

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



***Presentation Materials***

***Board of Directors Meeting***

***September 28, 2023***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
September 28, 2023**

UTIMCO  
210 West 7<sup>th</sup> Street, Suite 1700  
Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
			<b>OPEN MEETING:</b>
9:00 a.m.	9:05 a.m.	1	<a href="#">Call to Order/Discussion and Appropriate Action Related to Minutes of June 15, 2023 Meeting*</a>
9:05 a.m.	9:10 a.m.	2	<a href="#">Discussion and Appropriate Action Related to Corporate Resolution:</a> - Election of Corporate Officer*
9:10 a.m.	9:45 a.m.		<b>Executive Session</b> Pursuant to Sections 551.076 and 551.089, <i>Texas Government Code</i> , the Board may convene in Executive Session to receive an update on computer security assessments related to information resources technology. <b>Reconvene into Open Session</b>
9:45 a.m.	9:50 a.m.	3	<a href="#">Report from Cyber Risk Committee</a>
9:50 a.m.	10:30 a.m.	4	<a href="#">UTIMCO and Market Update</a>
10:30 a.m.	10:50 a.m.	5	<a href="#">Fixed Income Presentation</a>
10:50 a.m.	11:10 a.m.	6	<a href="#">Risk Management Presentation</a>
11:10 a.m.	11:30 a.m.	7	<a href="#">Operations Presentation</a>
11:30 a.m.	11:35 a.m.	8	<a href="#">Report from Audit and Ethics Committee</a>
11:35 a.m.	11:40 a.m.	9	<a href="#">Report from Investment Risk Committee</a>
11:40 a.m.	11:45 a.m.	10	<a href="#">Report on 2024 Meeting Dates</a>
11:45 a.m.			<b>Adjourn followed by Lunch</b>

\* Action by resolution required

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

<b>Next Regularly Scheduled Meeting: December 7, 2023</b>
---

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **June 15, 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 **June 15, 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 7<sup>th</sup> Street, Suite 1700 in Austin, said meeting having been called by the Chairman, James C. “Rad” Weaver (“Chairman”), with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

James C. “Rad” Weaver  
Ray Rothrock  
James B. Milliken  
Howard Berk  
Jay Graham  
Janet Handley  
Jodie L. Jiles  
Janiece Longoria

thus constituting a majority and quorum of the Board. Director Nixon was not in attendance. Employees of the Corporation attending the meeting were Britt Harris, President and CEO; Rich Hall, Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Carolina de Onís, General Counsel and Chief Compliance Officer; Eddie Lewis, Senior Managing Director – Real Return; Mukund Joshi, Managing Director – Real Return; Pat Pace M.D., Managing Director – Private Equity; Uzi Yoeli, Managing Director – Risk Management; Kim Bauer, Senior Director – Operations; Ken Standley, Senior Director – Strategic Partnerships; and other team members. Other attendees included Taylor Raymond of Orrick, Herrington, & Sutcliffe LLP; and Keith Brown of the McCombs School of Business at UT Austin. Chairman Weaver called the meeting to order at 9:00 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Before moving to the first agenda item, Chairman Weaver took a moment to welcome the two new Board members, Director Howard Berk and Director Jay Graham. Chairman Weaver then invited Mr. Harris to introduce the new class of interns and update the Board on the UTIMCO Scholars Program.

**Minutes**

The first item to come before the Board was approval of the Minutes of the meetings of the Board of Directors held on March 30, 2023, and June 1, 2023. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

## Corporate Resolutions

Chairman Weaver requested a motion to approve the corporate resolution designating the officers for the Corporation. As stated in the Bylaws, Officers for the ensuing year are to be elected at the Annual Meeting. Employees that are designated as Officers by the Board meet the definition of Key Employees in the Corporation's Code of Ethics. Upon motion duly made and seconded, the following resolutions were unanimously approved:

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>
James C. "Rad" Weaver	Chairman
Ray Rothrock	Vice Chairman
James B. Milliken	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
Edward 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

Chairman Weaver presented a recommendation for new Board Committee assignments. Upon motion duly made and seconded, the following resolutions were unanimously approved by the Board:

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

Howard Berk  
Jay Graham  
Jodie L. Jiles  
James B. Milliken

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 Jodie L. Jiles 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:

Janet Handley  
Janiece Longoria  
Ray Nixon  
Ray Rothrock

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

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

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

Howard Berk  
Janet Handley  
James B. Milliken  
Ray Nixon

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

FURTHER RESOLVED, that Janet Handley is hereby designated the Chair of the 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:

Janet Handley  
Jodie L. Jiles  
Janiece Longoria  
Ray Rothrock

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

FURTHER RESOLVED, that Janiece Longoria 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:

Jay Graham  
Jodie L. Jiles  
James B. Milliken  
Ray Rothrock

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

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

Chairman Weaver then recommended for approval three resolutions of appreciation honoring Robert Gauntt and Cliff Thomas for their Board service, as well as Britt Harris for his service as the Chief Executive Officer, President and Chief Investment Officer of The University of Texas/Texas A&M Investment Management Company.

The first resolution was presented to Robert Gauntt. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

The second resolution was presented to Cliff Thomas. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

Chairman Weaver invited Mr. Hall to read the Resolution of Appreciation for Britt Harris. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

### **CEO Update**

Chairman Weaver asked Mr. Harris to provide the Board with the CEO update. Mr. Harris detailed his plans after his resignation from UTIMCO.

### **Market Update and UTIMCO Performance**

Chairman Weaver asked Mr. Hall to present UTIMCO's performance and provide an update on the financial markets. Mr. Hall began with stating that he was going to discuss three market narratives: the first is the path of inflation, the second is the Fed rate path, and the third is whether or not the US economy enters into a recession. Mr. Hall noted that inflation is moderating overall but is still stubbornly high, and that there is a widening gap between statements made by the Fed and market expectations regarding how high rates will be at the end of the year. Mr. Hall discussed the persistent view that there will be a recession, but the forecasted consensus continues to be delayed. He noted that even with a recession expected, the equity market has rallied because economic forecast indicators of when it will occur have stabilized and the majority of companies have exceeded earning expectations. Mr. Hall then detailed sector, style, market cap, and country return dispersions as of May 31, 2023. Mr. Hall continued by providing an update on the Corporation's assets under management and performance results as of March 31, 2023. He reported that the Corporation had \$68 billion of assets under management, and almost \$15 billion in asset growth over three years. He reviewed AUM by institution as well as UTIMCO's diversification framework. Mr. Hall concluded his presentation by discussing portfolio performance, including Endowments and ITF returns and alpha, as well as performance relative to peers. Mr. Hall then answered questions from the Board.

### **Real Return Presentation**

Chairman Weaver asked Mr. Lewis and Mr. Joshi to present the update on the Real Return program. Mr. Lewis began by highlighting the role of Real Return in the portfolio, noting that it is a \$10.4 billion portfolio, which represents 18.1% of the endowments and 10% of the ITF. Mr. Lewis detailed the Real Return portfolio performance, noting that Private Real Return generated a 3.2% IRR in 2022. Real Estate ended December 31, 2022, with a one year -0.62% IRR return. Natural Resources delivered a 5.6% IRR return. Infrastructure generated a 9.5% IRR return. Mr. Lewis then turned the presentation over to Mr. Joshi to discuss market conditions. Mr. Joshi highlighted the current market trends in real estate, including annual rent change and cap rates across property types, as well as real estate debt fundamentals. Mr. Joshi concluded his presentation by discussing the oil and gas market conditions, as well as activity in the Permian Basin and the cost of well-drilling. Mr. Lewis and Mr. Joshi answered the Directors' questions.

## **Private Equity Presentation**

Chairman Weaver asked Dr. Pace to update the Board on the Private Equity program. Dr. Pace began by recognizing the team for their efforts and discussed Private Equity's role in the endowments, highlighting team and portfolio changes over the last five years. Dr. Pace detailed the rebuild of the team, as well as the redesign of the portfolio structure. Dr. Pace also noted that over the last five years the size of the portfolio has more than doubled, growing from \$7 billion to over \$14 billion, and represents approximately 27% of the endowments. Dr. Pace stated that Private Equity generated a generated a -8.7% return as of December 31, 2022, but generated a 15.8% return over a ten-year period. Dr. Pace noted that for the year ended December 31, 2022, Buyouts and Growth generated 2.4%, Venture Capital generated -18.8%, Emerging Markets generated -16.9%, and Private Credit generated 3.1%. Dr. Pace discussed the current market conditions, noting a significant deceleration in both deal flow and fundraising over the last year, and venture capital valuations starting to return to normal. Dr. Pace concluded his presentation by discussing 2022 operational highlights, priorities for 2023, and the portfolio commitment plan. He then answered the Directors' questions.

## **Report from Policy Committee**

Chairman Weaver reported that the Policy Committee met separately and jointly with the Investment Risk Committee on June 8, 2023. All members except for Director Rothrock were present. The Joint Committee meeting agenda included discussion and appropriate action related to proposed amendments to the Investment Policy Statements and the Liquidity Policy. Chairman Weaver detailed the proposed amendments to the Investment Policy Statements and the Liquidity Policy. Substantive changes were recommended for the Investment Policy Statements. Investment Policy statement changes included an amendment to Exhibit A to reflect changes to the asset allocation framework and asset class targets in ranges over the next five years, including increasing private equity and infrastructure, and decreasing total public equity and natural resources. Amendments to Exhibit A also reflect an increase in leverage by 5% across the endowment funds and the ITF. Chairman Weaver went on to discuss changes to the Liquidity Policy including increasing the maximum permitted illiquidity by 5% across the endowment funds and the ITF, and increasing the unfunded commitments by 5% across the endowment funds. The Committee's separate meeting agenda included 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 discussion and appropriate action related to proposed amendments to the Code of Ethics. Changes to the UTIMCO Code of Ethics include administrative changes to reflect modifications to the UTIMCO Compliance program implemented after the Code of Ethics' revision in 2012, increased requirements to personal trading, and other provisions of the Code. Chairman Weaver then invited Mr. Hall to present the 2023 SAA Summary. Mr. Hall began with an overview of the scope and purpose of the review. Mr. Hall then presented the key conclusions that led to the proposed amendments, including SAA recommendations, policy changes needed to implement the SAA recommendations, and benchmark recommendations. Mr. Hall noted that no major overhaul was needed, and all proposed recommendations represent fine-tuning to the asset allocation strategy. Mr. Hall then answered questions from the Committees. Chairman Weaver requested the UTIMCO Board approve the proposed amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF, and the Liquidity Policy, subject to approval by the UT Board. Upon motion duly made and seconded, the following resolutions were unanimously approved by the Board:

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.

Chairman Weaver also recommended approval of the proposed amendments to the UTIMCO Code of Ethics. Upon motion duly made and seconded, the following resolutions were unanimously approved by the Board:

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.

#### **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 jointly with the Policy Committee and separately on June 8, 2023. All members except for Director Rothrock were present. The Committee's agenda for the joint meeting included discussion and appropriate action related to proposed amendments to the Investment Policy Statements and the Liquidity Policy. At its separate meeting, the Committee considered one action item: the minutes of its Mach 23, 2023 meeting. The Committee also received a report on compliance matters for the quarter ended February 28, 2023, and ethics and compliance matters as of June 8, 2023. The Committee also received a market and portfolio risk update.

#### **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 June 8, 2023. The Committee's agenda included approval of the minutes of its Mach 23, 2023 meeting; discussion and appropriate action related to engaging the corporate external auditor; discussion and appropriate action related to proposed amendments to the UTIMCO Code of Ethics; and discussion and appropriate action related to the base salary

for the General Counsel and Chief Compliance Officer for the 2023-2024 Fiscal Year. Routine matters of the Committee included an update on UTIMCO's compliance, reporting, and audit matters, including an update on the annual compliance training, annual disclosures filed by outside financial advisors and service providers, as well as required annual reporting on Director Co-Investments. Director Handley also noted that Ms. de Onís reported to the Committee on contracts, leases, or other commercial arrangements of \$250,000 or more entered into during the quarter. The Committee heard a presentation of the unaudited financial statements for the Investment Funds and the Corporation. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters. Director Handley reported that the Committee had approved the hiring of Deloitte and Touche LLP as the corporate auditor and requested that the Board take appropriate action related to hiring Deloitte and Touche LLP as the corporate auditor. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

### **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 June 14, 2023. The Committee approved the minutes of its March 23, 2023 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 to deliberate individual personnel compensation matters, including the CEO and President pursuant to *Texas Government Code* Section 551.074. The date is June 15, 2023, and the time is now 11:28 a.m."

### **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 June 15, 2023, and the time is now 11:38 a.m. During the Executive Session, the Board deliberated individual compensation 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."

### **Report from Compensation Committee**

Chairman Weaver asked Director Handley to provide a report from the Compensation Committee. Director Handley stated that the Compensation Committee met on June 8, 2023. All members except for Director Rothrock were present. The agenda included the approval of minutes of the December 9, 2022, meeting; 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 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. Director Handley requested the Board take appropriate action on two resolutions - the ratification of the CEO's Employment Letter and Base Salary for the 2023-2024 Fiscal Year; and the CEO's Qualitative Performance Standards for the Plan for the Performance Period ending June 30, 2024. Upon motion duly made and seconded, the following resolutions were unanimously approved by the Board:

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.

And

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.

### **Corporation Budget**

Chairman Weaver asked Mr. Hall to discuss the Corporation's budget for the next fiscal year. The Corporation's budget is subject to approval by the Board and the Board of Regents of UT System. Mr. Hall provided an executive summary of the budget before turning the presentation over to Ms. Moeller. Ms. Moeller reviewed the proposed FY24 summary budget, detailed the FY24 capital budget, and compared the FY24 budget versus FY23 budget. Ms. Moeller concluded her presentation by discussing cash reserves. The team answered questions from the Board. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

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.

Before adjourning the meeting, Chairman Weaver invited UT System Regent Robert Gauntt to say a few words. Regent Gauntt expressed his appreciation for Britt Harris' leadership and significant contributions during this tenure at UTIMCO. Chairman Weaver then invited Mr. Hall to read a proclamation from Governor Greg Abbott recognizing Britt Harris for his service to the State of Texas as Chief Executive Officer of UTIMCO.

**Adjourn**

There being no further business to come before the Board, the meeting was adjourned at approximately 11:58 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  
September 28, 2023

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

**Developed By:** Moeller

**Presented By:** Hall

**Type of Item:** Action required by UTIMCO Board

**Description:** Mr. Hall will request that Craig Thomas be appointed an officer of the Corporation. Managing Directors are considered officers of the Corporation. Effective September 1, 2023, Mr. Thomas was appointed Managing Director – Private Equity.

**Recommendation:** Mr. Hall will request that the Board approve the appointment of Mr. Thomas as a corporate officer.

**Reference:** None

<b>RESOLUTION RELATED TO CORPORATION OFFICER</b>
--

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

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** Report from Cyber Risk Committee

**Developed By:** Moeller

**Presented By:** Rothrock

**Type of Item:** Information Item

**Description:** The Cyber Risk Committee (the “Committee”) met on September 21, 2023. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of its June 8, 2023 meeting. The Committee also met in Executive Session to receive an update on computer security assessments related to information resources technology.

**Recommendation:** None

**Reference:** None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** UTIMCO and Market Update

**Developed By:** Hall

**Presented By:** Hall

**Type of Item:** Information Item

**Description:** Rich Hall will provide a UTIMCO business update, market overview, and a review of UTIMCO performance.

**Reference:** *UTIMCO and Market Update* presentation



# Board of Directors Meeting

## UTIMCO and Market Update

---

Rich Hall, CEO, CIO, & President

September 28, 2023



# Overview

---

## Discussion Topics

- UTIMCO Business Update
  - Priorities
  - People
  - Budget
  - Portfolio Snapshot
- Market Overview
  - Inflation
  - Rates
  - Recession
  - Market Performance
- Performance



# UTIMCO Update

---

## Priorities

- **Performance**
  - Continue to drive performance and restore alpha
  - Serve UT and A&M well, enabling them to do great things
- **People**
  - Continue smooth CEO transition
  - Onboard new CHRO in November
  - Retain great talent and attract “A Players” for vacant and new positions
- **Portfolio**
  - Initiate transition to approved Strategic Asset Allocation
  - Enhance public equity portfolio – portable alpha ramp, EM strategy, factor expansion
  - Preparing for potential dislocations in real estate
- **Processes**
  - Risk management & contingency plans
  - Fund audits
  - Enterprise Risk Management program launch
  - UTIMCO Strategic Plan for FY25 – FY29





# UTIMCO Update

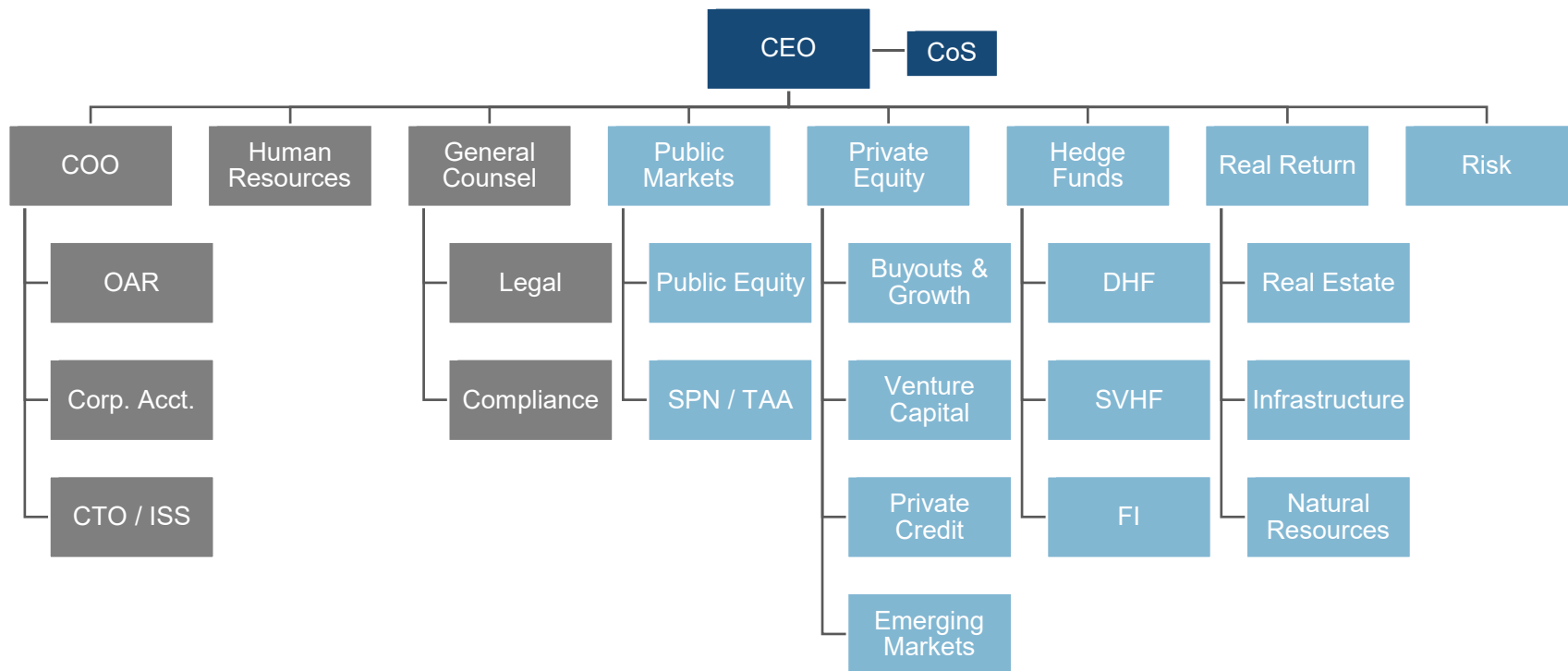
## Priorities

<u>Strategy</u>	<u>Metrics</u>
<ul style="list-style-type: none"> <li>•<b>Strategic Asset Allocation Review:</b> Assess and refine roles and sizes of asset classes; position portfolio for success in new regime</li> <li>•<b>Expand Portfolio Capabilities:</b> Finalize digital assets and energy transition task force initiatives; refine tactical asset allocation signaling and responses; consider new investment and co-investment vehicle structures</li> </ul>	<p>Updated Investment Policy Targets; Q2</p> <p>Task Force Recommendations; Q2 Model Revisions; Q3 Co-Investment Opportunities; Q4</p>
<p><u>Firm</u></p> <ul style="list-style-type: none"> <li>•<b>Develop, Retain, and Succeed:</b> Support ECP and LDP expansions, finalize internal mobility strategy, and ensure strong succession plans for all units</li> <li>•<b>Build the Brand:</b> Strengthen connection to our client, customer institutions, employees, and external managers through mission advocacy and outreach</li> <li>•<b>Year of Reflection:</b> Consolidate and improve on lessons learned from Total Alignment, Development, Servant Leadership, and Essentialism</li> </ul>	<p>Mobility Plan; Q1 Succession Plans; Q2 ECP and LDP Plans; Q4</p> <p>UTIMCO Mission Advocate Launch, Q1 UTIMCO Scholars &amp; GIL, Q3 Engage with System, Institutions, Managers; Q4</p> <p>Define metrics for success; Q1 Fully implement and operationalize; Q4</p>
<p><u>Systems</u></p> <ul style="list-style-type: none"> <li>•<b>Enterprise Risk Management:</b> Facilitate implementation of holistic, firm-wide risk management approach</li> <li>•<b>Data Alignment:</b> Guide and support the rollout of firmwide data architecture, data classification, data management, and data mart upgrade programs</li> <li>•<b>Barra Risk System Utilization:</b> Adopt full capabilities of the system; ensure that relevant reports and outputs are used by all investment teams</li> </ul>	<p>Rollout Q1; Risk Report Development Q4</p> <p>Data Architecture; Q2 Data Mart; Q3 Data Classification; Q4</p> <p>Barra Reporting for Progress Reports and Investment Committee Memos; Q4</p>



# UTIMCO Update

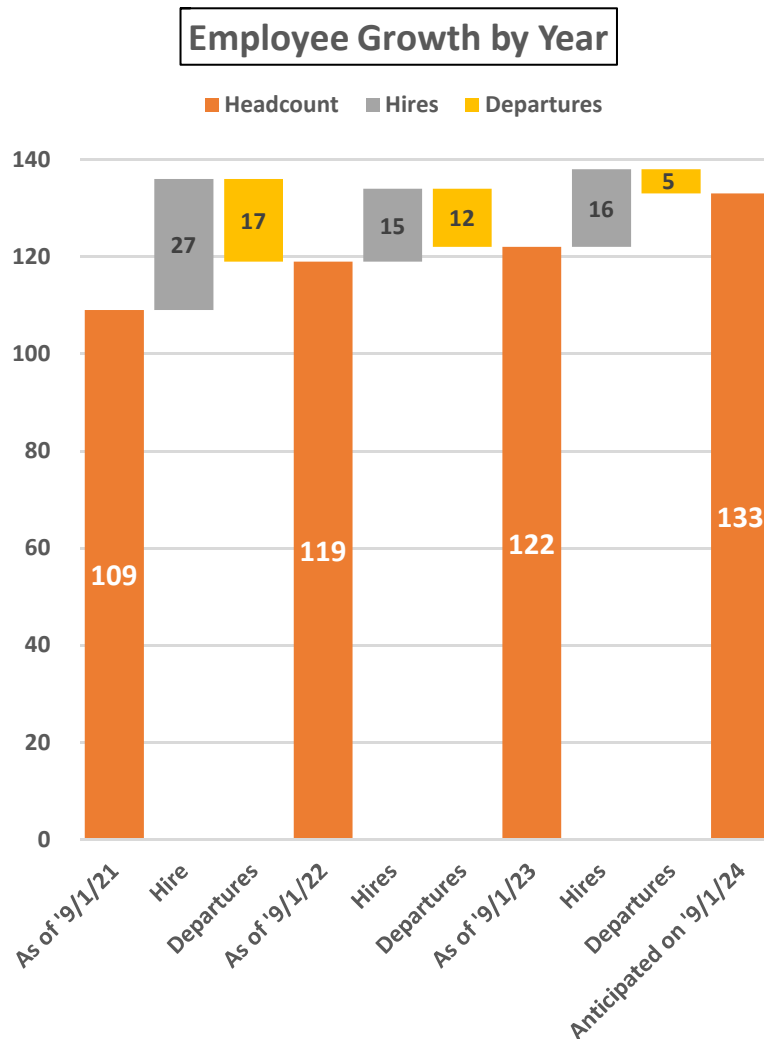
125 mission-motivated and culturally-aligned professionals





# UTIMCO Update

## People - FTE Growth

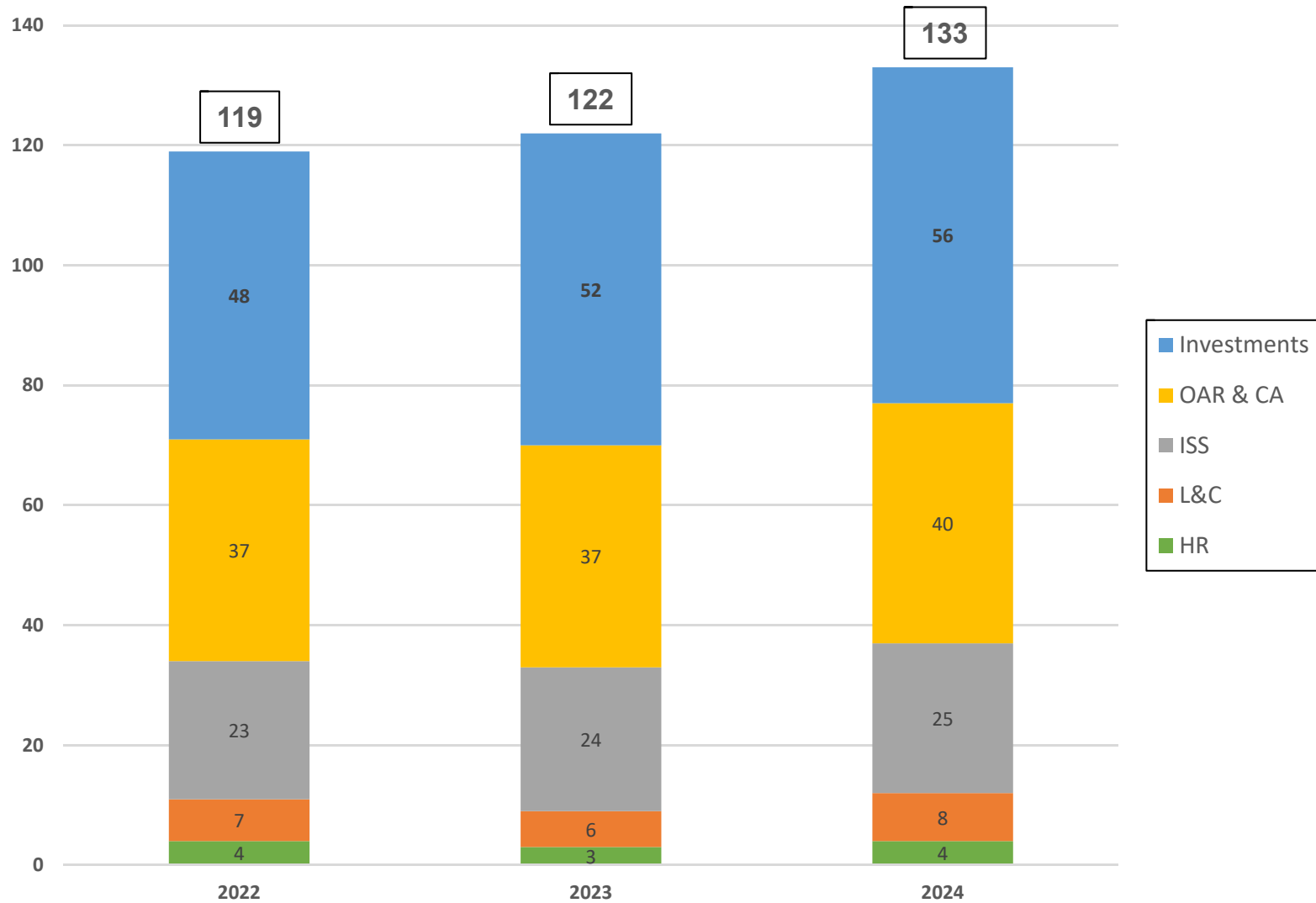


- Annual departure trend between 4 - 16%
- Departure reasons: Retirements, counseled out, career changes
- Successfully recruiting “A” players
  - CTO
  - CHRO
  - 2 Senior Private Equity positions
- 9 vacant positions to fill
  - 3 actively recruiting
    - 2 Investment / Risk Analysts
    - 1 Investment AD
  - 6 to be recruited
    - 1 Investment Analyst
    - 1 Investment AD
    - 2 non-investment Senior Analysts
    - 2 non-investment AD / Directors
- 2 new positions to hire in FY24
  - OAR Analyst
  - ISS Senior Director (data)



