid to an Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.10. Further Restrictions on Directors and Employees. A Director or Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or

- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.11. Former Directors and Employees. (a) A former Director or Employee may not make any communication to or appearance before a current Director or Employee before the second anniversary, in the case of a former Director, or the first anniversary, in the case of a former Employee, of the date the former Director or Employee ceased to be a Director or Employee if the communication is made:

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former Director or Employee seeks action by UTIMCO.

(b) State law provides that a former Director who violates subsection (a) commits an offense. An offense under this subsection is a Class A misdemeanor.

(c) A Director or Employee who knowingly communicates with a former Director or Employee in violation of subsection (a) is subject to disciplinary action, including removal from serving as a Director.

(d) A former officer or Employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or Employee participated during the period of service or employment with the corporation, either through personal involvement or because the particular matter was within the officer's or Employee's responsibility. In this subsection:

- (1) "Participated" means to have taken action as an officer or Employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
- (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

(e) State law provides that a former officer or Employee who violates subsection (d) commits an offense. An offense under this subsection is a Class A misdemeanor.

(f) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. ~~Employee Ethics and Duties of the Chief Compliance Committee Officer.~~ (a) ~~The CEO shall appoint an Employee Ethics and Compliance Committee composed of UTIMCO Chief Compliance Officer shall personnel.;~~

~~(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the chair of the Employee Ethics and Compliance Committee.~~

~~(c) The Employee Ethics and Compliance Committee shall:~~

~~(1) be a Key Employee of UTIMCO;~~

~~(2) provide regular updates to the Audit and Ethics Committee, the CEO, and other Key Employees of material compliance matters;~~

~~(3) communicate with representatives of the Board of Regents as required by Regents' Rules and Regulations and U.T. System policies;~~

~~(4) provide periodic ethics training for UTIMCO personnel; and~~

~~(5) issue opinions on the proper interpretation of this Code.~~

~~(db) An Employee may file a written request with the Employee Ethics and Chief Compliance Committee Officer for an opinion on the proper interpretation of this Code, and may rely on that opinion with respect to compliance with this Code.~~

Sec. 4.02. Financial Disclosure Statements. (a) Directors and Employees shall file financial disclosure statements with the Chief Compliance Officer.

(b) Directors and Employees shall file the financial disclosure statement not later than the 30th day after the date of appointment or employment, and not later than April 30 of each year thereafter. If the deadline falls on a weekend or holiday, the financial disclosure statement shall be filed on the next business day. The CEO may postpone a filing deadline for not

more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) Directors and Employees must provide material updates to their financial disclosure statements as soon as practicable and in any event no later than ninety days after the material change occurred.

(d) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(~~e~~) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and Employees, ~~including acting or interim Employees,~~ must file ethics compliance statements with the Chief Compliance Officer.

(b) Directors and Employees shall sign, date, and file the ethics compliance statements not later than the 30th day after the date of appointment or employment. Thereafter, any person who is a Director or Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year. If the deadline falls on a weekend or holiday, the ethics compliance statement shall be filed on the next business day. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) In the ethics compliance statement, the Director or Employee must acknowledge that he or she has received and read this Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other Directors or Employees when he or she has knowledge of a violation of this Code. An Employee must also acknowledge that adherence to this Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the Code of which the Director or Employee is aware.

(d) Key Employees must acknowledge their Key Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a Director or Employee is required to update a statement if a change in circumstances occurs that would require reporting under this Code.

(f) The Chief Compliance Officer shall maintain the Directors' and Employees' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. ~~The Chief Compliance Officer will send~~~~Before the Board enters into an agreement or transaction with a business entity~~ each Director and Key Employee a summary description of a proposed investment in a new business entity that is being considered by the internal investment committee. It is the duty of each Director and Key Employee to disclose to the Chief Compliance Officer if he or she has acquired, or intends to acquire, a pecuniary interest, as defined by Section 1.02(13) of this Code, in the business entity in which UTIMCO will invest. UTIMCO shall develop and implement procedures to ensure compliance with this requirements~~shall certify that he or she does not have a pecuniary interest, as defined by Section 1.02(12) of this Code, in the business entity.~~

Sec. 4.05. Disciplinary Action Disclosure Statements. (a) Directors and Key Employees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the Director or Key Employee.

(b) Directors and Key Employees must file the disciplinary action disclosure statement with the Chief Compliance Officer not later than April 30 of the first year of designation as a Director or Key Employee and not later than April 30 of each year thereafter. If the deadline falls on a weekend or holiday, the disciplinary action disclosure statement shall be filed on the next business day. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) A Director or Key Employee must promptly update a statement if any action occurs that would cause a Director's or Employee's answers to change.

Sec. 4.06. Custodian of Records. For open records purposes, the Chief Compliance Officer is the custodian of the disclosure statements required by this Code.

Sec. 4.07. Enforcement. (a) The CEO is responsible for implementing this Code with respect to Employees. The Board shall enforce this Code with respect to Employees through the CEO.

(b) An Employee who violates this Code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this Code with respect to individual Directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

Sec. 4.08. Duty to Report. (a) A Director who has knowledge of a violation of this Code shall report the violation to the General Counsel.

(b) An Employee who has knowledge of a violation of this Code shall report the violation to the Chief Compliance Officer or to a member of the Audit and Ethics Committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

Sec. 4.09. Notice to Audit and Ethics Committee. The CEO shall notify the Audit and Ethics Committee in writing not later than February 15 of each year concerning:

- (1) any approval given for outside employment by Employees for the preceding year, including the nature of the employment; and
- (2) any disciplinary action disclosed by Directors or Key Employees.



