

**MINUTES OF MEETING OF  
THE RISK COMMITTEE OF THE  
BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A meeting of the Risk Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **April 19, 2017**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, Kyle Bass, 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 Committee:

J. Kyle Bass, Chair  
David J. Beck  
H. Lee S. Hobson  
Ray Nixon  
Ray Rothrock

thus constituting a majority and quorum of the Committee and the Board. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Russ Kampfe, Managing Director - Fixed Income; Susan Chen, Managing Director - MCC, Technology & Deal Legal; Uzi Yoeli, Managing Director - Risk Management; Ryan Ruebsahm, Managing Director - LCC; Eddie Lewis, Senior Director - Real Estate, and other staff members. Other attendees were Jerry Turner of Andrews Kurth Kenyon LLP; Terry Hull and Allen Hah of The University of Texas System ("UT System") Administration; and Maria Robinson and David Rejino of The Texas A&M University System. Committee Chair ("Chairman") Bass called the meeting to order at 1:00 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

**Minutes**

The first matter to come before the Committee was the approval of the minutes of the Meeting of the Risk Committee and the Joint Meeting of the Policy and Risk Committees held on January 31, 2017. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Risk Committee and the Joint Meeting of the Policy and Risk Committees held on January 31, 2017, be, and are hereby, approved.

**Categorization of investment Mandates**

Chairman Bass asked Mr. Warner to give a brief summary of the new mandate categorizations requiring approval by the Committee. Mr. Warner summarized the nine (9) new investment mandate categorizations prepared and recommended by Staff for the period beginning January 21, 2017 and ending March 31, 2017. The Chief Compliance Officer and Interim CEO and Chief Investment Officer concurred in the categorizations

prepared by the Managing Directors. Mr. Warner answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the purpose of the Mandate Categorization Procedure, amended as of July 22, 2013, is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, and the Intermediate Term Fund; and

WHEREAS, the Procedure requires the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer to review and categorize each new mandate, and to review mandates prior to each Risk Committee meeting to determine whether there have been any change(s) in the investment characteristics of the mandate that warrant a recategorization and, if so, to recommend recategorization to the Risk Committee for their approval or recategorization; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared from January 21, 2017, through March 31, 2017, and categorized each as required by the Procedure; and

WHEREAS, the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer have reviewed existing mandates and determined that there have been no changes in the investment characteristics of the mandates to warrant recategorization; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations of nine (9) new mandates and concurs in the classifications as proposed by the Corporation's staff.

NOW, THEREFORE, BE IT

RESOLVED, that the categorizations of the Asset Class and Investment Type for each new Investment Mandate are hereby approved.

### **Compliance Summary Program**

Chairman Bass asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended February 28, 2017, noting that UTIMCO is in compliance with all of the Board of Regents' investment policies and guidelines, custodian compliance with security lending guidelines, compliance with the liquidity policy, and compliance with the Code of Ethics and Delegation of Authority. Ms. Gonzalez also updated the Committee on a compliance violation by an external manager reported at a previous meeting. UTIMCO requested and received a waiver from Board Chairman Hildebrand to allow this manager to continue using this security to access the regional market. The manager also exited all positions with Deutsche Bank due to the bank's rating below the Policy requirement of an A- rating or above. Deutsche Bank is now rated at A- or above, allowing the manager to hold positions with Deutsche Bank again.

Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the Quarter Ended February 28, 2017, including a quarterly compliance update, the status of training, pre-clearance of trades, and compliance hotline activity. Ms. Gonzalez notified the Board that the Compliance Specialist resigned at the end of February and that UTIMCO is recruiting to fill the position. Ms. Gonzalez also reported that one manager notified Staff that some UTIMCO information had been inadvertently shared with a third party. The mistake was discovered promptly, reported to UTIMCO, all information was destroyed, and the manager has begun developing better procedures to prevent this from happening in the future. Finally, Ms. Gonzalez updated the Board on the status of the Institutional Compliance Action Plan for Fiscal Year 2017, noting that the target completion date of two action items has been extended. Ms. Gonzalez and Mr. Warner answered the Committee Members' questions.

### Performance and Risk Reporting

Chairman Bass asked Mr. Warner to provide a brief performance and risk report. Mr. Warner reported on Assets Under Management as of February 28, 2017, reporting that the Corporation had \$39.4 billion of assets under management: \$19.2 billion in the Permanent University Fund ("PUF"), \$8.9 billion in the General Endowment Fund ("GEF"), \$2.0 billion in the Short Term Fund ("STF"), \$0.2 billion in the Separately Invested Funds, \$1.0 billion in the Debt Proceeds Fund, and \$8.1 billion in the Intermediate Term Fund ("ITF"). Mr. Warner then discussed preliminary endowment performance, noting that the portfolio was up 5.81% in the General Endowment Fund, and 5.62% in the Permanent University Fund for the six months ending February 28, 2017. He also presented returns, returns vs. market, Up-Down Capture vs. U.S. and World Equities. Mr. Kampfe provided an update on the Investment Grade Fixed Income portfolio. Ms. Chen provided an update on the MCC Public Equity – Developed Markets and MCC Public Equity – Emerging Markets portfolios. Mr. Warner provided an update on the MCC Natural Resources portfolio. Mr. Ruebsahm provided an update on the overall LCC portfolio, with sub-strategy details. Mr. Warner provided a preliminary update on the Private Investments portfolios. Mr. Warner noted that a more thorough update will be provided at the July Board meeting when benchmark data becomes available. Mr. Warner and Dr. Yoeli provided a Risk update, including a review of the Endowment Risk Dashboard, the introduction of a new slide on Scenario Analysis, Expected Risk and Return, and a discussion of downside volatility, fund illiquidity, and current tactical allocation. Mr. Warner then discussed the ITF for the period ending February 28, 2017.


### Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 1:44 p.m.

Secretary:

  
Joan Moeller

Approved:

  
J. Kyle Bass, Chair

Risk Committee of the Board of Directors of

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

Date:

12/19/17