

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



***Presentation Materials***

***Board of Directors Meeting***

***December 7, 2023***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA**

**December 7, 2023**

UTIMCO

210 West 7<sup>th</sup> Street, Suite 1700

Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	<a href="#">Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the September 28, 2023 Meeting*</a>
9:05 a.m.	9:10 a.m.	2	<a href="#">Discussion and Appropriate Action Related to Corporate Resolutions:</a> -- Election of Corporate Officer* -- Designation of Plan Administrative Committee Member*
9:10 a.m.	9:55 a.m.	3	<a href="#">UTIMCO Performance and Market Update</a>
9:55 a.m.	10:10 a.m.	4	<a href="#">Report from Audit and Ethics Committee:</a> - Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2023*
10:10 a.m.	10:15 a.m.	5	<a href="#">Report from Investment Risk Committee</a>
10:15 a.m.	10:25 a.m.	6	<a href="#">Report from Cyber Risk Committee</a>
10:25 a.m.	11:25 a.m.		<b>Recess to Executive Session, if required</b> <b>Executive Session:</b> Pursuant to Section 551.074, <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2023; and to consult with legal counsel regarding legal matters pursuant to Section 551.071, <i>Texas Government Code</i> . <b>Reconvene into Open Session</b>
11:25 a.m.	11:30 a.m.	7	<a href="#">Report from Compensation Committee:</a> - Discussion and Appropriate Action Related to Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2023*
11:30 a.m.			<b>Adjourn followed by Lunch</b>

\* Action by resolution required

<b>Next Scheduled Meeting: March 20, 2024</b>
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**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **September 28, 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 **September 28, 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, Austin, Texas, said meeting having been called by the Chairman, James C. “Rad” Weaver (“Chairman”), with notice provided to each member in accordance with the Corporation’s Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

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

thus constituting a majority and quorum of the Board. Chairman Weaver called the meeting to order at 9:00 a.m. Employees of the Corporation attending the meeting were Rich Hall, President, CEO and CIO; Joan Moeller, Secretary and Treasurer; Carolina de Onís, General Counsel and Chief Compliance Officer; Russ Kampfe, Managing Director – Fixed Income; Uzi Yoeli, Managing Director – Risk Management; Tim Jones, Senior Director – Risk Management; Gus Deering, Managing Director and Chief Technology Officer; David Gahagan – Senior Director and CISO; Kim Bauer, Senior Director - Corporate Accounting; Yvette Cowell, Senior Director – Operations, Accounting and Reporting; Justin Holm, Director – Operational Due Diligence; and other UTIMCO employees. Other attendees included Jerry Kyle of Orrick, Herrington, & Sutcliffe LLP; and Keith Brown of the McCombs School of Business at UT Austin. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

**Minutes**

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on June 15, 2023. Upon motion duly made and seconded, the following resolution was unanimously approved by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on June 15, 2023, be, and are hereby, approved.

## **Corporate Resolutions**

### **Election of Corporate Officers**

Chairman Weaver recommended that Craig Thomas be appointed an officer of the Corporation. Managing Directors are considered officers of the Corporation. Mr. Thomas was appointed Managing Director – Private Equity, effective September 1, 2023. 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 resolution was unanimously approved:

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.

### **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 receive an update on computer security assessments related to information resources technology pursuant to *Texas Government Code* Sections 551.076 and 551.089. The date is September 28, 2023, and the time is now 9:03 a.m.” With the exception of Mr. Hall, Ms. Moeller, Ms. de Onís, Mr. Deering, Mr. Gahagan, Mr. Mack, Ms. Sims, Mr. Sahu, and Mr. Kyle, and Mr. Brown, all other meeting participants left the meeting at this time.

### **Reconvene in Open Session**

The Board reconvened in Open Session and Chairman Weaver announced that, “The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is September 28, 2023, and the time is now 9:55 a.m. During the Executive Session, the Board received an update on computer security assessments related to information resources technology, but no action was taken, nor decisions made, and no vote was called for or had by the Board in Executive Session.”

### **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 September 21, 2023. All members of the Committee attended the meeting. At the meeting, the Committee considered one action item: the minutes of its June 14, 2023 meeting, which were approved as drafted. The Committee also met in Executive Session to receive a report from Gus Deering, David Gahagan, and Justin Holm on the Corporation’s cyber risk program.

## **UTIMCO and Market Update**

Chairman Weaver asked Mr. Hall to present the UTIMCO and market update. Mr. Hall focused his discussion on three main topics – a UTIMCO Business update, a market overview, and an update on the Corporation's assets under management and performance results as of June 30, 2023. Mr. Hall began by noting that UTIMCO is continuing to drive performance and restore alpha, and that returns on an absolute basis are positive. UTIMCO has initiated the transition into the newly approved Strategic Asset Allocation policy portfolio, has worked to enhance the public equity portfolio, and is launching a new Enterprise Risk Management program. Mr. Hall also highlighted the development of a new Strategic Plan for FY25-29. Mr. Hall continued by discussing UTIMCO brand development, including the launch of UTIMCO Mission Advocate, the selection of a new CHRO to join the team in November, and the continued retention and attraction of talent for vacant and new positions. The Board was then shown a new video highlighting UTIMCO's mission. Mr. Hall then presented the FY23 Budget versus Actual (estimated) as of August 31, 2023. He discussed portfolio positioning including market value by country, percent of risk and percent of market value by country, and endowment portfolio composition by industry. Mr. Hall also discussed recession and inflation metrics, as well as market projections. Mr. Hall provided a detailed review of returns and alpha, estimated dollar value added through June 30, 2023, the Q2 TUCS results, and UTIMCO's performance relative to peers. Mr. Hall then answered questions from the Board.

## **Fixed Income Presentation**

Chairman Weaver asked Russ Kampfe to provide an update on Fixed Income. Mr. Kampfe began by providing the Board an update on the Fixed Income objectives and strategies, as well as an update on liquidity, performance and priorities. Currently the team is running three strategies – an actively managed Investment Grade Fixed Income ("IGFI") strategy, an actively managed Long Treasuries strategy, and one passively managed TIPS strategy. UTIMCO's total Fixed Income portfolio is approximately \$5 billion and represents approximately 7% of the total assets across the endowments and operating funds. Mr. Kampfe introduced the team and then discussed market performance for the 1-year period ended June 30, 2023, noting that the IGFI portfolio generated positive alpha for the past year and remains above the 3-year target, but that the new Long Treasuries portfolio underperformed by approximately -0.6% over the trailing 12 months. Mr. Kampfe concluded with a review of market conditions and recession indicators.

## **Risk Management Presentation**

Chairman Weaver asked Uzi Yoeli to lead the presentation on Risk Management. Dr. Yoeli began by sharing the team's philosophy, key responsibilities, key accomplishments over the past year, and introduced the members of the team. Dr. Yoeli then turned the presentation over to Tim Jones to discuss the MSCI Barra risk system. Dr. Jones highlighted the accomplishments, lessons learned, and ongoing goals following the first year of deployment, noting that the system helps create a common risk language across the firm, provides a best-in-class risk modeling system for private markets, and delivers a unified factor model. Dr. Jones also shared Private Equity and Real Return team feedback on the impact of the new system as well as sample reports generated by the system. Dr. Yoeli concluded the presentation by providing a detailed update on liquidity monitoring, metrics, and classification, including Private Investment calls and distributions and a contingency plan for a 50% market decline.

## **Operations Presentation**

Chairman Weaver invited Yvette Cowell and Justin Holm to provide an update on the Operations, Accounting and Reporting (“OAR”) team. Ms. Cowell began with an introduction of the OAR team, highlighting the team’s consistent delivery of clean audits, accurate and timely disbursements of over \$2.1 billion to the UT System and A&M System institutions, and the team’s continued use of enhanced AI and Machine Learning tools and technologies to handle data complexities. Ms. Cowell shared that the OAR team works across a multitude of teams and external parties to account for all assets managed by UTIMCO. Ms. Cowell detailed the team’s commitment to excellent customer service, including visits to the UT System Institutions to provide training and education related to the Long Term Fund, overview of endowments, and modernization of web applications. Finally, Ms. Cowell highlighted the efforts of the Document Management team, who retrieve, rename, and categorize over 33,000 documents for over 800 investment funds per year. Ms. Cowell then turned the presentation over to Justin Holm to discuss UTIMCO’s Data Program. Mr. Holm detailed the collaboration of the OAR and Information Services and Security teams within the UTIMCO Data Program, highlighting the cooperation and teamwork across records retention, information classification, data governance, and data architecture. Mr. Holm also discussed the changes to the UTIMCO Operational Due Diligence (“ODD”) program. The team has focused on taking a partnership approach with external investment managers, working to provide insights and recommendations to develop and maintain best-in-class practices and to deepen long term relationships. Mr. Holm concluded by reaffirming that the ODD team’s main focus continues to be the safekeeping and protection of UTIMCO’s assets, before turning the presentation over to Ms. Bauer to provide an update on the Corporate Accounting team.

Ms. Bauer reviewed the team’s responsibility for, and management of, corporate financial reporting and audits, annual budgets, corporate fixed assets, preparation and filing of the Form 990 tax return, corporate insurance renewals, and employee payroll and benefits administration. Ms. Bauer also noted that the team works closely with the HR department on the Mercer compensation study, annual open enrolment, and administering the employee health and welfare plans. Ms. Bauer then reviewed the 2023 priorities and accomplishments, highlighting the use of innovative technology tools to improve and automate systems and workflows. Ms. Cowell, Mr. Holm and Ms. Bauer then answered questions from the Board.

## **Report from Audit and Ethics Committee**

Chairman Weaver asked Director Jiles to provide a report on behalf of the Audit and Ethics Committee. Director Jiles began by thanking Director Handley for her service as the previous Chair of the Audit & Ethics Committee. Director Jiles also welcomed Director Berk and Director Graham as new Committee members. Director Jiles reported that the Committee met via teleconference on September 21, 2023. All Committee members attended the meeting. At the meeting, the Committee considered one action item: the minutes of the June 8, 2023 meeting, which were approved as drafted. Routine matters of the Committee included a report on compliance matters for the quarter ended May 31, 2023. The unaudited financial statements without footnotes for the Funds were presented for the nine months ended May 31, 2023. The unaudited financial statements with footnotes for the Corporation were presented for the ten months ended June 30, 2023, as well as the actual versus budget expenses.

## **Report from Investment Risk Committee**

Chairman Weaver asked Director Longoria to provide report from the Investment Risk Committee. Director Longoria reported that the Investment Risk Committee met via teleconference on September 21, 2023. All

members of the Committee attended the meeting. At the meeting, the Committee considered one action item: 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, which were approved as drafted. Routine business included a report on compliance matters for the quarter ended May 31, 2023. The Committee also received a market and portfolio risk update.

**Report on 2024 Meeting Dates**

Chairman Weaver presented the 2024 UTIMCO Board Meetings schedule and Committee Meetings schedule.

Prior to adjourning the meeting, Chairman Weaver expressed his appreciation for the Human Resources team and their diligence and effort over the previous year despite being down a team member. Chairman Weaver also recognized the Information Classification working group for their hard work implementing the program.

**Adjourn**

There being no further business to come before the Board, the meeting was adjourned at approximately 11:49 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  
December 7, 2023

**Agenda Item:** Discussion and Appropriate Action Related to Corporate Resolutions: (1) Election of Corporate Officer; and (2) Designation of Plan Administrative Committee Member

**Developed By:** Moeller

**Presented By:** Hall

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

**Description:** Rich Hall will request that Alison Rogers-McCoy be appointed an officer of the Corporation. Managing Directors are considered officers of the Corporation. Ms. Rogers-McCoy was hired as Managing Director – Human Resources effective November 28, 2023.

Mr. Hall will recommend the appointment of Ms. Rogers-McCoy to the Plan Administrative Committee. The Corporation maintains two deferred compensation plans for employees, the UTIMCO 403(b) Tax Sheltered Annuity Plan available to all employees and the UTIMCO 457(b) Deferred Compensation Plan for a select group of management and highly compensated employees (the “Plans”). General administration of the Plans is vested in a Plan Administrative Committee (“Committee”) of UTIMCO employees appointed by the UTIMCO Board. Mr. Hall, Joan Moeller and Kim Bauer are currently members of the Committee and will remain on the Committee.

**Recommendation:** Mr. Hall will request that the Board approve the appointment of Ms. Rogers-McCoy as a corporate officer and be designated as a member of the Plan Administrative Committee for both Plans.

**Reference:** None

**RESOLUTION RELATED TO CORPORATION OFFICER**

RESOLVED, that Alison Rogers-McCoy is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until her resignation or removal.

**RESOLUTION RELATED TO PLAN ADMINISTRATIVE COMMITTEE**

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

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 7, 2023

**Agenda Item:** UTIMCO Performance and Market Update

**Developed By:** Hall

**Presented By:** Hall

**Type of Item:** Information Item

**Description:** Rich Hall will provide a portfolio update and a market outlook.

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



# Board of Directors Meeting UTIMCO and Market Update

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Rich Hall, CEO, CIO, & President

December 7, 2023



# Overview

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## Discussion Topics

- **Portfolio Update**
  - Performance
  - Positioning
  - Outlook
- **Market Outlook**
  - 2024 Long-term Capital Market Assumptions
  - Inflation & GDP
  - US Equity Markets
  - Recession Impact
- **Appendices**

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# Portfolio Update

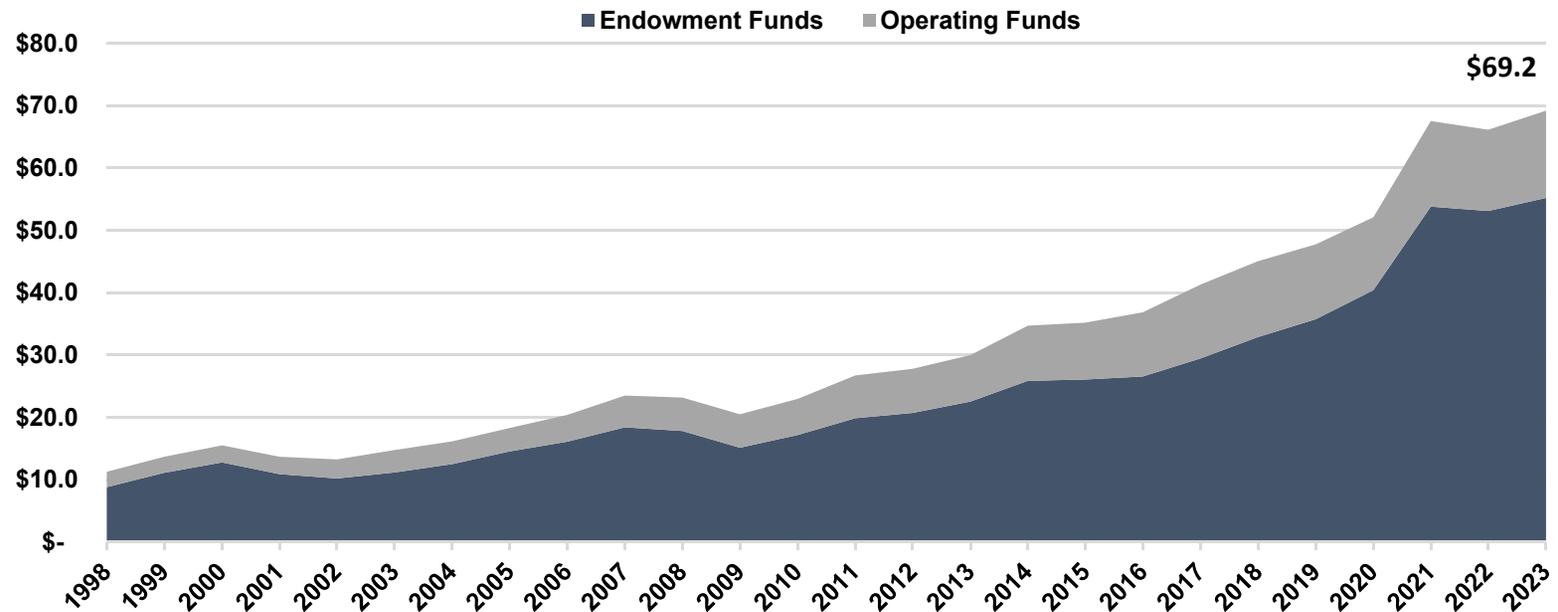
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# Portfolio Performance