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

CODE OF ETHICS

Approved by the Board of Regents [TBD]

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

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas/Texas A&M Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the Directors and Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for Directors and Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's Directors and Employees will be active investors, either individually or on behalf of

others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those Directors and Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this Code holds all Directors and Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all Directors and Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and Ethics Committee" means the standing Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (5) "Chief Compliance Officer" means the person designated as the Chief Compliance Officer by the Audit and Ethics Committee of the Board.
- (6) "Director" means a member of the Board of Directors of UTIMCO.
- (7) "Director entity" means an investment fund or other entity controlled by a UTIMCO Director.
- (8) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (9) "Employee entity" means an investment fund or other entity controlled by a UTIMCO Employee.
- (10) "General Counsel" means an Employee of UTIMCO serving in the position as the chief legal adviser of UTIMCO.

- (11) “Fiduciary Counsel” means the lawyer or firm of lawyers designated from time to time as the external counsel to the Board.
- (12) “Key Employee” means an Employee who has been designated by the Board as an officer of UTIMCO.
- (13) “Pecuniary interest” in a business entity means:
 - (A) ownership of five percent or more of the voting stock or shares of the business entity; or
 - (B) ownership of five percent or more of the fair market value of the business entity; or
 - (C) receipt of more than five percent of the person’s gross income for the preceding calendar year from the business entity; or
 - (D) any private investment in the business entity.
- (14) “Personal securities transactions” means:
 - (A) transactions for a Director’s or Employee’s own account, including an individual retirement account; or
 - (B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director’s or Employee’s spouse, minor child, or other dependent Relative:
 - (i) is an income or principal beneficiary or other equity owner of the account; or
 - (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.
- (15) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.
- (16) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.
- (17) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national

market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

- (18) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:
- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
 - (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
 - (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
 - (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.
- (19) “UTIMCO” means The University of Texas/Texas A&M Investment Management Company.
- (20) “UTIMCO Contractor” means an independent contractor or secondee who:
- (i) works on premises at UTIMCO or has access to UTIMCO information systems for at least eight consecutive weeks, and
 - (ii) is performing a function that would normally be performed by an Employee of UTIMCO.

A third-party vendor or consultant to UTIMCO is not considered an “UTIMCO Contractor.” UTIMCO Contractors are subject to the provisions of this Code, except with respect to Section 3.11, as if they were Employees.

- (21) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of “Control.” (a) For purposes of this Code, UTIMCO or a Director or Employee is presumed to control an investment fund or other entity if UTIMCO’s or the Director’s or Employee’s management role with or investment in the fund or entity enables UTIMCO or the Director or Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a Director or Employee shall be rebutted if the General Counsel advises the Board that, based upon a review and confirmation of relevant facts provided by the respective Director or Employee, it is the opinion of the General Counsel that the Director or Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a Director or Employee is not presumed to control an investment fund or other entity if UTIMCO or the Director or Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the Director or Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the Director or Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO Directors and Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a Director or Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the Director or Employee might reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the Director's or Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Director's or Employee's authority or performed the Director's or Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and Employees should be loyal to the interests of UTIMCO to the extent that their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a Relative of a Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related Director's appointment.

(b) UTIMCO may not employ a person who is a Relative of a Key Employee, of a Board-appointed consultant, or of any owner, director, or officer of a Board-appointed consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

(1) before the date of the selection of the Key Employee or Board-appointed consultant; or

(2) before becoming a Relative.

(c) An Employee may not exercise discretionary authority to hire, evaluate, or promote a Relative.

(d) An Employee may not directly or indirectly supervise a Relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a Relative of an Employee for a short-term special project as a non-exempt Employee if the Employee seeking to employ a Relative discloses the relationship in advance to the Chief Compliance Officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A Director or Employee may not accept a gift that the Director or Employee knows or should know is being offered or given because of the Director's or Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the Director or Employee as well as to gifts to third parties.

(b) The prohibitions in this Code do not apply to the following gifts if acceptance does not violate a law:

- (1) gifts given on special occasions between Employees and/or Directors;
- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a Director or Employee and that are accepted by the Director or Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the Relatives of a Director or Employee that are based solely on a personal relationship between the Director or Employee and his or her Relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the Director's or Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO;
- (7) travel, lodging and meal expenses paid by conference sponsors in exchange for speaking at conferences; and
- (8) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special

occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils.

(c) Gifts of cash, cash equivalents or negotiable instruments of any value are always prohibited.

(d) Attendance of Directors or Employees at seminars, conferences or other sponsored events that involve entertainment or recreation and that are hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An Employee must obtain specific written approval to attend such events from the CEO or Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(e) A Director or Employee may not accept a gift if the source of the gift is not identified or if the Director or Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(f) A Director or Employee who receives a prohibited gift should return the gift to its source or donate the gift or an equivalent value to charity.

Sec. 1.14. Communications with Fiduciary Counsel. When the Fiduciary Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this Code.

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a Director or Employee when the Director or Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the Director's or Employee's independence of judgment in the performance of the Director's or Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

Sec. 2.02. Duty to Avoid Conflicts of Interest. (a) Directors and Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A Director or Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a Director or Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the Director must disclose that fact to the General Counsel or the Employee must disclose that fact to the Chief Compliance Officer before taking the action.

Sec. 2.03. Duty to Disclose and Cure Conflicts. A Director or Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this Code.

Sec. 2.04. Curing Conflicts of Interest. (a) A Director or Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A Director or Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as defined in Section 1.02(13) of this Code.

(c) A Director or Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.05. Disclosing and Refraining from Participation. (a) A Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the General Counsel and/or Fiduciary Counsel, expressly waives the conflict.

Sec. 2.06. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.05(b) of this Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The Chief Compliance Officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.07. Procedures for Director's Disclosure of Conflict of Interest. A Director must disclose conflicts of interest in writing to the General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.08. Procedures for Employee's Disclosure of Conflict of Interest. (a) An Employee must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this Code. The Chief Compliance Officer shall report to the Audit and Ethics Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the Chief Compliance Officer will be ineffective, the person shall disclose the conflict to the Audit and Ethics Committee by filing a written disclosure with the chair of the Committee.