# UTIMCO Update

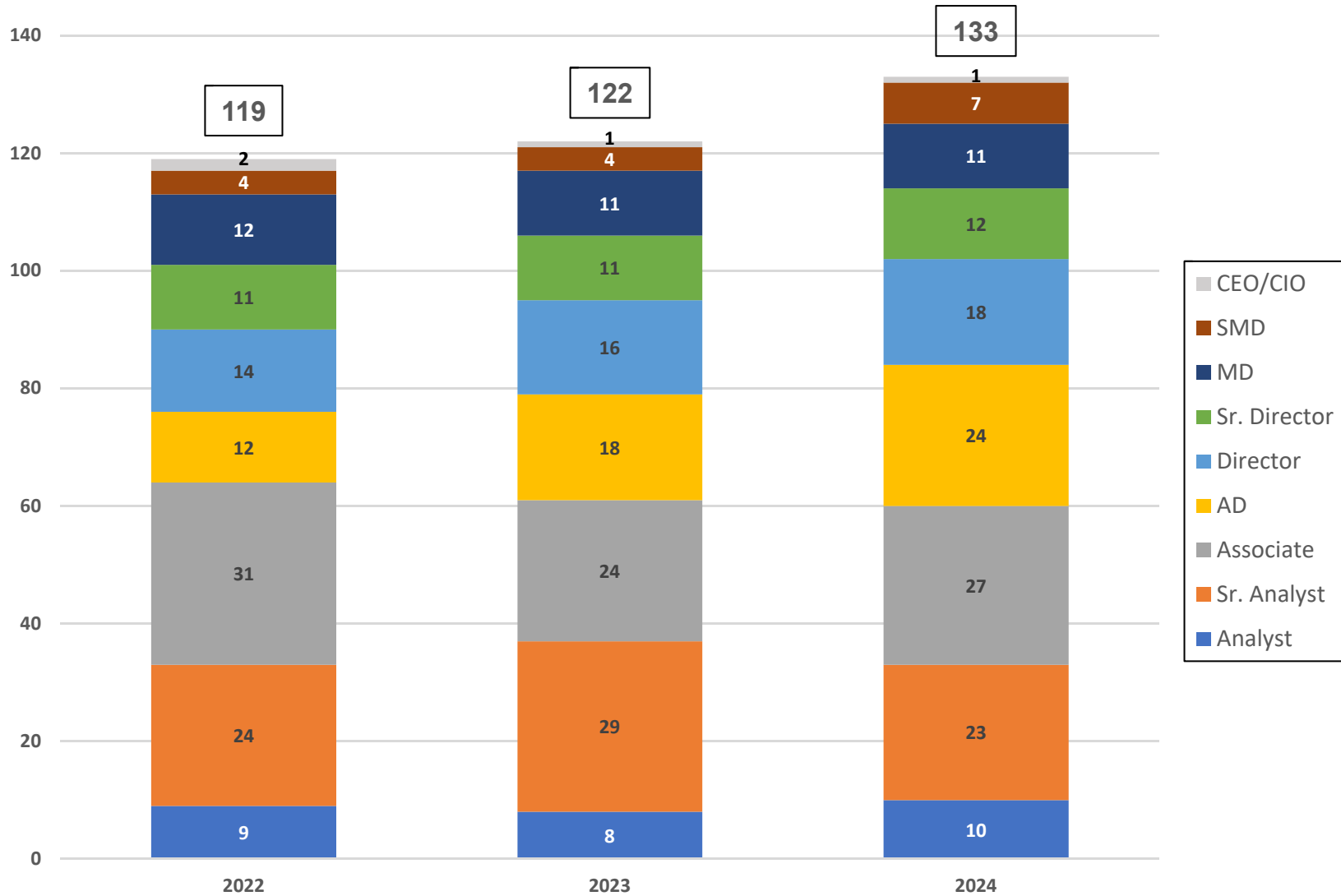
## People – FTEs by Team





# UTIMCO Update

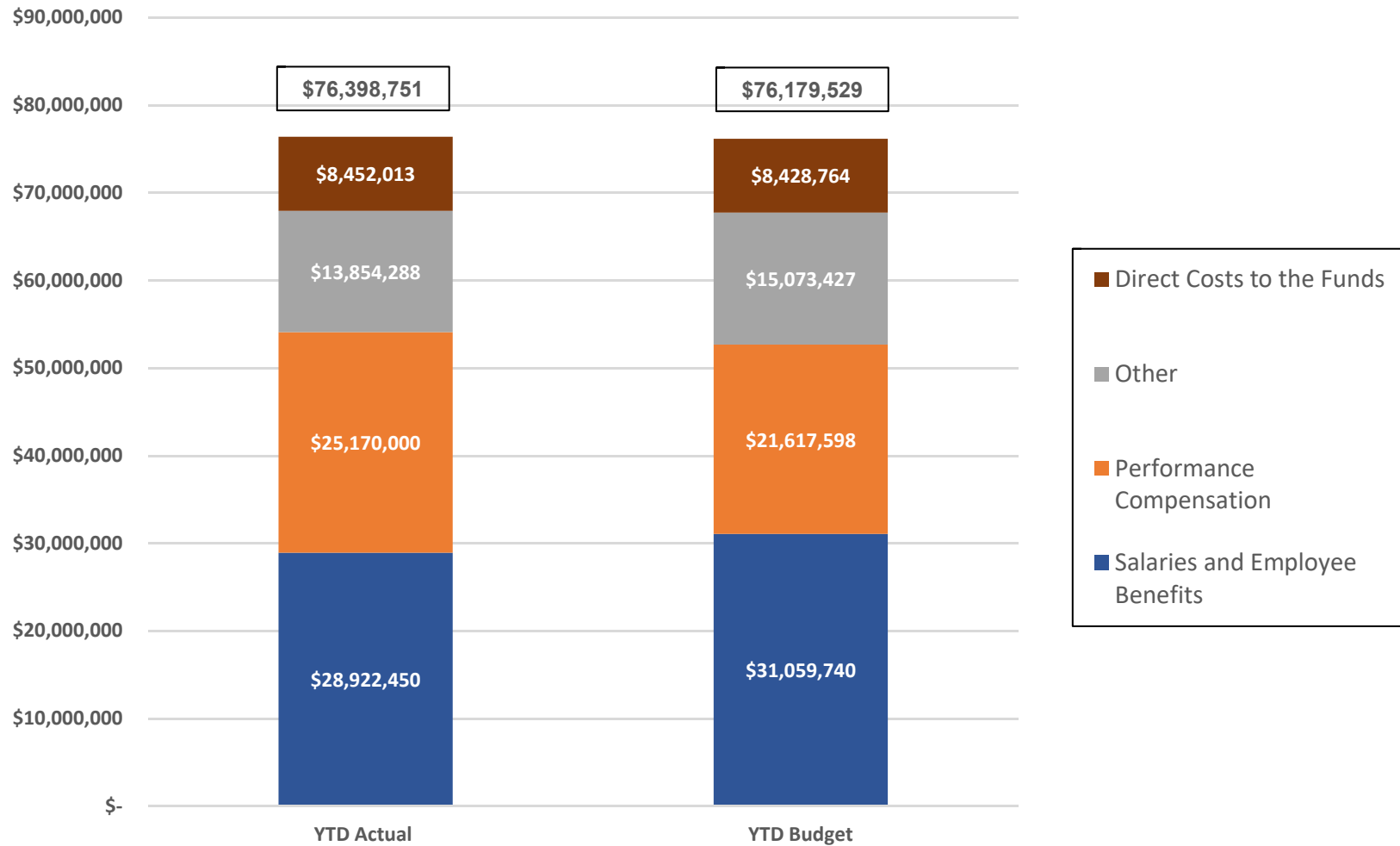
People – FTEs by Title





# UTIMCO Update

FY 2023 Budget vs. Actual (estimated) as of August 31, 2023

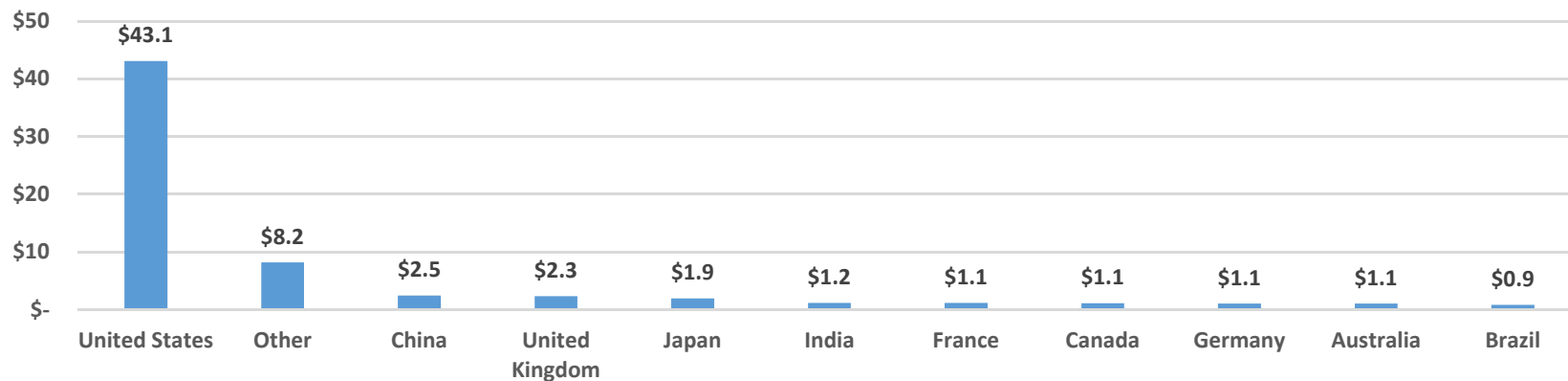




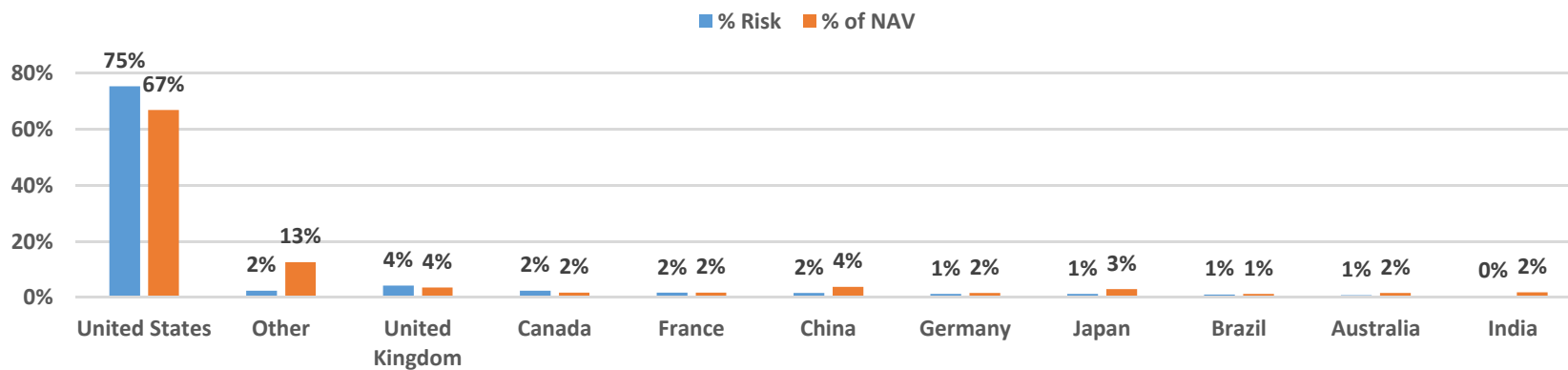
# UTIMCO Update

## Portfolio Snapshot – Top 10 Geographies

Market Value by Country (\$ billion)



% of Risk and % of Market Value by Country

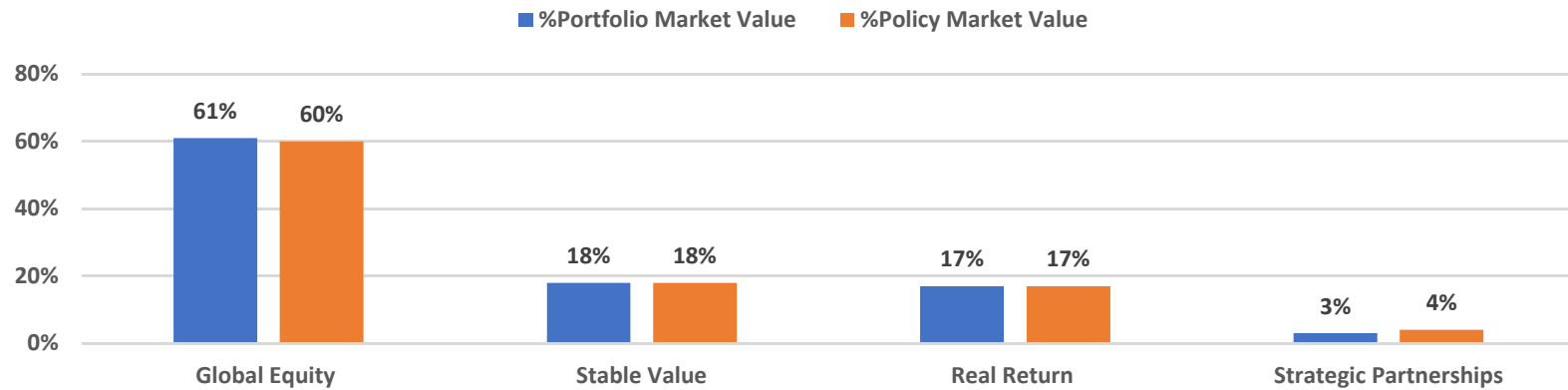




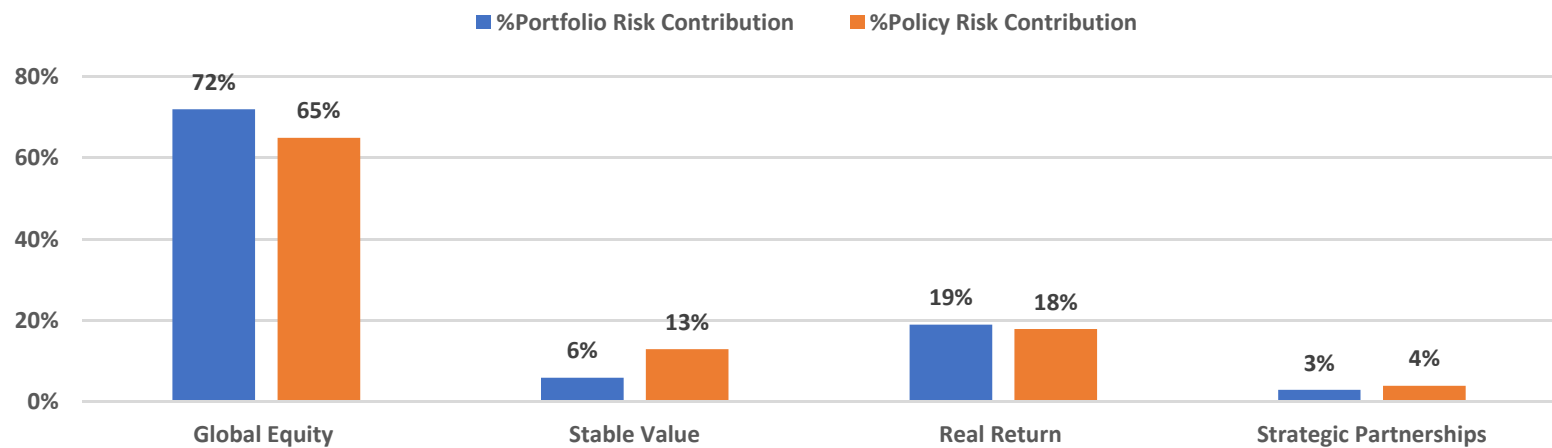
# UTIMCO Update

## Endowment Portfolio Composition by Regime

Portfolio Value by Regime



Portfolio Risk by Regime



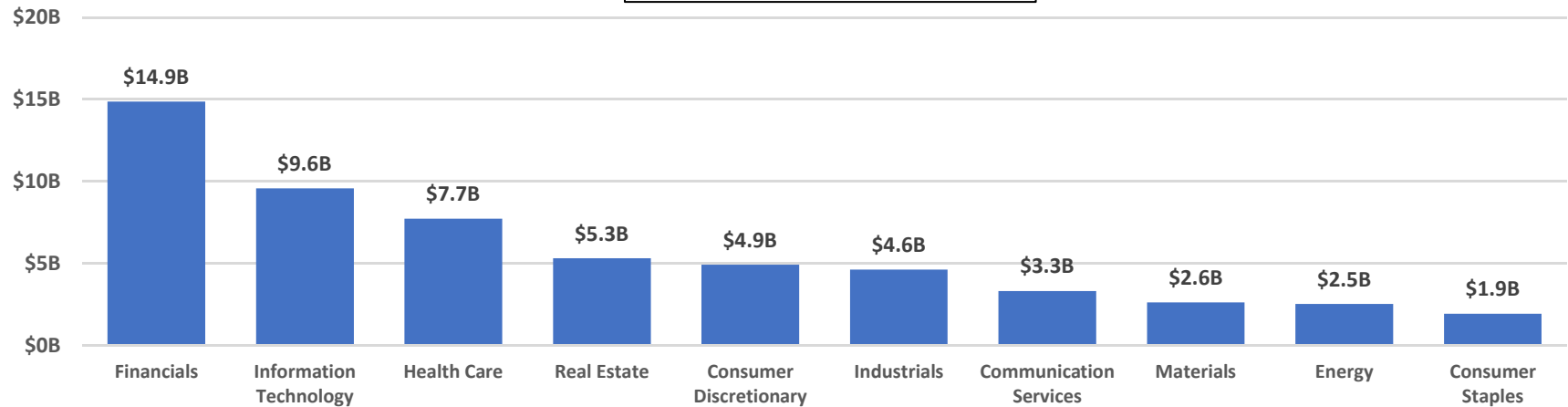




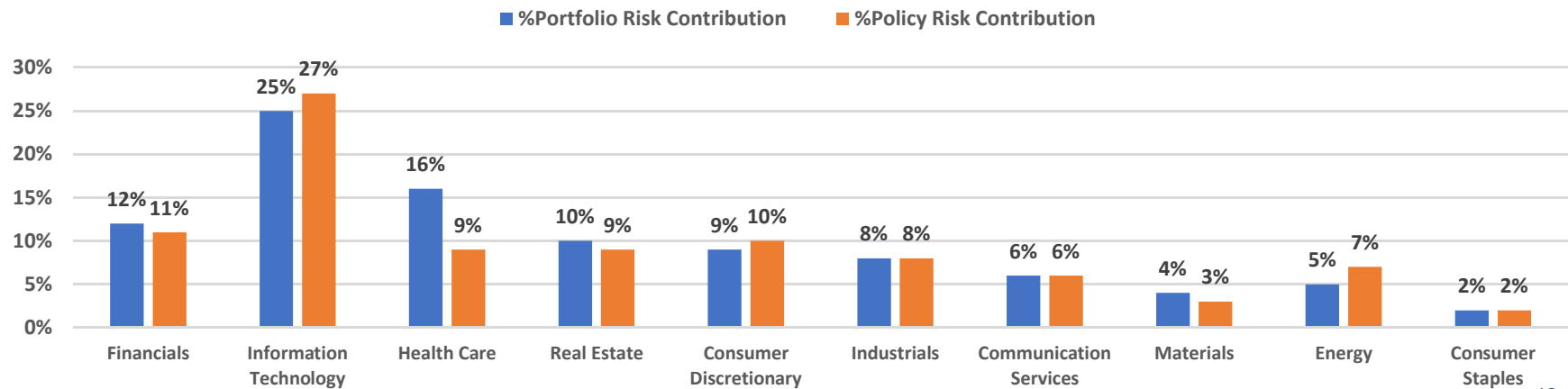
# UTIMCO Update

## Endowment Portfolio Composition by Industry

Portfolio Value by Industry



Portfolio Risk by Industry



---

# Market Overview

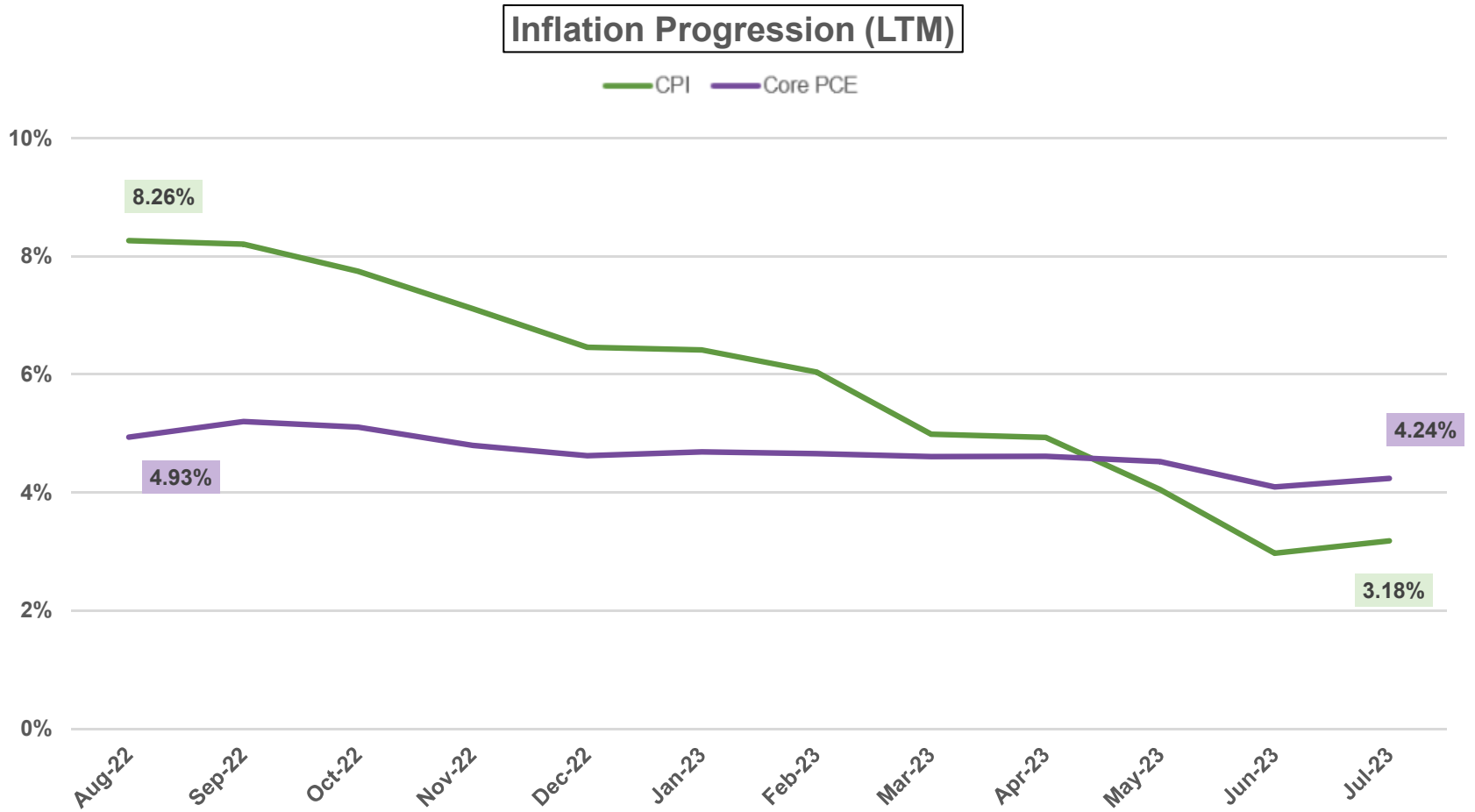
---





# Market Overview

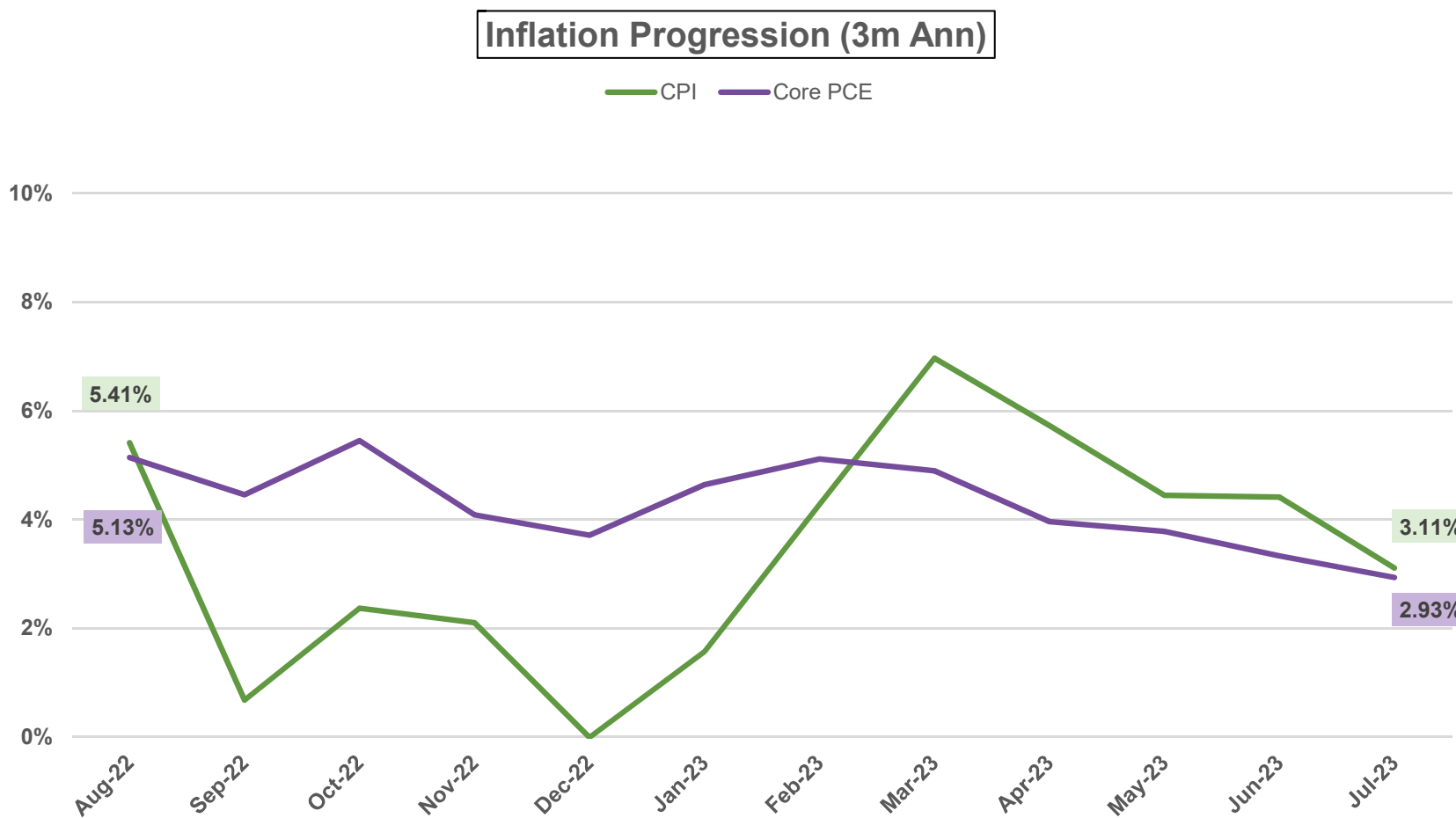
## Inflation Metrics





# Market Overview

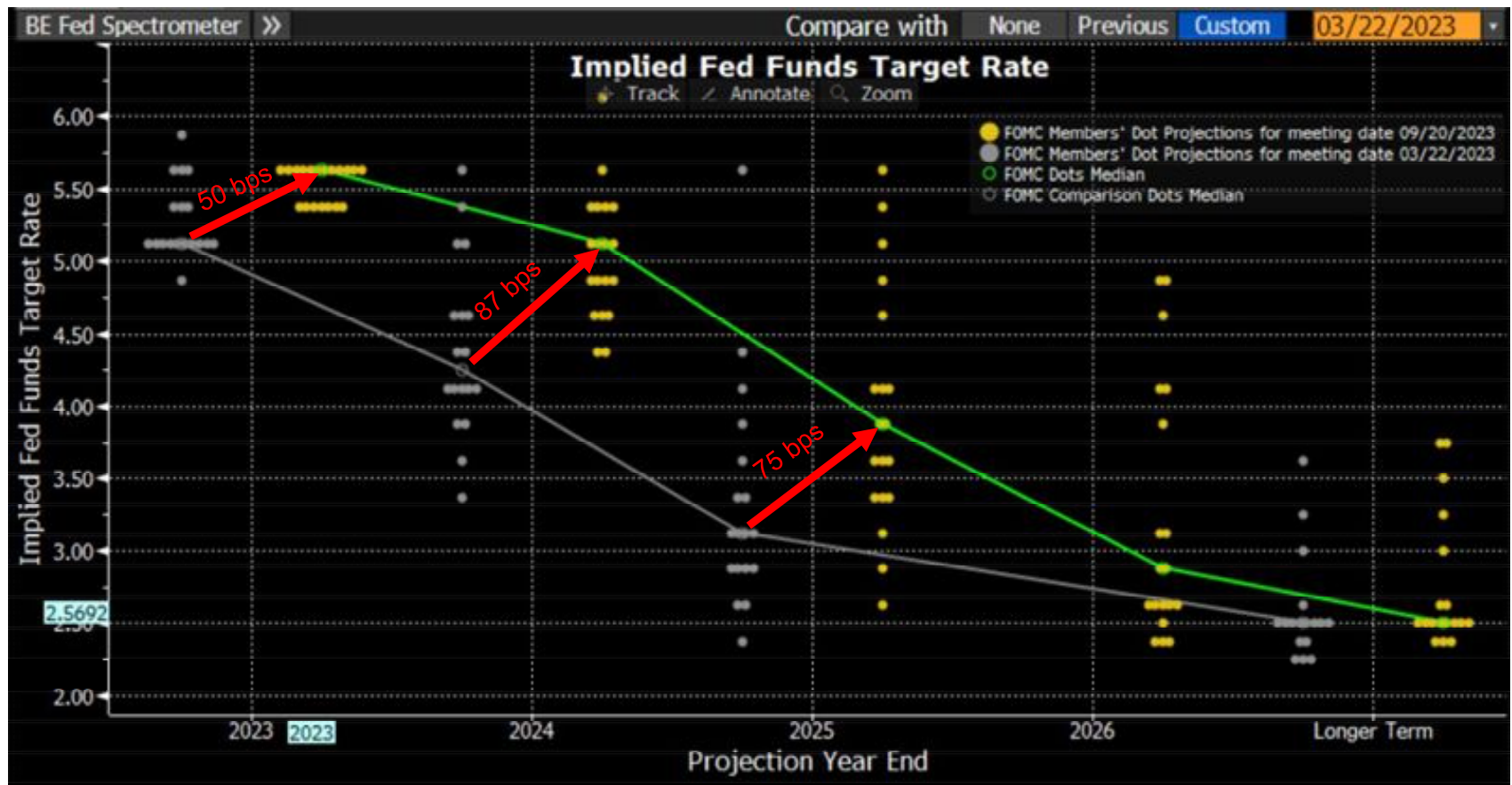
## Inflation Metrics (continued)





