

**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 29, 2018**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 210 West 7<sup>th</sup> Street, Austin, Texas, said meeting having been called by the Committee Chair, J. 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  
Robert Gauntt  
Ray Rothrock  
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Director Clifton L. Thomas Jr. also attended the meeting constituting a majority and quorum of the Board. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Rich Hall, Deputy Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Uzi Yoeli, Managing Director – Risk Management; Russ Kampfe, Managing Director – Fixed Income; David Gahagan, Director – Security & CISO; and other employees. Other attendees were Jerry Turner and Jerry Kyle of Orrick, Harrington & Sutcliffe LLP; Allen Hah of The University of Texas System ("UT System") Administration; and Keith Brown of UT Austin, McCombs School of Business. Committee Chair ("Chairman") Bass called the meeting to order at 2:00 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 July 19, 2018 and the Joint Meeting of the Policy and Risk Committees held on July 19, 2018. 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 July 19, 2018, be, and are hereby, approved.

**Risk Committee Charter**

Chairman Bass asked Mr. Hall to give a summary of the recommended changes to the Charter of the Committee. Mr. Hall stated that the Team would like to defer action on the Charter until the next Committee meeting. Chairman Bass deferred action by the Committee.

### **Market and Portfolio Risk Update**

Chairman Bass asked Dr. Yoeli to provide a market and portfolio risk update. Dr. Yoeli discussed the current market, pointing out an increase in bear market indicators but continuing below the threshold level for a bear market. He said that the Risk Team is currently working on their monitoring system to make it more of a leading indicator for bear market instead of a post bear market indicator. Dr. Yoeli provided a recap of 1-year and 5-year returns as of September 30, 2018, the current risk environment and a discussion of downside volatility attribution, performance, fund illiquidity, and current tactical allocation. He discussed the increase in risk utilization by regime for the existing portfolio based on the new Investment Policy Statements. Dr. Yoeli and Mr. Harris then answered questions from the Committee Members.

### **Compliance Reporting**

Chairman Bass asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez began by presenting the compliance dashboard for the year ended August 31, 2018. Ms. Gonzalez noted that UTIMCO was 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. One counterparty was downgraded below the minimum counterparty rating required by UTIMCO's Derivative Investment Policy, and the external investment manager was asked to liquidate those positions as soon as prudently possible.

Ms. Gonzalez then presented the Institutional Compliance Program Report for the year ended August 31, 2018, including the status of training, pre-clearance of trades, and compliance hotline activity. She reviewed each of the high-risk areas monitored by the Team. Finally, Ms. Gonzalez updated the Board on the status of the Institutional Compliance Action Plan for Fiscal Year 2018 and presented the proposed Institutional Compliance Action Plan for Fiscal Year 2019. Ms. Gonzalez answered the Committee Members' questions.

### **Office of Foreign Asset Control (OFAC) Compliance Procedure**

The Team adopted an initial draft of the OFAC Compliance Procedure on October 10, 2018, to ensure compliance with U.S. Primary and Secondary Sanctions. Rich Hall provided an overview and discussion of the procedure. He noted that there are numerous government agencies that administer this program. The Team continues to work with ISS on lists of Sanctioned Entities and Scrutinized Entities as defined in the Procedure. On a quarterly basis, the Team will screen current holdings and require investment managers to screen their holdings to identify investments in Sanctioned Entities and Scrutinized Entities. The results of these screens will be shared with the Committee at each meeting. The Team spent a lot of time researching what companies should be included on the Scrutinized Entities list and continues to refine this list. Chairman Bass requested it be noted that UTIMCO is making an economic decision not to support businesses that openly defy U.S. law. In the future, UTIMCO will take into consideration their relationship with any companies that invest in businesses on the Scrutinized Entities list.

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 2:43 p.m.

Secretary:   
Joan Moeller

Approved:  Date: 27 Feb 2019  
J. Kyle Bass, Chair  
Risk Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company