(c) A copy of the disclosure provided to either the Chief Compliance Officer or the Audit and Ethics Committee shall be provided to the Employee's supervisor unless the person with the conflict of interest believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.09. Procedures for Preventing Conflicts Related to Publicly Traded Companies. UTIMCO and UTIMCO entities shall implement procedures

and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.

Sec. 2.10. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.

Sec. 2.11. Referrals. Referral of information from a Director related to investment opportunities outside of a posted open meeting of the Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Rule 70201, Section 13.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest; or
- (3) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee.

(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.

(d) Notwithstanding the prohibitions provided by this section, the CEO, with the approval of the Chairman of the Policy Committee, may waive the application of this section with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee has a pecuniary interest as a result of Section 1.02(13)(C) of this Code so long as such spouse, minor child, or other dependent Relative is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

Sec. 3.02. Prohibitions Related to Directors. (a) Except as provided in Sections 3.04 and 3.05, a Director or a Director entity may not enter into an agreement or transaction with:

- (1) UTIMCO or an Employee acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Employee entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or an Employee has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.03. Prohibitions Related to Employees. (a) Except as provided in Sections 3.04 and 3.05, an Employee or Employee entity may not enter into an agreement or transaction with:

- (1) UTIMCO or a Director acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Director entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or a Director has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.04. UTIMCO Investments in Private Investments of Certain Business Entities. UTIMCO or a UTIMCO entity may invest in the private

investments of a business entity when a Director or Director entity then owns a private investment in the same business entity if:

- (1) the Director or Director entity acquired the private investment before the date on which the Director assumed a position with UTIMCO;
- (2) the Director's private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(13)(A)-(C) of this Code; and
- (3) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially.

Sec. 3.05. Divestment Not Required For Certain Private Investments. A Director, Director entity, Employee or Employee entity that owns a private investment in a business entity on the date on which the Director or Employee assumes a position with UTIMCO is not required by Section 3.02 or 3.03 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(13)(A)-(C) of this Code. Any transactions concerning the private investment that might occur after that date are subject to this Code.

Sec. 3.06. Director Personal Securities Transactions. (a) A Director or Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a Director's spouse, minor child, or other dependent Relative.

Sec. 3.07. Employee Personal Securities Transactions. (a) Employees are explicitly prohibited from using, directly or indirectly, advance knowledge of a UTIMCO trading decision to buy or sell a security (front-running) or trading a security when he/she has material, non-public information concerning the security or the issuer of the security (insider trading).

(b) UTIMCO shall develop and implement a Personal Trading Policy that addresses policies, procedures, and standards of conduct applicable to Employees' personal securities transactions. It is a condition of employment that Employees comply with the Personal Trading Policy.

(c) Employees must disclose all accounts where they have the influence or control to trade securities subject the Personal Trading Policy.

(d) Employees have an obligation to obtain approval to trade prior to buying or selling securities subject to the Personal Trading Policy. Trade approval must be requested and obtained in the manner set forth in the Personal Trading Policy. UTIMCO will monitor Employee personal trading activities in disclosed accounts.

(e) This section applies to an Employee's spouse, minor child, or other dependent Relative.

Sec. 3.08. Interest in Brokerage Firm (a) A Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

(c) The restrictions provided by this section apply to:

- (1) stock held for an Employee's own account;
- (2) stock or other ownership or profit sharing interests held by an Employee's spouse; and
- (3) stock held for an account, other than an account over which the Employee has no direct or indirect influence or control, in which the Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent Relative.

(d) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm if the brokerage firm is not the dominant or primary business of the parent company.

Sec. 3.09. Employee's Outside Employment or Business Activity. (a) An Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) An Employee must obtain advance written approval from the CEO for any outside employment or business, including service as director,

officer, or investment consultant or manager for another person or entity. The CEO must obtain advance approval from the Board for any outside employment.

(c) An Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company. All compensation paid to an Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.10. Further Restrictions on Directors and Employees. A Director or Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or
- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.11. Former Directors and Employees. (a) A former Director or Employee may not make any communication to or appearance before a current Director or Employee before the second anniversary, in the case of a former Director, or the first anniversary, in the case of a former Employee, of the date the former Director or Employee ceased to be a Director or Employee if the communication is made:

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former Director or Employee seeks action by UTIMCO.

(b) State law provides that a former Director who violates subsection (a) commits an offense. An offense under this subsection is a Class A misdemeanor.

(c) A Director or Employee who knowingly communicates with a former Director or Employee in violation of subsection (a) is subject to disciplinary action, including removal from serving as a Director.

(d) A former officer or Employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or Employee participated during the period of service or employment with the corporation, either through personal involvement or because the particular matter was within the officer's or Employee's responsibility. In this subsection:

- (1) "Participated" means to have taken action as an officer or Employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
- (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

(e) State law provides that a former officer or Employee who violates subsection (d) commits an offense. An offense under this subsection is a Class A misdemeanor.

(f) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. Duties of the Chief Compliance Officer. (a) The Chief Compliance Officer shall:

- (1) be a Key Employee of UTIMCO;
- (2) provide regular updates to the Audit and Ethics Committee, the CEO, and other Key Employees of material compliance matters;
- (3) communicate with representatives of the Board of Regents as required by Regents' *Rules and Regulations* and U.T. System policies;
- (4) provide periodic ethics training for UTIMCO personnel; and
- (5) issue opinions on the proper interpretation of this Code.

(b) An Employee may file a written request with the Chief Compliance Officer for an opinion on the proper interpretation of this Code, and may rely on that opinion with respect to compliance with this Code.

Sec. 4.02. Financial Disclosure Statements. (a) Directors and Employees shall file financial disclosure statements with the Chief Compliance Officer.

(b) Directors and Employees shall file the financial disclosure statement not later than the 30th day after the date of appointment or employment, and not later than April 30 of each year thereafter. If the deadline falls on a weekend or holiday, the financial disclosure statement shall be filed on the next business day. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) Directors and Employees must provide material updates to their financial disclosure statements as soon as practicable and in any event no later than ninety days after the material change occurred.