# Market Overview

Fed continues to message and implement “higher for longer”



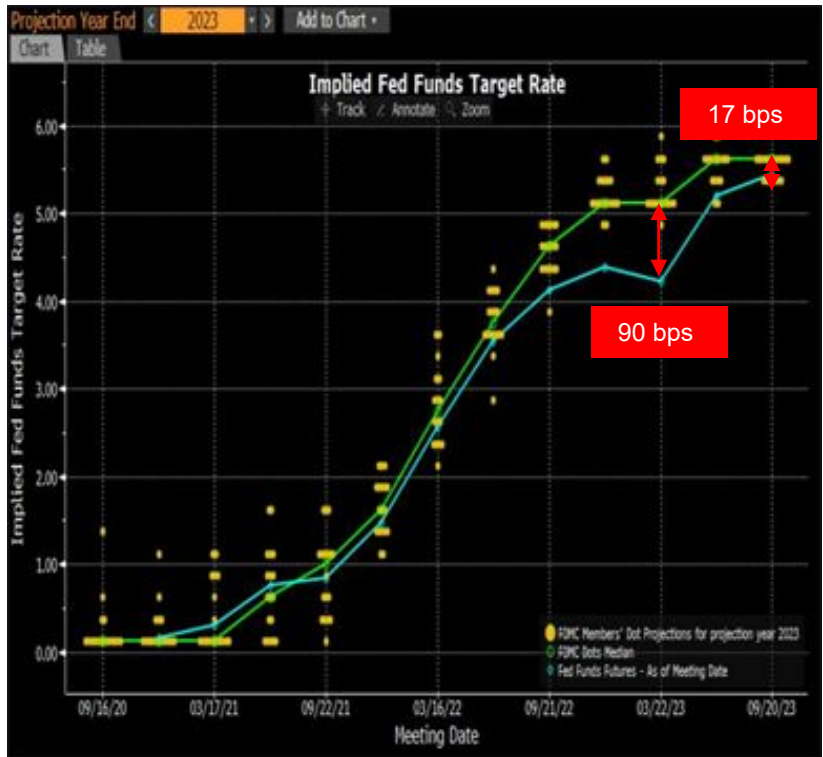
Source: Bloomberg



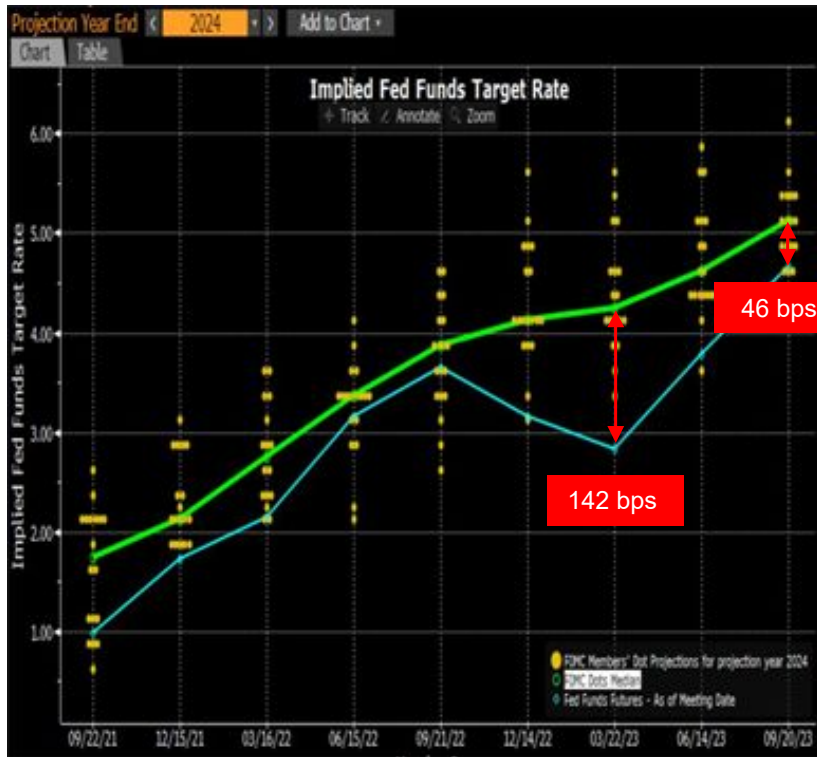
# Market Overview

Market resisted “higher for longer”, but starting to believe

## Implied Fed Funds Rate – December 2023



## Implied Fed Funds Rate – December 2024



Source: Bloomberg



# Market Overview

Longer end of the yield curve rising, 1M – 10Y curve flattened 30bps in 3 months



Source: Bloomberg



# Market Update

Recession sentiment is varied

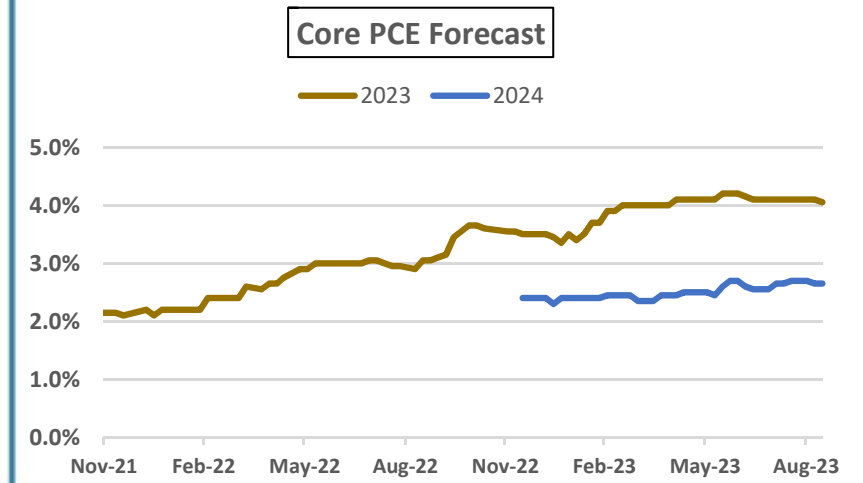
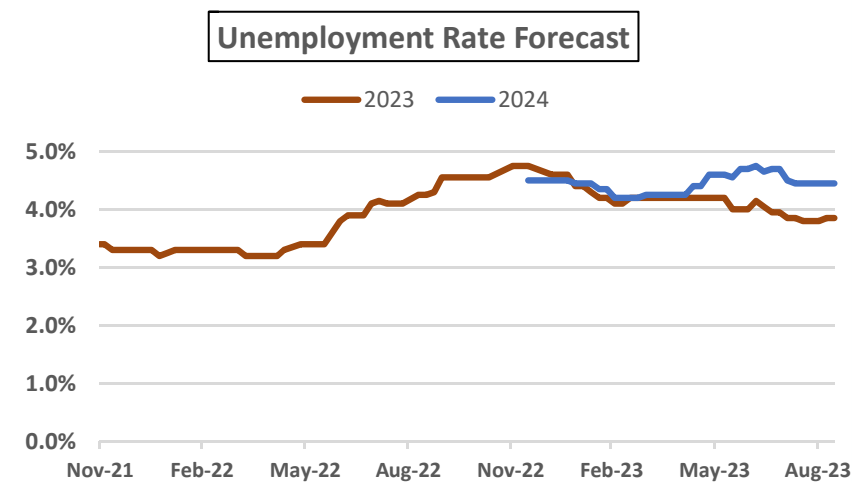
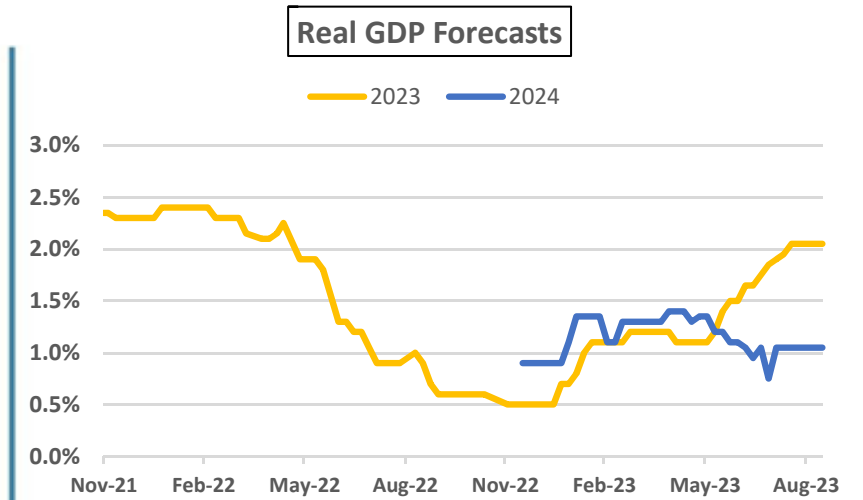
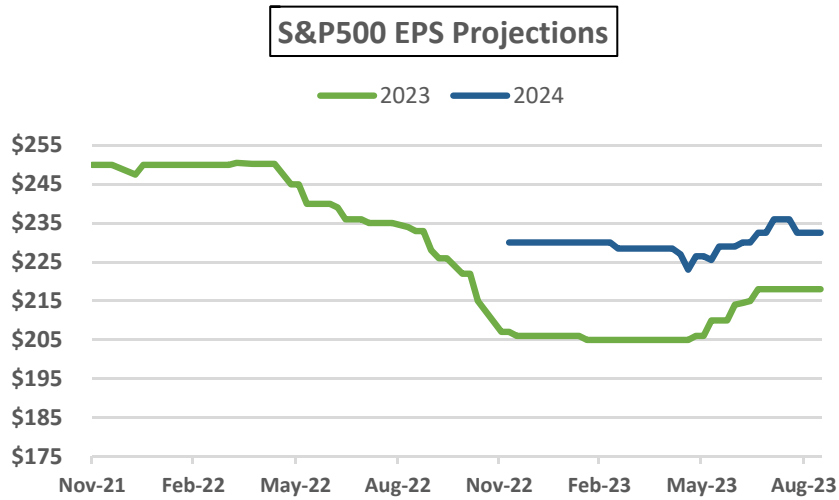
RECESSION	MAYBE RECESSION	NO RECESSION
Yield Curve remains deeply inverted	Unemployment remains near record lows, but is increasing	Labor market being brought back into balance via declining Quits rate and fewer job openings
Conference Board Leading Economic Indicator (LEI) at recessionary levels	Record high gap in GDP and GDI indicates economic growth may be mismeasured	Re-accelerating PMIs indicate potential rebound in activity
Credit Conditions Tightened, Senior Loan Officer Survey Negative	High dispersion in regional Fed Bank GDP Estimates for Q3 GDP (-0.25% to +4.9%)	Capital spending on factories and “nearshoring” phenomenon
Liquidity Tightening, Money Growth Contracting	Recent oil price rally putting pressure on real wages	“Big Fiscal” and deficit-spending fueled economic growth





# Market Dashboard

## Market Projections

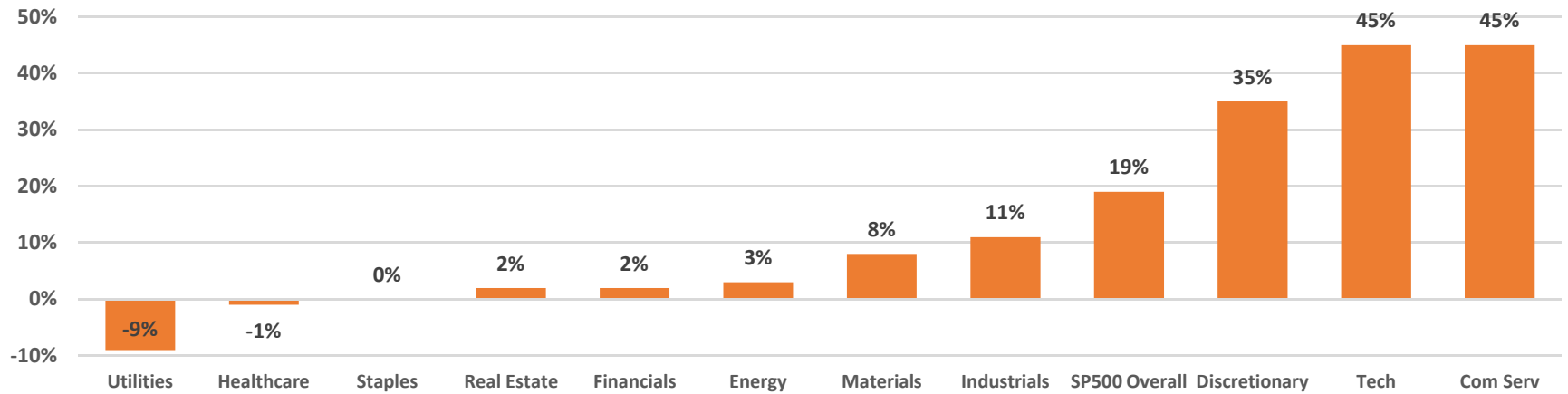




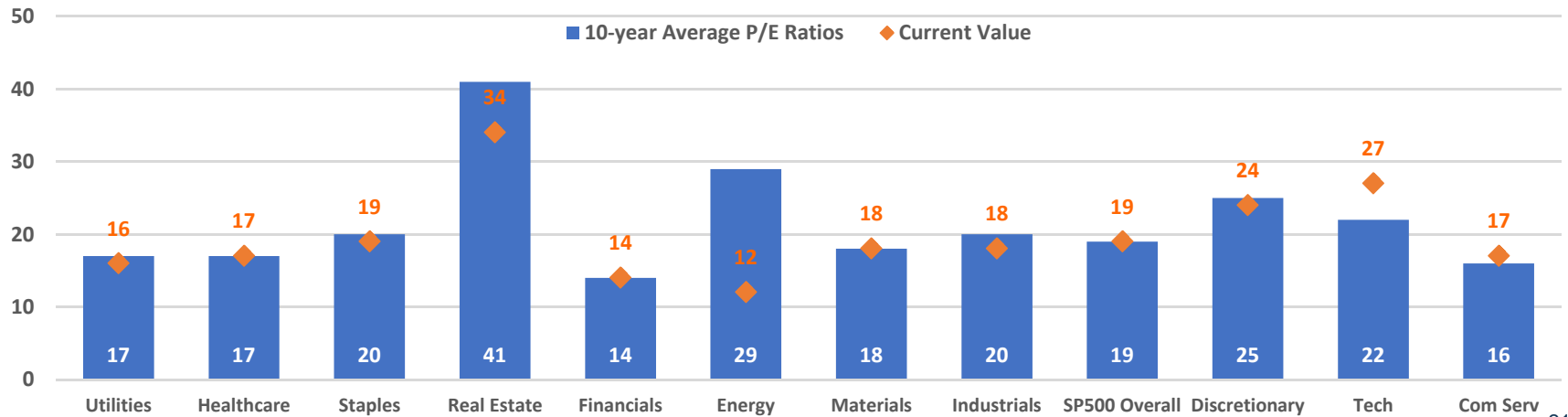
# Market Overview

## Sector Performance and Valuation

YTD through August 31



P/E Ratio (NTM)

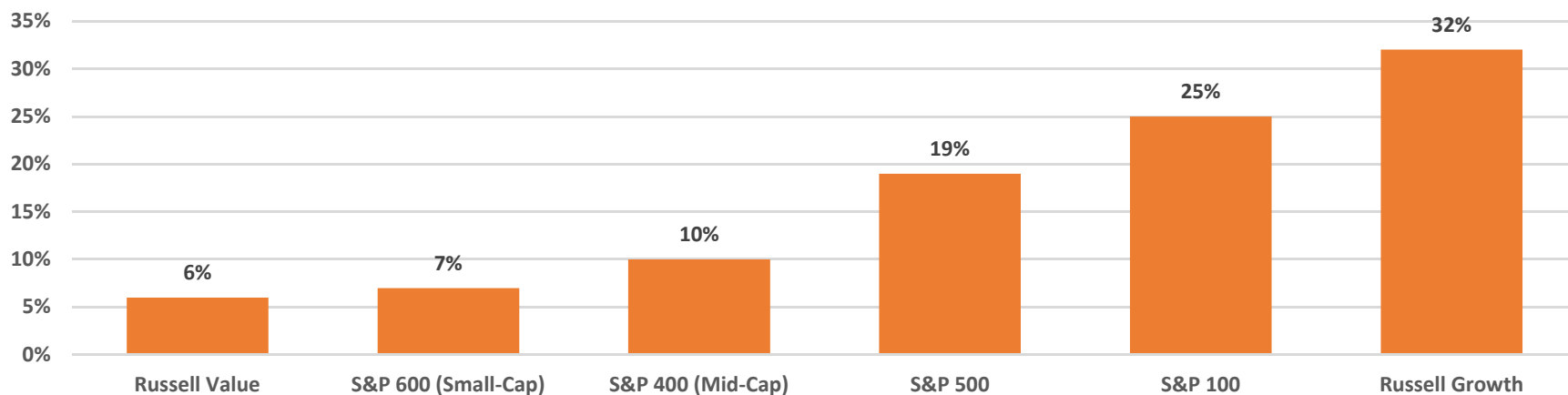




# Market Overview

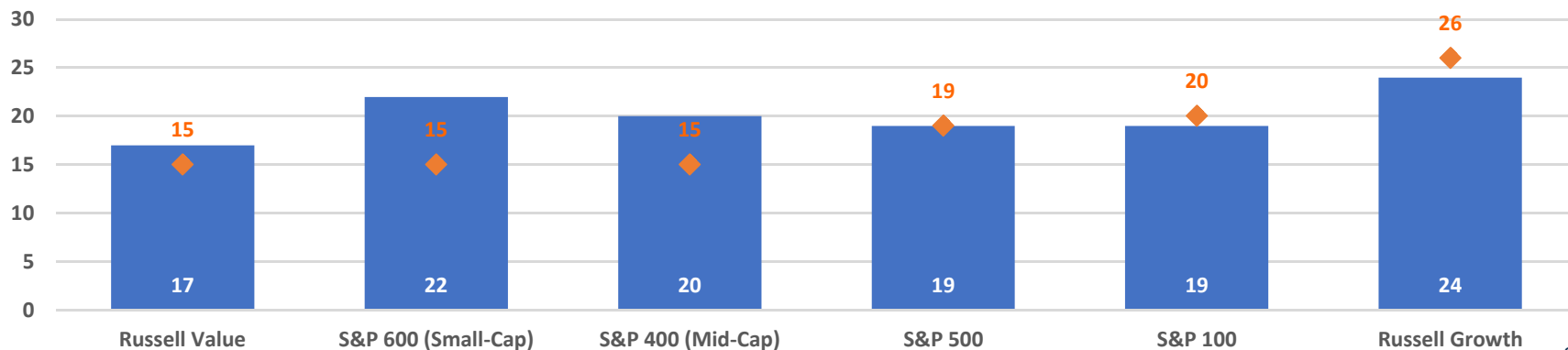
## Style and Market Cap Performance and Valuation

YTD through August 31



P/E Ratio (NTM)

■ 10-year Average P/E Ratios    ◆ Current Value

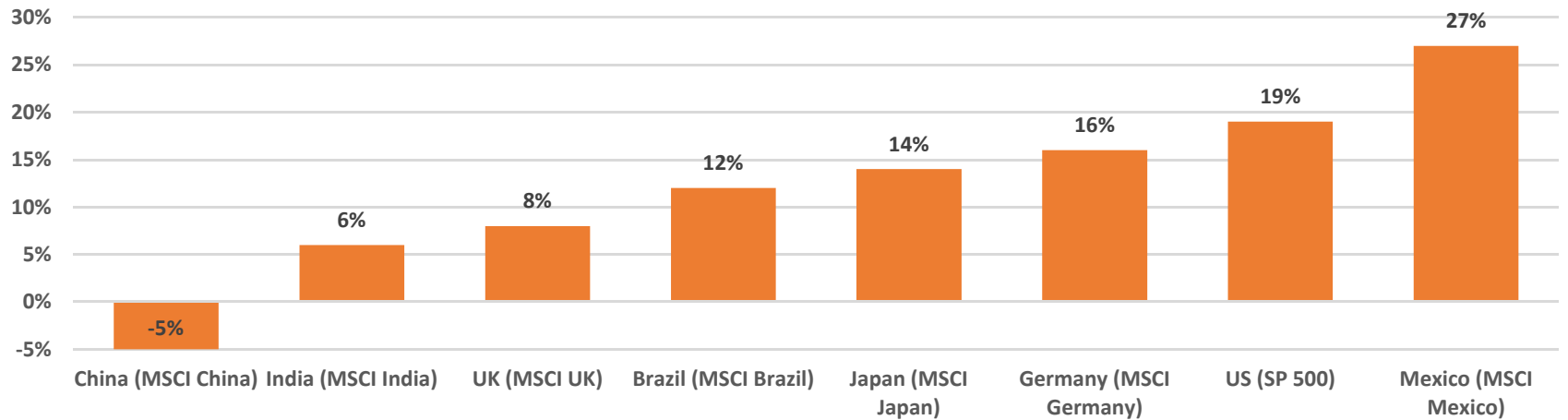




# Market Overview

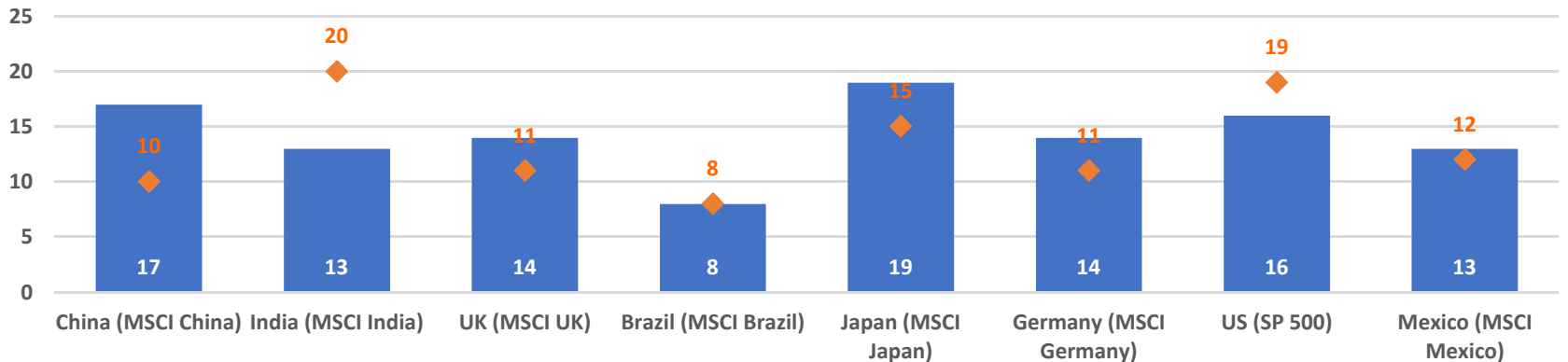
## Country Performance and Valuation

YTD through August 31



P/E Ratio (NTM)

■ 10-year Average P/E Ratios    ◆ Current Value



---

# Portfolio Performance

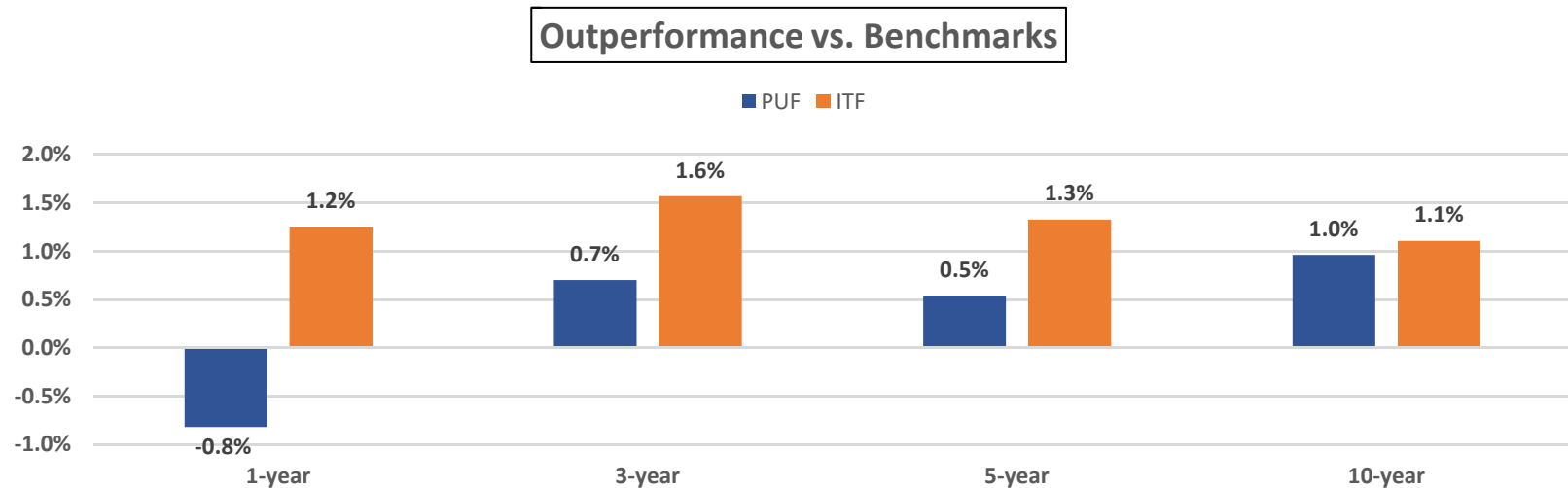
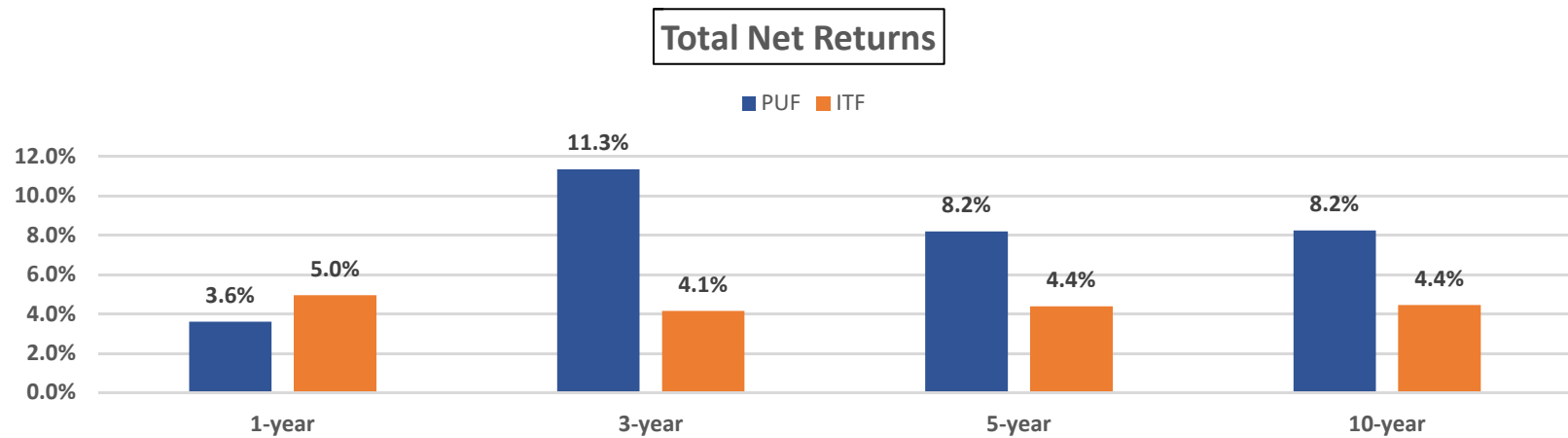
---