## Asset Growth History (\$ billion)



### 3-Month Change in AUM

	\$ Billion
<b>Beginning Net Asset Value (NAV)</b>	<b>69.2</b>
Contributions	1.3
Net Investment Income	-0.7
Distributions	-0.6
<b>Ending Net Asset Value</b>	<b>69.2</b>

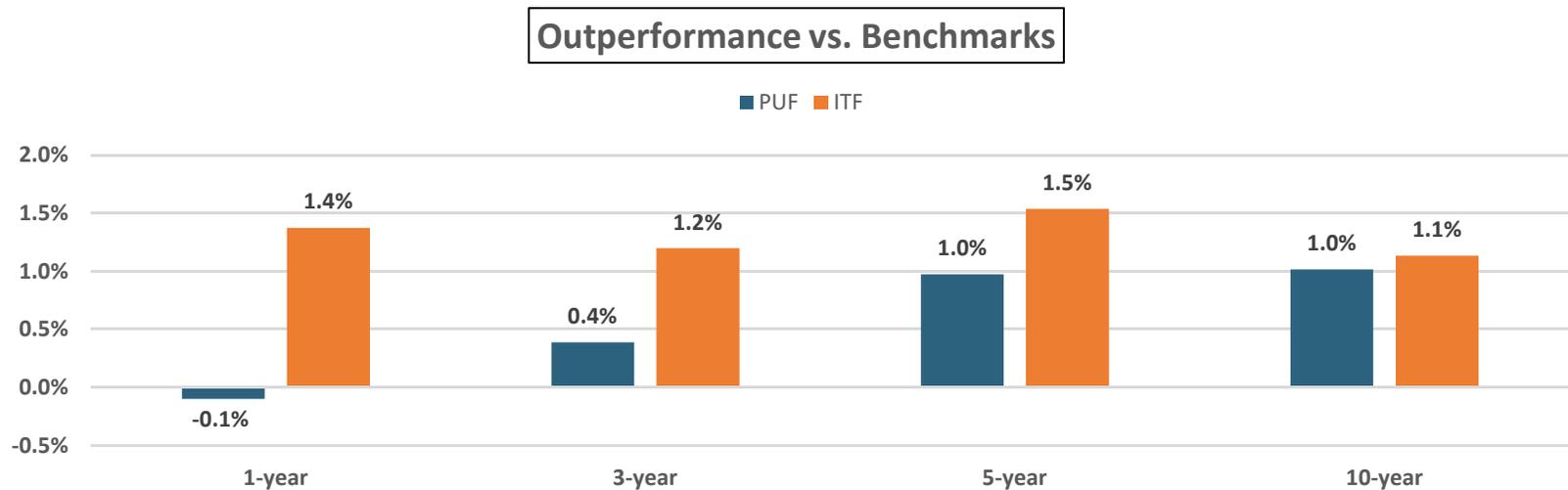
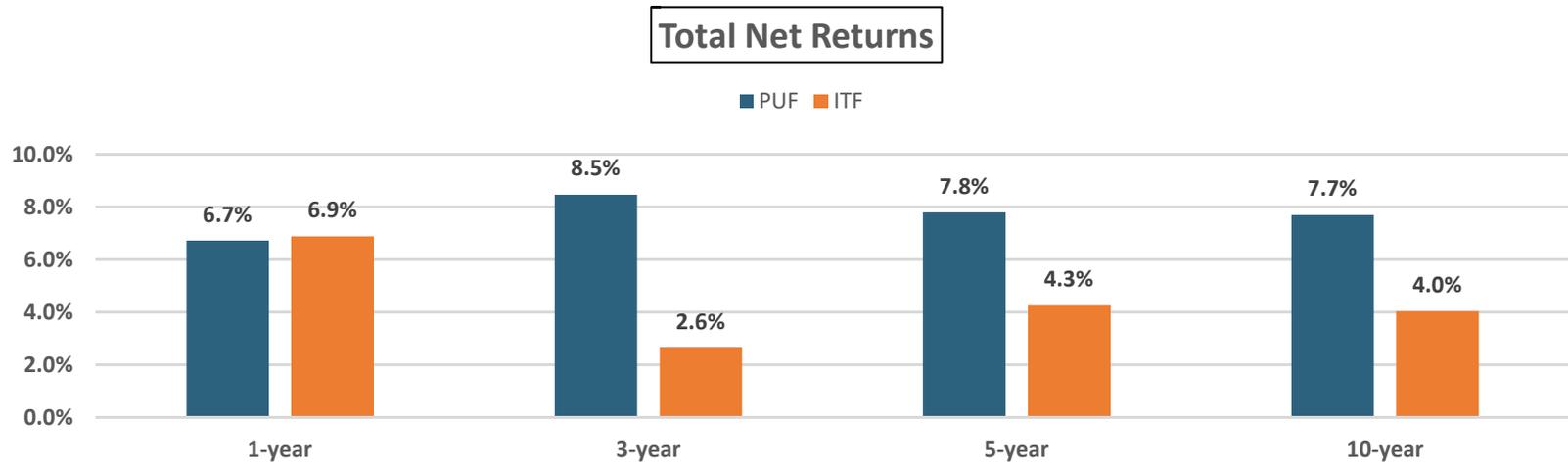
### 3-Year Change in AUM

	\$ Billion
<b>Beginning Net Asset Value</b>	<b>51.9</b>
Contributions	12.7
Net Investment Income	11.3
Distributions	-6.7
<b>Ending Net Asset Value</b>	<b>69.2</b>



# Portfolio Performance

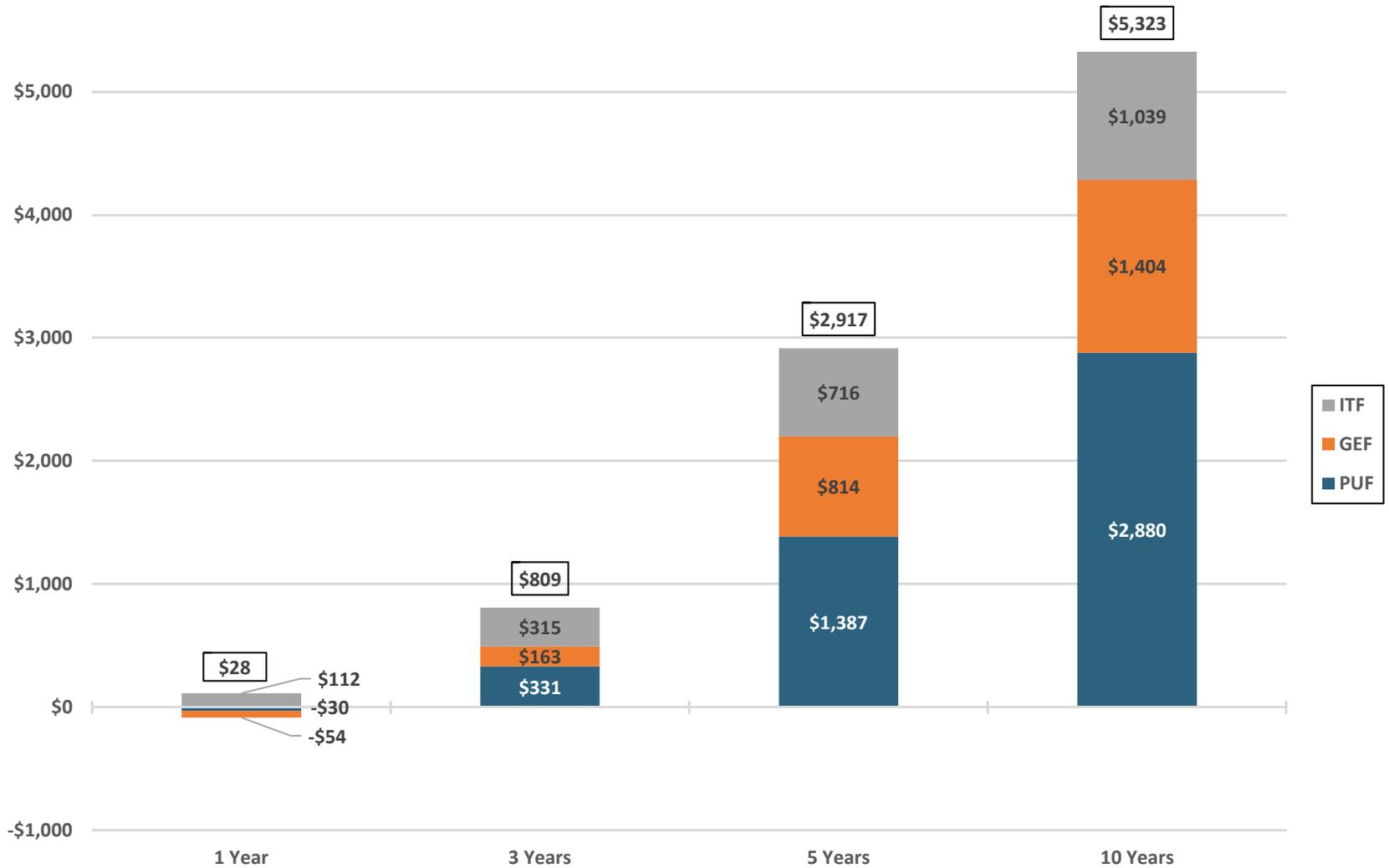
UTIMCO Returns and Alpha (September 30, 2023)





# Portfolio Performance

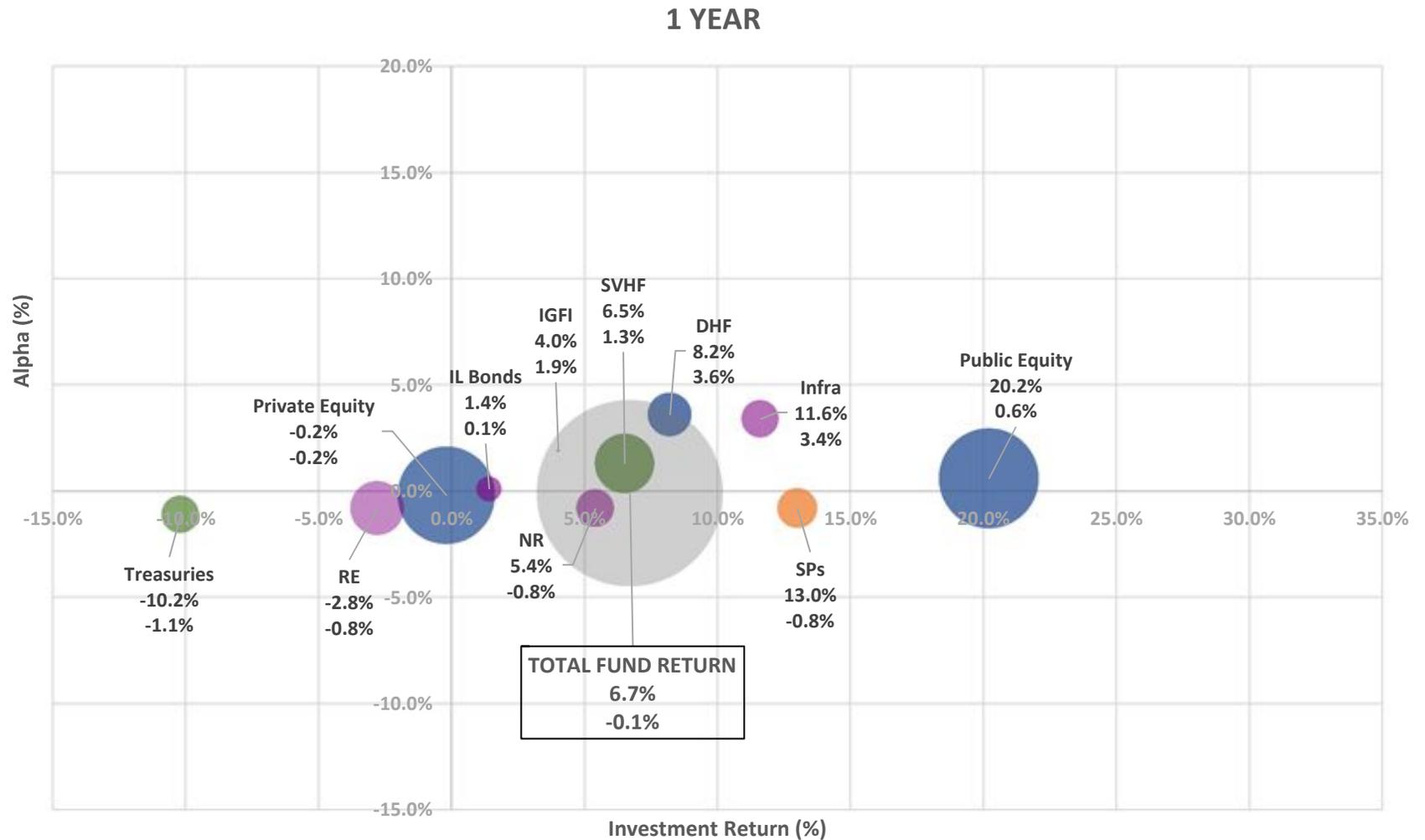
Dollar Value Added (millions) through September 30, 2023