(d) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(e) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and Employees, must file ethics compliance statements with the Chief Compliance Officer.

(b) Directors and Employees shall sign, date, and file the ethics compliance statements not later than the 30th day after the date of appointment or employment. Thereafter, any person who is a Director or Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year. If the deadline falls on a weekend or holiday, the ethics compliance statement shall be filed on the next business day. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) In the ethics compliance statement, the Director or Employee must acknowledge that he or she has received and read this Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other Directors or Employees when he or she has knowledge of a violation of this Code. An Employee must also acknowledge that adherence to this Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the Code of which the Director or Employee is aware.

(d) Key Employees must acknowledge their Key Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a Director or Employee is required to update a statement if a change in circumstances occurs that would require reporting under this Code.

(f) The Chief Compliance Officer shall maintain the Directors' and Employees' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. The Chief Compliance Officer will send each Director and Key Employee a summary description of a proposed investment in a new business entity that is being considered by the internal investment committee. It is the duty of each Director and Key Employee to disclose to the Chief Compliance Officer if he or she has acquired, or intends to acquire, a pecuniary interest, as defined by Section 1.02(13) of this Code, in the business entity in which UTIMCO will invest. UTIMCO shall develop and implement procedures to ensure compliance with this requirement.

Sec. 4.05. Disciplinary Action Disclosure Statements. (a) Directors and Key Employees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the Director or Key Employee.

(b) Directors and Key Employees must file the disciplinary action disclosure statement with the Chief Compliance Officer not later than April 30 of the first year of designation as a Director or Key Employee and not later than April 30 of each year thereafter. If the deadline falls on a weekend or holiday, the disciplinary action disclosure statement shall be filed on the next business day. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) A Director or Key Employee must promptly update a statement if any action occurs that would cause a Director's or Employee's answers to change.

Sec. 4.06. Custodian of Records. For open records purposes, the Chief Compliance Officer is the custodian of the disclosure statements required by this Code.

Sec. 4.07. Enforcement. (a) The CEO is responsible for implementing this Code with respect to Employees. The Board shall enforce this Code with respect to Employees through the CEO.

(b) An Employee who violates this Code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this Code with respect to individual Directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

Sec. 4.08. Duty to Report. (a) A Director who has knowledge of a violation of this Code shall report the violation to the General Counsel.

(b) An Employee who has knowledge of a violation of this Code shall report the violation to the Chief Compliance Officer or to a member of the Audit and Ethics Committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

Sec. 4.09. Notice to Audit and Ethics Committee. The CEO shall notify the Audit and Ethics Committee in writing not later than February 15 of each year concerning:

- (1) any approval given for outside employment by Employees for the preceding year, including the nature of the employment; and
- (2) any disciplinary action disclosed by Directors or Key Employees.

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item: Report from Investment Risk Committee

Developed By: de Onís, Moeller

Presented By: Longoria

Type of Item: Information item

Description: The Investment Risk Committee (“Committee”) met jointly with the Policy Committee and separately on June 8, 2023. The Committee’s agenda for the joint meeting included a discussion and appropriate action related to proposed amendments to the Investment Policy Statements and Liquidity Policy. Its separate meeting included (1) discussion and appropriate action related to the approval of minutes of its March 23, 2023, meeting; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.

Discussion The Committee had a joint meeting with the Policy Committee to discuss UTIMCO’s recommended amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund and Intermediate Term Fund. The Committee also discussed UTIMCO’s recommended amendments to the Liquidity Policy. The discussion of the investment policies is covered in the Report from the Policy Committee in Tab 7.

At its separate meeting, the Committee approved the minutes of its March 23, 2023, meeting, reviewed the quarterly compliance reporting and heard an update on the market and portfolio risk.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

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

Developed By: Moeller, de Onís

Presented By: Handley

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

Description: The Audit and Ethics Committee (the “Committee”) met on June 8, 2023. The Committee’s agenda included (1) approval of Committee minutes; (2) discussion and appropriate action related to engaging corporate external auditor; (3) discussion and appropriate action related to proposed amendments to the UTIMCO Code of Ethics; (4) Report from UT System Audit Office; (5) an update on UTIMCO’s compliance, reporting, and audit matters; (6) a presentation of unaudited financial statements for the Investment Funds and the Corporation; and (7) discussion and appropriate action related to the base salary for the General Counsel and Chief Compliance Officer for the 2023-2024 Fiscal Year. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

Discussion: The Committee will report on its action related to the hiring of Deloitte and Touche LLP as the corporate auditor and request that the Board take appropriate action related to hiring Deloitte and Touche LLP as the corporate auditor. If approved by the Board, FY 2023 will be the 17th year that Deloitte serves as the Corporation’s independent auditor. The fees for UTIMCO’s FY 2022 audit services are expected to be \$48,000 plus out of pocket costs, which is a \$3,000 increase over the FY2022 fee.

Ms. de Onis reviewed the proposed amendments to the Code of Ethics (“Code”) with the Committee. The Committee approved the draft changes to the Code and recommended to the Policy Committee for concurrence of the changes. The discussion of the Code is covered in the Report from the Policy Committee in Tab 7.

J. Michael Peppers, Chief Audit Executive and Eric Polonski, Director of Audits of the UT System Audit Office, reviewed UTIMCO’s Securities Lending Audit. The UT System Audit Office completed the audit of UTIMCO’s Securities Lending Program to determine whether UTIMCO’s securities lending activities included sufficient controls to ensure investment management goals were met and were in compliance with relevant policies and investment agreements.