# Portfolio Performance

UTIMCO Returns and Alpha (Preliminary, as of June 30)





# Portfolio Performance

## Endowment Returns and Alpha (Preliminary)

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
<b>Global Equity</b>	Public Equity	14.8%	0.5%	7.8%	(2.0%)	16,677	30.1%	1.1%
	Directional Hedge Funds	6.7%	3.1%	7.9%	3.5%	3,034	5.5%	0.2%
	Total Private Equity	(4.3%)	(0.5%)	22.8%	3.0%	14,873	26.8%	(0.5%)
	<b>Total Global Equity</b>	<b>5.2%</b>	<b>0.1%</b>	<b>13.5%</b>	<b>0.7%</b>	<b>34,584</b>	<b>62.3%</b>	<b>0.9%</b>
<b>Stable Value</b>	Investment Grade Fixed Income	0.8%	0.3%	(1.9%)	1.0%	214	0.4%	(0.3%)
	Long Treasuries	(7.5%)	(0.6%)			1,904	3.4%	(0.3%)
	Cash	3.8%	0.2%	1.4%	0.1%	580	1.0%	0.0%
	Stable Value Hedge Funds	4.9%	1.4%	9.3%	3.8%	5,587	10.1%	0.2%
	<b>Total Stable Value</b>	<b>1.7%</b>	<b>0.1%</b>	<b>2.7%</b>	<b>1.4%</b>	<b>8,297</b>	<b>15.0%</b>	<b>(0.3%)</b>
<b>Real Return</b>	Inflation Linked Bonds	(1.7%)	(0.3%)	(0.1%)	0.0%	1,077	1.9%	(0.1%)
	Natural Resources	(5.9%)	(14.6%)	13.1%	(6.9%)	2,345	4.2%	(0.2%)
	Infrastructure	10.4%	4.8%	30.1%	15.8%	1,952	3.5%	0.0%
	Real Estate	(2.6%)	(1.0%)	11.2%	(0.9%)	4,605	8.3%	(0.1%)
	<b>Total Real Return</b>	<b>(1.3%)</b>	<b>(3.8%)</b>	<b>13.7%</b>	<b>0.1%</b>	<b>9,978</b>	<b>18.0%</b>	<b>(0.3%)</b>
<b>Strategic Partnerships</b>	<b>Total Strategic Partnerships</b>	<b>11.1%</b>	<b>0.2%</b>			<b>2,620</b>	<b>4.7%</b>	<b>(0.3%)</b>
<b>TAA</b>	<b>TAA</b>	<b>(0.1%)</b>	<b>(0.1%)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2</b>		
<b>Total Fund</b>	<b>Endowment Total</b>	<b>3.6%</b>	<b>(0.8%)</b>	<b>11.3%</b>	<b>0.7%</b>	<b>55,481</b>	<b>100.0%</b>	<b>0.0%</b>



# Portfolio Performance

## ITF Returns and Alpha

		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested	% of Fund	Over / (Under)
<b>Global Equity</b>	Public Equity	15.1%	0.4%	7.4%	(2.3%)	1,318	15.1%	0.2%
	Directional Hedge Funds	6.6%	3.0%	7.8%	3.4%	3,123	35.7%	0.2%
	<b>Total Global Equity</b>	<b>9.2%</b>	<b>2.2%</b>	<b>8.0%</b>	<b>2.1%</b>	<b>4,441</b>	<b>50.7%</b>	<b>0.4%</b>
<b>Stable Value</b>	Investment Grade Fixed Income	1.0%	0.5%	(1.9%)	1.0%	578	6.6%	(1.1%)
	Long Treasuries	(7.5%)	(0.6%)			546	6.2%	(0.3%)
	Cash	3.8%	0.2%	1.4%	0.1%	184	2.1%	0.1%
	Stable Value Hedge Funds	4.5%	1.1%	9.1%	3.6%	2,135	24.4%	0.9%
	<b>Total Stable Value</b>	<b>1.5%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>1.4%</b>	<b>3,444</b>	<b>39.3%</b>	<b>(0.4%)</b>
<b>Real Return</b>	Inflation Linked Bonds	(1.7%)	(0.3%)			437	5.0%	(0.0%)
	Commodities	(9.7%)	(0.1%)			216	2.5%	(0.0%)
	Real Estate	(1.4%)	(1.3%)			220	2.5%	0.0%
	<b>Total Real Return</b>	<b>(3.4%)</b>	<b>(0.5%)</b>			<b>873</b>	<b>10.0%</b>	<b>(0.0%)</b>
<b>Total Fund</b>	<b>ITF Total</b>	<b>5.0%</b>	<b>1.2%</b>	<b>4.1%</b>	<b>1.6%</b>	<b>8,758</b>	<b>100.0%</b>	<b>0.0%</b>

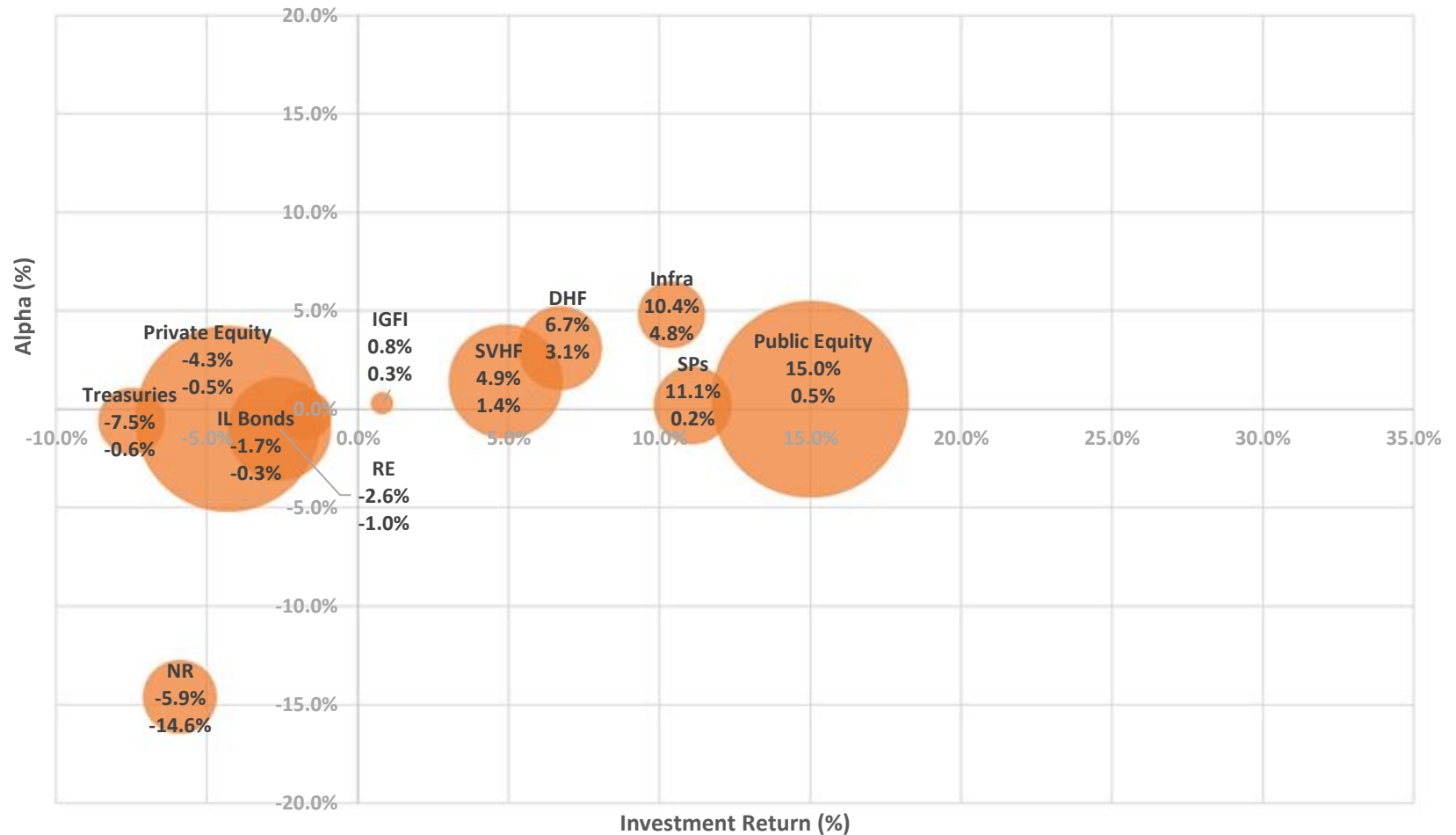




# Portfolio Performance

Endowment Returns and Alpha Attribution (preliminary)

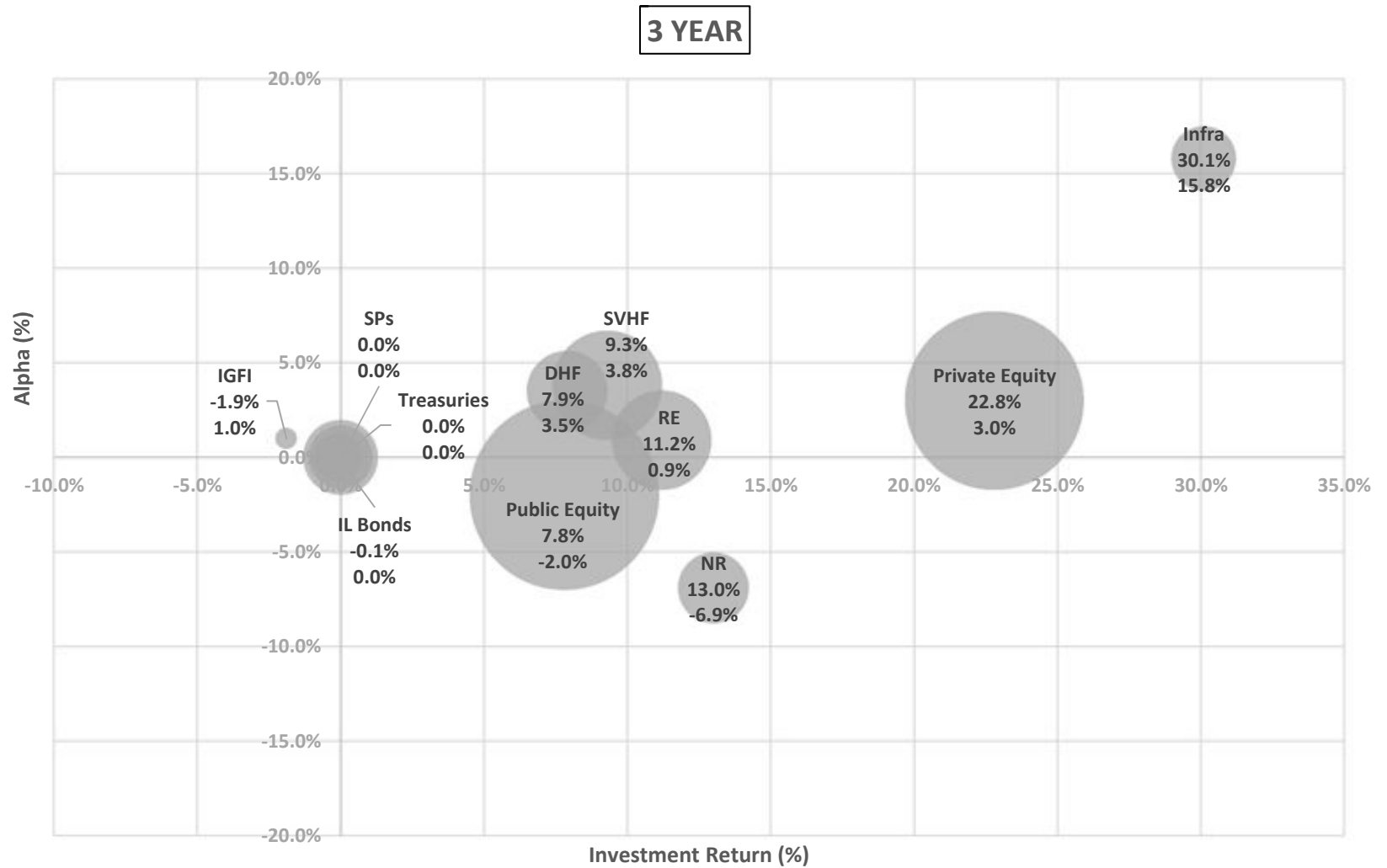
1 YEAR





# Portfolio Performance

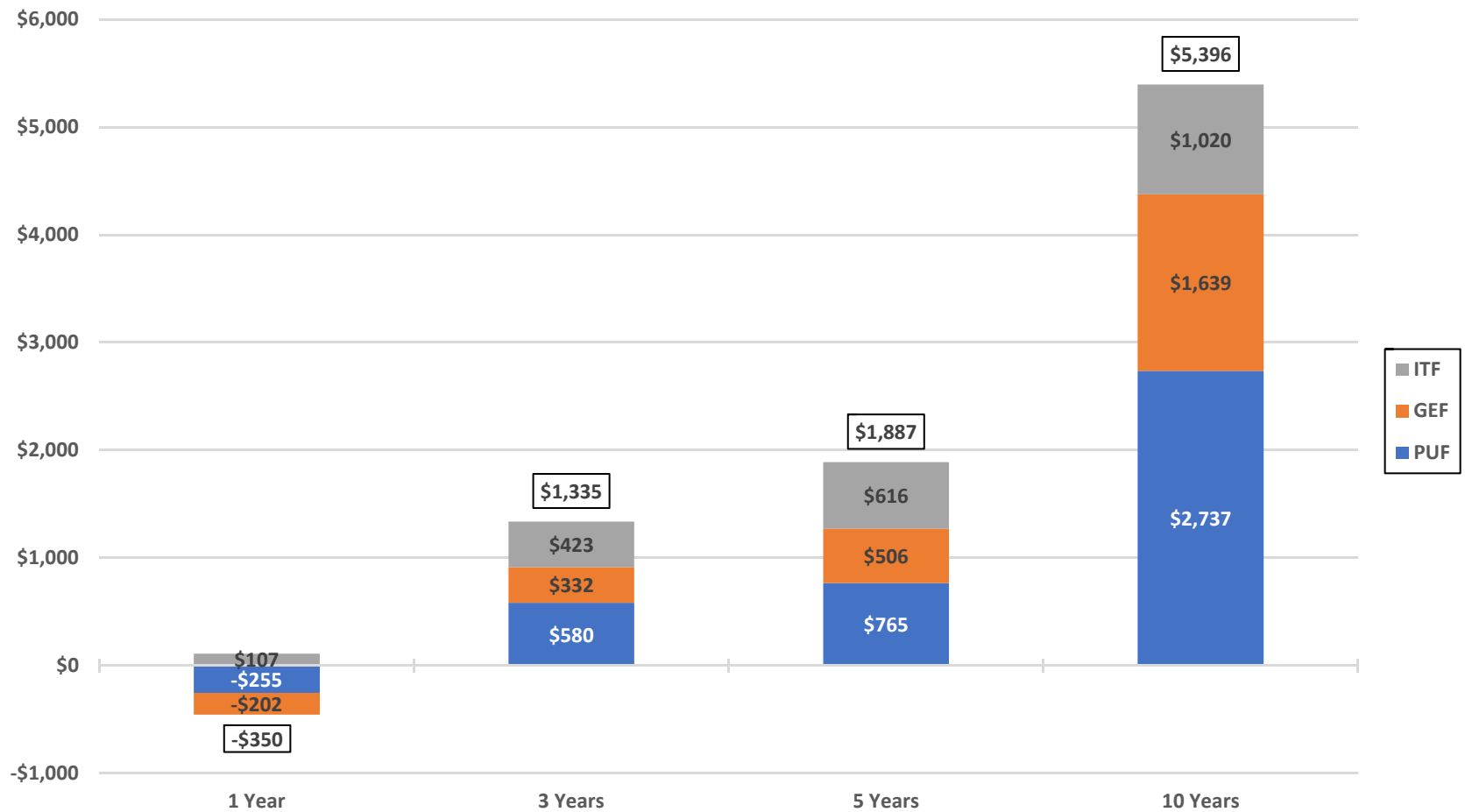
## Endowment Returns and Alpha Attribution (preliminary)





# Portfolio Performance

Estimated Dollar Value Added (millions) through 6/30/2023

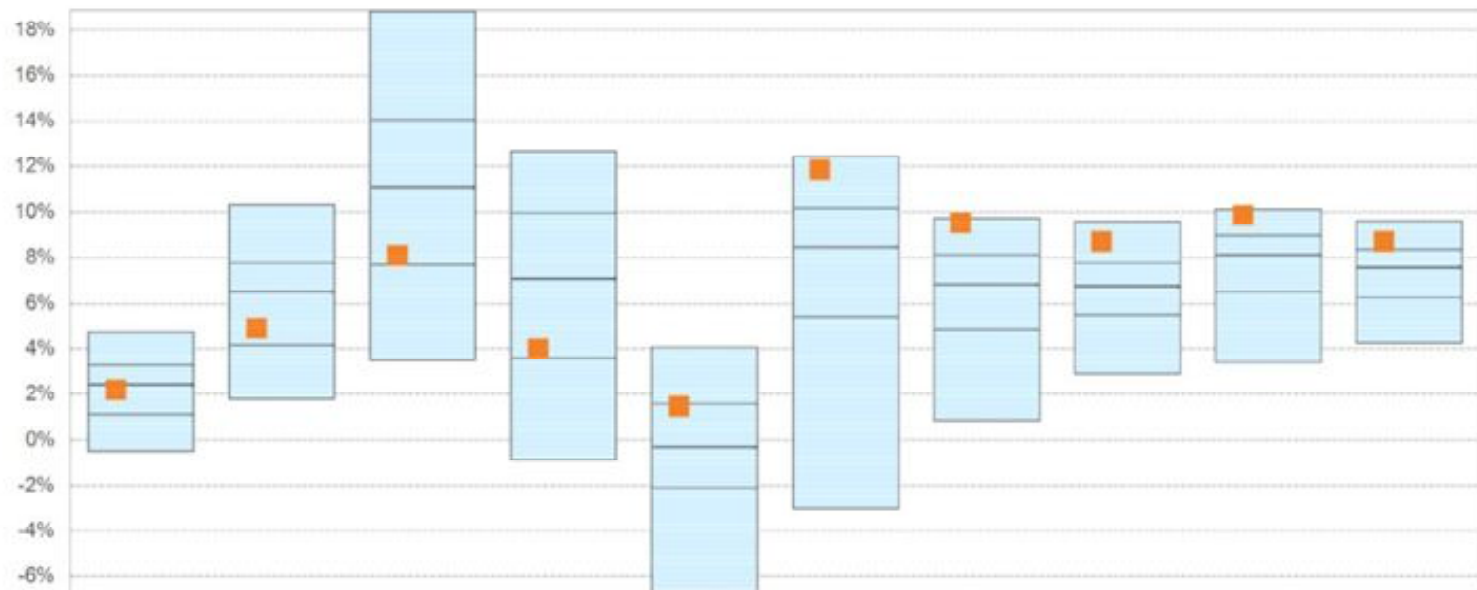




# Portfolio Performance

## Trust Universe Comparison Service Performance Comparison

Total Returns of Master Trusts - Foundation & Endowment  
Cumulative Periods Ending : June 30, 2023



Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	4.71	10.33	18.82	12.66	4.06	12.45	9.71	9.56	10.11	9.58
25th	3.28	7.76	14.07	9.98	1.58	10.16	8.12	7.78	8.96	8.35
50th	2.41	6.50	11.11	7.09	-0.30	8.46	6.85	6.76	8.12	7.59
75th	1.13	4.18	7.70	3.59	-2.08	5.40	4.83	5.48	6.52	6.26
95th	-0.48	1.77	3.51	-0.87	-6.71	-2.99	0.85	2.92	3.41	4.26

No. Of Obs	114	108	104	104	98	96	88	78	76	76
------------	-----	-----	-----	-----	----	----	----	----	----	----

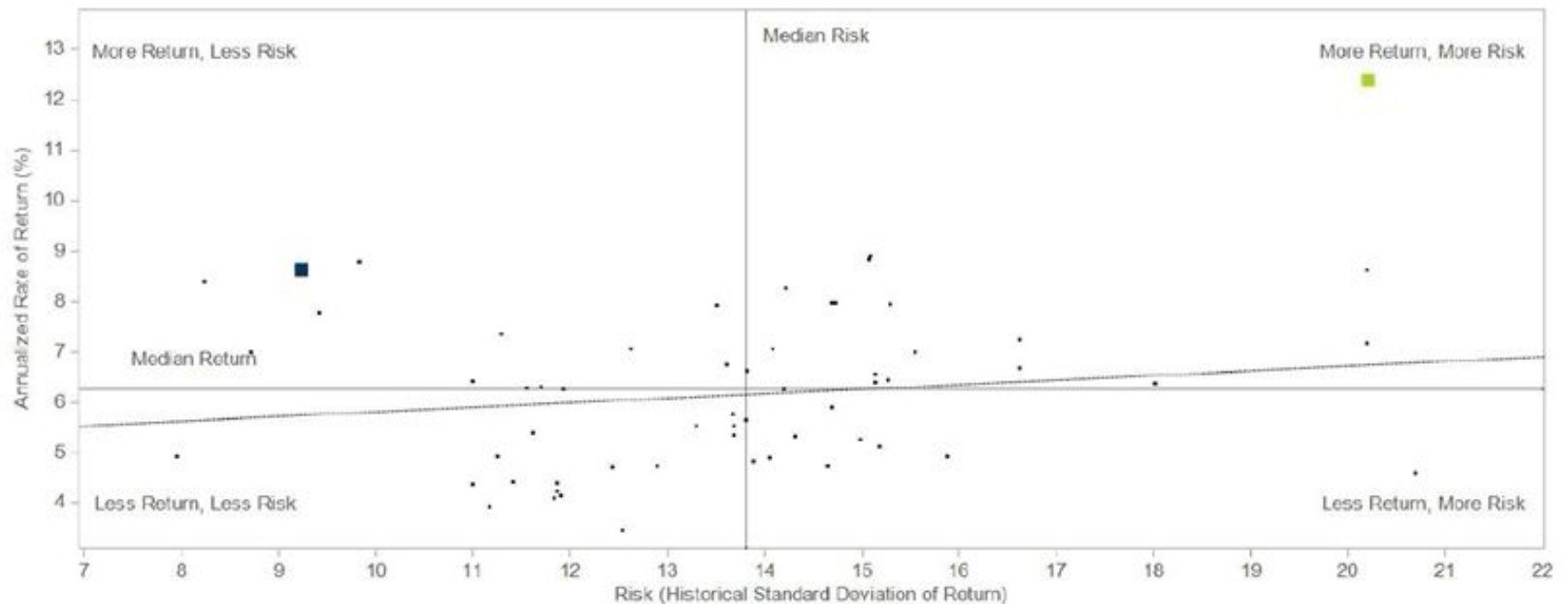
■ PUF TOTAL FUND	2.02 (59)	4.74 (67)	7.95 (72)	3.85 (74)	1.32 (30)	11.71 (10)	9.36 (6)	8.53 (11)	9.69 (10)	8.55 (18)
------------------	-----------	-----------	-----------	-----------	-----------	------------	----------	-----------	-----------	-----------



# Portfolio Performance

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

5 Years Ending June 30, 2023



Alpha: 4.92  
Beta: 0.00  
R-Squared: 0.03

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.28	95	8.51	6
PUF TOTAL FUND	9.29	95	8.53	6
S&P 500	20.25	2	12.30	1
Median	13.80		6.27	

---

# Appendix

---





# Market Dashboard: CY 2022 and YTD 2023

## Rates

	12/31/2021	12/30/2022	Change 2022	8/31/2023	Change YTD
Fed Funds	0.25	4.50	4.25	5.50	1.00
2-yr Treasury	0.73	4.43	3.69	4.86	0.44
5-yr Treasury	1.26	4.00	2.74	4.25	0.25
10-yr Treasury	1.51	3.87	2.36	4.11	0.23
30-yr Treasury	1.90	3.96	2.06	4.21	0.25
Investment Grade Bonds	2.34	5.60	3.26	5.75	0.15
High Yield	4.61	9.09	4.48	8.37	-0.72

## Equities

	12/31/2021	12/30/2022	Change	8/31/2023	Change
S&P 500	4,766	3,840	-18%	4,508	17%
Forward P/E	21.4x	16.9x	-4.6x	19.1x	2.3x
Trailing P/E	25.8x	18.2x	-7.6x	22.1x	3.9x
Shiller P/E	34.9x	27.0x	-7.9x	29.3x	2.3x
Forward Earnings Yield	4.7%	5.9%	1.3%	5.2%	-0.7%
Nasdaq	15,645	10,466	-33%	14,035	35%
MSCI Europe	162	143	-14%	154	12%
MSCI Japan	1,232	1,150	-16%	1,425	13%
MSCI China	84	64	-22%	61	-5%
Developed: MSCI World	9,756	7,986	-18%	9,273	16%
Emerging: MSCI EM	608	486	-20%	508	5%
Global: MSCI ACWI	389	318	-18%	365	15%

## Inflation

	12/31/2021	12/30/2022	Change	8/31/2023	Change
5-yr TIPS	-1.66	1.64	3.30	2.13	0.49
5-yr TIPS Breakeven	2.9	2.4	-0.6	2.1	-0.2
10-yr TIPS	-1.10	1.57	2.67	1.87	0.30
10-yr TIPS Breakeven	2.6	2.3	-0.3	2.2	-0.1

## Commodities

	12/31/2021	12/30/2022	Change	8/31/2023	Change
Gold	1,829	1,824	0%	1,940	6%
Oil	75	80	7%	84	4%
Copper	446	381	-15%	377	-1%
Bloomberg Commodities Index	212	246	16%	239	-3%



# Economic Indicators

Estimates as of  
9/15/23

	Quarterly Real GDP		Real GDP		S&P 500 Target		S&P 500 EPS		Unemployment		Core PCE	
	Q3	Q4	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
AGMR	1.5%	0.6%	1.6%	0.7%					4.0%	5.2%	3.6%	3.5%
Barclays	3.0%	0.5%	2.1%	0.5%	4,150	4,500	\$218	\$223	3.7%	4.5%	4.1%	2.8%
BofA	2.0%	1.5%	2.1%	1.1%	4,300		\$218	\$235	3.8%	4.2%	4.2%	3.0%
Citi	2.5%	1.1%	2.1%	0.3%	4,600	5,000	\$220	\$245	3.8%	5.3%	4.1%	2.8%
Credit Suisse					4,700		\$220	\$237				
Goldman	3.1%	1.3%	2.2%	2.0%	4,500	4,700	\$224	\$237	3.6%	3.6%	3.4%	2.4%
ISI	3.0%	-1.0%	-0.8%	0.5%	4,450		\$214	\$221	4.0%	4.8%	2.0%	2.0%
JP Morgan	3.5%	1.5%	2.3%	1.2%	4,200		\$215	\$230	3.9%	4.4%	4.0%	2.5%
Morgan Stanley	1.2%	0.2%	1.9%	1.1%	3,900	4,200	\$185	\$228	4.0%	4.4%	4.1%	2.3%
UBS	3.2%	-1.4%	1.5%	1.0%	3,900		\$198	\$215	4.0%	5.4%	3.3%	1.6%
Yardeni	2.0%	2.0%	2.0%	2.5%		5,400	\$225	\$250	3.5%	3.5%	4.3%	3.0%
Median	2.8%	0.9%	2.1%	1.1%	4,300	4,700	\$218	\$233	3.9%	4.5%	4.1%	2.7%
Average	2.5%	0.6%	1.7%	1.1%	4,300	4,760	\$214	\$232	3.8%	4.5%	3.7%	2.6%
FOMC			1.0%	1.1%					4.1%	4.5%	3.9%	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%