# Portfolio Performance

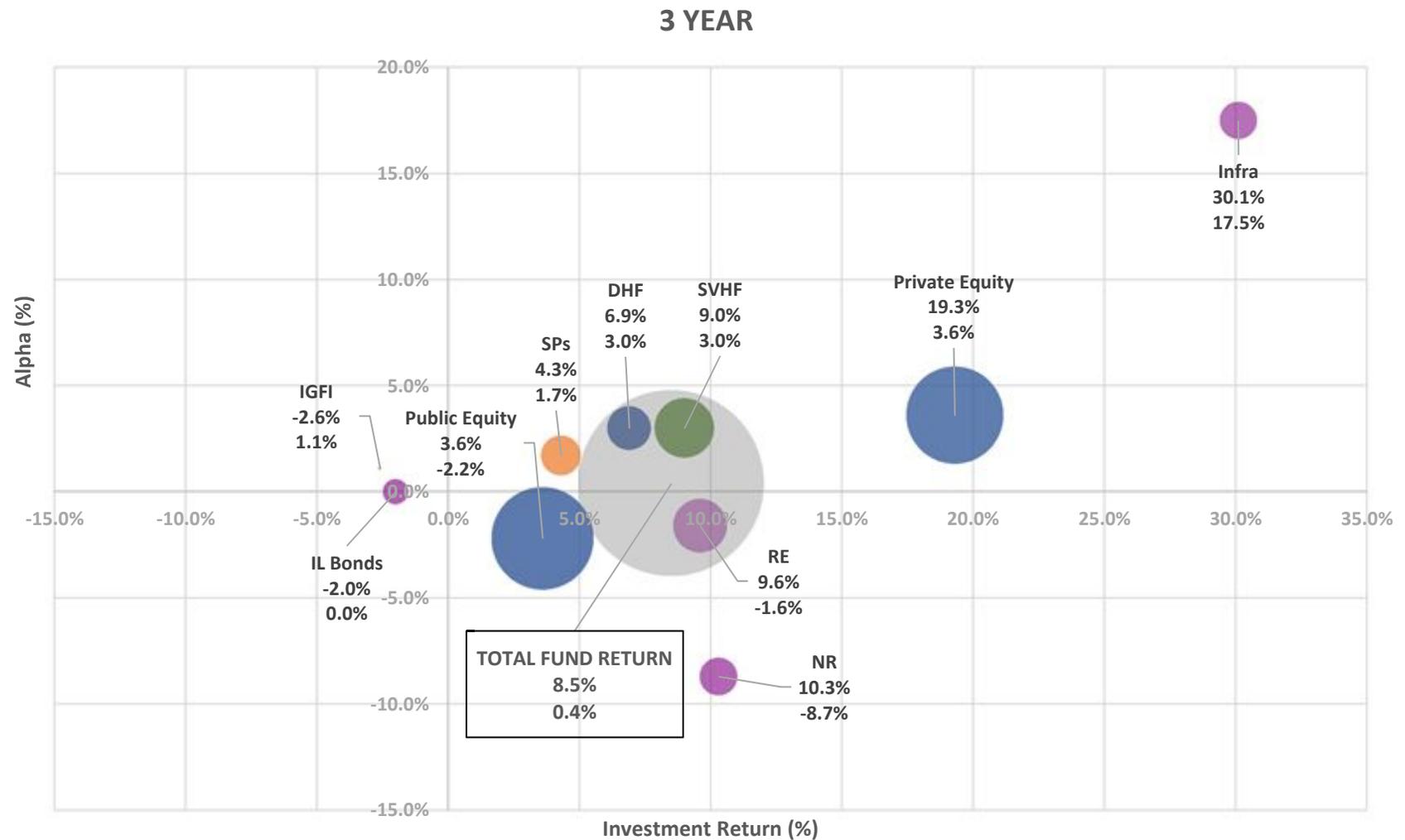
Endowment Returns and Alpha Attribution (September 30, 2023)





# Portfolio Performance

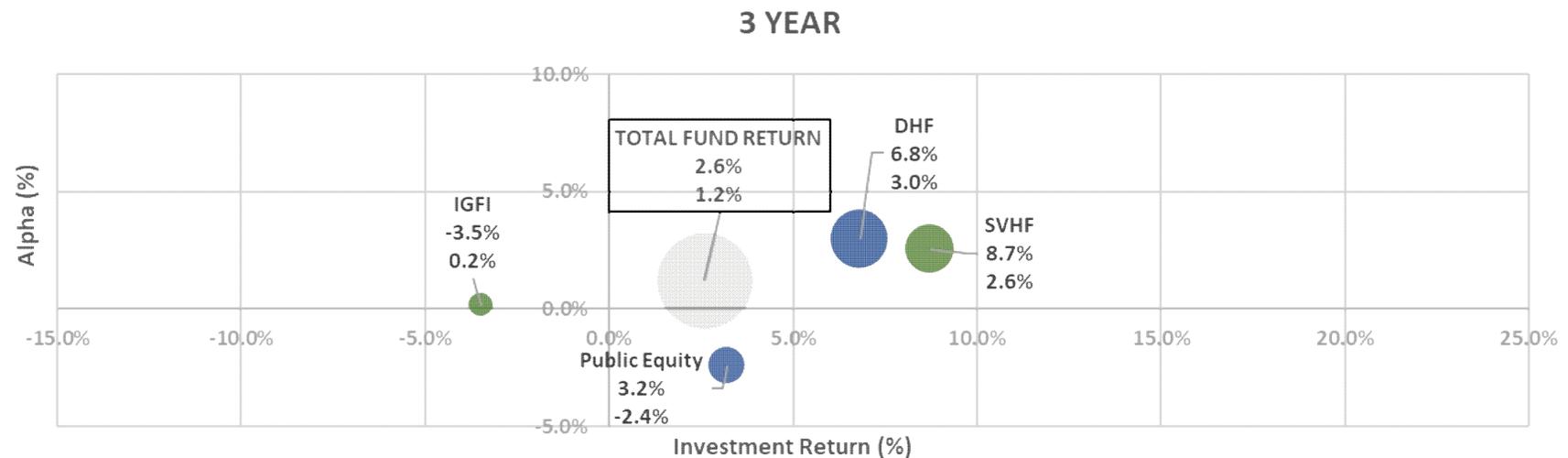
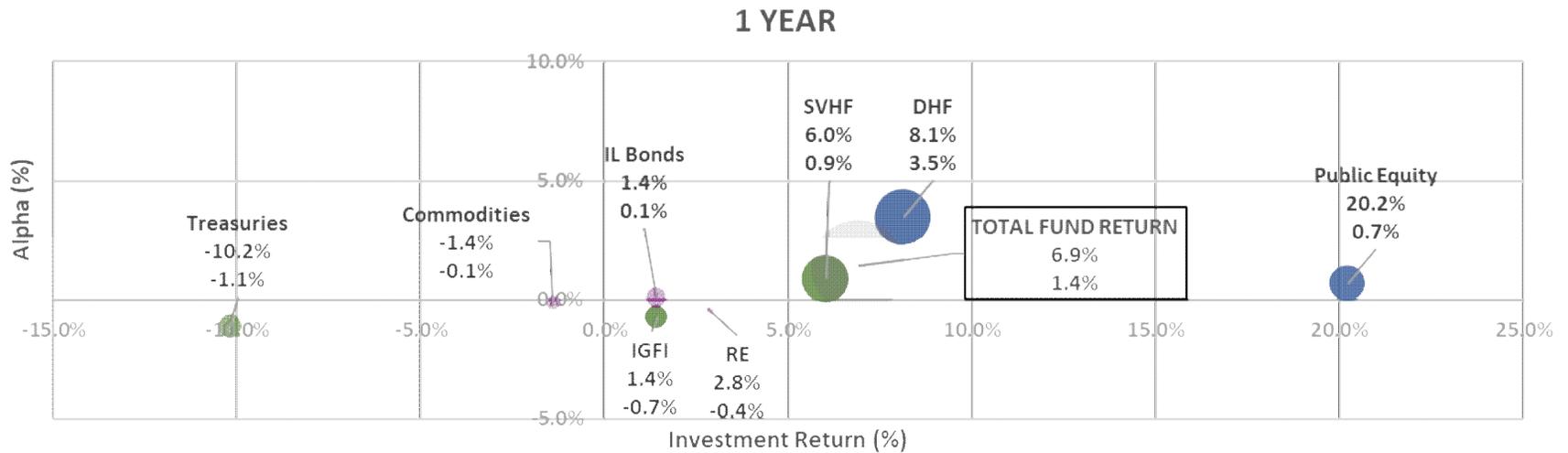
Endowment Returns and Alpha Attribution (September 30, 2023)





# Portfolio Performance

## ITF Returns and Alpha Attribution (September 30, 2023)

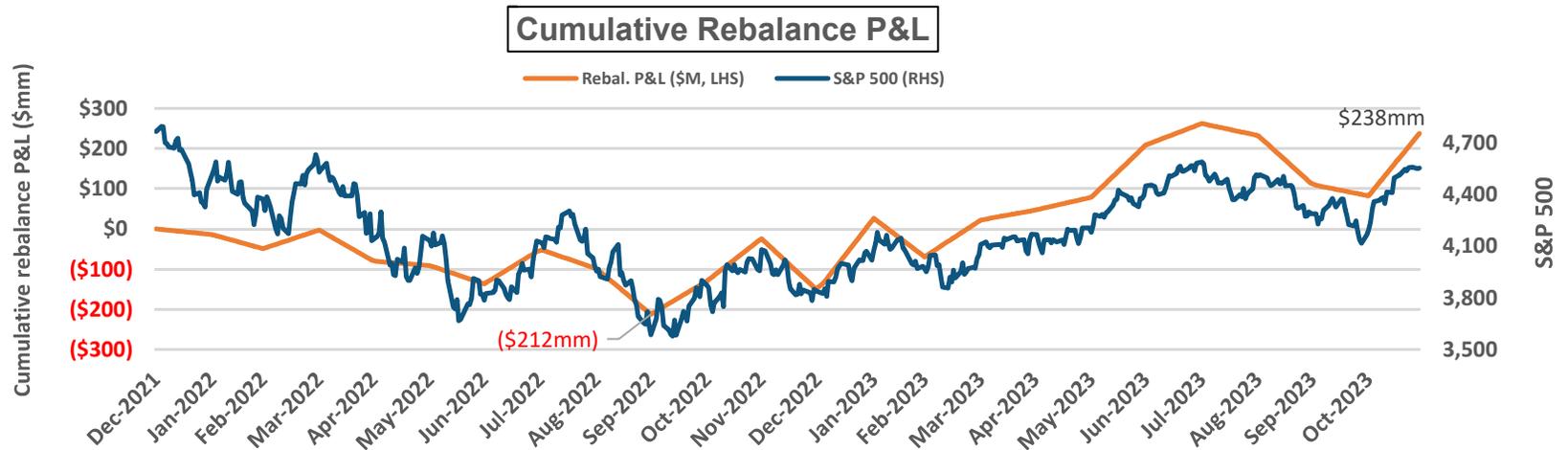
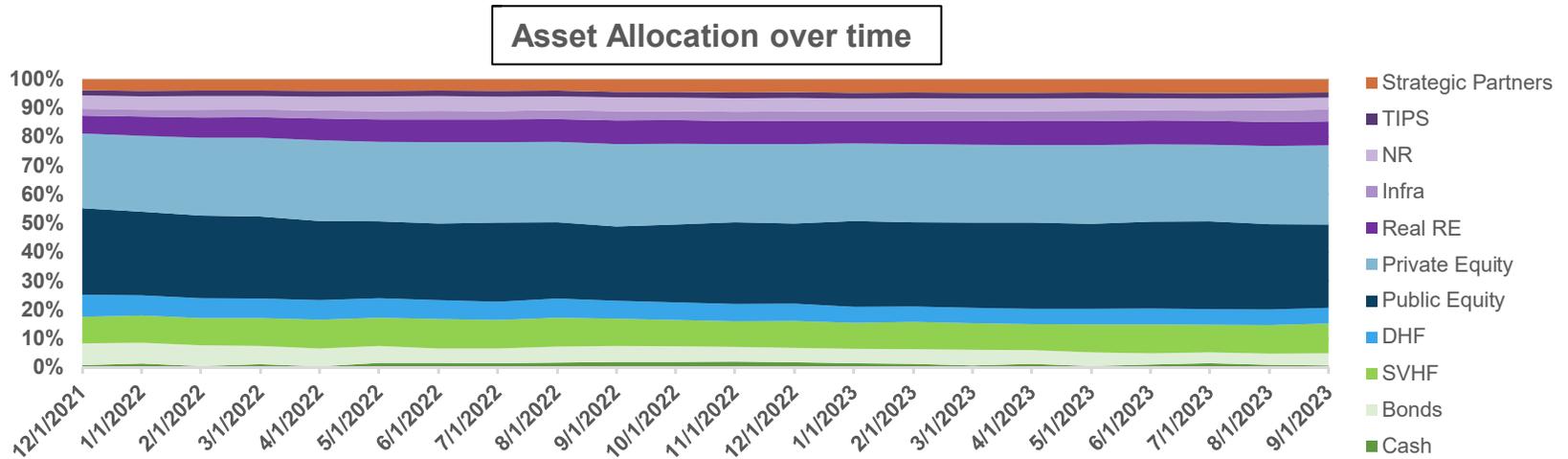


\*Current ITF Real Return Strategy has not been in place for the full 1 and 3 year periods



# Portfolio Positioning

Asset allocation has been stable and maintained a “neutral” position since Dec. 2021





# Portfolio Outlook

## Stable Value

Portfolio	Expected Performance	Catalysts	Concerns
Cash		<ul style="list-style-type: none"> <li>Highest cash rate in 17 years</li> <li>Fed should not cut rates meaningfully unless recession occurs</li> </ul>	<ul style="list-style-type: none"> <li>Fed Funds rate cut would reduce return</li> </ul>
Global Bonds		<ul style="list-style-type: none"> <li>Almost all DM yield curves inverted and economies slowing</li> </ul>	<ul style="list-style-type: none"> <li>Economy nor inflation slows</li> <li>Spreads widen due to high economic stress</li> </ul>
Long Treasuries		<ul style="list-style-type: none"> <li>Highest nominal and real rates in 17 years</li> <li>Economy should slow with yield curve inverted</li> </ul>	<ul style="list-style-type: none"> <li>Economy nor inflation slows</li> </ul>
Stable Value Hedge Funds		<ul style="list-style-type: none"> <li>"Good" alpha opportunity set, which has normalized from "great" post-Covid</li> <li>Higher cash rates increase returns, all else equal</li> </ul>	<ul style="list-style-type: none"> <li>Competition for talent is still high, which increases expenses</li> </ul>



# Portfolio Outlook

## Global Equity

Portfolio	Expected Performance	Catalysts	Concerns
Public Equity	↔	<ul style="list-style-type: none"> <li>Potential interest rate reductions in Q2 2024 (anticipated by market)</li> <li>Continued strong fundamental growth of Magnificent 7</li> <li>Increased corporate efficiency from adoption of generative AI</li> </ul>	<ul style="list-style-type: none"> <li>Sustained increases in input and interest costs</li> <li>Low equity risk premium / high return on equity alternatives relative to history</li> </ul>
Private Equity	↔	<ul style="list-style-type: none"> <li>Rate cuts mitigate financing risk</li> <li>Private Credit well-positioned for a credit event</li> <li>AI possible secular catalyst</li> </ul>	<ul style="list-style-type: none"> <li>Leverage and refinancing risk in Buyouts; funding risk in VC</li> <li>Operating degradation in a recession</li> </ul>
Directional Hedge Funds	↑	<ul style="list-style-type: none"> <li>Higher cash rates increase returns, all else equal</li> <li>Robust short alpha</li> </ul>	<ul style="list-style-type: none"> <li>Moderate beta profile lagging strong equity returns</li> </ul>



# Portfolio Outlook

## Real Return

Portfolio	Expected Performance	Catalysts	Concerns
Real Estate	↓	<ul style="list-style-type: none"> <li>• Rate decline could spur transaction activity</li> <li>• Strong customer demand across data centers</li> <li>• Lender sales in office could create limited buying opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive financing</li> <li>• Cap rate expansion</li> <li>• Slow rent growth</li> <li>• High vacancy in certain property types</li> <li>• Need to re-equitize at refinancing</li> </ul>
Infrastructure	↑	<ul style="list-style-type: none"> <li>• Rate decline limits impact of financing costs</li> <li>• Economic growth allows owners to outgrow purchase multiples in communications space</li> </ul>	<ul style="list-style-type: none"> <li>• Stretched valuations in communications and renewables</li> <li>• Debt maturities looming with high refinancing costs impacting returns</li> </ul>
Natural Resources	↔	<ul style="list-style-type: none"> <li>• Soft or no-landing scenarios maintain supply/demand balance</li> <li>• Industry consolidation offers selling opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Economic slowdown leads to drop in demand</li> <li>• Geopolitical risks create price volatility</li> </ul>