The Committee reviewed the unaudited financial statements for the Funds and UTIMCO Corporation and the quarterly compliance reports. In addition to the routine update on compliance, reporting, and audit issues, Ms. de Onís reported on the annual disclosure statements filed by outside financial advisors and service

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

providers that were filed with the State Auditor’s Office on April 15th and the annual report on Director Private Investments. The Master Investment Management Services Agreement between UTIMCO and the Board of Regents of The University of Texas System (“UT Board) requires UTIMCO to maintain a log of (1) all agreements or transactions between UTIMCO or a “UTIMCO entity” and a “Director entity” or an “Employee entity”, and (2) all investments in the private investments of a business entity in which a “Director” or “Employee” then owns a private investment, or is then co-investing, in the same business entity that must be reviewed annually by the UTIMCO Board of Directors and reported to the UT Board.

In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases, or other commercial arrangements of \$250,000 or more to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more. The report is included in this section and Ms. de Onís provided an update of the Contract Report to the Committee.

Recommendation: Director Handley will request the UTIMCO Board take appropriate action based on the Committee’s action from its meeting related to engaging the corporate external auditor for the fiscal year ending August 31, 2023.

Reference: Deloitte & Touche LLP Engagement Letter
Director Private Investment Log FY 23
Contracts Report

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

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2023.



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May 24, 2023

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

Dear Ms. Moeller:

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

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

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

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Company’s financial statements for the year ending August 31, 2023 (the “financial statements”), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”).

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

D&T Reports

We expect to issue a written report upon the completion of our audit. Our ability to express an opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete our audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue any report as a result of this engagement. If

we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (the “Audit and Ethics Committee”) and the Company’s management.

Management’s Responsibilities

Appendix B describes management’s responsibilities.

Communications with the Audit and Ethics Committee

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

Fees

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

Invoice Date	Amount
October 2023	\$28,000
December 2023	\$20,000

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

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

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

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

document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Company also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

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

* * * * *

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

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

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

Yours truly,

Deloitte & Touche LLP

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

By: _____

Title: _____

Date: _____

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

APPENDIX A

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

This Appendix A is part of the engagement letter dated May 24, 2023, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Auditor's Responsibilities

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

Scope of an Audit

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. 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 generally accepted auditing standards 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 can arise from fraud or error and 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.

An audit performed in accordance with generally accepted auditing standards, includes the following:

- Exercising professional judgment and maintaining professional skepticism throughout the audit.
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, and designing and performing audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding amounts and disclosures in the financial statements.
- Obtaining 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 the Company's internal control. Accordingly, no such opinion will be expressed.
- Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall

presentation of the financial statements.

- Concluding whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether due to fraud or error, that are not material to the financial statements as a whole are detected.

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated May 24, 2023, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Financial Statements

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

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

Management's Representations

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

Independence

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

Independence Matters

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

In connection with the foregoing paragraph, the Company agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Company’s affiliates, as defined in AICPA *Code of Professional Conduct* (e.g., parents, subsidiaries, investors, or investees) (“Company Affiliates”), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

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

APPENDIX C

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE

This Appendix C is part of the engagement letter dated May 24, 2023, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

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

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

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

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

Texas State Auditor's Office

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

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

records of D&T will be identified as “confidential treatment requested by Deloitte & Touche LLP.”

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

APPENDIX D

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the “engagement letter”) dated May 24, 2023, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

subcontractors providing services in connection with this engagement and Deloitte Entities and their contractors to develop and enhance tools and services of Deloitte Entities, in each case, whether located within or outside of the United States, provided they have agreed to be bound by confidentiality obligations similar to those in this paragraph. Deloitte Entities may also use or disclose any information to provide services or client offerings to current or prospective clients provided that information is not used or disclosed in a way that would permit the Company to be identified by third parties, without the Company's consent. "Deloitte Entities" shall mean any member firm of Deloitte Touche Tohmatsu Limited and its affiliates bound by confidentiality terms similar to the paragraph above.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.
8. Governing Law. This engagement letter, together with the appendices, and all of the rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated May 24, 2023, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

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

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

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

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

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

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



Director Private Investment Log

As of June 8, 2023

Director	Fund Name	Interest	Owned Prior to Board Appointment
Mr. Rothrock	Underscore VC (fka Assemblies, VC)	Less than a pecuniary interest	Yes

- Required under IMSA Section 3(h)(x)

New Contracts, Leases, and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$250,000)
 March 15, 2023 through May 25, 2023

Agreement	Purpose	Contract Term	Annual Amount
Y/L Consulting	Y&L Consulting is providing services to support UTIMCO's Data Governance tasks on an multi-phased program to modernize UTIMCO's toolset for Data Management and Data Governance. Phase 1 of the program is in process. Y&L has also been engaged to support UTIMCO's New Data Platform establishment.	Phase 1 - effective 1/23/2023 (completed as of 5/12/23) Data Platform - effective 4/12/2023	\$198,500 \$165,000

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 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”) will meet on June 14, 2023. The Committee’s agenda includes discussion and appropriate action related to the approval of the minutes of March 23, 2023 meeting. The Committee also will meet in Executive Session to receive an update on computer security assessments related to information resources technology.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

- Agenda Item:** Report from Compensation Committee: Discussion and Appropriate Action Related to CEO's Base Salary for 2023-2024 Fiscal Year and Ratification of Offer of Employment; and Discussion and Appropriate Action Related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2024
- Developed By:** Hall, Moeller, de Onís
- Presented By:** Handley
- Type of Item:** Action item; Action required by UTIMCO Board
- Description:** The Compensation Committee (the Committee) met on June 8, 2023. The Committee's agenda included the following (1) approval of minutes of the December 9, 2022, meeting; (2) discussion and appropriate action related to base salaries for the UTIMCO officers and other UTIMCO Compensation Program (Plan) Participants for 2023-2024 Fiscal Year; and (3) discussion and appropriate action related to the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2024. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters.
- Discussion:** The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants (other than the CEO) for the 2023-2024 Fiscal Year. The Committee will report on its recommendation and request that the Board take appropriate action related to the CEO's base salary. The Board will also take action ratifying the offer of employment for Rich Hall as CEO, President and CIO of UTIMCO.
- Section 5.4(b) of the Plan states that the CEO's Qualitative Performance Standards will be determined and approved by the Board. The Committee presents and recommends the approval of the CEO's Qualitative Performance Standards to the UTIMCO Board. The two categories of Performance Standards are Quantitative Performance and Qualitative Performance.
- Recommendation:** The Committee will recommend the Board (1) approve the CEO's Base Salary for the 2023-2024 Fiscal Year; and (2) approve the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2024. Chairman Weaver will recommend ratification of the offer of employment for Rich Hall as CEO, President, and CIO of UTIMCO.
- Reference:** Materials provided for Executive Session