# Inflation Details

Date	CPI	Core CPI	Median CPI	PCE*	Core PCE*	GDP*
Jan-22	282.6	286.8	308.3	119.5	120.8	20,006.2
Feb-22	284.6	288.1	309.9	120.2	121.2	20,006.2
Mar-22	287.5	289.0	311.5	121.3	121.7	19,924.1
Apr-22	288.6	290.4	313.0	121.6	122.0	19,924.1
May-22	291.3	292.3	314.9	122.3	122.5	19,924.1
Jun-22	294.7	294.0	316.9	123.5	123.3	19,895.3
Jul-22	294.6	294.9	318.6	123.4	123.4	19,895.3
Aug-22	295.3	296.6	320.7	123.7	124.0	19,895.3
Sep-22	296.5	298.3	322.9	124.2	124.6	20,054.7
Oct-22	298.0	299.3	324.6	124.7	125.0	20,054.7
Nov-22	298.6	300.3	326.1	124.9	125.3	20,054.7
Dec-22	299.0	301.5	328.0	125.1	125.7	20,182.5
Jan-23	300.5	302.7	330.1	125.9	126.4	20,182.5
Feb-23	301.6	304.1	332.2	126.2	126.8	20,182.5
Mar-23	301.8	305.2	333.5	126.4	127.3	20,282.8
Apr-23	302.9	306.5	334.9	126.8	127.7	20,282.8
May-23	303.3	307.8	336.2	126.9	128.0	20,282.8
Jun-23	303.8	308.3	337.3	127.2	128.3	20,386.5
Jul-23	304.3	308.8	338.0	127.4	128.6	20,386.5
Aug-23	306.3	309.7	339.1			

Actual Percent Change (Not Annualized)						
Last 18 months	7.6%	7.5%	9.4%	6.7%	6.5%	1.9%
Last 12 months	3.7%	4.4%	5.7%	3.3%	4.2%	2.5%
Last 6 months	1.5%	1.8%	2.1%	1.2%	1.7%	1.0%
Last 3 months	1.0%	0.6%	0.9%	0.5%	0.7%	0.5%
Last 1 month	0.6%	0.3%	0.3%	0.2%	0.2%	

Annualized Change						
Last 6 months	3.1%	3.7%	4.2%	2.5%	3.4%	2.0%
Last 3 months	4.0%	2.4%	3.6%	2.1%	2.9%	2.1%
Last month	7.8%	3.4%	4.0%	2.6%	2.6%	

\*As of July 31, 2023

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** Fixed Income Presentation

**Developed By:** Kampfe, Doak

**Presented By:** Kampfe

**Type of Item:** Information Item

**Description:** Russ Kampfe will present on the Fixed Income portfolio.

**Recommendation:** None

**Reference:** *Fixed Income Review* presentation



# Board of Directors Meeting

## Fixed Income Review

---

Russ Kampfe, Managing Director

September 28, 2023



# Executive Summary

## Objectives

- Provide liquidity and meaningful diversification to Global Equity portfolio during deflationary and inflationary economic regimes from holdings of Long Treasuries, Investment Grade Fixed Income, and TIPS
- Generate 50 bps of alpha in active strategies (Long Treasuries and IGFI)

## Strategies

- Long Treasuries – Actively managed with portable alpha strategies versus Long Treasury index
- IGFI – Actively managed versus Global Aggregate Index
  - Removed Allspring following 2022 CUSUM and lack of alpha generation over long term
- TIPS – Passively managed

## Liquidity

- Multi-Billion Dollar liquidity at any time
- By end of FY '24, reduce TIPS from \$1.5B to \$0.4B and bring Long Treasuries from \$2.8B to \$3.6B

## Performance of Active Strategies

As of 6/30/2023	IGFI				LT
	1 YR	3 YR	5 YR	10 YR	1 YR
Returns (ann.)	0.8%	-1.9%	1.4%	1.7%	-7.5%
Alpha	+0.3%	+1.0%	+0.6%	+0.5%	-0.6%
Tracking Error	1.6%	1.4%	1.7%	1.7%	3.0%
Information Ratio	0.2	0.7	0.3	0.3	-0.2

## Allocation of Active Strategies

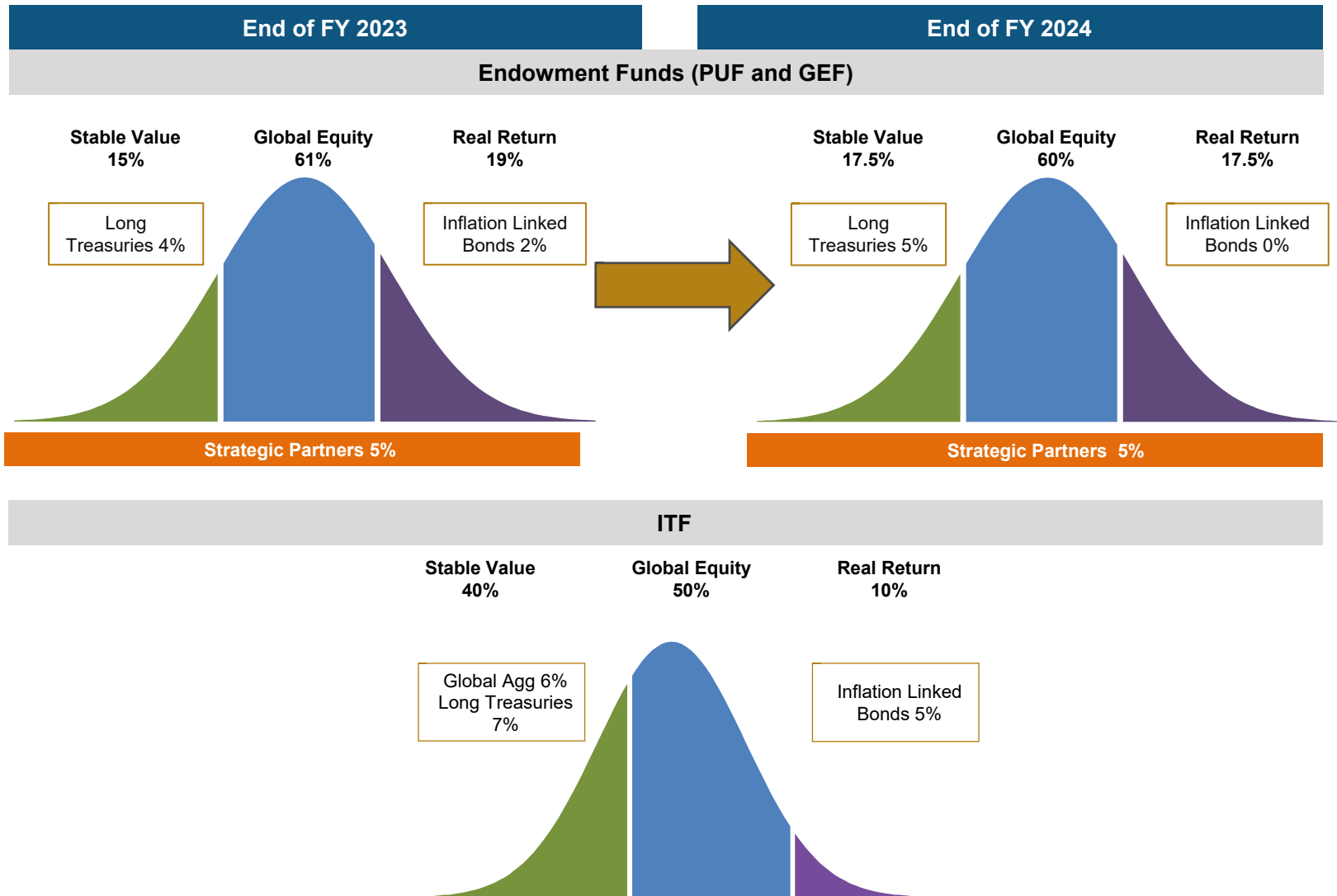
In \$millions	PUF	GEF	ITF	Total
Investment Grade Fixed Income	127	87	578	792
Long Treasuries	1,127	776	546	2,450
Total Fixed Income	1,254	863	1,124	3,242
UTIMCO	32,859	22,622	8,757	64,239
% of Total Fund	3.8%	3.8%	12.8%	5.0%
2023 Policy Target	4.4%	4.4%	13.0%	5.6%

## Priorities

- Implement new 2023 Strategic Asset Allocation (the 2021 SAA transition was completed without issue on 8/1/23)
- Build upon current MSCI Barra use with stress tests on IGFI and Long Treasury portfolios, as well as the external managers












# New SAA Projected Roles in the Endowments





# Hedge Fund/Fixed Income Team Structure

EXPERIENCE SUMMARY: 6 MBAs, 4 CFAs

	<b>Ryan Ruebsahm</b> <b>Senior Managing Director</b> <i>MBA, UT Austin</i>				
	<b>Russell Kampfe</b> <b>Managing Director</b> <i>MBA, UT Austin</i>		<b>Tony Caruso, CFA</b> <b>Managing Director</b> <i>MBA, University of Chicago</i>		<b>Courtney Powers</b> <b>Managing Director</b> <i>MBA, UT Austin</i>
	<b>Harland Doak, CFA</b> <b>Senior Director</b> <i>MBA, St. Edward's University</i>		<b>Kyle Burhop, CFA</b> <b>Director</b> <i>BS, Virginia Tech</i>		<b>Jared Brimberry</b> <b>Director</b> <i>BBA, Baylor University</i>
	<b>Jim Ricker</b> <b>Associate Director</b> <i>BA, Hamilton College</i>		<b>Melanie Cass, CFA</b> <b>Associate</b> <i>MBA, UT Austin</i>		<b>Will Haynes</b> <b>Senior Analyst</b> <i>MSF, UT Austin</i>
	<b>Angelica Blesa</b> <b>Senior Analyst</b> <i>BBA, UT Austin</i>		<b>Lori Shaver</b> <b>Executive Assistant</b> <i>BS, Sam Houston State</i>		<b>Christian Taylor</b> <b>Senior Analyst</b> <i>BA, Stanford University</i>



# Market Performance

## Bond Market Performance - Jun 2023<sup>1</sup>

	1-Yr	3-Yr	5-Yr	10-Yr
Bloomberg US Treasury: Long	-6.8%	-12.1%	-0.9%	1.8%
Barclays Global Agg	0.5%	-2.9%	0.9%	2.1%

### Geographic

	1-Yr	3-Yr	5-Yr	10-Yr
United States	-0.9%	-4.0%	0.8%	1.5%
Canada	3.4%	-3.5%	1.0%	2.1%
Europe	-2.4%	-5.0%	-0.4%	2.1%
Asian-Pac Aggregate	5.5%	1.2%	2.4%	2.7%
Emerging Markets <sup>2</sup>	7.0%	-2.2%	1.7%	1.8%

### Sector

	1-Yr	3-Yr	5-Yr	10-Yr
Treasuries & Sovereign	0.1%	-3.1%	0.7%	2.1%
Government Related	0.6%	-2.7%	0.9%	2.2%
Corporates	1.8%	-2.8%	1.5%	2.7%
Securitized	-1.3%	-3.5%	0.1%	1.3%

### Tenor

	1-Yr	3-Yr	5-Yr	10-Yr
1-3 Years	1.8%	-0.0%	1.4%	1.3%
5-7 Years	0.5%	-2.3%	1.1%	2.0%
10+ Years	-1.2%	-6.9%	0.1%	3.3%

### Risk Premia

	1-Yr	3-Yr	5-Yr	10-Yr
Credit	1.7%	0.3%	0.8%	0.6%
Duration	-3.0%	-6.8%	-1.3%	2.0%

### Inflation Linked

	1-Yr	3-Yr	5-Yr	10-Yr
US TIPS	-1.4%	-0.1%	2.5%	2.1%

Bond returns in USD

Returns greater than 1 year are annualized

<sup>1</sup> Total returns utilize Bloomberg Barclays Global Aggregate Indices, hedged in (USD)

<sup>2</sup> EM hedged Return is for a country-constrained, more liquid version of the flagship EM Local Currency Government Index

## Currency Performance - Jun 2023

	1-Yr	3-Yr	5-Yr	10-Yr
<b>Developed Markets</b>				
Euro	4.1%	-1.0%	-1.4%	-1.7%
Japan	-5.9%	-9.2%	-5.2%	-3.7%
Britain	4.3%	0.8%	-0.8%	-1.8%
Canada	-2.8%	0.8%	-0.2%	-2.3%
Australia	-3.5%	-1.2%	-2.1%	-3.1%
Switzerland	6.6%	1.9%	2.0%	0.5%
Hong Kong	0.1%	-0.4%	0.0%	-0.1%
Singapore	2.7%	1.0%	0.1%	-0.6%

### Emerging Markets

China	-7.6%	-0.9%	-1.8%	-1.7%
South Korea	-2.3%	-3.1%	-3.3%	-1.4%
Taiwan	-4.5%	-1.7%	-0.4%	-0.4%
Brazil	9.8%	4.5%	-4.1%	-7.3%
South Africa	-13.6%	-2.7%	-6.1%	-6.3%
India	-3.8%	-2.7%	-3.6%	-3.1%
Russia	-39.1%	-7.3%	-6.8%	-9.5%
Mexico	17.4%	10.4%	3.1%	-2.8%
Indonesia	-1.1%	-1.4%	-1.1%	-4.1%



# Investment Grade Fixed Income One Year Ending June 30, 2023

	Port. Return	BM Return	Excess Return
Inv. Grade Fixed Income	0.8%	0.5%	+0.3%

- **IGFI Performance:**

- **Contributors**

- Tactical overweight of select EM bond markets, especially Columbia, Brazil, Mexico, Indonesia, and Poland
    - Long currency positions in the Mexican peso, Chilean peso, British pound sterling and the Columbian peso.
    - U/W front end duration in US Treasuries

- **Detractors**

- O/W Japanese yen; U/W Japanese bonds
    - U/W Chinese bonds
    - O/W long end of the US Treasury curve as long rates rose +70 bps
    - O/W Norwegian krone and Swedish krona
    - U/W Corporate bonds

- **Geographical Exposure:** Increased overweight to the U.S. by 7% and maintained overweight to Emerging Markets. Additionally, the underweights to Asia Pacific increased by 8% and Europe increased by 2%

- **Sector:** Meaningfully decreased exposure to Treasuries and Sovereign bonds and Corporates, while increasing exposure to Securitized significantly

- **Currency:** Increased underweight to USD by 11% and increased exposure to Other DM currencies such as the Norwegian Krone. Overweight EM, Pound, and Yen 2-5% and underweight Euro 5%

	Portfolio Characteristics			
	6/30/2023		6/30/2022	
	UTIMCO	BB Gbl Agg	UTIMCO	BB Gbl Agg
Total Portfolio Size	\$0.8B	\$61T	\$3.8B	\$61T
Modified Duration	6.6	6.8	6.3	7.0
Yield to Maturity	5.1%	3.8%	3.5%	2.9%
Average Agency Rating	AA3	AA3	AA3	AA3

	Geographical Exposure			
	6/30/2023			6/30/2022
	IGFI	BB Gbl Agg	O/U	O/U
United States	60%	37%	22%	15%
Canada	3%	4%	0%	-2%
Europe	13%	28%	-15%	-13%
Asia Pacific	14%	29%	-16%	-8%
Emerging Markets	11%	2%	9%	8%

	Sector Exposure			
	6/30/2023			6/30/2022
	IGFI	BB Gbl Agg	O/U	O/U
Treasuries & Sovereign	65%	60%	5%	13%
Government Related	1%	12%	-10%	-10%
Corporates	9%	17%	-8%	0%
Securitized	25%	12%	13%	-3%
Cash & Cash Equivalents	0%	0%	0%	0%

	Currency Exposure			
	6/30/2023			6/30/2022
	IGFI	BB Gbl Agg	O/U	O/U
United States Dollar	88%	100%	-12%	-1%
Euro	-5%	0%	-5%	-2%
Japanese Yen	3%	0%	3%	1%
UK Pound Sterling	2%	0%	2%	0%
Emerging Markets	5%	0%	5%	3%
Other	7%	0%	7%	-2%





# Long Treasury Portfolio

## One Year Ending June 30, 2023

	Port. Return	BM Return	Excess Return
Long Treasury	-7.5%	-6.8%	-0.6%

- **LT Performance:**

- **Contributors**

- O/W select EM bonds including Columbia, Brazil, Poland, Mexico and South Korea
    - O/W select EM currencies including the Chilean, Mexican and Columbian pesos and the Brazilian real

- **Detractors**

- Exposure to the long end of the US Treasury curve
    - U/W Japanese and Chinese bonds
    - O/W the Japanese yen and Norwegian krone; U/W the euro

- **Geographical Exposure:** Overweight Emerging Markets by 4%. Underweight Asia Pacific by 3%

- **Sector:** Underweight Treasuries and Sovereign by 4% and overweight Securitized by 3%

- **Currency:** Underweight USD and Euro by 5% and 2% respectively. Overweight Emerging Markets and Other by 3% each. Overweight Yen by 2%

Portfolio Characteristics				
	6/30/2023		6/30/2022	
	UTIMCO	US Treasuries	UTIMCO	US Treasuries
Total Portfolio Size	\$2.5B	\$2T	\$859M	\$2T
Modified Duration	17.2	16.0	17.3	17.0
Yield to Maturity	4.8%	3.9%	3.8%	3.3%
Net Leverage	-7%	0%	9.3%	0%

Geographical Exposure			
	6/30/2023		
	LT	US Treasuries	O/U
United States	99%	100%	-1%
Canada	0%	0%	0%
Europe	0%	0%	0%
Asia Pacific	-3%	0%	-3%
Emerging Markets	4%	0%	4%

Sector Exposure			
	6/30/2023		
	LT	US Treasuries	O/U
Treasuries & Sovereign	96%	100%	-4%
Government Related	0%	0%	0%
Corporates	1%	0%	1%
Securitized	3%	0%	3%
Cash & Cash Equivalents	0%	0%	0%

Currency Exposure			
	6/30/2023		
	LT	US Treasuries	O/U
United States Dollar	95%	100%	-5%
Euro	-2%	0%	-2%
Japanese Yen	2%	0%	2%
UK Pound Sterling	0%	0%	0%
Emerging Markets	3%	0%	3%
Other	3%	0%	3%

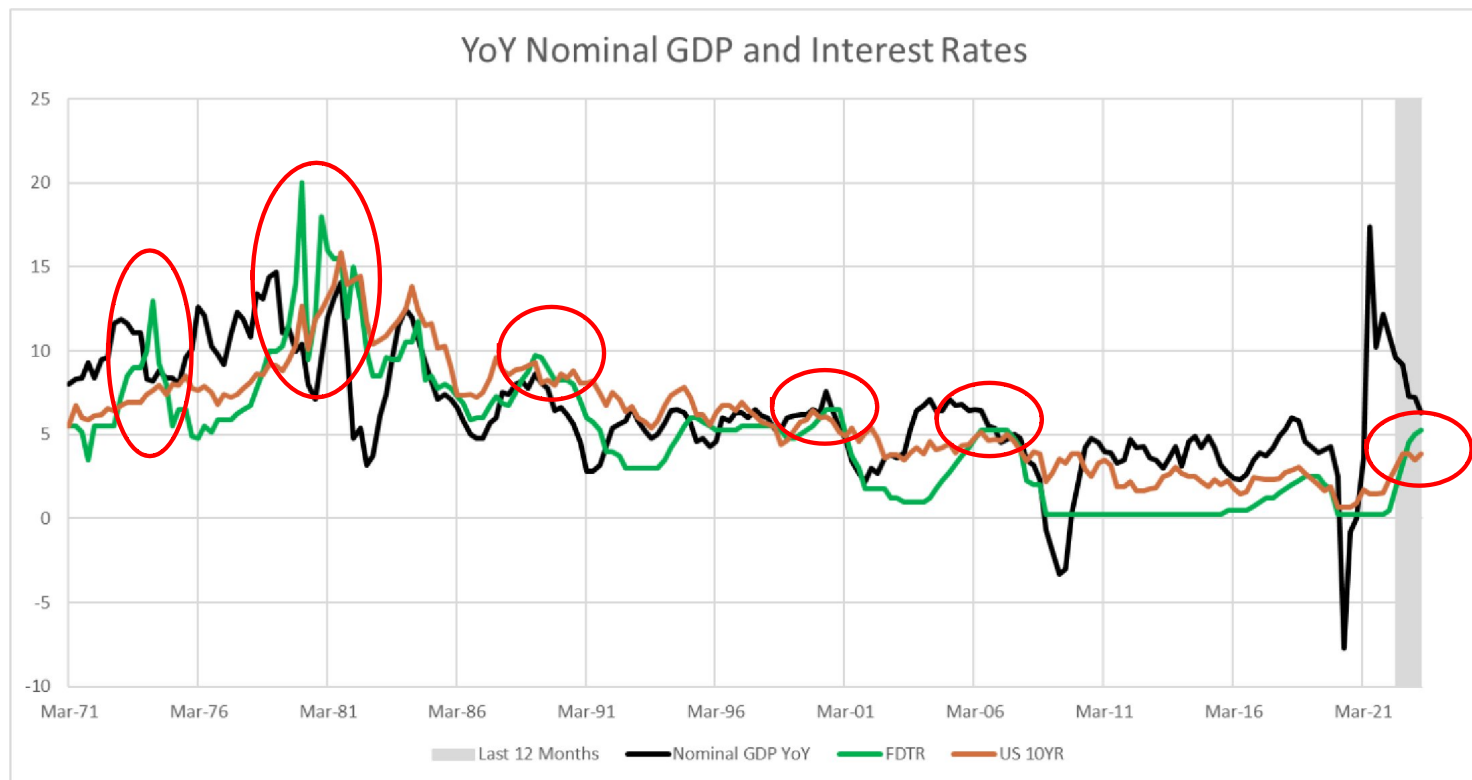


# Market Conditions - Updated

## Getting Ready For A Yield Curve Inversion

History suggests that the 10yr-ff yield curve needs to invert significantly (-40bp) and stay inverted for a significant amount of time (16 months) to register a recession signal. Notably, there was a false signal in 1997.

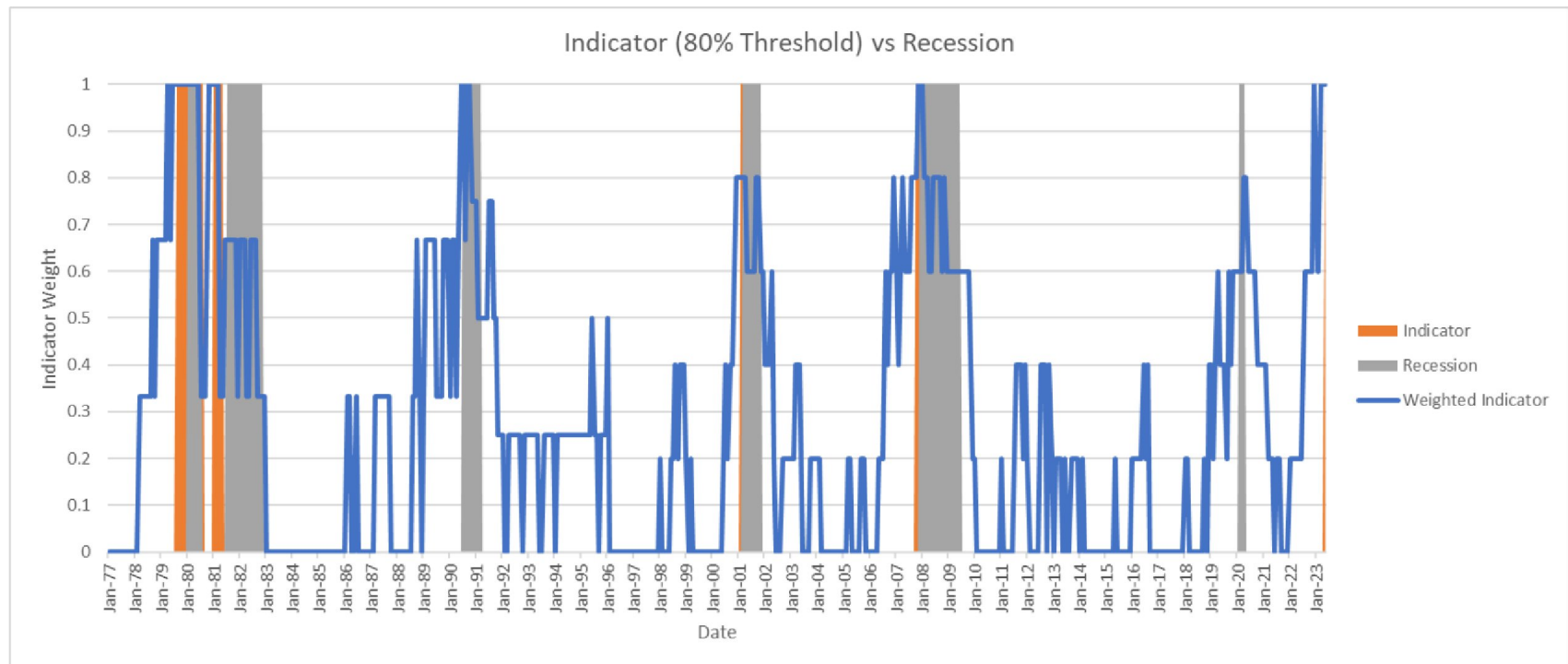
Source: Evercore ISI





# Recession Indicator

- Enhanced previous bear market indicators
- Developed recession indicator using micro and macroeconomic factors
  - Designed to be a leading predictor of recessions (Avg. 2 months lead)
  - Historically, current circumstances consistently foreshadows recessions
  - When indicator is active, S&P 500 demonstrates significant negative 6- and 12-month forward returns





# Conclusion

---

- UTIMCO's Total Fixed Income portfolio is ~\$5 billion and represents ~7% of Total Assets across endowments and operating funds
- The IGFI portfolio generated positive alpha for the past year (+0.3%) and remains above 3-year target, but the new Long Treasury portfolio underperformed by -0.6% over the trailing 12 months
- The portfolio fulfilled its diversification and liquidity objectives
- Completed Strategic Asset Allocation and are actively planning for best possible implementation
  - Current SAA Targets (FYE 2023):
    - IGFI: 6% for ITF
    - TIPS: 2% for Endowments, 5% for ITF
    - Long Treasuries: 4% for Endowments, 7% for ITF
  - FYE 2024 SAA Targets:
    - IGFI: 6% for ITF
    - TIPS: 0% for Endowments, 5% for ITF
    - Long Treasuries: 5% for Endowments, 7% for ITF



# Appendix

---



# HFFI – 2023 Action Plan In Progress

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

<span style="display: inline-block; width: 15px; height: 15px; background-color: #d9ead3; border: 1px solid #000; margin-right: 5px;"></span> Completed Initiatives	<span style="display: inline-block; width: 15px; height: 15px; border: 2px solid #000; margin-right: 5px;"></span> Fixed Income Initiatives
<span style="display: inline-block; width: 15px; height: 15px; background-color: #d9ead3; border: 1px solid #000; margin-right: 5px;"></span> Initiatives In-Progress	
<span style="display: inline-block; width: 15px; height: 15px; background-color: #d9ead3; border: 1px solid #000; margin-right: 5px;"></span> At-Risk Initiatives	

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** Risk Management Presentation

**Developed By:** Risk Management Team

**Presented By:** Yoeli, Jones

**Type of Item:** Information Item

**Description:** Uzi Yoeli and Tim Jones will discuss key projects and initiatives of Risk Management at UTIMCO, with a focus on liquidity management and a retrospective on the new MSCI Barra risk system one year after its launch.