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# Market Recap & Outlook

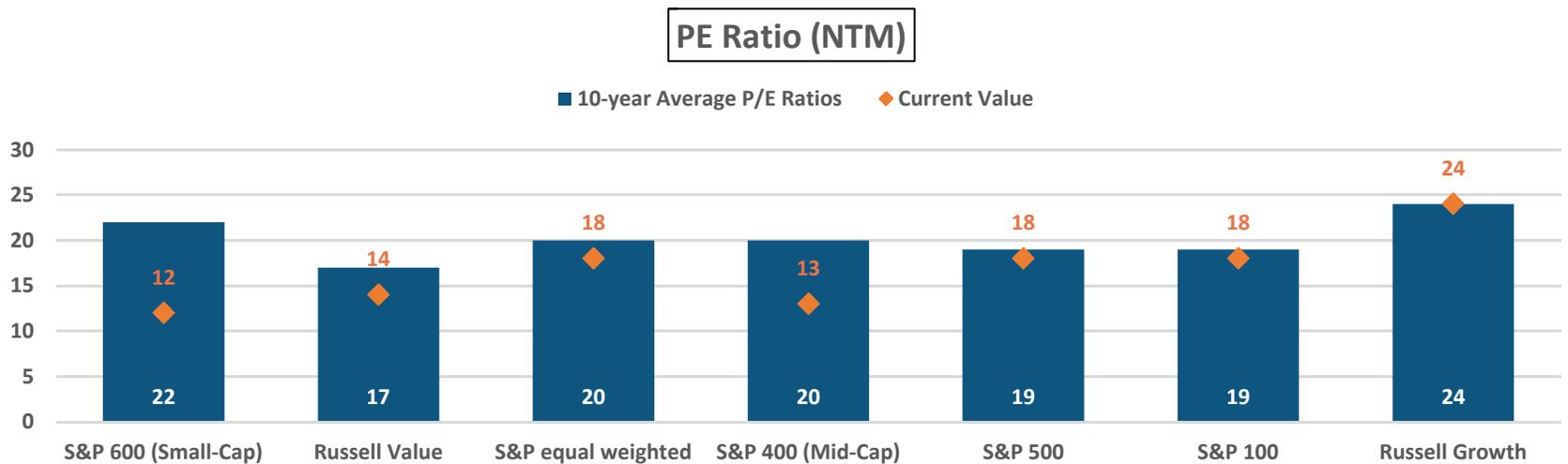
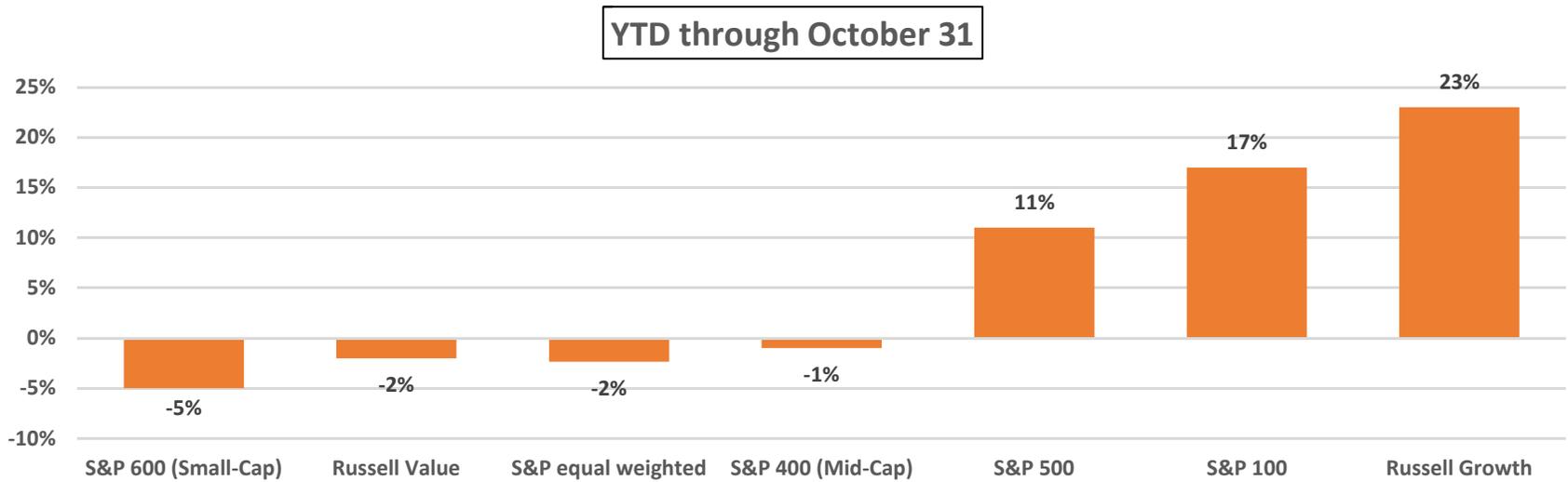
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# Market Recap

Widely divergent outcomes dependent on style and size

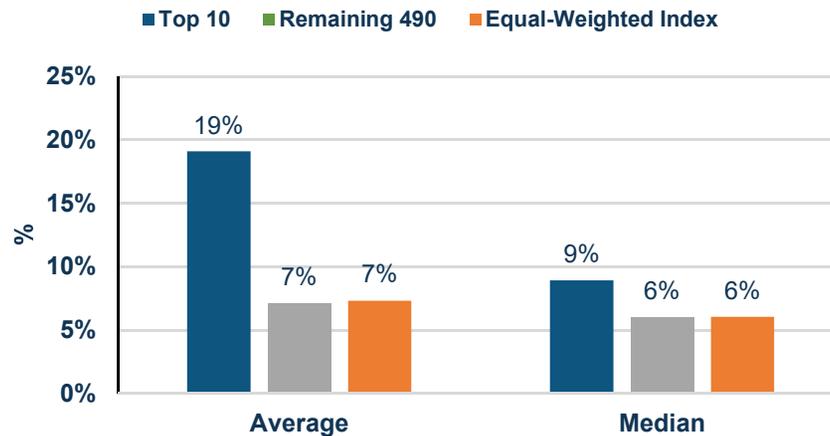




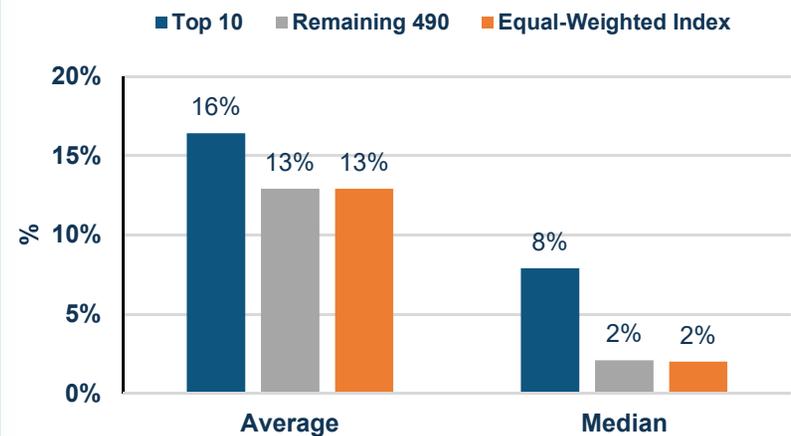
# Market Recap

Widely divergent outcomes dependent on style and size

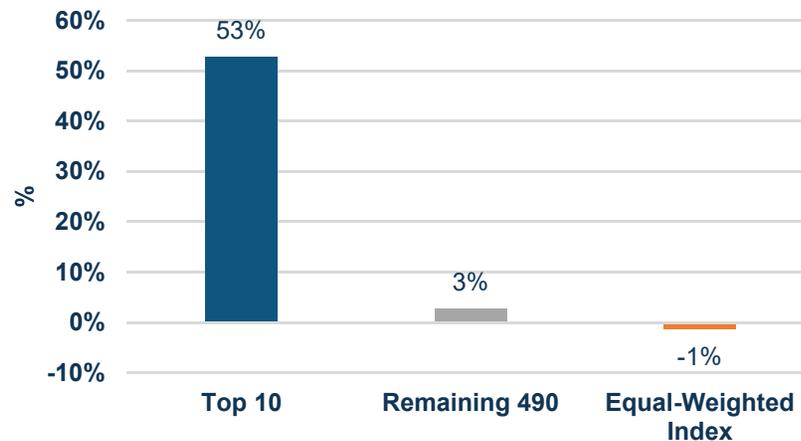
### LTM SALES GROWTH



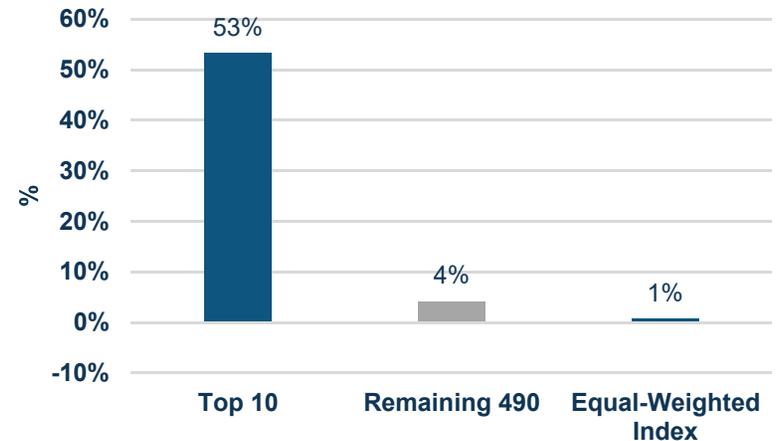
### LTM EPS GROWTH



### LTM PRICE RETURN



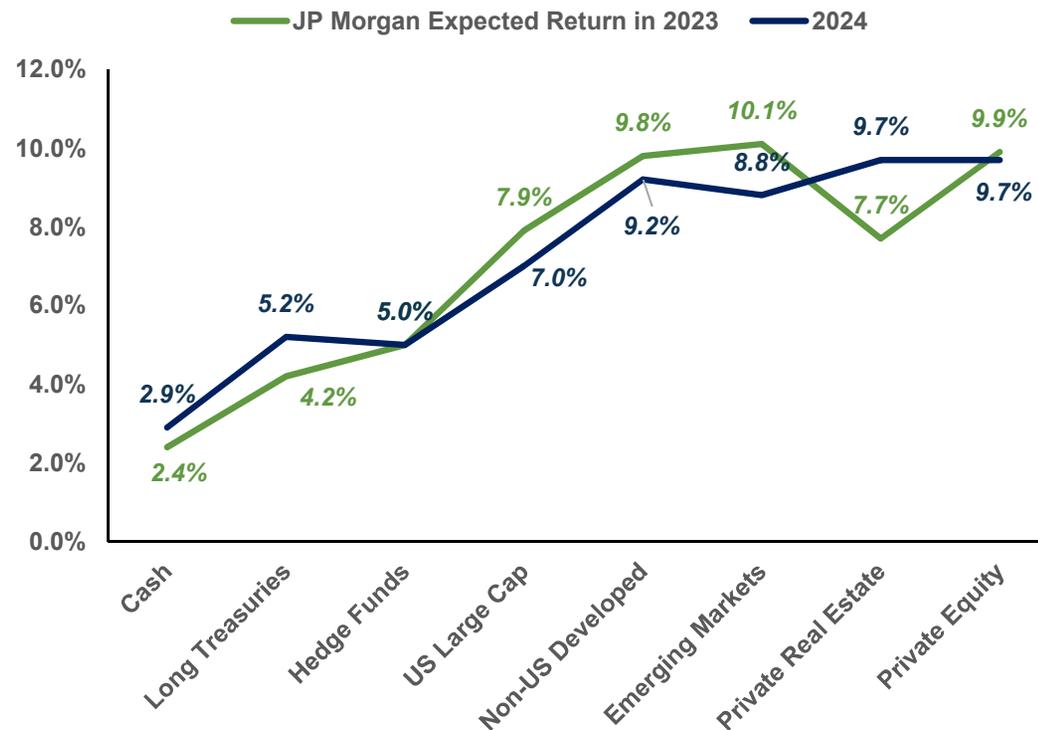
### LTM TOTAL RETURN





# Market Outlook

## JP Morgan Long-term Capital Market Assumptions – November Update

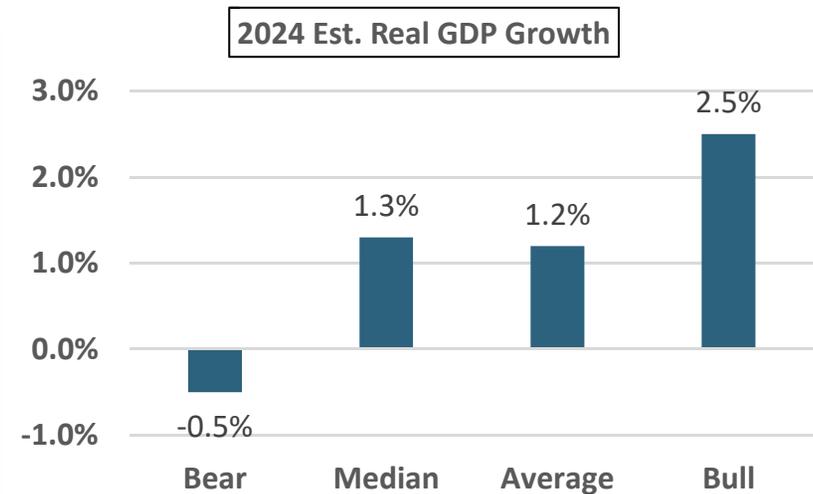
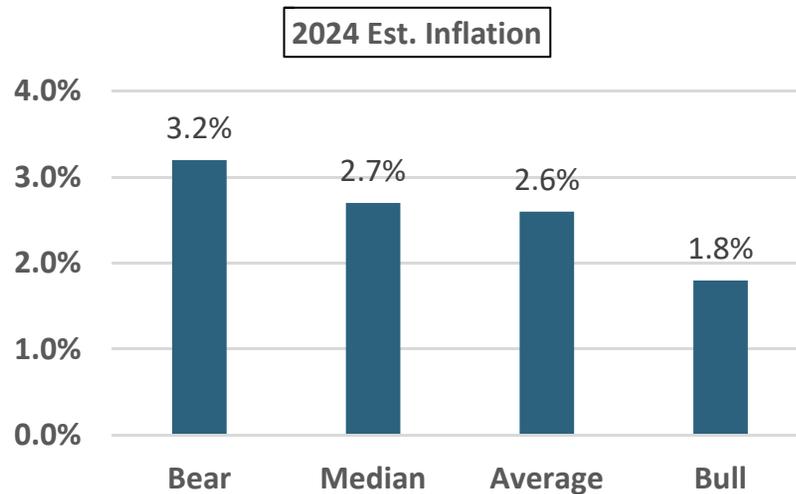


- “Higher-for-Longer” environment for Global Interest Rates pushing up expected returns on Fixed Income
- Equity returns expected to come in somewhat due to high valuations and late-cycle dynamics
- Long-Term returns on Real Estate expected to increase due to repricing of the asset class
- Private Equity and Hedge Funds largely unchanged
- Relying on just JPM forecast implies no meaningful change to portfolio returns or volatility