**RESOLUTION REGARDING RATIFYING EMPLOYMENT LETTER AND
CEO'S BASE SALARY**

RESOLVED, that the Board of Directors of UTIMCO ratifies the employment letter encompassing the terms of employment as agreed to between the Chairman and Rich Hall, as UTIMCO's new CEO, President and CIO;

AND FURTHER RESOLVED, the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's new CEO, Rich Hall, effective July 1, 2023 and through the Fiscal Year 2023-2024 in the amount reflected in his offer of employment.

**RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE
STANDARDS FOR PERFORMANCE PERIOD ENDING JUNE 30, 2024**

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Standards for the Performance Period ending June 30, 2024, as prepared by the CEO, and recommended by the Compensation Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Standards for the CEO for the Performance Period ending June 30, 2024, as set forth in the document presented to the Board.

Agenda Item
UTIMCO Board of Directors Meeting
June 15, 2023

Agenda Item:	Discussion and Appropriate Action Related to UTIMCO 2023-2024 Budget
Developed By:	Hall, Moeller, Bauer
Presented By:	Hall, Moeller
Type of Item:	Action Item; Action required by UTIMCO Board; further action required by Board of Regents of The University of Texas System (UT Board)
Description:	<p>The Master Investment Management Services Agreement with UTIMCO (IMSA) sets forth the annual budget and management fee requirements. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes all operating expenses associated with the general management of the Funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the UT Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.</p> <p>During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT Board back to the Funds that generated the surplus.</p>
Discussion:	Mr. Hall and Ms. Moeller will present the UTIMCO Proposed FY2024 Budget presentation.
Recommendation:	Mr. Harris recommends that the UTIMCO Proposed 2023-2024 Annual Budget, Management Fee Request, and Allocation Schedule be approved as presented.
Reference:	<i>FY24 Budget</i> presentation

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Management Fee of \$71,678,668 and the Other Direct Fund Costs of \$8,317,799 resulting in Total Fees of \$79,996,467, Capital Budget of \$225,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2023, through August 31, 2024, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



Board of Directors Meeting

FY24 Budget

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

June 15, 2023



Executive Summary

- \$68 billion managed by 125 FTE (\$1.3B average AUM per each of 51 investors)
- 11.3% annualized return and 1.5% alpha earned by endowments over last three years ending April 30, 2023
- \$18 billion increase in endowment assets
- 2019 Strategic Plan created alignment on key metrics linking AUM, headcount and budget
- Proposed FY24 budget consistent with Strategic Plan
 - AUM above levels projected for August 2024 (\$65B)
 - Proposing 133 FTE
 - \$24.7M proposed salaries are 5.1% below Strategic Plan
 - \$80M total budget is \$1M above Strategic Plan due to factors unforeseen in 2019:
 - IRS implementation of 21% excise tax on individual compensation above \$1M
 - Lease of additional space in UT System building
 - Increased technology & other costs
- FY24 budget projected to be 11.11 bps of AUM, at low end of peer range



FY24 Summary Budget

	FY 2023	FY 2024			FY 2024 Proposed Budget v FY24 Projected in Original 2019 Strategic Plan		FY 2024 Budget Proposed v FY 2023 Budget	
	Budget	Proposed Budget	% of Total Budget	Projected in Original 2019 Strategic Plan	\$	%	\$	%
UTIMCO Personnel Costs:								
Salaries (1)	23,484,680	24,680,045	31%	26,017,209	(1,337,164)	-5.1%	1,195,365	5.1%
Performance Compensation (1)	21,617,598	21,055,462	26%	24,593,696	(3,538,234)	-14.4%	(562,136)	-2.6%
Benefits & Taxes (2)	7,575,060	8,710,966	11%	6,088,027	2,622,939	43.1%	1,135,906	15.0%
Total UTIMCO Personnel Costs (3)	\$ 52,677,338	\$ 54,446,473	68%	\$ 56,698,932	\$ (2,252,459)	-4.0%	\$ 1,769,135	3.4%
Other UTIMCO Costs:								
Data & Subscriptions (4)	5,649,394	6,946,452	9%	4,095,747	2,850,705	69.6%	1,297,058	23.0%
Travel	1,172,500	1,330,000	2%	1,505,407	(175,407)	-11.7%	157,500	13.4%
Lease Expense & Lease Asset Amortization (5)	3,310,668	3,198,408	4%	2,900,000	298,408	10.3%	(112,260)	-3.4%
Depreciation (6)	2,000,000	1,850,000	2%	1,500,000	350,000	23.3%	(150,000)	-7.5%
Other Costs (7)	4,085,814	3,907,336	5%	2,204,641	1,702,695	77.2%	(178,478)	-4.4%
Total Other UTIMCO Costs:	\$ 16,218,376	\$ 17,232,196	22%	\$ 12,205,795	\$ 5,026,401	41.2%	\$ 1,013,820	6.3%
Total UTIMCO Services Costs:	\$ 68,895,714	\$ 71,678,668	90%	\$ 68,904,727	\$ 2,773,941	4.0%	\$ 2,782,954	4.0%
Bps of AUM	10.13	9.96		10.52				
Direct Fund Costs:								
Custodian Fees	4,934,000	4,984,000	6%	6,588,450	(1,604,450)	-24.4%	50,000	1.0%
Other (8)	2,529,914	3,333,799	4%	3,511,060	(177,261)	-5.0%	803,885	31.8%
Total Direct Fund Costs	\$ 7,463,914	\$ 8,317,799	10%	\$ 10,099,510	\$ (1,781,711)	-17.6%	\$ 853,885	11.4%
Bps of AUM	1.1	1.2		1.54				
Grand Total UTIMCO Budget:	\$ 76,359,628	\$ 79,996,467		\$ 79,004,237	\$ 992,230	1.3%	\$ 3,636,839	4.8%
Bps of AUM	11.23	11.11		12.08				
AUM projected (\$ billion)	\$68	\$72		\$65				
UTIMCO Headcount	132	133		132				

