

**MINUTES OF MEETING OF  
THE RISK COMMITTEE OF THE  
BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS/TEXAS A&M INVESTMENT MANAGEMENT COMPANY**

A meeting of the Risk Committee (the "Committee") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in open session on **November 16, 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. Participating in the meeting were the following members of the Committee:

Kyle Bass, Chair  
Robert Gauntt  
Ray Rothrock  
Rad Weaver

thus constituting a majority and quorum of the Committee. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Uzi Yoeli, Managing Director – Risk Management; and other employees. Other attendees were Jerry Turner of Andrews Kurth Kenyon LLP; Roger Starkey of The University of Texas System ("UT System") Administration; Keith Brown of UT Austin, McCombs School of Business; and David Rejino of The Texas A&M University System. Committee Chair ("Chairman") Bass called the meeting to order at 5:00 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 held on April 19, 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 of the Board of Directors held on April 19, 2017, be, and are hereby, approved.

**Categorization of Investment Mandates**

Chairman Bass asked Mr. Harris to give a brief summary of the new mandate categorizations requiring approval by the Committee. Mr. Harris stated that of the nineteen (19) new investment mandate categorizations prepared and recommended by Team for the period beginning April 1, 2017 and ending November 3, 2017, seventeen (17) were very straightforward. He and Dr. Yoeli further explained two investments whose classification was not entirely straightforward because the investments' various characteristics encompassed more than one Asset Class. The Chief Compliance Officer noted one correction to the listing of categorizations in the materials that was discovered after the meeting materials were distributed. Mr. Harris answered the Committee Members' questions. Subject to the correction to the listing of categorizations, 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 April 1, 2017, through November 3, 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 19 new mandates and concurs in the classifications as proposed by the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer.

NOW, THEREFORE, BE IT

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

### **Compliance Reporting**

Chairman Bass asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez began by mentioning the new Risk Compliance Dashboard that highlights some of the detail contained in the Investment Policies Compliance Report. The risk dashboard presented was for the six months ended August 31, 2017. Ms. Gonzalez noted that UTIMCO is in compliance with all of the Board of Regents' investment policies and guidelines, custodian compliance with security lending guidelines, and compliance with the Code of Ethics and Delegation of Authority.

Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the year ended August 31, 2017, including a quarterly compliance update, the status of training, pre-clearance of trades, and compliance hotline activity. Ms. Gonzalez notified the Committee of two calls received by the Compliance Hotline. The complaints were both withdrawn within 24 hours. Finally, Ms. Gonzalez updated the Board on the status of the Institutional Compliance Action Plan for Fiscal Year 2017, noting that the target

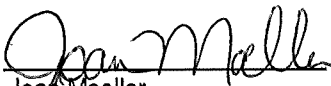
completion date of two action items has been extended, and presented the Institutional Compliance Action Plan for Fiscal Year 2018. Ms. Gonzalez answered the Committee Members' questions.


**Market and Portfolio Risk Update**

Chairman Bass asked Mr. Harris and Dr. Yoeli to provide a brief market and portfolio risk update. Mr. Harris discussed the current long-rising market, noting that the current market was being boosted by monetary policies. He also presented returns, returns vs. market, Up-Down Capture vs. U.S. and World Equities. Mr. Harris and Dr. Yoeli provided a Risk overview, the new PureView Allocation, the introduction of CUSUM Analysis, and a discussion of downside volatility, fund illiquidity, and current tactical allocation. Dr. Yoeli reported that UTIMCO had a one year return of 11.83% as of September 30, 2017 and a five year return of 7.71%, with private investments being the largest percentage of return followed by hedge funds. Mr. Harris noted that the current investment type classifications of More Correlated and Constrained (MCC), Less Correlated and Constrained (LCC), and Private Investments will no longer be used after new investment policies are written and approved by the Board of Regents.

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 5:45 p.m.

Secretary:   
Joan Moeller

Approved:  Date: FEBRUARY 22, 2018  
J. Kyle Bass, Chair  
Risk Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company