# Economic Outlook

## US Inflation and GDP Expectations



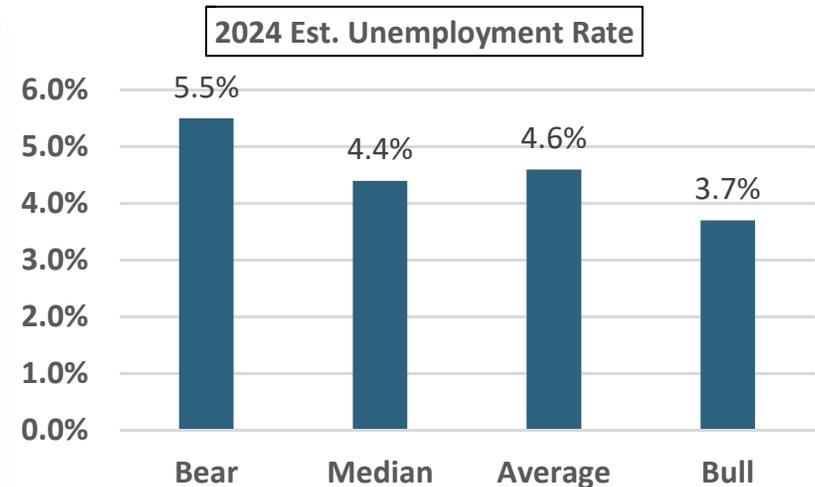
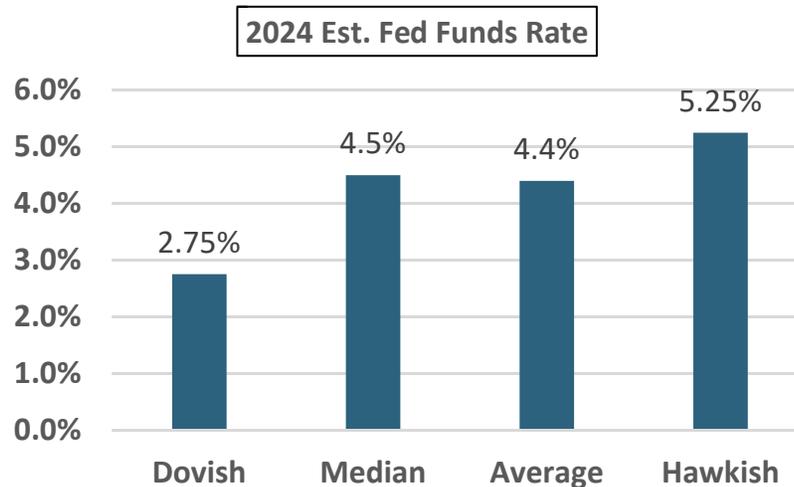
- **2023:** Year over year Core PCE has fallen from a peak of 5.6% in 2022 to 3.7% currently and remains on a downward trajectory
- **BEAR:** AGMR expects 3.2% due to elevated wage growth while goods price weakness is behind us
- **MEDIAN / AVERAGE:** JPM expects 2.5% as wage inflation gradually slows from higher rates and increased participation
- **BULL:** UBS expects 1.8% as goods demand shock and supply constraints continue to ease

- **Nominal Growth:** based on inflation expectations (2.6%), nominal growth should be +2.1% to +5.1% in 2024
- **BEAR:** ISI expects a recession as the lags from Fed Tightening and the inverted yield curve work through the economy
- **MEDIAN / AVERAGE:** BofA expects +1.4% with the impact of credit tightening on rate sensitive sectors driving below trend growth
- **BULL:** Yardeni expects +2.5% due to strong productivity and no recession



# Economic Outlook

## US Fed Funds Rate and Unemployment



- **MARKET:** Rates market is pricing in 4.13% Fed Funds at end of 2024
- **DOVISH:** UBS expects 2.75% as Fed lowers nominal rate with falling inflation to prevent real rates from becoming more restrictive
- **MEDIAN / AVERAGE:** MS expects 4.5% with the Fed starting to cautiously cut in June to prevent real rates from rising due to falling inflation
- **HAWKISH:** GS expects 5.25% as Fed waits to Q4 to start 25bps cut/quarter when PCE inflation falls below 2.5% YoY

- **2023:** The Unemployment Rate has risen to 3.9% up 0.5% from the lows but remains historically low
- **BEAR:** Citi expects 5.5% as they see the currently rising unemployment rate and jobless claims signaling a significant slowdown
- **MEDIAN / AVERAGE:** JPM expects 4.4% as labor demand slows but businesses are reluctant to shed workers
- **BULL:** GS expects 3.7% as they think the labor market can continue to heal without a change in the broad unemployment rate



# Market Outlook

## US Equity Market Expectations



- **2023 Estimate:** \$221 / share S&P 500 earnings
- **2024 Bottom-Up Expectations:** \$245 / share
- **BEAR:** ISI projects \$221 (flat to 2023) due to an expected 1H recession and 2H recovery
- **MEDIAN / AVERAGE:** Barclays expects \$233 (5% growth) as disinflation, weak IP, and slowing ex-US growth are headwinds to bottom-up expectations
- **BULL:** Yardeni expects \$250 (13% growth) as companies adopt “BRAIN technologies” providing a burst of productivity

- **2023 Estimate:** S&P 500 at 4,400
- **Current Level:** 4,550
- **BEAR:** MS expects 4,500 (-1% return) as they have earnings growth priced in but see multiples contracting from 18x to 17x
- **MEDIAN / AVERAGE:** Barclays expects 4,800 (5% gain) as EPS grows modestly and multiples unchanged
- **BULL:** Yardeni projects 5,400 (19% return) as earnings benefit from strong earnings growth and a recession is avoided so P/E doesn't contract



# UTIMCO Strategic Partner Outlook

High Dispersion Across Partners, No “Fat Pitch”

<i>Definition</i>	<i>"Immaculate disinflation" continues, growth slows but US Economy avoids recession</i>	<i>Economic growth remains strong, inflation stays above target</i>	<i>Recession triggered by increasing unemployment</i>
	<b>Soft-Landing</b>	<b>No-Landing</b>	<b>Hard-Landing</b>
<b>BlackRock</b>	15%	50%	35%
<b>Bridgewater</b>	40%	25%	35%
<b>JP Morgan</b>	60%	20%	20%
<b>PIMCO</b>	50%	15%	35%
<b>Average Probabilities</b>	<b>41%</b>	<b>28%</b>	<b>31%</b>



# Potential Impact of a Recession

Decline in Earnings and Multiples Both Impact Equities in Recession

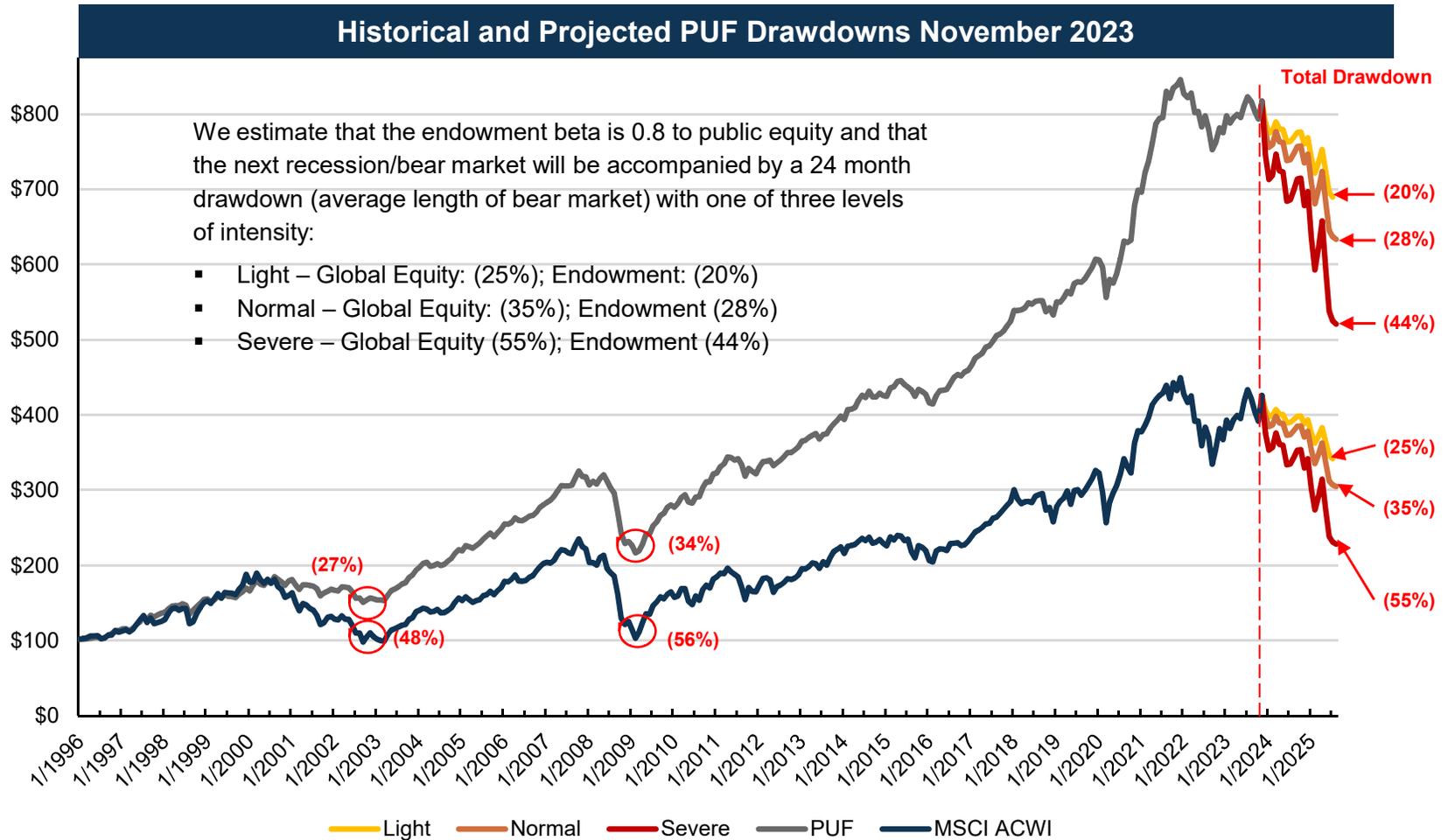
Recession	S&P 500 Earnings Decline in Recession			Pricing at Trough		
	Peak	Trough	Drawdown	P/E Multiple	SP 500 Price	Equity Drawdown
<b>Data From Past Recessions</b>						
1970	5.9	5.1	(-12.9%)	13.5	69.3	(-36.1%)
1974	9.1	7.8	(-15.1%)	8	62.3	(-48.2%)
1980-1982	15.4	12.5	(-18.5%)	8.2	102.4	(-27.1%)
1991	25.5	19.3	(-24.4%)	15.3	295.5	(-19.9%)
2001	56.8	38.9	(-31.6%)	20	776.8	(-49.1%)
2008	91.5	39.6	(-56.7%)	16.8	666.0	(-56.8%)
<b>Projected Impact of 2024 Recession</b>						
Mild	242.5	206.2	(-15.0%)	20.0	4123.2	(-9.4%)
Bad	242.5	194.0	(-20.0%)	16.0	3104.5	(-31.8%)
Ugly	242.5	169.8	(-30.0%)	13.0	2207.1	(-51.5%)

Source: AGMR, Bloomberg, UTIMCO Calculations



# Recession Impact

Endowment could decline \$11B - \$24B in a recession and bear market



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# Appendix

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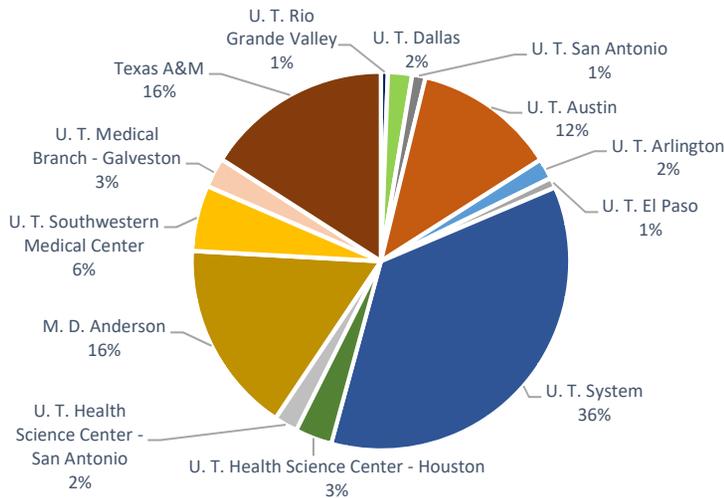