NOTES:

- FY24 Budgeted Salaries are 5.1% lower and Performance Compensation is 14.4% lower than the Original 2019 Strategic Plan.
- FY24 Budgeted Benefits and Taxes are \$2.6M higher compared to the Original 2019 Strategic Plan primarily because of the addition of the IRS excise taxes of 21% over \$1M in individual compensation (\$2.0M).
- FY24 Budgeted Total Personnel Costs increased from the FY23 Budget by \$1.77M primarily as the result of an increase in the IRS excise taxes of 21% over \$1M in individual compensation and increases in salaries, performance compensation, and benefits & taxes costs related to normal increases and promotions.
- FY24 Budgeted Data & Subscriptions are higher than the FY23 Budget by \$1.3M primarily due to the addition of new IT subscriptions (\$385k), other new data services and subscriptions (\$243k), an increase in the Barra Risk System and related costs (\$268k), and inflation related increases for other current services (\$400k). The FY24 Budgeted Data & Subscriptions are \$2.85M higher than the Original 2019 Strategic Plan primarily as a result of moving some services from the Direct Funds Budget to the UTIMCO Services Budget (\$1M) and because of the shift in FY22 to subscription-based information technology arrangements.
- FY24 Budgeted Lease and Lease Asset Amortization costs are \$112k lower than the FY23 Budget and \$298k higher than the Original 2019 Strategic Plan. The increase from the Original 2019 Strategic Plan is the result of the 2020 lease expansion. The new accounting rules changed how and where lease costs are presented in the financial statements.
- FY24 Budgeted Depreciation is \$150k lower than the FY23 Budget and \$350k higher than the Original 2019 Strategic Plan. The increase from the Original 2019 Strategic Plan is the result of the 2020 lease remodel costs.
- Other costs include: Hiring, Recruiting & Relocation (\$915k), Consulting Services for IT, HR and Operations (\$1.4mil), IT Service Agreements (\$290k), Office Expense (\$309k), Professional Services & Corporate Insurance (\$727k)
- Other Direct Costs include: Fund Auditors/Accounting fees (\$861k), Legal Fees (\$1.5mil), Tax Consultants (\$75k), Background Searches (\$318k), Performance Attribution Costs (\$90k), Consultants (\$273k)



FY24 Capital Budget

(\$ in thousands)	FY 2023		FY 2024	FY 2024 Budget v FY 2023 Budget		Description
	Budget	Forecast	Budget	\$	%	
Server Room/Telecom/AV & Other Equipment	\$ 535	\$ 282	\$ 100	\$ (435)	-81.3%	Conference Rooms
Computer Equipment	\$ 110	\$ 130	\$ 125	\$ 15	13.6%	Laptops; Monitors
Total Capital Budget	\$ 645	\$ 412	\$ 225	\$ (420)	-65.1%	



Annual Fee and Allocation Schedule

UTIMCO Management Fee and Direct Budgeted Investment Expenses Annual Fee and Allocation Schedule For the fiscal year ending August 31, 2024

<u>Proposed Budget</u>	<u>Fund Name</u>						Separate Funds	Debt Proceeds	Total
	PUF	PHF	LTF	GEF	ITF	STF			
<u>Market Value 4/30/23 (\$ millions)</u>	32,397			21,967	8,965	4,265	186	461	68,241
<u>UTIMCO Management Fee</u>									
Dollars	36,668,411			24,863,259	10,146,998				71,678,668
Basis Points	11.3			11.3	11.3				10.5
<u>Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund</u>									
Dollars	4,155,818	26,039	29,039	2,878,458	1,228,445				8,317,799
Basis Points	1.3	0.2	0.0	1.3	1.4				1.2



Cash Reserves

Projected Cash Reserves at August 31, 2023:

Cash	\$	37,100,000
Prepaid Expenses		1,000,000
Less: Accounts Payable, Accrued Liabilities		(20,500,000)

Expected Cash Reserves at August 31, 2023 \$ 17,600,000

2024 Proposed Operating Budget	71,678,668	
Applicable Percentage	25%	17,919,667
Capital Budget Expenditures		225,000
Depreciation Expense		(1,850,000)