**Reference:** *Risk Management Overview* presentation



# Board of Directors Meeting

## Risk Management Overview

---

Uzi Yoeli, Managing Director – Risk Management  
Tim Jones, Senior Director – Risk Management

September 28, 2023





# Executive Summary

---

## Philosophy

- Be a collaborative partner who guides data driven discussions of risks and liquidity, and recommends appropriate responses

## Key Responsibilities

- Develop state of the art monitoring tools such as the MSCI Barra Risk System
- Maintain asset allocation weights at target – capital planning and rebalancing
- Liquidity management
- Create contingency plans for market dislocations
- Allocate risk based on the opportunity set, and monitor use and level of risk deployed

## Key Accomplishments Over the Past Year

- MSCI Barra Risk System, a unified risk system for all asset classes, went live exactly a year ago, giving UTIMCO a common risk language across investment teams and portfolios
  - Implementation completed, allowing us to truly be a collaborative, data driven partner
- Market declines of 2022 and recovery of 2023 were addressed within existing frameworks
- Developed more sophisticated liquidity management tools, which allow us to safely implement a less liquid Strategic Asset Allocation



# Discussion Topics

---

## The MSCI Barra Risk System

- Goals
- Implementation
- Outputs
- The effect of the new system on our First Principles of Risk Management
  - Timely and accurate data
  - Collaboration and action-oriented output
- Focus item: Risk Management of Private Assets

## Liquidity

- Liquidity planning and monitoring for:
  - An SAA with more illiquid asset classes (Private Investments, Portable Alpha)
  - Higher requirement for short-term capital (potential margin calls for larger TAA and Portable Alpha programs)



# Risk Team Members, Tasks, Priorities, and Skill-Set

## Team Members



**Uzi Yoeli**  
**Managing Director**

18 years at UTIMCO  
 PhD, UT Austin



**Open**



**AliEmme Binns**  
**Senior Analyst**

3 years at UTIMCO  
 MSF, Univ of Utah



**Tim Jones**  
**Senior Director**

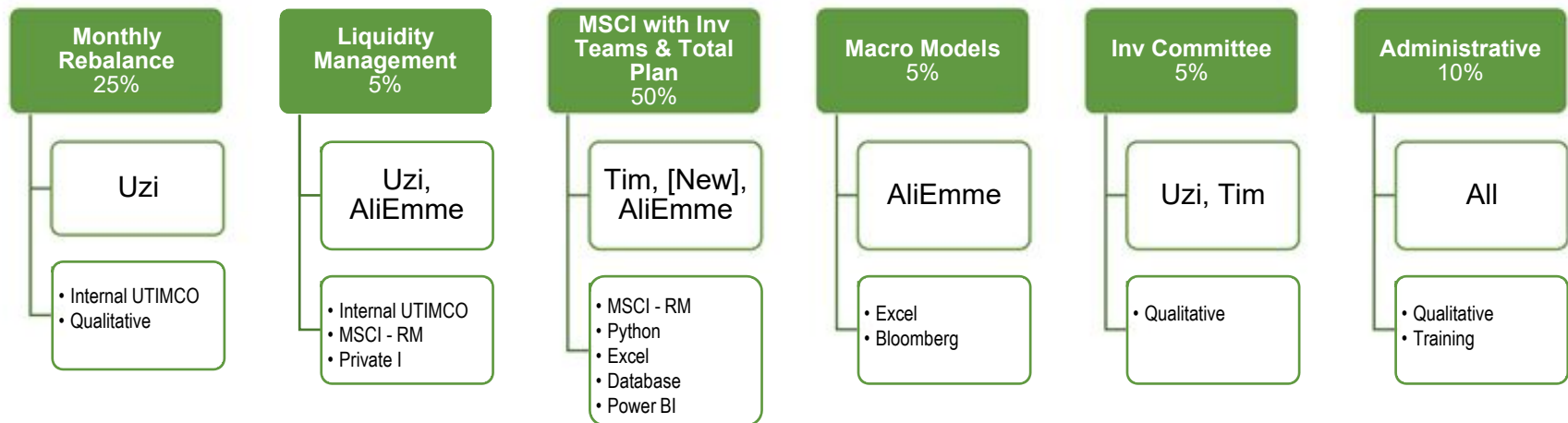
5 years at UTIMCO  
 PhD, UT Austin



**Jenna Hudson**  
**ITC**

3 years at UTIMCO  
 BA, UT Austin

## Team Tasks, Priorities, and Skill-Set



---

# MSCI Barra – One Year Live

---





# MSCI Barra Risk Project: Goals

---

## Goals for the project:

1. Create a single, unified, risk platform across the entire firm that would enable looking at any individual manager, comparing managers, looking at any team's portfolio, and looking across teams, all in a consistent, apples-to-apples way
  - This required a common risk language across all asset classes
  - We now have the ability to look at NAV weights, risk weights, contribution to volatility and to tracking error, factor exposures, and a variety of other characteristics of every asset in the portfolio
  - These can then be rolled up to a sub-asset class, asset class, regime, or the entire portfolio in a very consistent way
2. Deliver a unified factor model
3. Provide best in class private markets risk modeling

## Implementation Status:

After a three-year development and testing period, the system went live, unleashing new capabilities for several of the investment teams

- The previous system, *TruView* IFS, was terminated September 2022



# Year One of MSCI Barra – A Retrospective

---

With one year in production, what impact have we seen from the new risk system?

- Having a unified risk platform has helped enable more sophisticated investment innovations
  - Hedge Fund Overlay Program
  - Stable Value Hedge Funds – Platform Funds
- Public Teams have incorporated MSCI into their investment processes
  - Public Equity team explicitly targeting factor exposures
  - Hedge Fund team managing portfolio beta and downside risk via Capstone
  - Fixed Income evaluating risk of the whole portfolio across multiple managers, though data challenges persist
- Private Teams are testing different use cases
  - **Feedback from Private Equity team:** MSCI reporting has increased visibility and discussion around industry tilts in the portfolio vs. the benchmark
  - **Feedback from Real Return team:** The MSCI Data validation process has been a help in evaluating portfolio holdings quickly and efficiently
  - Improving Private Asset capabilities is a key focus area for future development



# Year One of MSCI Barra – A Retrospective

---

Risk Team Workflow and knowledge has evolved substantially over this first year

- Codified a monthly production process
  - Publishing “Risk Binder”, a collection of reports and summary memo
  - Publishing a Power BI visualization of the total portfolio
  - Repeatable, automated reports on risk attribution and month-on-month changes have enabled enhanced awareness of the portfolio
  - Modeling internal derivatives via MSCI has added a second layer of monitoring
- The Risk Team’s interaction with the other groups has evolved
  - More proactive – flagging potential issues before they show up in performance
  - More engaged
    - Collaborative work on specific portfolio construction questions
    - More routine interaction on specific manager exposures
- Efficiency and Automation
  - Our understanding of how to automate the risk reports, which was gained as we developed basic quality control checks, has informed a full “risk agenda” as we look forward
  - As we put questions to the portfolio via the system, add them to the list of reports to run each month
  - Something that may not be an issue today could become so in the future



# The Monthly Risk Binder

## The University of Texas/Texas A&M Investment Management Company MSCI Risk Reports – June 2023 Reports

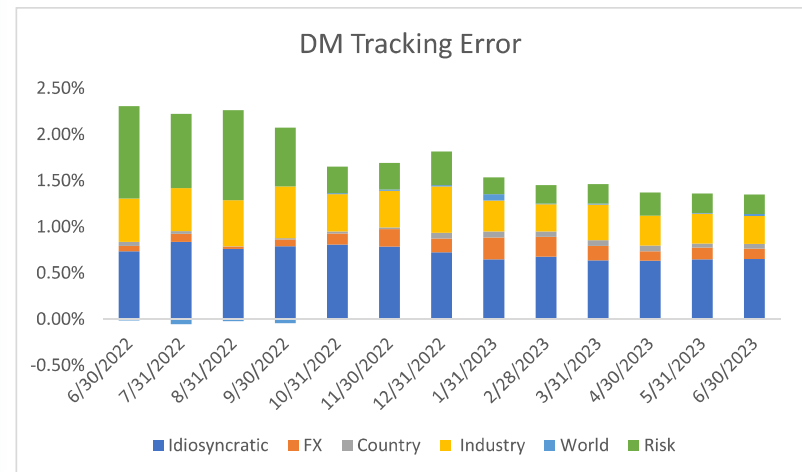
### Table of Contents

1) Executive Summary	3
2) Risk Team Total Plan Risk Reports	15
a. GEF	16
b. ITF	25
c. PUF	38
d. UTIMCO	46
e. Country and Sector Report	56
f. Evolution of Endowment Equity Beta	58
g. Evolution of Downside Deviation Risk Utilization – GEF	60
h. Evolution of Downside Deviation Risk Utilization – PUF	62
3) Public Equity Risk Reports (Developed Markets)	64
a. Risk Attribution – Portfolio	65
b. Factor Exposures – Portfolio	67
c. Factor Exposures – Manager	70
d. Ex-Ante Risk Overview – Portfolio	73
e. Ex-Ante Risk Overview – Manager	78
f. Portfolio Return Attribution	88
g. Factor Return Attribution	89
h. Manager Contribution to Return	90
i. Time-Series Return Attribution	92
4) Public Equity Risk Reports (Emerging Markets)	94
a. Risk Attribution – Portfolio	95
b. Factor Exposures – Portfolio	97
c. Factor Exposures – Manager	100
d. Ex-Ante Risk Overview – Portfolio	105
e. Ex-Ante Risk Overview – Manager	112
f. Manager Correlation (Active)	123
g. Portfolio Return Attribution	127
h. Factor Return Attribution	129
i. Manager Contribution to Return	130
j. Time-Series Return Attribution	131
k. Factor Contribution Trend	133
l. Issuer Concentration	135
5) Hedge Fund Monthly Risk Reports	136
a. Directional Hedge Fund Portfolio Monthly Risk Report	137
b. Stable Value Hedge Fund Portfolio Monthly Risk Report	150
6) Fixed Income Summary Risk Report	167
7) TAA Risk Metrics Report	171
8) Private Equity Active Risk Report	184
a. Private Equity Portfolio Risk Summary Report	185
b. Private Equity Active Risk Heatmap – Sector	189
c. Private Equity Active Risk Heatmap – Industry	199
9) Real Return Active Risk Report	204
10) SPN Active Risk Report	209

## Table of Key Statistics

	Volatility	Downside Deviation	Risk Utilization	Tracking Error	Beta		Exposure			Liquidity			70s Style Staffing Shock	Corona Crisis
					MSCI World	MSCI EM	Net	Gross	Top 10 NAV	High	Med	Low		
Total Plan: PUF/GEF	15.99	11.26	1.08	2.68	0.88	0.58	92.02	133.50	13.79	61.29	0.11	38.59	-39.81	-29.67
Total Plan: ITF	6.10	4.20	1.03	1.37	0.36	0.23	79.61	159.28	25.97	65.78	0.74	33.47	-19.51	-10.72
PubEQ: DM	16.75	10.96	1.05	3.01	1.04	0.61	90.26	115.07	6.22	64.66	0.00	35.34	-6.32**	-4.60†
PubEQ: EM	15.57	10.03	0.79	3.91	0.71	0.86	86.76	145.93	2.69	84.07	0.01	15.92	-5.57**	4.77†
Directional HF	6.76	4.59	1.06	3.18	0.37	0.25	43.57	173.00	8.74	40.59	0.03	59.38	-16.09	-9.77
Stable Value HF	2.18	1.25	1.15	1.53	0.10	0.05	20.62	900.00	15.03	67.88	1.22	30.91	-1.98	-4.00
Long Treasuries	12.94	9.97	0.84	2.27	0.12	0.09	136.07	181.73	112.34	93.37	0.00	6.63	-56.70	7.44
IGH	5.33	4.23	1.12	1.59	0.11	0.09	99.45	125.61	51.04	98.75	0.00	1.25	-29.36	-2.07
Private Equity	29.51	21.14	1.15	6.79	1.32	0.84	97.52	97.52	1.89	8.10	0.55	91.34	-57.30	-36.41
Real Return	19.44	14.45	0.96	6.65	0.90	0.57	99.98	100.08	15.53	13.02	0.62	86.36	-50.87	-44.45
TAA	-0.06	0.04		0.10	\$ (0.1)	\$ (0.1)	-0.20	-2.76	0.73	96.30	0.90	2.80	-13.1m*	-34.1m*
SPN	12.58	8.35	0.85	2.42	0.76	0.55	86.41	144.97	30.62	81.42	0.00	18.58	-31.34	-25.29

\* Stress test here is SPX -10%  
 ^ Stress test here is DXY +10%  
 \*\* Stress test here is Factor Rotation  
 † Stress test here is Post-Corona Rally







# Sample Power BI Reports



### Exposure and Risk by Geography

ITF | 6/30/2023

Region	UTIMCO Market Value (\$M)	% UTIMCO MV	% Policy MV	Difference	% UTIMCO Risk	% Policy Risk	Difference
Americas	\$4,514,834	74.9%	47.4%	5.3%	78.7%	78.4%	0.1%
Asia	\$1,094,544	12.4%	9.9%	2.7%	9.0%	3.4%	5.4%
Europe	\$930,594	10.7%	14.2%	-1.4%	13.0%	15.4%	-0.4%
Oceania	\$108,034	1.2%	1.4%	-0.2%	0.7%	1.1%	-0.3%
FX	\$38,744	0.4%	0.4%	0.4%	-0.4%	-0.4%	0.0%
Africa	\$15,404	0.2%	0.1%	0.1%	0.2%	0.1%	-0.1%
<b>Total</b>	<b>\$6,703,154</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

Country	UTIMCO Market Value (\$M)	% UTIMCO MV	% Policy MV	Difference	% UTIMCO Risk	% Policy Risk	Difference
United States	\$4,197,994	71.2%	44.4%	4.8%	74.1%	75.2%	-1.2%
China	\$352,474	4.1%	3.2%	2.7%	2.7%	0.4%	2.4%
Japan	\$331,454	3.8%	5.3%	-1.5%	2.7%	2.1%	0.4%
United Kingdom	\$214,884	2.5%	2.5%	-1.0%	3.4%	2.0%	0.4%
France	\$152,774	1.8%	2.4%	-0.9%	2.4%	2.5%	0.1%
South Korea	\$158,234	1.7%	0.5%	1.2%	3.0%	0.2%	2.8%
Germany	\$143,734	1.7%	2.0%	-0.4%	3.2%	2.1%	-0.8%
India	\$127,734	1.4%	0.5%	0.8%	0.8%	0.1%	0.7%
Canada	\$105,554	1.2%	2.4%	-1.4%	2.3%	2.9%	-0.4%
<b>Total</b>	<b>\$6,703,154</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	



# Risk Management of Private Assets

- **Private Assets are 48% of Endowment NAVs**
- **The ability to risk-manage them is critical to UTIMCO's success**
  - Private Assets account for the majority of our risk (active and absolute)
  - The inability to easily exit a private investment amplifies the need to manage risks effectively
- **Very little in theory, nomenclature, or common practice exists in the industry**
  - What are the risks for private assets? Can we define and measure volatility or correlation? Does it even matter?
  - Data gathering, cleaning, and portfolio modeling – the process is manageable, but somewhat fragile
  - Calibrating models to align private risk with public markets risk (“apples-to-apples”)
  - Modeling benchmarks to a comparable level of detail is difficult
- **A good risk framework doesn't currently exist for Private Markets; we are collaborating with the private investment teams and MSCI to create one**
- **Key risks in a typical "buy, fix, sell" strategy:**
  - The "buy" and "sell" are exposed to all market risks (market, country, sector, style factors, and more). These accumulate across the entire portfolio, and require careful portfolio construction
  - The other risks are Private-specific – mostly execution risks – e.g., probability of buying below market, effective fixing, and selling above markets
  - PE teams tend to focus on the latter, but from an overall-UTIMCO perspective, the former matters at least as much



## Risk Management of Private Assets – The Challenge

---

- **Data for private markets presents more challenges than public markets:**
  - Public markets have standards of reporting holdings (e.g., ticker or Cusip), and wealth of third-party information on each public company
    - Databases such as Compustat on many operating metrics
    - Databases such as CRSP for daily (or more frequent) price history
  - This makes it fairly easy to measure the risks of a stock within a public portfolio, or the risk of a manager's portfolio within the Endowment
  - The risks that are fairly easy to measure include volatility, tracking error, information ratio, factor exposures, factor tilts, and others
- **None of these exist for private assets**
  - With Private Markets, you don't get timely nor frequent asset pricing
  - The Index composition is unknown
  - Transparency into company operational / financial metrics is limited
- **Just having GPs report what we own is a challenge**
- **Until a year ago, with *TruView* IFS, risks of private assets were proxied at the asset class level, as a multiple of some public market proxy**
  - No data or insights were available for manager or fund-level holdings or risks; no reports of holdings or risk compared to the benchmark

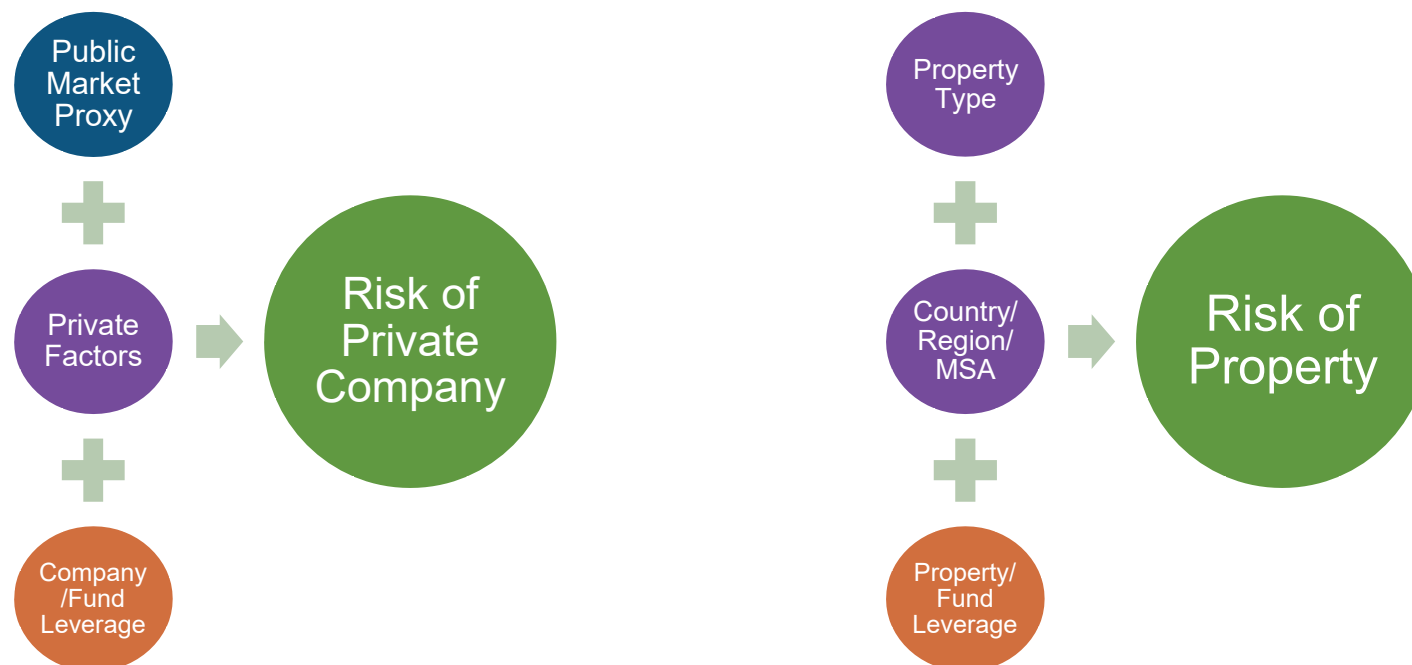


# Risk Management of Private Assets - Methodology

## What methodology have we chosen to estimate Private Markets risk?

- A Public Market Proxy continues to be part of the model
  - We are leveraging MSCI's large offering of indices to proxy the public market risks at a granular country and industry level
- MSCI uses the full Burgiss dataset to create additional private factors that capture risks unique to private markets, which are common across large segments of the private markets (i.e., multiple private holdings don't necessarily diversify these risks)
- Finally, MSCI also uses information specific to a fund, company, or property

## The MSCI models we use capture both market risks and execution risks

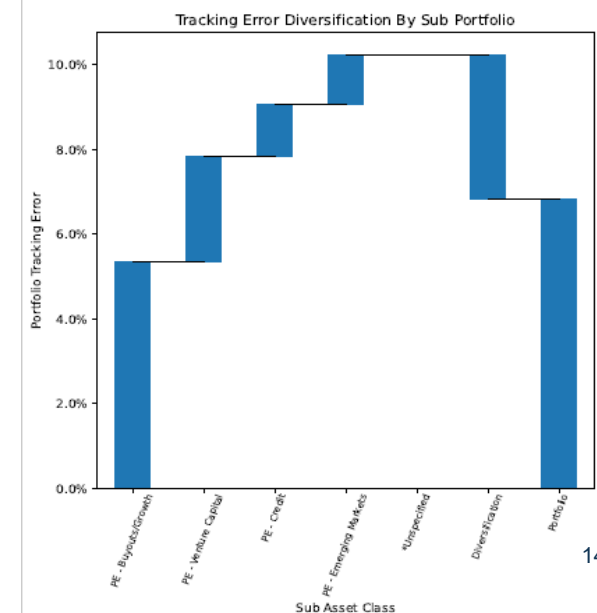
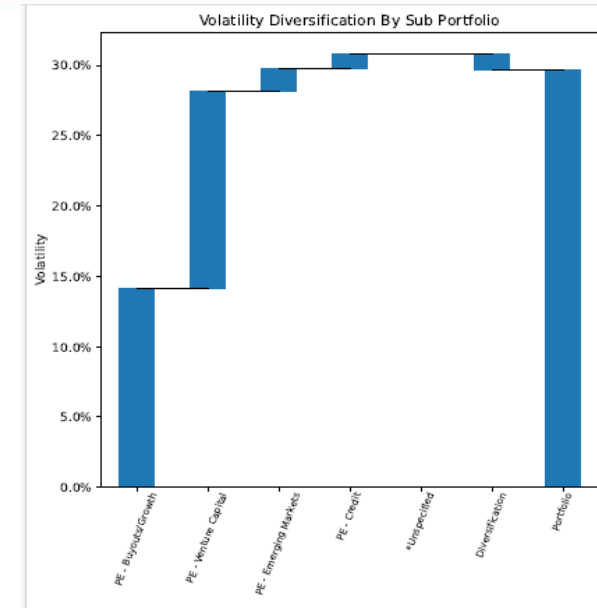




# Risk Management of Private Assets - Benefits

## What benefits are we trying to achieve with this approach?

- Investment Team Benefits:
  - Explicitly measure and manage industry/region allocations
  - Risk measurement normalizes across varying leverage and investment styles to get a better estimate of the true exposure to each holding
  - Enable more detailed, higher fidelity conversations with managers
  - Estimate and manage Manager and Company/Property level concentration in the portfolio
- Total Portfolio Risk Benefits:
  - Estimate exposure to systematic risks relevant for total portfolio (country, sector, beta)
  - Monitor interactions between the public and private portfolios; ultimately accessing the same markets



---

# Liquidity Monitoring

---

With plans to increase Private Investments and add to Portable Alpha, we must make sure all liquidity needs can be met even in extreme market conditions





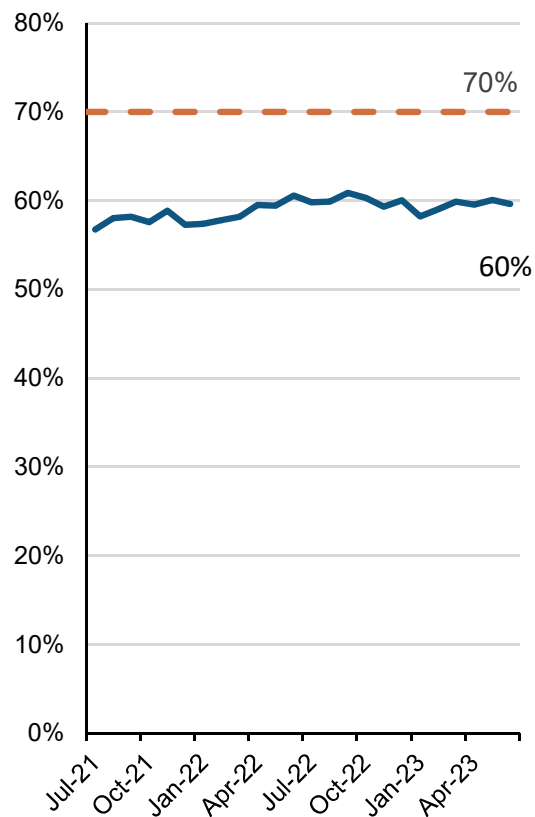
# Liquidity Metrics

Periods Ending June 30, 2023

- We are in compliance with all risk limits related to maximum illiquidity

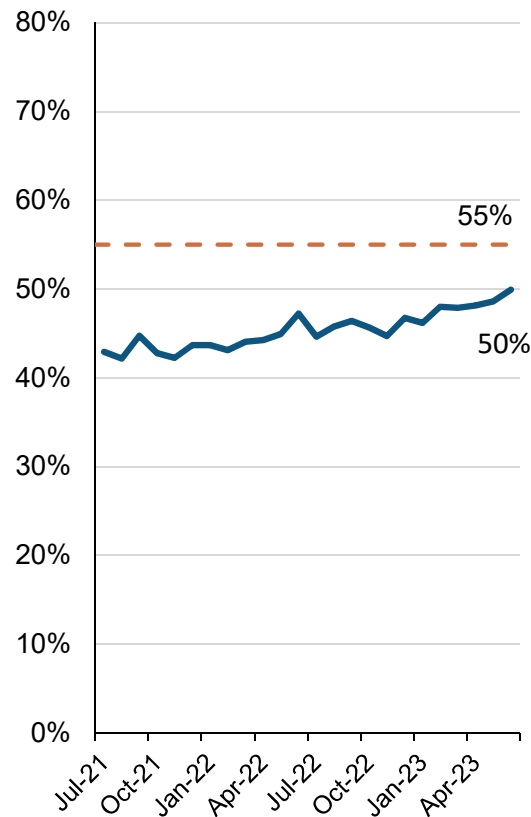
## Illiquidity Maximum

### ENDOWMENTS



4-month liquidity: \$22.4bn  
1-year liquidity: \$27.5bn

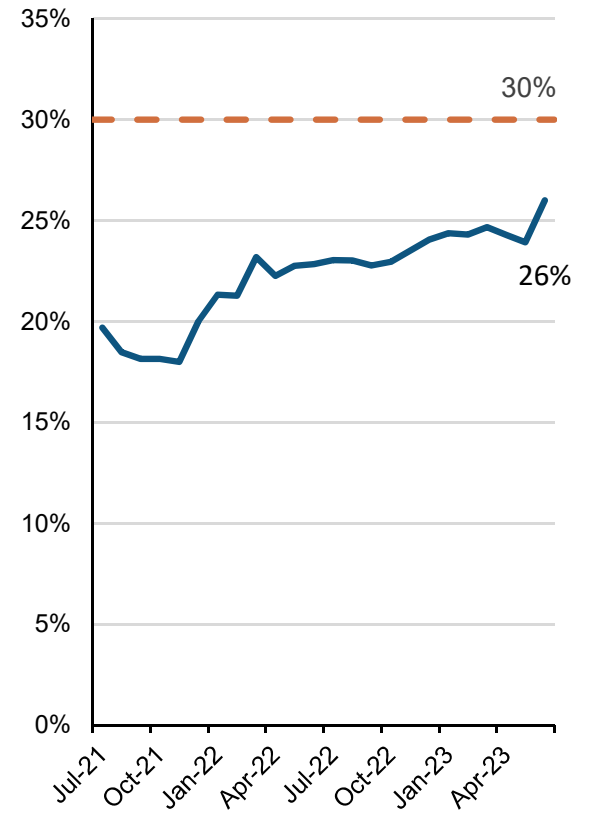
### ITF



4-month liquidity: \$4.39bn  
1-year liquidity: \$6.27bn

## Unfunded Commitments

### ENDOWMENTS



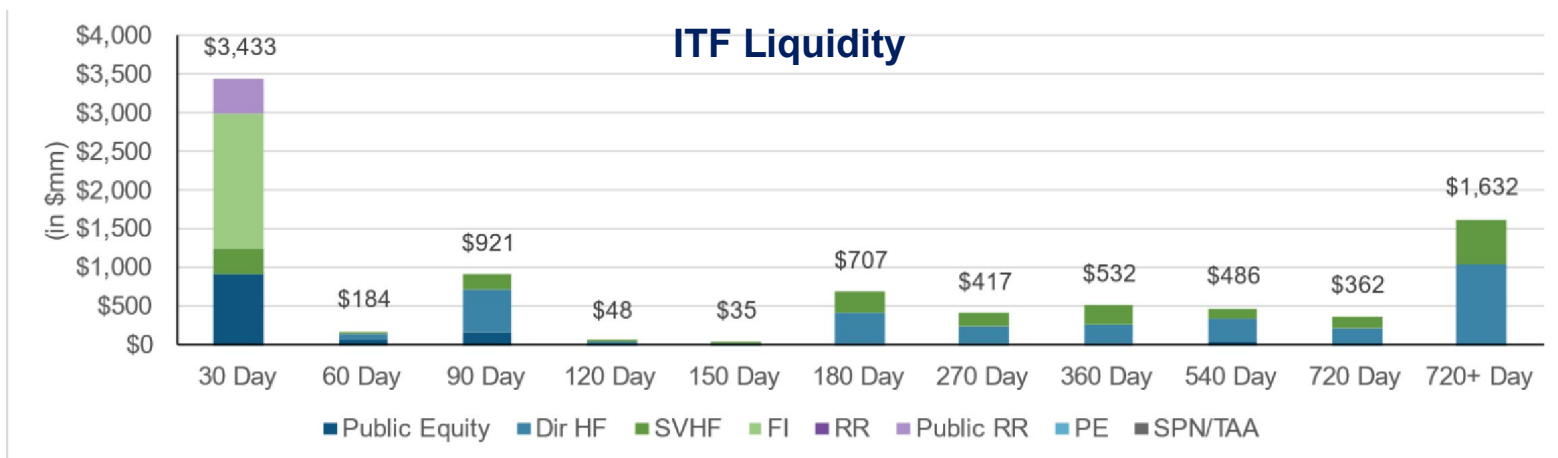
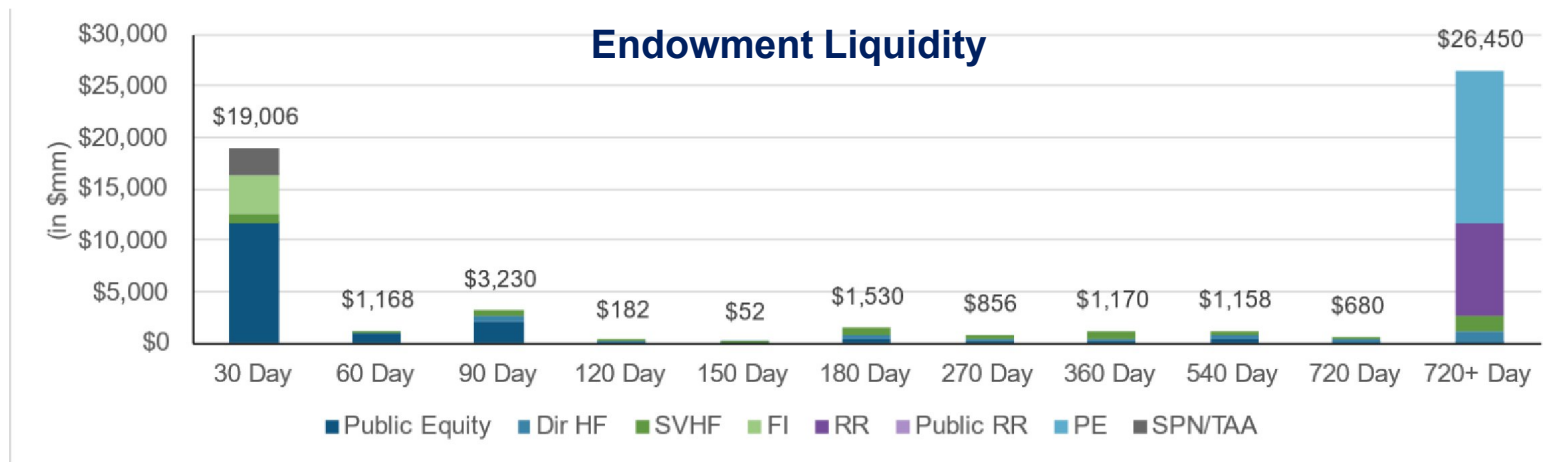
— Current Value  
- - Policy Limit