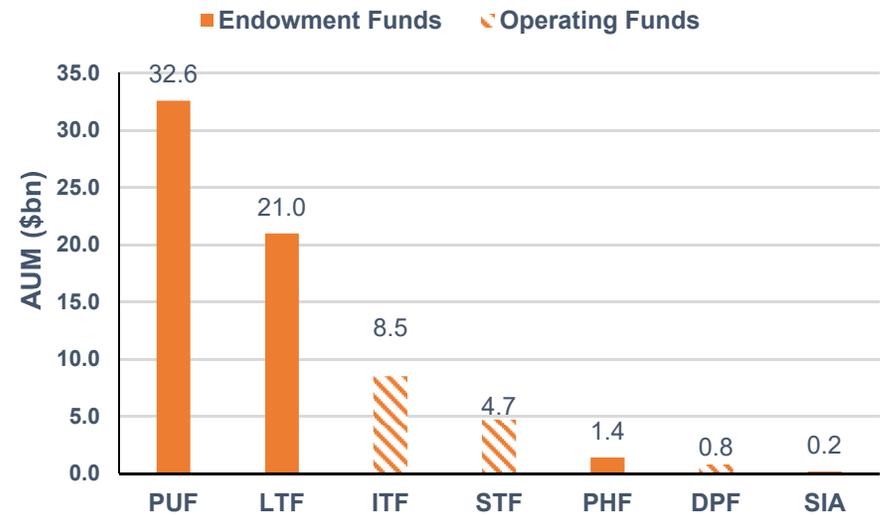
# AUM Breakdown

As of September 30, 2023

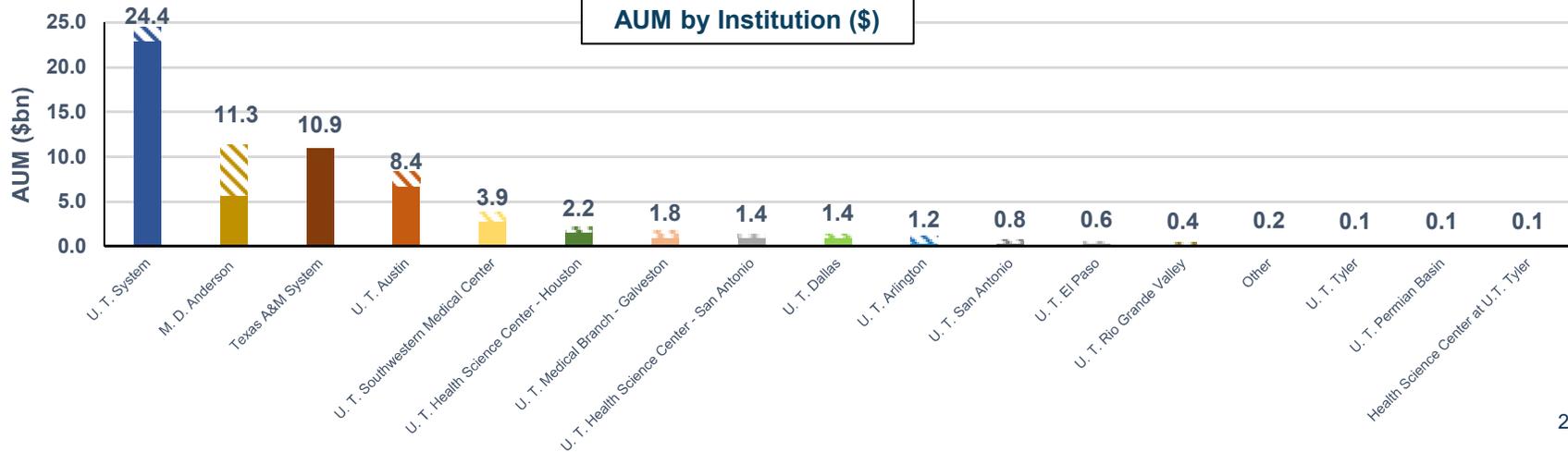
**AUM by Institution (%)**



**AUM by Fund**



**AUM by Institution (\$)**

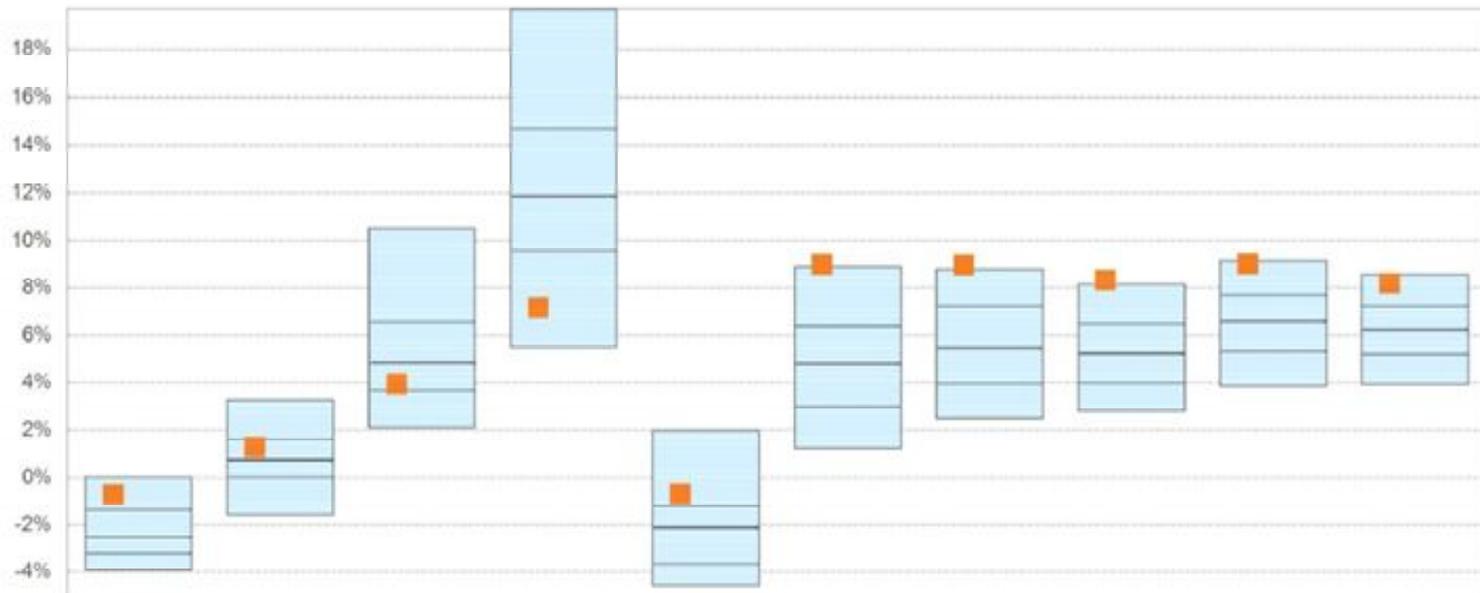




# Portfolio Performance

## Trust Universe Comparison Service Performance Comparison

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



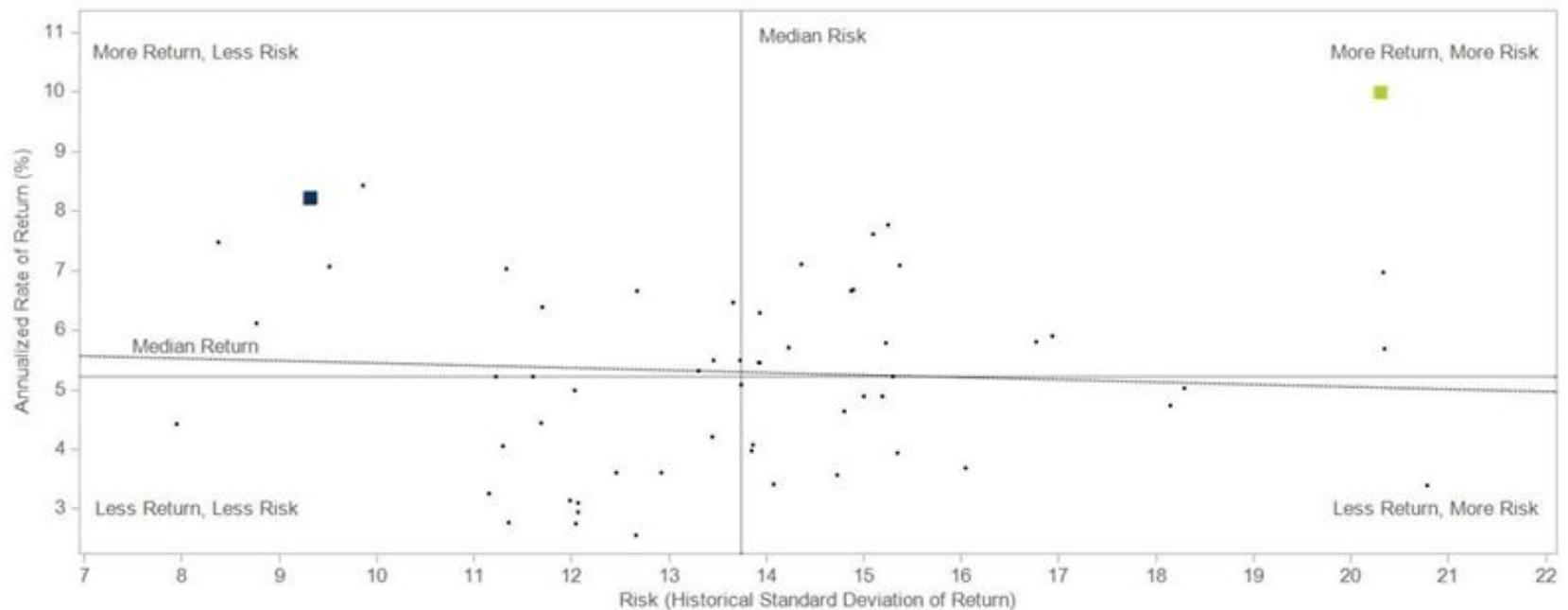
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	0.03	3.28	10.49	19.70	1.96	8.87	8.78	8.13	9.14	8.55
25th	-1.35	1.59	6.53	14.69	-1.20	6.38	7.22	6.46	7.69	7.22
50th	-2.52	0.75	4.84	11.86	-2.10	4.81	5.46	5.23	6.56	6.24
75th	-3.22	0.03	3.68	9.54	-3.67	2.98	3.95	3.98	5.32	5.20
95th	-3.91	-1.58	2.10	5.47	-4.55	1.21	2.47	2.78	3.85	3.94
No. Of Obs	81	80	78	74	73	68	66	59	58	57
PUF TOTAL FUND	-0.89 (11)	1.11 (37)	3.01 (69)	6.99 (87)	-0.86 (17)	8.83 (7)	8.81 (4)	8.15 (2)	8.04 (9)	8.02 (13)



# Portfolio Performance

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

5 Years Ending September 30, 2023



Alpha: 5.85  
Beta: -0.04  
R-Squared: 0.01

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	9.36	95	8.13	5
PUF TOTAL FUND	9.37	93	8.15	2
S&P 500	20.36	2	9.91	1
Median	13.74		5.23	



# Market Dashboard: CY 2022 and YTD 2023

## Rates

	12/31/2021	12/30/2022	Change 2022	10/31/2023	Change YTD
Fed Funds	0.25	4.50	4.25	5.50	1.00
2-yr Treasury	0.73	4.43	3.69	5.09	0.66
5-yr Treasury	1.26	4.00	2.74	4.85	0.85
10-yr Treasury	1.51	3.87	2.36	4.93	1.06
30-yr Treasury	1.90	3.96	2.06	5.09	1.13
Investment Grade Bonds	2.34	5.60	3.26	6.38	0.78
High Yield	4.61	9.09	4.48	9.39	0.30

## Equities

	12/31/2021	12/30/2022	Change	10/31/2023	Change
S&P 500	4,766	3,840	-18%	4,194	9%
Forward P/E	21.4x	16.9x	-4.6x	17.6x	.7x
Trailing P/E	25.8x	18.2x	-7.5x	20.6x	2.4x
Shiller P/E	34.9x	27.0x	-7.9x	27.1x	.1x
Forward Earnings Yield	4.7%	5.9%	1.3%	5.7%	-0.2%
Nasdaq	15,645	10,466	-33%	12,851	24%
MSCI Europe	162	143	-14%	146	4%
MSCI Japan	1,232	1,150	-16%	1,375	6%
MSCI China	84	64	-22%	56	-11%
Developed: MSCI World	9,756	7,986	-18%	8,615	8%
Emerging: MSCI EM	608	486	-20%	476	-2%
Global: MSCI ACWI	389	318	-18%	339	7%

## Inflation

	12/31/2021	12/30/2022	Change	10/31/2023	Change
5-yr TIPS	-1.66	1.64	3.30	2.47	0.83
5-yr TIPS Breakeven	2.9	2.4	-0.6	2.4	0.0
10-yr TIPS	-1.10	1.57	2.67	2.51	0.95
10-yr TIPS Breakeven	2.6	2.3	-0.3	2.4	0.1

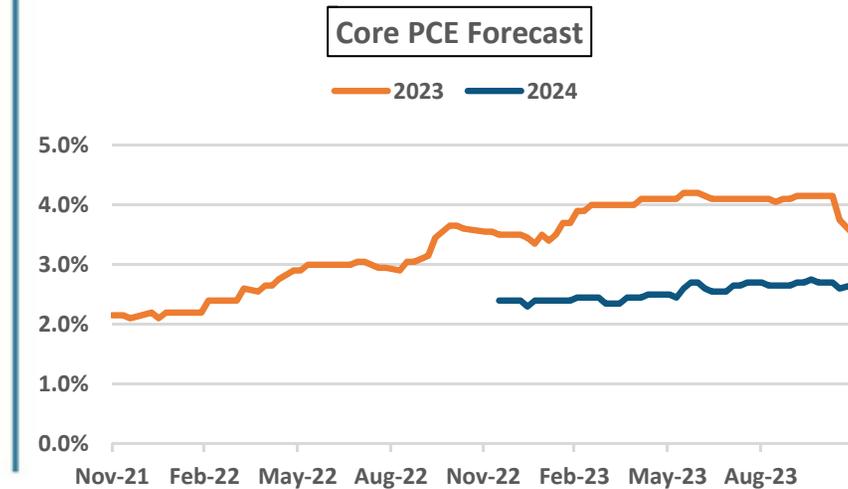
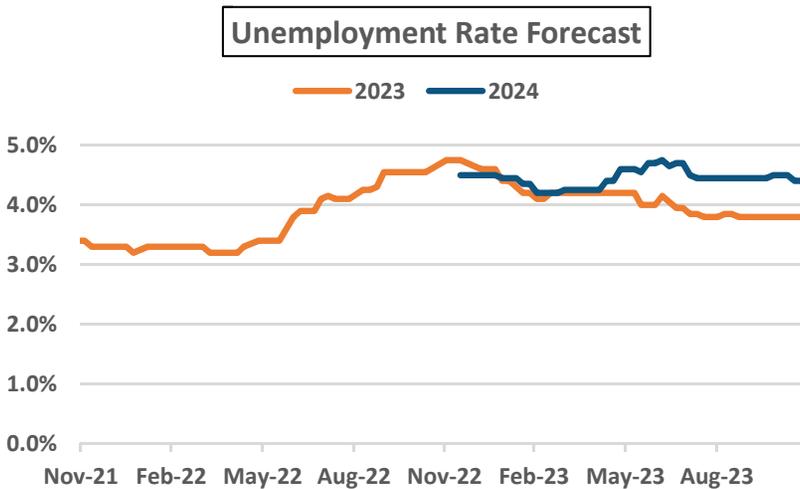
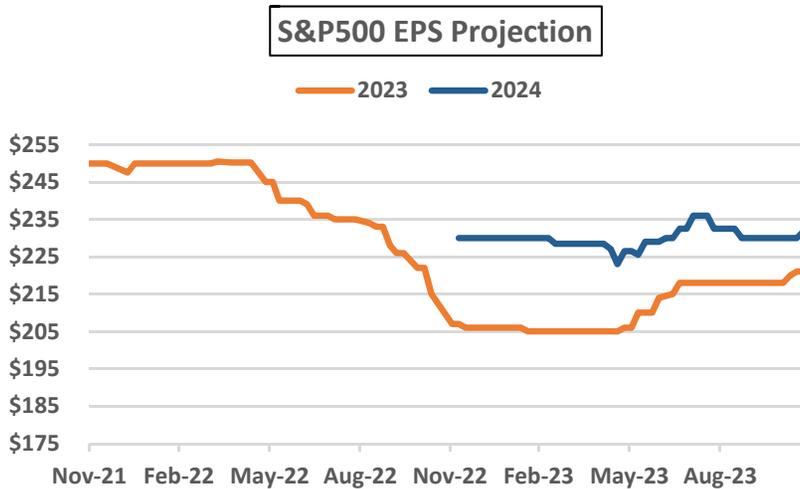
## Commodities

	12/31/2021	12/30/2022	Change	10/31/2023	Change
Gold	1,829	1,824	0%	1,984	9%
Oil	75	80	7%	81	1%
Copper	446	381	-15%	365	-4%
Bloomberg Commodities Index	212	246	16%	238	-3%



# Market Dashboard

## Market Projections





# Economic Indicators

Estimates as of 11/28/23

	Quarterly Real GDP		Real GDP		S&P 500 Target		S&P 500 EPS		Unemployment		Core PCE	
	Q4	Q1	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
AGMR	1.0%	0.3%	2.5%	0.3%					4.0%	5.0%	3.6%	3.2%
Barclays	1.5%	1.0%	2.4%	1.2%	4,150	4,800	\$218	\$233	3.8%	4.3%	4.2%	2.9%
BofA	1.5%	0.5%	2.4%	1.4%	4,600	5,000	\$222	\$235	3.9%	4.4%	4.2%	2.9%
Citi	2.2%	0.9%	2.5%	1.1%	4,600	5,000	\$220	\$245	3.8%	5.5%	4.2%	2.9%
Goldman	1.6%	1.8%	2.4%	2.1%	4,500	4,700	\$224	\$237	3.8%	3.7%	3.3%	2.4%
ISI	2.0%	-2.0%	2.8%	-0.5%	4,450		\$214	\$221	4.0%	5.2%	3.0%	2.0%
JP Morgan	2.0%	1.3%	2.5%	1.6%	4,200		\$215	\$230	3.8%	4.4%	4.2%	2.5%
Morgan Stanley	0.9%	1.7%	2.4%	1.9%	3,900	4,500	\$221	\$229	3.9%	4.1%	3.5%	2.4%
UBS	1.5%	1.4%	2.7%	0.3%	4,425	4,600	\$224	\$228	3.8%	4.9%	3.3%	1.8%
Yardeni	2.0%	2.0%	2.0%	2.5%		5,400	\$225	\$250	3.8%	4.0%	3.5%	2.8%
Median	1.6%	1.2%	2.5%	1.3%	4,438	4,800	\$221	\$233	3.8%	4.4%	3.6%	2.7%
Average	1.6%	0.9%	2.5%	1.2%	4,353	4,857	\$220	\$234	3.9%	4.6%	3.7%	2.6%
FOMC			2.1%	1.5%					3.8%	4.1%	3.7%	2.6%