Required Cash Reserves at August 31, 2023 \$ 16,294,667

Balance Available for Rebate \$ 1,305,333

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



Appendix



5-Year Strategic Plan - 2019

Strategic Plan approved in June 2019

	UTIMCO Projected Budget					2024
	2019	2020	2021	2022	2023	
UTIMCO Personnel Costs:						
Base Salary	15,876,073	18,748,097	20,883,879	22,379,064	24,252,130	26,017,209
Performance Comp	12,907,738	16,017,576	19,056,289	20,630,884	22,588,370	24,593,696
Benefits and Taxes	3,884,425	4,387,055	4,886,828	5,236,701	5,674,998	6,088,027
Total UTIMCO Personnel Costs	\$ 32,668,236	\$ 39,152,727	\$ 44,826,995	\$ 48,246,648	\$ 52,515,498	\$ 56,698,932
<i>Y-O-Y Increase (%)</i>		20%	14%	8%	9%	8%
<i>Total UTIMCO FTE</i>	99	115	123	127	130	132
Other UTIMCO Costs:						
Data & Subscriptions	3,209,125	3,369,581	3,538,060	3,714,963	3,900,711	4,095,747
Travel	1,242,016	1,177,848	1,302,607	1,389,447	1,446,436	1,505,407
Lease	2,630,324	2,700,000	2,750,000	2,800,000	2,850,000	2,900,000
Depreciation	1,600,000	1,675,000	1,700,000	1,700,000	1,600,000	1,500,000
Other Costs	2,439,310	2,190,535	2,045,549	2,096,062	2,161,089	2,204,641
- Contract Svcs & Maint	900,296	1,000,000	820,000	840,000	860,000	880,000
- Hiring, Relo, Mercer Comp	543,000	300,000	308,000	315,000	323,000	331,000
- Legal	215,004	90,000	97,000	100,000	116,000	110,000
- Other / Miscellaneous	781,010	800,535	820,549	841,062	862,089	883,641
Total Other UTIMCO Costs	11,120,775	11,112,965	11,336,216	11,700,473	11,958,237	12,205,795
Total UTIMCO COSTS	\$ 43,789,012	\$ 50,265,692	\$ 56,163,211	\$ 59,947,121	\$ 64,473,735	\$ 68,904,727
<i>Y-O-Y Increase (%)</i>		15%	12%	7%	8%	7%
Bps of AUM	9.80	9.87	10.45	10.45	10.51	10.52
Fund Costs						
Custodian Fees	8,947,724	4,501,000	4,950,000	5,445,000	5,989,500	6,588,450
Other	2,577,450	3,001,269	3,121,320	3,246,173	3,376,019	3,511,060
Total Fund Costs	\$ 11,525,174	\$ 7,502,269	\$ 8,071,320	\$ 8,691,173	\$ 9,365,519	\$ 10,099,510
<i>Y-O-Y Increase (%)</i>		-35%	8%	8%	8%	8%
Bps of AUM	2.44	1.47	1.50	1.52	1.53	1.54
Grand Total UTIMCO Budget	\$ 55,314,186	\$ 57,767,961	\$ 64,234,531	\$ 68,638,294	\$ 73,839,255	\$ 79,004,237
<i>Y-O-Y Increase (%)</i>		4%	11%	7%	8%	7%
Bps of AUM	12.24	11.35	11.95	11.97	12.05	12.08
Projected AUM (\$B)	\$47	\$51	\$54	\$57	\$61	\$65



2019 Strategic Plan vs. Approved/Proposed Budgets

Actual budgets have tracked in line with the Strategic Plan

	UTIMCO 2019 Strategic Plan vs. Approved/Proposed Budgets				
	2020	2021	2022	2023	2024
Total per 2019 Strategic Plan	\$ 57.8	\$ 64.2	\$ 68.6	\$ 73.8	\$ 79.0
Total per Approved/Proposed Budgets	\$ 57.0	\$ 62.8	\$ 68.7	\$ 76.4	\$ 80.0
Variance	\$ 0.8	\$ 1.4	\$ (0.1)	\$ (2.6)	\$ (1.0)
Projected AUM (\$B)	\$51	\$54	\$57	\$61	\$65
Projected FTE	115	123	127	130	132



FY24 Budget vs. FY23 Budget

Reconciliation of FY24 to FY23 budgets

- Total Budget increase of \$3.6M or 4.8%.
- Total Personnel Costs of \$54.5M vs. \$52.7M, an increase of \$1.8 or 3.4% (includes salaries, performance compensation, payroll taxes, benefits and employee development)
 - 3 New FTE - \$.6M
 - 21 Promotions - \$1.4M
 - Market Adjustments and Merit Raises - \$2.5M
 - Decreases to vacant positions and removal of two positions - (\$3.9M)
 - Increase in excise taxes, employee development costs and interns, and change in earnings on deferrals - \$1.2M
- Data & Subscriptions increased by \$1.3M or 23%
 - Shift to utilizing more Subscription-Based Information Technology - \$385k
 - Realized savings of around \$500k every 3 to 5 years in hardware costs that are no longer needed for Disaster Recovery or office phone system
 - Annual savings on Maintenance Agreements costs of \$150k as the result of this shift
 - Additional licenses for team members to have access to various financial data services - \$243k
 - Increase in the Barra risk system and related new services - \$268k
 - Inflation related increases to existing services - \$400k



FY24 Budget vs. FY23 Budget (continued)

Reconciliation of FY24 to FY23 budgets

- Travel Costs increased by \$158k or 13.4% primarily because of the inflation-related impact on travel costs and more post-pandemic travel
- Office Lease and Lease Asset Amortization Expense decreased by (\$112k) or (3.4%), and Depreciation Expense decreased by (\$150k) or (7.5%) as assets become fully depreciated
- Other Costs decreased by (\$178k) or (4.4%)
 - Contract Services and IT Maintenance Service Agreements decreased by (\$87k) or (4.8%)
 - Hiring, Recruiting, Relocation, and Compensation Consulting decreased by (\$210k) or (18.7%)
 - Professional Fees and various other costs increased by \$119k
- Direct Fund Costs increased by \$854k or 11.4%
 - Legal Expenses increased by \$624k
 - Accounting Fees increased by \$69k
 - Custodian-Related Costs increased by \$50k
 - Background Searches increased by \$84k
 - Various other costs increased by \$27k



Potential Savings Opportunities

If necessary, several areas could be sources of cost savings

- **New Hires:**
 - Slowing the pace of hiring new and vacant FTEs could save some of the \$2.2M budget for those positions.
 - Deferring hiring would also reduce some of the \$.9M of Hiring Consultants and Relocation Costs.
 - Savings could also be recognized if turnover is lower than expected.
 - Evaluating effect of IT modernization on future new FTE hires.
- **Travel:**
 - Travel expenses can be reduced by continuing to conduct some manager meetings virtually rather than in person.
 - Travel agency RFP resulted in new agency with the expectation of more favorable hotel and airfare rates.
- **IT Contract Services:**
 - Postponing projects including information classification and protection, and data architecture strategy.
 - Delaying or slowing down modernization of legacy applications.