

**MINUTES OF THE JOINT MEETING
OF THE POLICY AND RISK COMMITTEES OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A joint meeting of the Policy and the Risk Committees (the "Committees") of The University of Texas Investment Management Company (the "Corporation") convened in open session on July 12, 2016, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Policy Committee Chair (Policy Chairman), R. Steven Hicks, and the Risk Committee Chair (Risk Chairman), Kyle Bass, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committees:

R. Steven Hicks, Chair, Policy Committee
Kyle Bass, Chair, Risk Committee
Phil Adams
David J. Beck
H. Lee S. Hobson
Ray Rothrock

Jeffery D. Hildebrand, Chairman of the Board, and Ray Nixon, Director, also attended the meeting, thus constituting a majority and quorum of the Committees and the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cissie Gonzalez, Corporate Counsel and Chief Compliance Officer; Mark Warner, Senior Managing Director – Natural Resources, Emerging Markets, and Lower/Middle Markets; Uzi Yoeli, Russ Kampfe, Managing Director – Fixed Income; Uzi Yoeli, Managing Director – Risk Management; and Eddie Lewis, Senior Director – Real Estate. Also attending were Keith Brown of the McCombs School of Business of The University of Texas at Austin; and Jerry Turner of Andrews Kurth LLP. Chairman Hicks called the meeting to order at 2:23 p.m. Copies of materials supporting the Joint Committee meeting agenda were previously furnished to each Committee member.

Annual Investment Policy Review

Policy Chairman Hicks asked Mr. Zimmerman to present the *FY2017 Investment Policy Recommendation* and Staff's proposed changes to the Investment Policies.

The Investment Management Services Agreement (IMSA) requires UTIMCO Staff to review current Investment Policies for each Fund at least annually and propose Staff's recommendations to both the Policy and Risk Committees, subject to approval by the Board and the UT System Board of Regents. Mr. Zimmerman presented the *FY2017 Investment Policy Recommendations*, providing a comprehensive analysis of the portfolio's positioning, return/risk assumptions, and the current and future economic environment considerations used in determining the recommended changes to the Asset Class and Investment Type targets and ranges for FY 2017. Staff recommended amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF), and Exhibits B in the Permanent Health Fund (PHF) and Long Term Fund (LTF) Investment Policy Statements, to set forth the revised Policy Portfolio Asset Class and Investment Type Targets and Ranges for FY 2017. Recommended amendments to Exhibits A of the PUF and GEF, and Exhibits B in the PHF and LTF Investment Policy Statements also included setting forth changes to the Policy Benchmarks, a revised Expected 10-Year Annual Real Return (Benchmark) target for

FY 2017, and an adjustment to the one year downside volatility based on the change in the Expected Annual Real Return (Benchmark) target. The same recommended amendments were proposed for Exhibit A of the ITF. These amendments to the PUF, GEF, ITF, PHF, and LTF are to be effective September 1, 2016.


Mr. Zimmerman spoke briefly on the proposed changes to the Delegation of Authority (effective July 21, 2016); Derivative Investment Policy (effective August 25, 2016) and the Liquidity Policy (effective August 25, 2016). Board Chairman Hildebrand and several committee members had questions regarding the proposed changes to the Liquidity Policy. Mr. Zimmerman and Staff answered the Committee Members' questions. Due to time constraints, the Committees approved the proposed policy amendments subject to further discussion and approval by the Board at its meeting on July 21, 2016.

Policy Chairman Hicks and Risk Chairman Bass, on behalf of the Policy and Risk Committees respectively, recommended approval of the following resolution. Upon motion duly made and seconded, the following resolution was adopted by the Committees:

RESOLVED, that the amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, Separately Invested Funds, and amendments to the Derivative Investment Policy and Liquidity Policy, as presented be, and are hereby, approved, subject to approval by the Corporation's Board of Directors.

There being no further business to come before the Committees, the meeting was adjourned at 3:04 p.m.

Secretary:


Joan Moeller

Approved:


R. Steven Hicks, Chair
Policy Committee of
The University of Texas Investment
Management Company

Date:

4/4/2017

Approved:


Kyle Bass, Chair
Risk Committee of
The University of Texas Investment
Management Company

Date:

12-1-16