## Prior Years

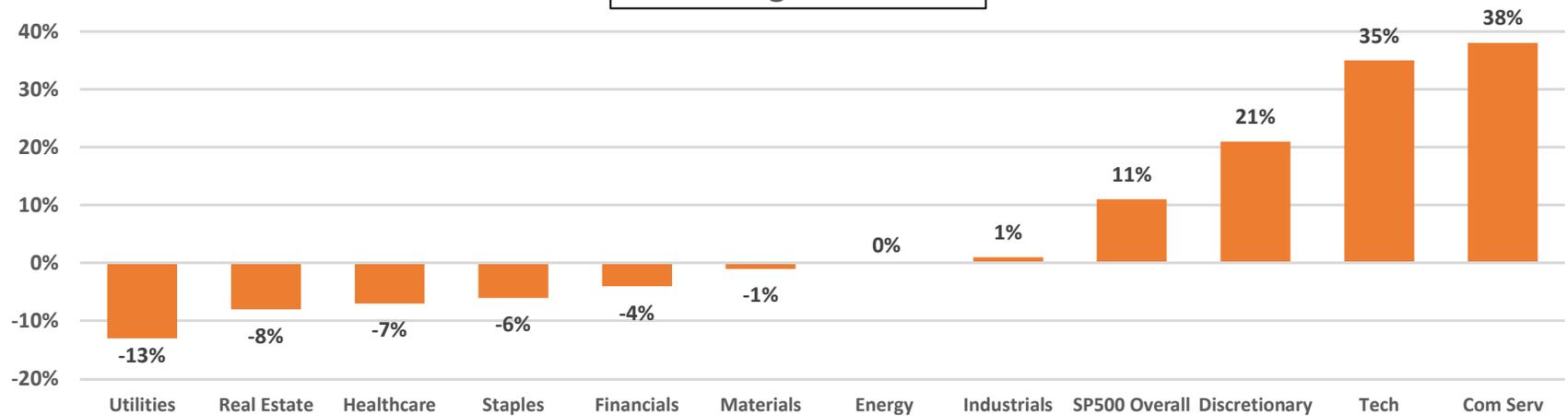
Real GDP			S&P 500 EPS			Unemployment			Core PCE		
2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
-2.2%	5.8%	1.9%	\$142	\$208	\$219	6.7%	3.9%	3.5%	1.6%	5.2%	4.9%



# Market Overview

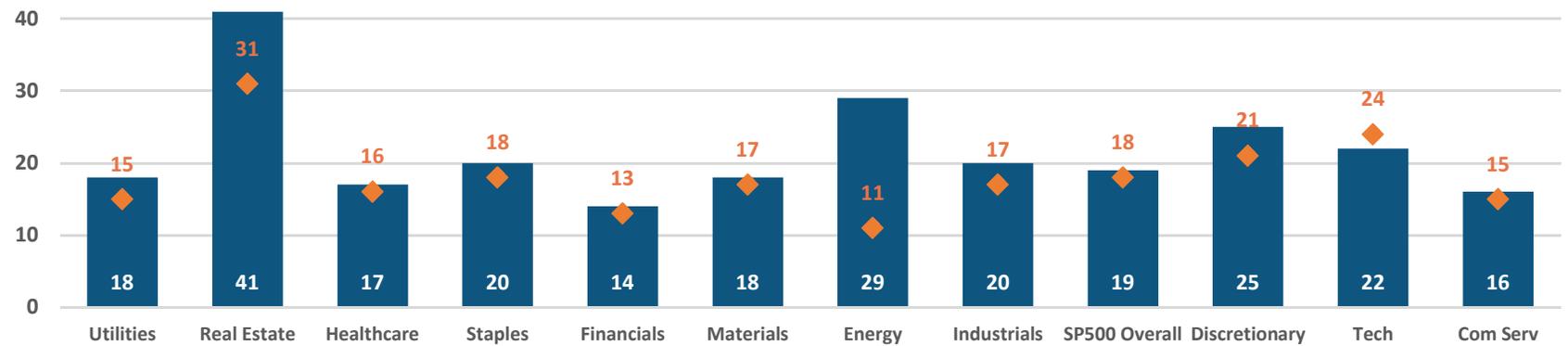
## Sector Performance and Valuation

YTD through October 31



PE Ratio (NTM)

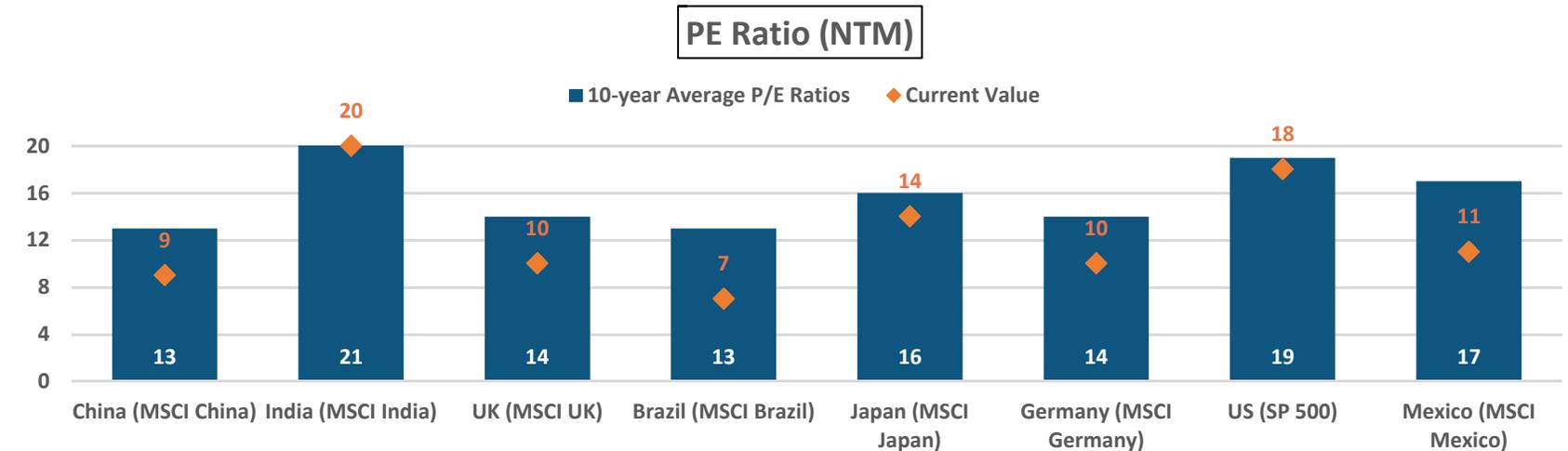
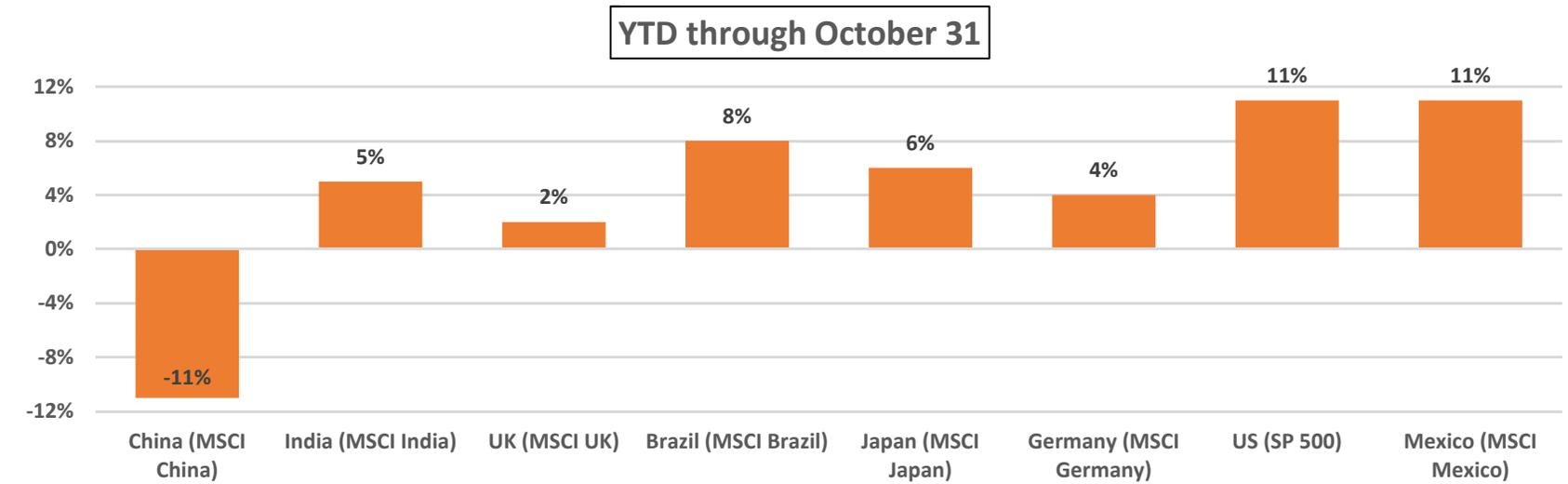
■ 10-year Average P/E Ratios    ◆ Current Value





# Market Overview

## Country Performance and Valuation



**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 7, 2023

**Agenda Item:** Report from Audit and Ethics Committee Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2023

**Developed By:** Moeller, Hill, de Onís

**Presented By:** Jiles

**Type of Item:** Action item; Action required by UTIMCO Board related to year end audits; Information item on other items

**Description:** The Audit and Ethics Committee (the “Committee”) met on November 30, 2023. The Committee’s agenda included the following: (1) discussion and appropriate action related to the minutes of its September 21, 2023 meeting; (2) discussion and appropriate action related to Deloitte & Touche LLP’s Audit Results and Communications; (3) discussion and appropriate action related to audit reports of the Permanent University Fund (“PUF”), The University of Texas General Endowment Fund (“GEF”), the Permanent Health Fund (“PHF”), The University of Texas System Long Term Fund (“LTF”), The University of Texas System Intermediate Term Fund (“ITF”), and the Statement of Investment Performance Statistics for the year ended August 31, 2023; (4) an update on UTIMCO’s compliance, reporting and audit matters; and (5) discussion and appropriate action related to the General Counsel and Chief Compliance Officer’s Performance Award for the Performance Period ended June 30, 2023. The Committee convened in Executive Session for the purpose of deliberating individual personnel evaluation matters and individual compensation matters related to the General Counsel and Chief Compliance Officer.

**Discussion:** The financial statements were audited by Deloitte & Touche LLP. Robert Cowley, engagement partner, presented to the Committee Deloitte & Touche LLP’s Financial Statement Audit Results and Communications letter (the “Letter”). Included in these Board materials are the Letter and Management’s Representation Letter to Deloitte confirming in writing Management’s responsibilities and representations with regard to these audits. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO’s website, [www.utimco.org](http://www.utimco.org).

The Committee took action related to the performance award for the performance period ended June 30, 2023, for the General Counsel and Chief Compliance Officer. Routine activities of the Committee included a report from Ms. de Onís related to the quarterly compliance report.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 7, 2023

The Delegation of Authority Policy (“Policy”) delegates to the CEO the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditor) for a total obligation of \$1 million or less during the contract term. The Policy requires that new contracts, leases, and other arrangements of \$250,000 or more be reported to the UTIMCO Board at its next scheduled meeting, and, annually, all existing contracts, leases, and other arrangements of \$250,000 or more must be reported to the UTIMCO Board. The report is included in this section and Ms. de Onís provided an update of the Contract Report to the Committee.

**Recommendation:** The Committee will recommend that the UTIMCO Board approve the Deloitte & Touche LLP Financial Statement Audit Results and Communications for the year ended August 31, 2023, and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, for the years ended August 31, 2023 and 2022, and the Statement of Investment Performance Statistics for the year ended August 31, 2023

**Reference:** Deloitte & Touche LLP’s Financial Statement Audit Results and Communications Letter  
Contract Report

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2023**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications Letter on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2023, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2023, and August 31, 2022, and the Statement of Investment Performance Statistics for the year ended August 31, 2023, be, and are hereby approved in the form as presented to the Board.



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October 31, 2023

Mr. Rich Hall  
President, Chief Executive Officer, and Chief Investment Officer  
The University of Texas/Texas A&M Investment Management Company

The Audit, Compliance and Risk Management Committee of  
the Board of Regents of The University of Texas System

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

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

Dear Mr. Hall, Members of the Audit, Compliance and Risk Management Committee of the Board of Regents of The University of Texas System as well as Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (the "Board"):

We have performed audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund (collectively, the "Funds") as of and for the year ended August 31, 2023 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our reports thereon dated October 31, 2023.

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

This report is intended solely for the information and use of the Funds' management, as well as the Audit, Compliance and Risk Management Committee of the Board of Regents of The University of Texas System, and the Audit and Ethics Committee of the Board of The University of Texas/Texas A&M Investment Management Company, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*

## **Our Responsibility under Generally Accepted Auditing Standards**

Our responsibility under generally accepted auditing standards has been described in the contract dated August 1, 2022, (Exhibit-A, Section-B). As described in Exhibit-A, Section-B, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). The audits of the financial statements do not relieve management or the Board of their responsibilities. We considered internal control relevant to the Company's preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## **Significant Accounting Policies**

The Funds' significant accounting policies are set forth in the notes to the Funds' 2023 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended August 31, 2023.

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

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Funds' 2023 financial statements include valuation of certain investments which are specifically the Funds' investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient or certain valuations obtained from third-party investment managers.

Management's estimates are based on financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources. This valuation process is reasonable based on the requirements of generally accepted accounting principles when applying the practical expedient for investments in entities that report a net asset value, or its equivalent. We understand that management has provided you with details regarding the process used in formulating these estimates.

Although management believes the accounting estimates reflected in the Funds' 2023 financial statements are reasonable, there can be no assurances that the Funds could ultimately realize these values. The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' reports on the financial statements, is our understanding and testing of management's process to develop estimates, including the information used in forming these estimates.

### Uncorrected Misstatements

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

### Material Corrected Misstatements

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

### Other Information in the Annual Report

The audited financial statements include documents containing the following other information:

- Management's Discussion & Analysis – **All Funds**
- Supplemental Schedules
  - Schedule of Changes in Cost of Investments and Investment Income – **PUF only**
  - Financial Highlights – **GEF, ITF, LTF, and PHF**

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

### Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Funds' 2023 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2023.