# Liquidity Classification

As of 6/30/2023

- Managing the Portfolios' sources and uses of liquidity requires a very granular and current monitoring of liquidity
- \$27.5bn of 1-year liquidity can provide more than 10 years of distributions to the institutions we serve

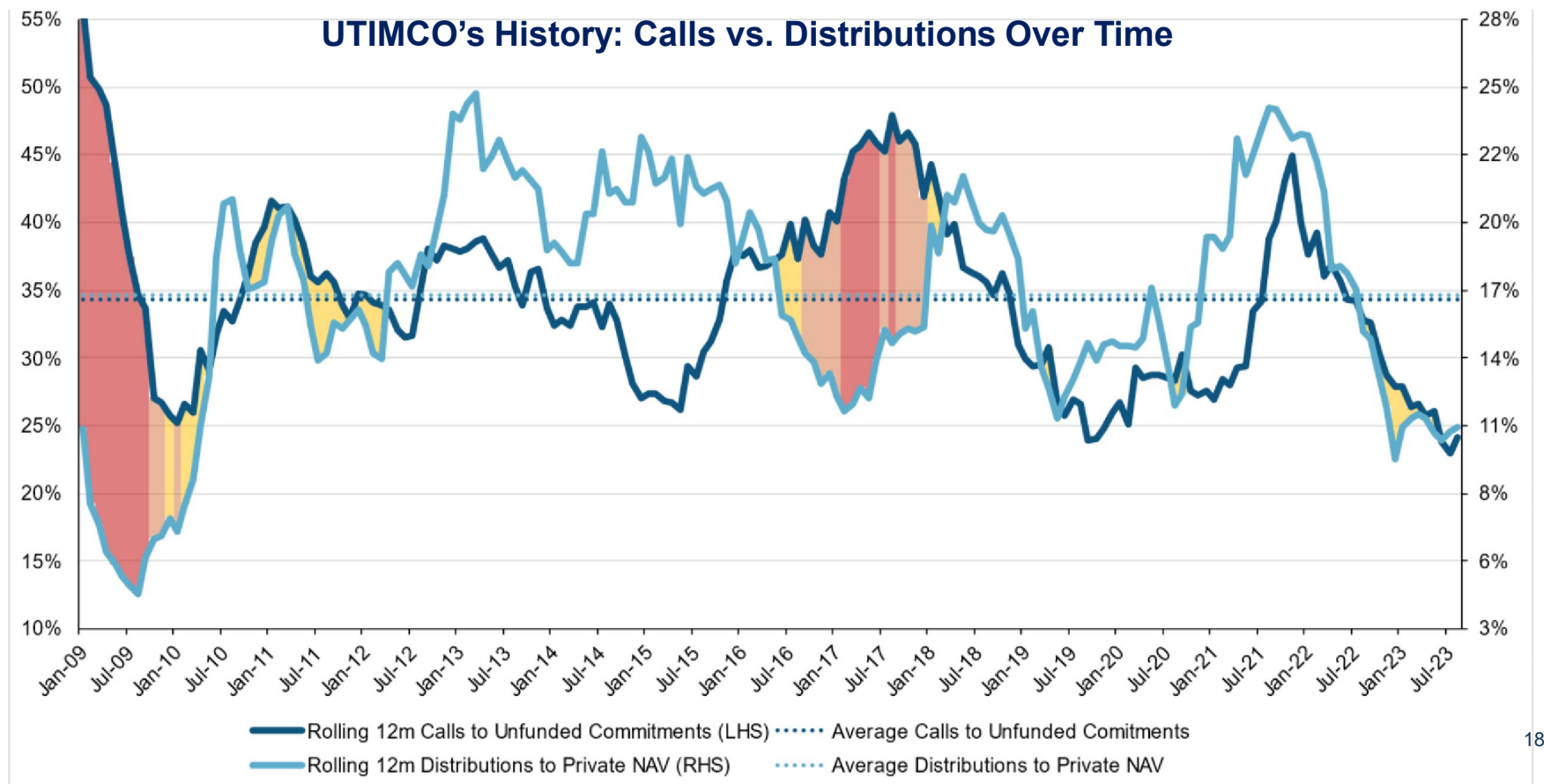






# Private Investments – Calls and Distributions

- While capital calls and distributions from Private Investments tend to rise or fall at the same time, significant gaps could occur for a variety of reasons
- The gap has widened in 2022, resulting in \$1.2bn of excess capital calls (beyond distributions received)
- The gap recently closed, but both calls and distributions are low relative to history

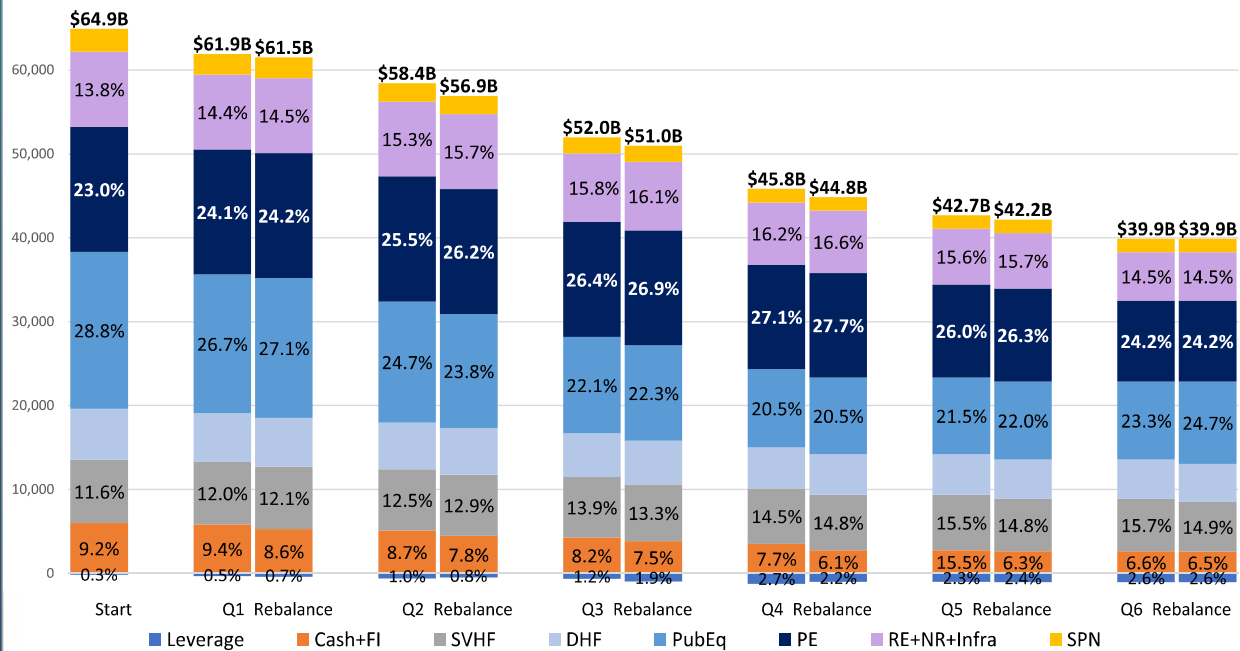




# Contingency Plan for 50% Market Decline

Positions as of 7/31/2023

- Scenario is a 50% market decline over 12 months. Plan includes:
  - Margin calls based on current TAA and PA size
  - \$2bn of excess distributions to our clients (beyond inflows)
  - \$2bn of excess capital calls
  - Full rebalance
- Plan requires selling \$980mm of SVHF, starting only 12 months into the event – Hedge Fund team have a detailed implementation plan
- Illiquidity at worst point reaches 70.8% (vs new policy of 75%)
- At the trough, we still have 4.1% of “first responders”, which can be used to go on offense (overweight equities); max leverage usage is 3.4%, leaving the remaining 6.6% (minus some margins of safety) for further offense



Q1	Markets fall 12.5%; PA margin call of \$150mm;
	TAA margin call of \$120mm; excess ITF distributions of \$300mm;
	Rebalance: sell \$389mm of FI to buy \$385mm of equities and replenish cash
Q2	Markets fall another 14.3%, cumulative 25.0%; PA margin call of \$169mm;
	Excess capital calls of \$1,000mm; excess distributions of \$500mm; initiate sale (happens next quarter) of \$10mm DHF
	Rebalance: sell \$640mm of FI to buy \$525mm of equities and replenish cash
Q3	Markets fall another 16.7%, cumulative 37.5%; PA margin call of \$195mm; Privates marked down by 65% of 12.5%
	Excess capital calls of \$500mm; excess distributions of \$500mm; initiate sale (happens next quarter) of \$20mm DHF
	Rebalance: sell \$467mm of FI and use the \$10mm DHF proceeds to buy \$342mm of equities and replenish cash; 0.86% of SVHF transferred to PA
Q4	Markets fall another 20.0%, cumulative 50.0%; PA margin call of \$317mm; Privates marked down by 65% of 14.3%
	Excess capital calls of \$500mm; excess distributions of \$500mm; initiate sale (happens next quarter) of \$370mm SVHF and \$150mm DHF
	Rebalance: sell \$930mm of FI and use the \$20mm DHF proceeds to buy \$685mm of equities and replenish cash;
Q5	Privates marked down by 65% of 16.7%
	Excess distributions of \$500mm; initiate sale (happens next quarter) of \$330mm SVHF and \$150mm DHF
	Rebalance: Use \$520mm of HF proceeds and \$29mm of cash to buy \$505mm of equities and \$44mm of FI;
Q6	Privates marked down by 65% of 20.0%
	Initiate sale (happens next quarter) of \$280mm SVHF and \$140mm DHF
	Rebalance: sell \$36mm of FI and use \$480mm of SVHF and DHF proceeds and \$25mm of cash to buy \$541mm of equities;

Endowments			ITF		
First Responders	4-month liquidity	Leverage	First Responders	4-month liquidity	Leverage
<b>Start</b>					
7.1%	41.9%	0.6%	22.7%	51.4%	0.0%
<b>Worst</b>					
4.1%	29.2%	3.4%	17.3%	47.2%	0.0%
<b>Combined SVHF sell (including from PA): \$980mm (11.2%)</b>					



## Summary

---

### **Successful implementation of MSCI Barra as a unified risk system for all asset classes and all levels of management**

- First known implementation that enables systematic evaluation of risks across and within asset classes
- Results delivered in several different ways, making the system usable for all teams and at all levels at UTIMCO

### **Monitoring liquidity and developing contingency plans as the new Long Term Strategic Asset Allocation adds to Private Investments and to Portable Alpha**

- Battle-tested liquidity management tested once again with both the declines of 2022 and the recovery of 2023, passing with flying colors

---

# Appendix

---

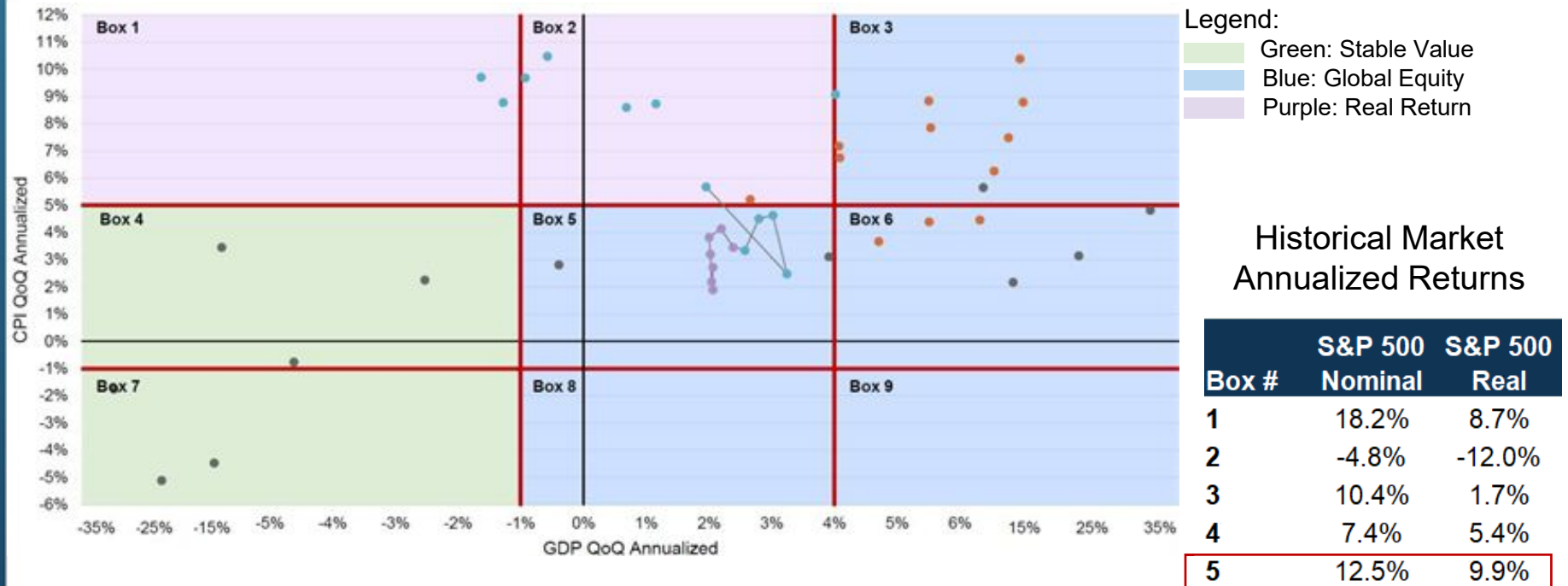




# Current Economic Regime

Period Ending July 31, 2023

Markets have been in “Box 5”, which is an environment that is good for equities, since September 2022



## Global Policy Signals Summary

Quarterly Signals	3/31/2023	12/31/2022	9/30/2022
US	5	5	5
Europe	2	5	2
Japan	5	5	5
China	5	6	6



# US Bear Market Indicators

June 2023



Type	Indicator	On/Off	Indicator Level	Last Update	Last 36 Months	% On Last 36 Months
			Current	Threshold		
Inflation	5yr Breakeven Inflation < 1.25%	Off	2.2%	1.3%	6/23	0%
	10yr Breakeven Inflation > 3%	Off	2.2%	3.0%	6/23	0%
	YoY Inflation > 12m Moving Avg*	Off	4.9%	5.8%	6/23	56%
	YoY CPI Energy > 20%*	Off	-16.5%	20.0%	6/23	47%
	YoY PCE Deflator > 3%*	Off	3.0%	3.0%	6/23	72%
Employment	Employment Growth < 0%*	Off	2.6%	0.0%	6/23	25%
	YoY Avg. Hourly Earnings > 3%	On	4.4%	3.0%	6/23	94%
	YoY NonFinc Labor Costs > 3.5%*	On	6.0%	3.5%	3/23	75%
	Consumer Confidence Spread < -20%	Off	5.8%	-20.0%	6/23	6%
	Unemployment 3mo MA > .33% off lows*	Off	3.6%	3.8%	6/23	56%
Growth	Inventory/Sales > Long-term Avg.*	On	1.40	1.37	5/23	36%
	YoY Leading Economic Indicator < 0%*	On	-7.8%	0.0%	6/23	56%
	Leading/Coincident Ratio Drawdown > 26 months*	Off	18.0	26.0	6/23	0%
	Fed Recession Probability > 25%*	On	67.3%	25.0%	6/23	28%
	Residential Construction (% of GDP) > 5%	Off	3.2%	5.0%	6/23	0%
	Total Investment (% of GDP) > 18.5%	Off	13.1%	18.5%	6/23	0%

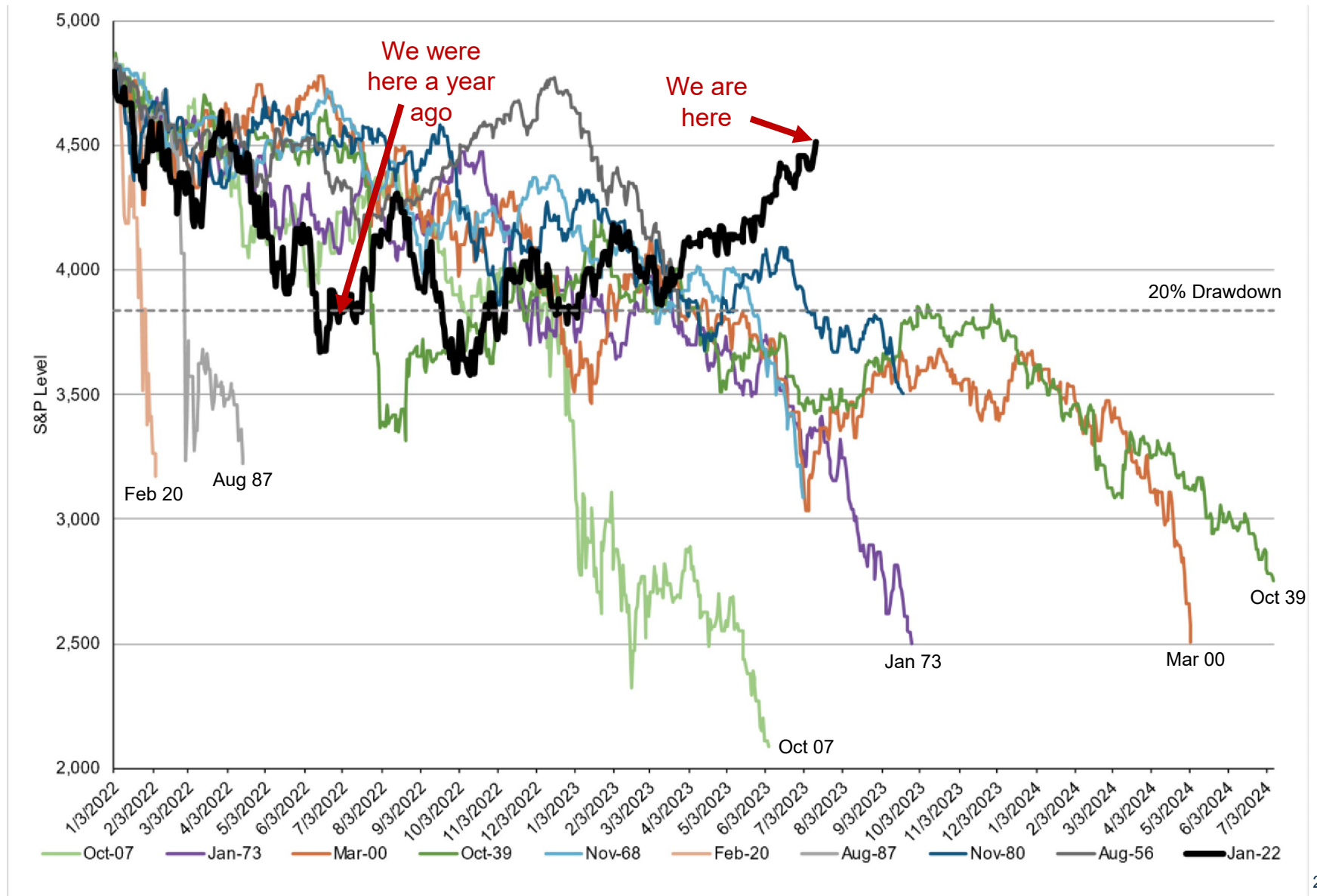
Type	Indicator	On/Off	Indicator Level	Last Update	Last 36 Months	% On Last 36 Months
			Current	Threshold		
Credit	US HY Yield > Long-term Avg.	Off	8.5%	9.6%	6/23	3%
	Non-Mortgage Delinquency Rate > 3.5%*	Off	2.2%	3.5%	3/23	0%
	Real Rates < 0%*	Off	2.3%	0.0%	6/23	92%
Market	YoY Equity Markets < -5%	Off	19.0%	-5.0%	6/23	28%
	Investment Banks < 12m Moving Avg. - 1 SD	Off	8.8%	0.0%	6/23	17%
	Cons. Discretionary < 12m Moving Avg. - 1 SD	Off	18.1%	0.0%	6/23	19%
	US Dollar 24m Change > 10%	On	11.6%	10.0%	6/23	36%

**6/23 Indicators "On"**  
June 2022 had 10/23 Indicators "On"

\*At any given time, we expect an average of 5-7 indicators to be "On"



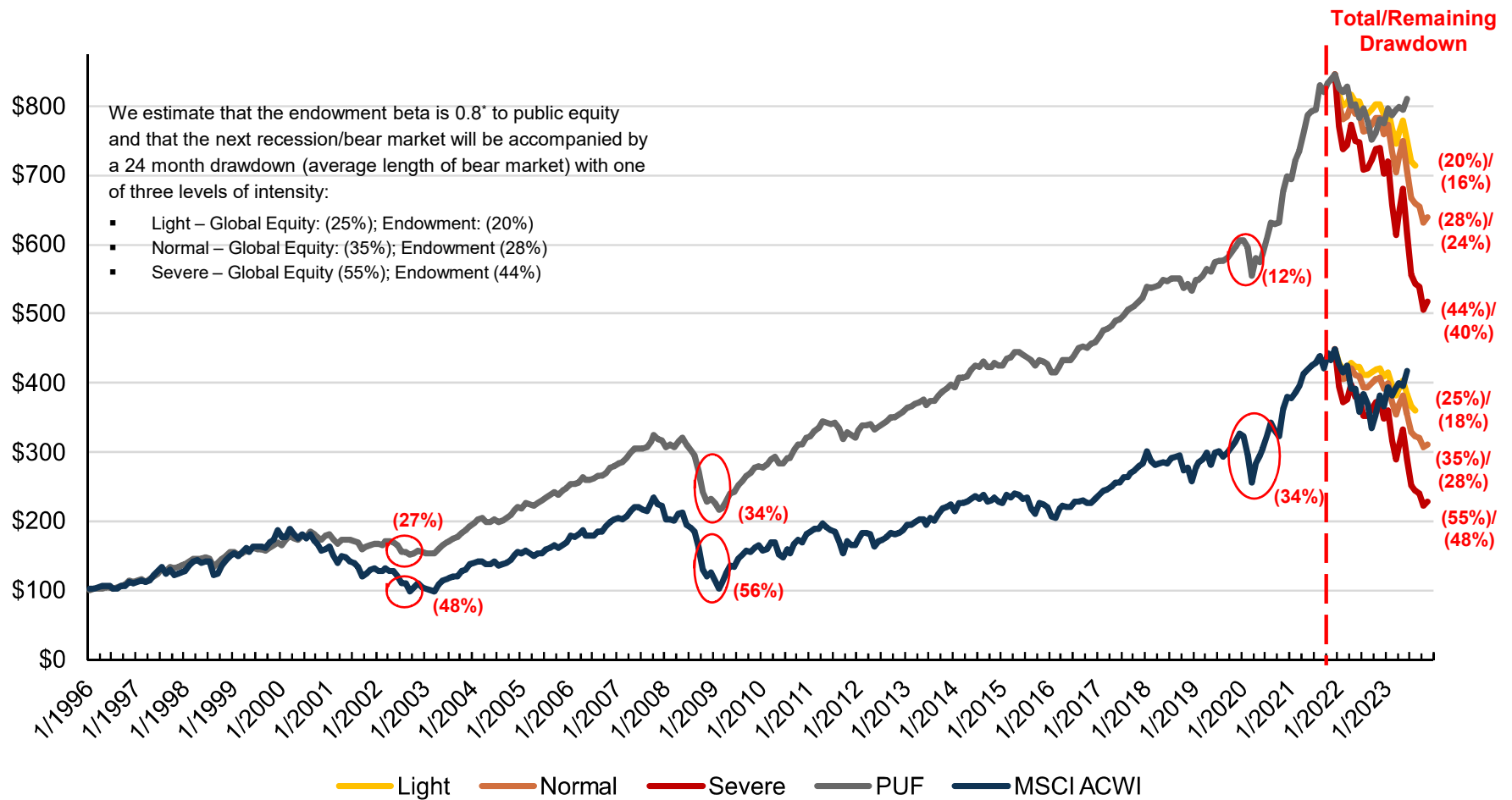
# How Do Bear Markets Evolve?