### **Significant Findings or Issues Arising From the Audits Discussed, or Subject of Correspondence, with Management**

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

### **Significant Difficulties Encountered in Performing the Audits**

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

### **Management's Representations**

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

### **Emphasis of Matter Paragraphs**

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

1. As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of The University of Texas System, as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. – **Applicable to all Funds**
2. Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by The University of Texas/Texas A&M Investment Management Company and do not include the 2.1 million acres of land discussed in Note 1 – **Applicable to PUF only**

Our opinions are not modified with respect to the above matters.

## Required Supplementary Information

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

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

\* \* \* \* \*

# **Appendix A – Signed Management Representation Letter**



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UTIMCO.org

October 31, 2023

Deloitte & Touche LLP  
500 West 2<sup>nd</sup> Street, Suite 1600  
Austin, TX 78701

We are providing this letter in connection with your audits of the financial statements of the entities listed in Appendix A (the "Funds") which comprise the statements of net position as of August 31, 2023 and August 31, 2022, and the related statements of changes in net position for the years then ended, and the related notes, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and the changes in the net position of the Funds in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

We are also providing this letter in conjunction with your audits of the detailed schedules of investment securities of the Permanent University Fund (the "PUF") as of August 31, 2023 and the statement of investment performance statistics of the Funds for the year ended August 31, 2023.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position and changes in net position are in accordance with GAAP
- b. The investment performance statistics of the Funds have been computed net of investment management fees using the Modified Dietz Method. The formula for the Modified Dietz Method is shown in Appendix B
- c. The preparation and fair presentation of the supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements

d. The design, implementation, and maintenance of internal control:

- Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- To prevent and detect fraud.

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

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

1. The financial statements referred to above are fairly presented in accordance with GAAP.
2. The Funds have made available to you:
  - a. All relevant information and access as agreed in the terms of the contract entered into by The University of Texas System, dated August 1, 2022
  - b. All financial records and related data
  - c. All minutes of the meetings of directors/trustees and committees of directors/trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared
  - d. Information relating to the Funds' compliance with all statutes, laws, or regulations that have a direct effect on our financial statements
  - e. All new or revised governance documents and agreements.
3. There have been no communications with regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. The Funds have disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud affecting the Funds involving:
  - a. Management
  - b. Employees of The University of Texas/Texas A&M Investment Management Company ("UTIMCO"), the Funds' investment manager, who have significant roles in the Funds' internal control
  - c. Others where the fraud could have a material effect on the financial statements.

6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds' financial statements communicated by UTIMCO employees, former UTIMCO employees, analysts, regulators, or others.
7. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
8. All investments during the period were made in accordance with the Funds' respective investment policies.
9. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in conformity with GAAP.
10. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.

Except for the statement of investment performance statistics and where otherwise stated below, immaterial matters less than the materiality limits indicated in Appendix A for each Fund collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

11. There are no transactions that have not been properly recorded and reflected in the financial statements.
12. The Funds have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. We have disclosed to you any change in the Funds' internal control over financial reporting that occurred during the Funds' 2023 fiscal year that has materially affected, or is reasonably likely to materially affect, the Funds' internal control over financial reporting.
14. The Funds have identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
15. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
  - a. Portfolio securities are stated at fair value as determined in accordance with the valuation method set forth in the Funds' respective investment policies
  - b. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP
  - c. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP

- d. No events have occurred subsequent to August 31, 2023 that require adjustment to the fair value measurements and disclosures included in the financial statements.
16. Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the individual private investment fund's capital account balance at the closest available reporting period, as communicated by the investment fund's general partner or investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting period as well as consideration of any other information which has been provided. In rare cases the private market funds are valued at cost but only when management considers it to be the best approximation of fair value. We have considered any information communicated by an individual investment fund's general partner or investment manager necessary through October 31, 2023, and no adjustments were considered necessary to the valuation reported as of August 31, 2023.
  17. The following, to the extent applicable, have been appropriately identified, properly accounted for, and disclosed in the financial statements:
    - a. Related parties and all the related-party relationships and transactions of which the Funds are aware, including fees, commissions, sales, purchases, loans, transfers, leasing arrangements, side agreements, and guarantees (written or oral)
    - b. Restricted securities that may not be publicly sold without registration under the federal Securities Act of 1933
    - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements
    - d. All derivative financial instruments (e.g., futures, options, swaps), including bank loan commitments and other outstanding commitments to purchase or sell securities under forward placement and standby commitments
    - e. Financial instruments with significant individual or group concentration of credit risk, whether from an individual counterparty or group of counterparties
    - f. The amounts receivable from or payable to related parties
    - g. Guarantees, whether written or oral, under which the Funds are contingently liable (e.g., shortfall agreements)
    - h. Financial support that the Funds have provided during the period presented to an investee, whether contractually required to do so or not, as well as financial support that the Funds have not yet provided but is contractually required to provide to an investee.
  18. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
  - b. The effect of the change would be material to the financial statements.
19. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements
  - b. The concentration makes the Funds vulnerable to the risk of a near-term severe impact
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
20. There are no:
  - a. Instances of identified or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed under GASB Codification Section C50, *Claims and Judgments*
  - d. Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
21. The Board of Regents, on behalf of the Funds, have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except for those disclosed in the financial statements.
22. The Board of Regents, on behalf of the Funds, have complied with all aspects of contractual agreements that may affect the financial statements.
23. Regarding the required supplementary information of the Funds, i.e., the Management's Discussion and Analysis (the "MD&A"):
  - a. We confirm that we are responsible for the MD&A
  - b. The MD&A is measured and presented in accordance with GASB
  - c. The methods of presentation of the MD&A have not changed from those used in the prior period.
24. Regarding the required supplemental schedule of the PUF, i.e., the Schedule of Changes in Cost of Investments and Investment Income:

- a. We are responsible for the preparation and fair presentation of the Schedule of Changes in Cost of Investments and Investment Income of the PUF in accordance with Section 66.05 of the Texas Education Code
  - b. We believe the Schedule of Changes in Cost of Investments and Investment Income of the PUF, including its form and content, is fairly presented in accordance with Section 66.05 of the Texas Education Code
  - c. The methods of measurement and presentation of the Schedule of Changes in Cost of Investments and Investment Income of the PUF have not changed from those used in the prior period.
25. Regarding the supplementary information for the Funds, i.e., the Financial Highlights, as applicable:
- a. We are responsible for preparation and fair presentation of the supplementary information
  - b. We believe the supplementary information, including its form and content, is fairly presented
  - c. The methods of measurement and presentation of the Financial Highlights, as applicable, have not changed from those used in the prior period.
26. Regarding the required supplemental schedule of the PUF, i.e., the Detail Schedules of Investment Securities:
- a. We are responsible for the preparation and fair presentation of the Detail Schedules of Investment Securities of the PUF in accordance with Section 66.05 of the Texas Education Code
  - b. We believe the Detail Schedules of Investment Securities of the PUF, including its form and content, is fairly presented in accordance with Section 66.05 of the Texas Education Code
  - c. The Detail Schedules of Investment Securities take into consideration the provisions of Government Code Section 552.143(c) which identifies the names of certain direct investments held by the PUF as confidential
  - d. The methods of measurement and presentation of the Detailed Schedules of Investment Securities of the PUF have not changed from those used in the prior period.
27. UTIMCO as investment manager of the Funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement committed the Funds to purchase UT System notes and bonds outstanding up to \$4,226,475,000. The PUF also has an agreement with the Texas A&M University System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes. No UT System notes and bonds or Texas A&M System flexible rate notes have been or are expected to be purchased by the Funds under their required purchase commitment.

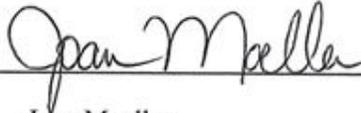
28. None of the entities which have borrowed from the Funds, subject to their securities lending programs, have defaulted during the year ended August 31, 2023.
29. In conjunction with the Funds' investments in the private investment and hedge fund pools, there are no instances where the Funds would be required to assume additional commitment responsibility should other limited partners or shareholders default on their own commitments.
30. As of August 31, 2023, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
31. No events have occurred after August 31, 2023, but before October 31, 2023, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.



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Rich Hall

President, Chief Executive Officer, and Chief Investment Officer



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Joan Moeller

Senior Managing Director and Chief Operating Officer



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Gary Hill

Managing Director – Operations, Accounting, and Reporting

APPENDIX A

Entity Name	Materiality Limit
Permanent University Fund ("PUF")	\$ 70,000,000
The University of Texas System General Endowment Fund ("GEF")	44,000,000
The University of Texas System Long Term Fund ("LTF")	41,000,000
Permanent Health Fund ("PHF")	4,000,000
The University of Texas System Intermediate Term Fund ("ITF")	18,000,000

FORMULA FOR MODIFIED DIETZ METHOD

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The formula for estimating the time-weighted rate of return using the Modified Dietz Method,  $R_{DIETZ (net)}$ , is:

$$R_{DIETZ (net)} = \frac{\text{Net of Fees}}{MVB + FW} = \frac{MVE - MVB - F - FEES}{MVB + FW}$$

where  $MVB$  is the fair value at the beginning of the period, including accrued income from the previous period;  
 $MVE$  is the fair value at the end of the period, including accrued income for the period;  
 $F$  is the sum of the cash flows within the period (contributions to the portfolio are positive flows, and withdrawals or distributions are negative flows);  
 $FW$  is the sum of each cash flow,  $F_i$ , multiplied by its weight,  $W_i$ ; and  
 $FEES$  is the sum of investment management fees paid during the period.

$W_i$  is the proportion of the total number of days in the period that the cash flow  $F_i$  has been in (or out of) the portfolio. The formula for  $W_i$  is:

$$W_i = \frac{CD - D_i}{CD}$$

where  $CD$  is the total number of days in the period; and  
 $D_i$  is the number of days since the beginning of the period in which cash flow  $F_i$  occurred.

## **CONTRACT REPORT**

**New Contracts, Leases, and Other Commercial Arrangements**

(Total Obligation per Agreement greater than \$250,000)

September 6, 2023 through November 14, 2023

Agreement	Purpose	Contract Term	Annual Amount
Dynamo Software	Portfolio and relationship management system with full mobile access for travelers; annual renewal for one year replaced the three year contract that expired November 14, 2023.	11/15/2023-11/14/2024	\$384,468
Canoe	AI Document Management software for data extraction and normalization. Total three year contract is \$279,625.	10/1/2023-9/30/2026	\$93,208

**Existing Contracts, Leases and Other Commercial Arrangements**

(Total Obligation per Agreement greater than \$250,000)

Reported on an annual basis per the Delegation of Authority Policy

November 11, 2022 through November 14, 2023

Agreement	Purpose	Contract Term	Annual Amount
Y/L Consulting	Y&L Consulting is providing services to support UTIMCO's Data Governance tasks on a multi-phased program to modernize UTIMCO's toolset for Data Management and Data Governance. Phase 1 of the program is in process. Y&L has also been engaged to support UTIMCO's New Data Platform establishment.	Phase 1 - effective 1/23/2023 (completed as of 5/12/23) Data Platform - effective 4/12/2023	\$198,500 \$165,000
Bloomberg	Bloomberg provides a variety of services including Core AIM and subscriptions, an all-in-one investment platform for trading, analysis and information. Other services are data licenses, disaster recovery, network access fees, POMS access fees, fixed income entitlements, and SWIFT. Subscription costs are \$1.08mil and are based on number of users. The remainder of the services purchased is approximately \$109k annually.	Variety of contract terms	\$1,184,731
Dynamo Software	Portfolio and relationship management system with full mobile access for travelers; contract amended to lock in current annual price of \$366,000 for three years instead of annually renewing with an escalation in annual costs. Total three year contract \$1,098,000 ended November 14, 2023 and renewal for one year was exercised.	11/15/2020 - 11/14/2023	\$366,000
National Systems America, L.P. (NSI)	Software development on Legacy applications. Originally written in ASP and VB script will be converted using latest Microsoft tech-stack like ASP.NET MVC Core. There are three statements of work: 1) development of four legacy applications, \$62,272; 2) development of ten legacy applications, \$198,440; 3) development of five legacy applications, \$95,776.	(1) 9/19/2022 - 12/5/2022 (2) 1/5/2023 -6/30/2023 (3) 9/7/2023-12/15/2023	\$356,488
eFront Financial Solutions (annual renewal)	eFront Financial Solutions is a software provider for the alternative investments and risk management areas of the financial services industry.	1/1/2023 - 12/31/2023	\$296,364
MSCI - RiskMetrics	Two separate contracts have been signed with MSCI - RiskMetrics: (1) Provides access to the Risk Metrics Hedge Funds Platform product (for hedge funds). (2) Provides risk analytics and reporting for all other asset classes. The two products are integrated but can be separated.	4/1/23 - 3/31/24 4/1/23 - 3/31/24	\$390,528 \$393,120

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 7, 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 November 30, 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 held on September 21, 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  
December 7, 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 November 30, 2023. The Committee’s agenda included discussion and appropriate action related to the approval of minutes of its September 21, 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  
December 7, 2023

- Agenda Item:** Report from Compensation Committee: Discussion and Appropriate Action Related to the Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2023
- Developed By:** Hall, Moeller
- Presented By:** Nixon
- Type of Item:** Action Item; Action required by the UTIMCO Board
- Description:** The Compensation Committee (the “Committee”) met on November 30, 2023 and will meet on December 7, 2023. At its meeting on November 30, 2023, the Committee’s agenda included (1) discussion and appropriate action related to minutes of its June 8, 2023 meeting. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.
- At its December 7th meeting, the Committee will convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters, including Performance Awards for Plan Participants for the Performance Period ended June 30, 2023. The Committee’s agenda will include (1) discussion and appropriate action related to minutes of its November 30, 2023 meeting; and (2) discussion and appropriate action related to Performance Awards for Participants of the UTIMCO Compensation Program (the “Plan”) for the Performance Period ended June 30, 2023.
- Discussion:** The Committee will make its recommendation to the UTIMCO Board related to the Performance Awards for all Plan Participants. Performance Awards for the Performance Period are calculated for each Participant based on the percentage achieved of each Performance Standard, considering the weightings for the Participant’s Quantitative and Qualitative Standards and Performance Award Opportunity. Action is required by the UTIMCO Board related to the Performance Awards.
- Recommendation:** The Committee will recommend the Board approve the Performance Awards for the Participants of the Plan including Britt Harris, as UTIMCO’s former Chief Executive Officer, for the Performance Period ended June 30, 2023.
- Reference:** Materials provided for Executive Session

**RESOLUTION RELATED TO THE FORMER CEO'S PERFORMANCE AWARD  
FOR THE PERFORMANCE PERIOD ENDED JUNE 30, 2023**

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

WHEREAS, the Compensation Committee has reviewed and approved the former CEO's Performance Award for the Performance Period ended June 30, 2023, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Compensation Committee's recommendation of the former CEO's Performance Award for the Performance Period ended June 30, 2023.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Award for Britt Harris, UTIMCO's former CEO, for the Performance Period ended June 30, 2023, in the amount of \$\_\_\_\_\_.

**RESOLUTION RELATED TO PERFORMANCE AWARDS  
FOR THE PERFORMANCE PERIOD ENDED JUNE 30, 2023**

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

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

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the Performance Period ended June 30, 2023, of his or her Performance Standards for such Performance Period; and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Awards for all Participants who have met or exceeded their three-year quantitative Performance Standards and their one-year qualitative Performance Standards for the Performance Period ended June

30, 2023, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the former CEO) for the Performance Period ended June 30, 2023, in the total aggregate amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the former CEO) for the Performance Period ended June 30, 2023, \_\_\_% (\_\_\_\_\_) will be deferred pursuant to the Plan.