# Bear Market Perspectives

## Historical and Projected PUF Drawdowns June 2023



\*In quick drawdowns, we expect beta to be lower than 0.8 as private market performance tends to lag public markets





# Economic Forecasts

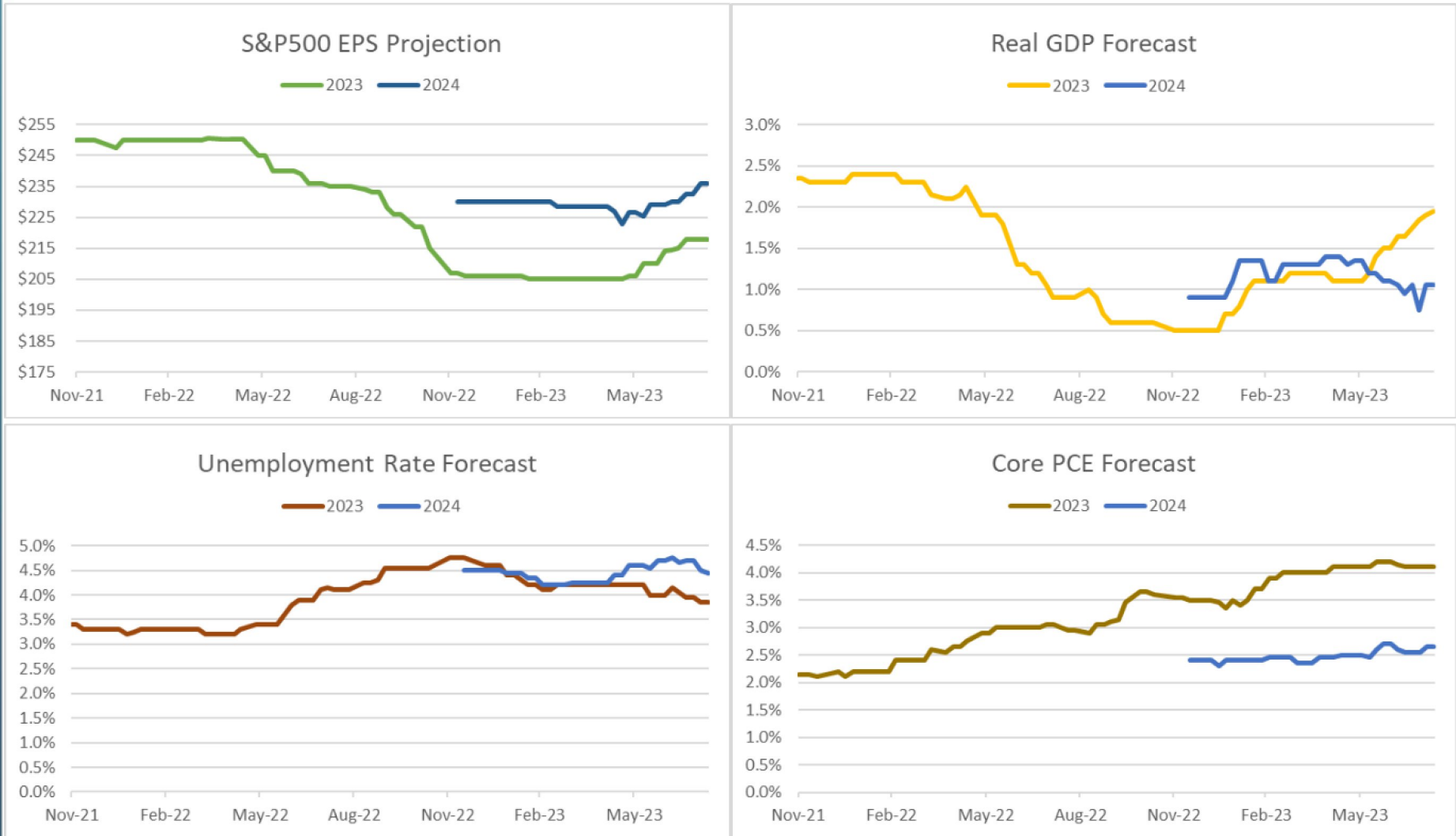
Estimates as of 8/11/23

	Quarterly Real GDP		Real GDP		S&P 500 EPS		Unemployment		Core PCE	
	Q3	Q4	2023	2024	2023	2024	2023	2024	2023	2024
AGMR	0.5%	0.6%	1.3%	0.6%			4.0%	5.4%	3.6%	3.5%
Barclays	1.0%	0.0%	1.9%	0.0%	\$218		3.9%	4.5%	4.1%	2.8%
BofA	2.0%	1.5%	2.1%	1.1%	\$218	\$235	3.8%	4.2%	4.2%	3.0%
Citi	1.2%	0.7%	2.0%	0.1%	\$220	\$245	3.8%	5.3%	4.2%	2.9%
Credit Suisse					\$220	\$237				
Goldman	1.5%	1.1%	2.1%	1.7%	\$224	\$237	3.6%	3.6%	3.4%	2.4%
ISI	1.0%	-1.0%	-1.3%	0.5%	\$214	\$221	4.0%	4.8%	2.0%	2.0%
JP Morgan	2.5%	1.5%	2.2%	1.1%	\$215	\$230	3.7%	4.3%	4.1%	2.5%
Morgan Stanley	1.2%	0.2%	1.9%	1.1%	\$185	\$228	4.0%	4.4%	4.1%	2.3%
UBS	1.3%	-1.4%	1.1%	1.0%			4.0%	5.4%	3.3%	1.6%
Yardeni	2.0%	2.0%	2.0%	2.5%	\$225	\$250	3.5%	3.5%	4.3%	3.0%
Median	1.3%	0.7%	2.0%	1.1%	\$218	\$236	3.9%	4.5%	4.1%	2.7%
Average	1.4%	0.5%	1.5%	1.0%	\$215	\$235	3.8%	4.5%	3.7%	2.6%
FOMC			1.0%	1.1%			4.1%	4.5%	3.9%	2.6%

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 Forecasts



**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** Operations Presentation

**Developed By:** Cowell, Holm, Bauer

**Presented By:** Cowell, Holm, Bauer

**Type of Item:** Information Item

**Description:** The Operations Team consists of the Operations, Accounting and Reporting (the "OAR") team which provides accounting and reporting for the funds under management, and the Corporate Accounting team which provides accounting, payroll, and benefits management for the corporation. Yvette Cowell and Justin Holm will present the OAR overview and Kim Bauer will report on the Corporate Accounting team.

**Reference:** *Operations Overview* presentation



# Board of Directors Meeting

## Operations Overview

---

Yvette Cowell, Senior Director - Operations, Accounting and Reporting

Justin Holm, Director – Operational Due Diligence

Kim Bauer, Senior Director – Corporate Accounting

September 28, 2023



# Executive Summary

---

## **Defining the standard of operational excellence at UTIMCO**

- Delivering clean audits, thorough ODD manager reviews and efficient document and data retrieval
- Disbursing over \$2.1 billion to the UT and Texas A&M system schools in an accurate and timely manner every year

## **Advancing with a dynamic and ever changing environment**

- Exploring AI and Machine Learning solutions
- ODD underwriting new and unique investment strategies
- Utilizing new cloud-based accounting and reporting system for Corporate Accounting

## **Customer service focus**

- Providing training to UT System institutions
- Differentiating UTIMCO's ODD program compared to peers
- Supporting UTIMCO employees in all aspects of payroll and benefits



# Operations Team



\* COO Team Support



# Operations, Accounting & Reporting

23-member team led by Managing Director Gary Hill, Senior Director Yvette Cowell, and Directors Angelica Lopez-Ramos, Victoria Andries and Justin Holm

## Financial Accounting & Reporting:

- Account for all assets we manage
- Report net asset value and performance information
- Investment Fund Reporting
- Reporting for Individual Endowment Accounts
- Maintain master securities file
- Operational Due Diligence
- Facilitate movements of cash
- Document Management
- Provide other support as needed

## Key Customers and Clients:

- Investment Team
- BNY Mellon – Global Custodian
- External investment managers
- Cambridge Associates
- UT and Texas A&M Systems
- Auditors (External and UT System)
- Development Offices
- Dreyfus
- Legal & Compliance



# Exploring AI Capabilities

## What AI Technology is Available?

- AI and Machine Learning technology is being adopted throughout the financial and accounting space
- PDF “scrubbing” for automated data extraction
- Large language models being implemented by some vendors – “read” reports, letters, notes and give summaries
- Quickly changing space and constantly improving technologies

## What Have We Learned?

- Met with several vendors that offer financial services AI solutions
- References from peer institutions
- Varying levels of “true” AI and machine learning capabilities
- Human interaction will remain attached to these processes, with significant time saved and improved accuracy

## What Comes Next?

- Continue to educate ourselves on this space and get input firm-wide
- Automation will streamline processes and create efficiencies
- Adoption of AI will reduce or even eliminate time spent on repeated processes (pricing reviews, K1s, management fees)
- Factors to consider moving forward: security, connection to existing systems, wide adoption across UTIMCO





# Enhance Client Service

## TRAINING TO UT SYSTEM INSTITUTIONS

### Importance of Institution Visits

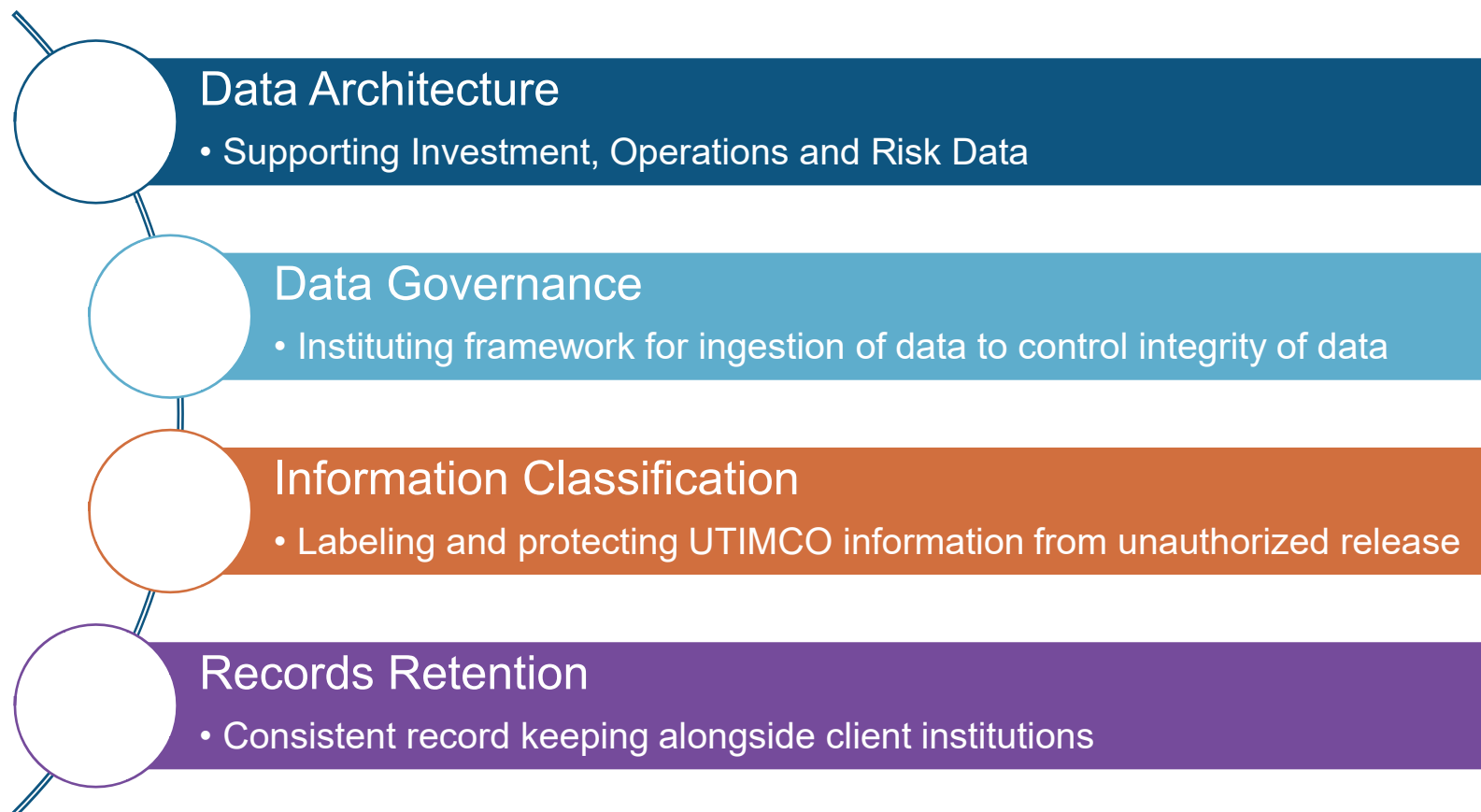
- Endowment overview
- Modernization of web applications
- Detailed LTF topics/concerns
- Maintain great relationships





# Driving UTIMCO's Data Program Into the Future

OAR and ISS working together





## Deepening Relationships with Our External Investment Managers

### Operational Due Diligence at UTIMCO



UTIMCO averages more than 60 investment deals per year, covering all asset classes including public equity, hedge funds, real return and private equity



Partnership approach with external investment managers – we want them to be best in class in all aspects, investments and operations



Risk based approach to ODD aligns with the asset class specific risks



**Number one focus remains the safekeeping and protection of UTIMCO assets via thorough Operational Due Diligence**



# 2023 Priorities and Accomplishments

## 2023 Priorities

- Enhance reporting
- Increase efficiency and technical skills
- Build trust with internal and external relationships
- Attract and retain “A” players

## Accomplishments from Action Plan

- Modernizing legacy applications alongside ISS
- Created numerous Power BI reports
- Configured and tested Data Marts
- Researched and identified vendors with enhanced AI and Machine Learning capabilities
- Streamlined UTIMCO combination due diligence questionnaires
- Expanded firmwide knowledge by providing in depth training

---

# Corporate Accounting

---





# Corporate Accounting

The team is 5 members led by Senior Director, Kim Bauer. The team is responsible for managing the financial activities related to UTIMCO corporate business.

## Corporate Financial Reporting

- Process and maintain financial records
- Prepare financial statements
- Manage financial audit with Deloitte
- Prepare annual budgets
- Manage fixed assets
- Prepare and file corporate tax return (Form 990)
- Manage annual corporate insurance renewals
- Process expense disbursements

## Payroll & Benefits Administration

- Manage payroll and tax reporting
- Process performance compensation payments and maintain deferred compensation schedules
- Manage and administer retirement plans
- Chair Plan Administrative Committee
- Manage annual 403(b) Plan audit
- Administer Health and Welfare plans
- Manage annual benefits Open Enrollment
- Prepare Mercer compensation survey/study schedules



# 2023 Priorities and Accomplishments

## 2023 Priorities

- Enhance reporting
- Increase efficiency
- Build trust with internal and external customers
- Attract and retain “A” players

## Accomplishments from Action Plan

- Completed Mercer compensation study
- Created new processes to enhance controls
- Automated and enhanced payroll & benefits processes
- Preparing for GASB96 (accounting for software subscriptions)
- Completed FY24 UTIMCO budget
- Prepared and filed the form 990 tax return
- Finalizing 2022 403(b) Plan audit

---

# Appendix

---







# Audits and Reviews

---

## External Auditing Firm – Deloitte & Touche, LLP

- Investment Funds Audits
  - PUF, PUF Detail Schedules of Investment Securities, GEF, PHF, LTF, ITF and Performance Statistics (7 separate audit reports)
- Corporate Audits
  - UTIMCO Corporate
  - 403(b) Plan audit
- Review of Performance Plan Calculations

## UT System Audit Office

- Variety of audits, reviews and agreed upon procedures (AUP). Recent engagements include:
  - Securities Lending Audit (2023)
  - IT Asset Management Audit (2022)
  - UTIMCO's Compliance Program (2021)
  - AUP engagement of Risk Team's monitoring plan and activities used to monitor key risks (2019/2020)
  - Travel and entertainment expenses (2018)
  - UTIMCO Software Development Life Cycle (2018)

# 2023 Operations, Accounting and Reporting Action Plan



Orange = Complete

Green = Success Criteria

Enhance Reporting	Create Efficiency	Build Trust	Talent Management
<p><b>Partner with ISS to Modernize Legacy Applications</b></p> <ul style="list-style-type: none"> <li>Complete 12 Applications                             <ul style="list-style-type: none"> <li>5 applications (Q2)</li> <li>7 applications (Q4)</li> </ul> </li> </ul> <p><b>Partner with ISS to complete Data Program initiatives</b></p> <ul style="list-style-type: none"> <li>Establish data governance goals and metrics and build data governance policy structure and roadmap(Q2)</li> <li>Assist in design of data architecture (Q3)</li> <li>Assist in Data discovery for Investment and OAR data marts (Q4)</li> <li>Assist in initial stages of implementation of Investment and OAR data marts (Q4)</li> </ul> <p><b>Utilize Power BI to streamline workflow and create efficiencies</b></p> <ul style="list-style-type: none"> <li>Migrate 10 processes to utilize Power BI functionality                             <ul style="list-style-type: none"> <li>5 processes (Q2)</li> <li>5 processes (Q4)</li> </ul> </li> </ul> <p><b>UTIMCO DDQ 3.0</b></p> <ul style="list-style-type: none"> <li>Review, update and create versions of UTIMCO DDQ applicable to each strategy (Q2)</li> </ul> <p><b>Unfunded Commitments</b></p> <ul style="list-style-type: none"> <li>Streamline the reconciliation process (develop step-by-step model) (Q1)</li> <li>Reconcile and agree 100% to General Partner records (Q3)</li> </ul>	<p><b>Review of team reporting and processes</b></p> <ul style="list-style-type: none"> <li>Timely response to clients &amp; customer requests (Ongoing)</li> </ul> <p><b>Software Review</b></p> <ul style="list-style-type: none"> <li>Evaluate Document Management Tool alternatives prior to Dynamo Contract Renewal (Q1)</li> <li>Determine need and explore trading software options for internal trading (Q2)</li> </ul> <p><b>Utilize AI to improve Document Management efficiency</b></p> <ul style="list-style-type: none"> <li>Explore AI solutions to identify Stale/Lagged Reporting (Dynamo/Dynamo Alternatives, Burgiss, Inhouse) (Q3)</li> <li>Explore PDF scrubber options for assistance with annual projects and cost adjustments (Q4)</li> </ul> <p><b>Public Markets/Hedge Funds transaction processing</b></p> <ul style="list-style-type: none"> <li>Consolidate information flow, improve process/communication with stakeholders to help ensure no missed transactions (Review quarterly to track success)(Ongoing)</li> </ul> <p><b>ODD Dashboard/Monitoring Program</b></p> <ul style="list-style-type: none"> <li>Define roles/responsibilities for ongoing monitoring across team(Q2)</li> <li>Creation or onboarding of an ODD monitoring platform (Q4)</li> </ul> <p><b>Partner with ISS for Successful Implementation of MPA, Replacing PAR</b></p> <ul style="list-style-type: none"> <li>Complete deliverables outlined in updated project plan (Q2)</li> </ul>	<p><b>Successful and timely execution of team processes</b></p> <ul style="list-style-type: none"> <li>Accurate and timely accounting &amp; performance reporting (Ongoing)</li> <li>Timely funding of investment mandates (Ongoing)</li> <li>Achieve clean audits (Q4)</li> </ul> <p><b>Enhance client service by providing training to UT System institutions</b></p> <ul style="list-style-type: none"> <li>Educate UT System institutions on updated applications                             <ul style="list-style-type: none"> <li>Plan/schedule sessions (Q1)</li> <li>Complete 6 sessions (Q2)</li> <li>Complete 7 sessions (Q3)</li> </ul> </li> </ul> <p><b>ODD Learning Series</b></p> <ul style="list-style-type: none"> <li>One learning session per quarter across all UTIMCO teams (ongoing)</li> </ul> <p><b>Partner with ISS to Support Information Classification Program</b></p> <ul style="list-style-type: none"> <li>Train UTIMCO employees on handling guidelines (Q2)</li> <li>Formally adopt Data/Information handling guidelines. (Q2)</li> <li>Enable Microsoft technologies that support Information Classification(Q4)</li> </ul> <p><b>Investment Team Performance Collaboration</b></p> <ul style="list-style-type: none"> <li>Set up process to verify performance return accuracy on a timely basis with investment teams (Q1)</li> </ul>	<p><b>New Hire Onboarding</b></p> <ul style="list-style-type: none"> <li>Integrate/Onboard ODD Analyst to team (Q1)</li> <li>Summer Intern for ODD (Q2)</li> <li>Summer Intern for Accounting (Q2)</li> </ul> <p><b>Team Initiatives</b></p> <ul style="list-style-type: none"> <li>Complete Individual Development Plans for team members (Q3)</li> <li>Cross training for development and succession planning (Ongoing)</li> </ul> <p><b>Stay Committed to Mission, Vision, Values</b></p> <ul style="list-style-type: none"> <li>Engage in conversations highlighting experiences/thoughts about UTIMCO's Mission, Vision, Values during monthly team meetings (Rotating quarterly)</li> </ul> <p><b>Embrace, assist, and support DEI</b></p> <ul style="list-style-type: none"> <li>Receive updates from team members on DEI Council on initiatives and activities, and engage in conversations highlighting experiences/thoughts about UTIMCO's DEI initiatives during monthly team meetings (Rotating quarterly)</li> </ul> <p><b>Adoption of 2023 UTIMCO theme to reinforce combination of prior year themes</b></p> <ul style="list-style-type: none"> <li>Total Alignment</li> <li>Development</li> <li>Servant Leadership</li> <li>Essentialism</li> <li>Engage in conversations highlighting experiences/thoughts about UTIMCO's Annual theme/focus during monthly team meetings (Rotating quarterly)</li> </ul>
<p>Develop more meaningful, informative, and useful reports</p>	<p>Streamline activities and processes to provide time and cost savings</p>	<p>Maintain an effective control environment to mitigate risks</p>	<p>Create a harmonious environment with motivated and knowledgeable people now and in the future</p>

# 2023 Corporate Accounting Action Plan



Orange = Complete

Green = Success Criteria

Enhance Reporting	Create Efficiency	Build Trust	Talent Management
<p><b>Budget software platform/Partner with ISS</b></p> <ul style="list-style-type: none"> <li>Research software options, view software demonstrations and obtain quotes (Q2)</li> <li>Select software and vendor, agree to SOW and begin preliminary planning (Q4)</li> </ul> <p><b>GASB 96 (subscription-based IT arrangements) implementation</b></p> <ul style="list-style-type: none"> <li>Create a process to identify current and ongoing qualifying agreements and plan for implementation (Q3)</li> <li>Accurately record entries for FY23 and restate FY22; create and present revised financial statements format (Q4)</li> </ul> <p><b>Mercer Compensation Study and Comp Plan review</b></p> <ul style="list-style-type: none"> <li>Prepare compensation schedules for Mercer and provide new or updated job descriptions (Q1)</li> <li>Incorporate Mercer Study data into employee compensation budget (Q2)</li> </ul>	<p><b>Ongoing review of team reporting and processes</b></p> <p><b>Financial Reporting &amp; Accounting</b></p> <ul style="list-style-type: none"> <li>Continue to create new processes, documentation, and reports related to new accounting system (Q1-2)</li> <li>Cross-train and realign team member responsibilities including those of retiring team member (Q1-2)</li> <li>Evaluate and update travel related processes related to new agency relationship (Q1-2)</li> </ul> <p><b>Payroll &amp; Benefits</b></p> <ul style="list-style-type: none"> <li>Evaluate and test the Newport 180-Degree Payroll Integration system with UKG which could help eliminate redundancies and facilitate audit prep (Q3-4)</li> <li>Partner with UKG to automate and enhance manual payroll processes for calculating and recording disability, PTO, and GL exports (Q1)</li> </ul>	<p><b>Successful and timely execution of team processes</b></p> <ul style="list-style-type: none"> <li>Accurate and timely accounting &amp; financial reporting on a regular basis (monthly)</li> <li>Timely funding of 403(b), 457(b), and HSA contributions within an average of 3-4 business days (monthly)</li> <li>Accurate and timely payroll processing and benefits administration by deadlines (monthly)</li> <li>Successful budget planning and preparation (Q2)</li> <li>Tax reporting - preparation and filing by deadlines (Q1 for extensions and 4720 payment, Q3 for 990 and 4720 filing, Q4 for 5500s)</li> <li>Corporate insurance review and renewal by deadlines (Q2)</li> <li>Achieve clean audits (Q4 for corporate and Q3 for 403b)</li> <li>In partnership with the HR team, begin review and update of the UTIMCO Employee Handbook (Q2); finalize and distribute (Q3)</li> <li>Chair PAC, hold quarterly meetings and help prepare meeting materials (quarterly)</li> </ul>	<p><b>New Hire Onboardings</b></p> <ul style="list-style-type: none"> <li>Evaluate team open and upcoming vacant positions and update/revise job descriptions; recruit, hire and onboard team member replacement (Q1-2)</li> </ul> <p><b>Team Initiatives</b></p> <ul style="list-style-type: none"> <li>Complete Individual Development Plans for team members (Q3)</li> <li>Cross training for development and succession planning (Ongoing)</li> </ul> <p><b>Stay Committed to Mission, Vision, Values</b></p> <ul style="list-style-type: none"> <li>Engage in conversations highlighting experiences/thoughts about UTIMCO's Mission, Vision, Values during team meetings (Rotating quarterly)</li> </ul> <p><b>Embrace, assist, and support DEI</b></p> <ul style="list-style-type: none"> <li>Receive updates from team members on DEI Council on initiatives and activities, and engage in conversations highlighting experiences/thoughts about UTIMCO's DEI initiatives during team meetings (Rotating quarterly)</li> </ul> <p><b>Adoption of 2023 UTIMCO theme to reinforce combination of prior year themes</b></p> <ul style="list-style-type: none"> <li>Total Alignment</li> <li>Development</li> <li>Servant Leadership</li> <li>Essentialism</li> <li>Engage in conversations highlighting experiences/thoughts about UTIMCO's Annual theme/focus during team meetings (Rotating quarterly)</li> </ul>
<p>Develop more meaningful, informative, and useful reports</p>	<p>Streamline activities and processes to provide time and cost savings</p>	<p>Maintain an effective control environment to mitigate risks</p>	<p>Create a harmonious environment with motivated and knowledgeable people now and in the future</p>

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

<b>Agenda Item:</b>	Report from Audit and Ethics Committee
<b>Developed By:</b>	Moeller, de Onís
<b>Presented By:</b>	Jiles
<b>Type of Item:</b>	Information item
<b>Description:</b>	<p>The Audit and Ethics Committee (the “Committee”) met on September 21, 2023. The Committee’s agenda included (1) discussion and appropriate action related to the Committee minutes; (2) an update on UTIMCO’s compliance, reporting, and audit matters; and (3) a presentation of the unaudited financial statements for the Investment Funds and the Corporation.</p>
<b>Discussion:</b>	<p>Ms. de Onís reported on quarterly compliance and the contracts report. In accordance with the Delegation of Authority Policy, UTIMCO reports any new contracts, leases or other commercial arrangements of \$250,000 or more to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more. There were no new contracts, leases, or other commercial arrangements of \$250,000 or more from the prior reporting end date of May 26, 2023, through September 5, 2023.</p> <p>The Committee also reviewed the unaudited financial statements for the Funds for the nine months ended May 31, 2023, and the Corporation for the ten months ended June 30, 2023.</p>
<b>Recommendation:</b>	None
<b>Reference:</b>	None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

<b>Agenda Item:</b>	Report from Investment Risk Committee
<b>Developed By:</b>	Moeller, de Onís
<b>Presented By:</b>	Longoria
<b>Type of Item:</b>	Information item
<b>Description:</b>	The Investment Risk Committee (the “Committee”) met on September 21, 2023. The Committee’s agenda included (1) discussion and appropriate action related to the approval of the minutes of the Meeting of the Investment Risk Committee and the Joint Meeting of the Policy and Investment Risk Committees held on June 8, 2023; (2) review and discussion of compliance reporting; and (3) a market and portfolio risk update.
<b>Discussion</b>	Ms. de Onís reviewed the quarterly compliance reporting and Dr. Yoeli presented an update on the market and portfolio risk.
<b>Recommendation:</b>	None
<b>Reference:</b>	None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 28, 2023

**Agenda Item:** Report on 2024 Meeting Dates

**Developed By:** Team

**Presented By:** Hall

**Type of Item:** Information item

**Description:** This agenda item presents the 2024 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** UTIMCO 2024 Meeting Dates



## UTIMCO Meeting Dates

Meetings are held at the Corporate Offices:  
 210 W. Seventh Street, Suite 1700  
 Austin, TX 78701

2024 - Proposed								
	Audit & Ethics Committee	Compensation Committee	Policy Committee	Investment Risk Committee	Cyber Risk	UTIMCO Board of Directors	UT System Board of Regents	TAMU System Board of Regents
January								
February							2/21-22/2024	2/7-9/2024
March	03/12/24	03/12/24	03/12/24	03/12/24	03/12/24	03/20/24		
April								
May							5/8-9/2024	5/6-8/2024
June (Annual)	06/11/24	06/11/24	06/11/24	06/11/24	06/11/24	06/20/24		
July								7/31-8/2/2024
August							8/21-22/2024	
September	09/19/24	09/19/24	09/19/24	09/19/24	09/19/24	09/26/24		
October								
November							11/20-21/2024	11/6-8/2025
December	12/04/24	12/04/24 & 12/12/2024	12/04/24	12/04/24	12/04/24	12/12/24		