

Endowment Management Committee
Meeting
Thursday, May 19, 2022 9:00 AM

Hilton University of Houston Hotel, Conrad
Hilton Ballroom, Second Floor
4800 Calhoun Rd
Houston, TX 77204

Agenda

I. **Endowment Management Committee**

I.A. Call to Order

Presenter: Chair Steve Chazen

I.B. Report from NEPC regarding the University of Houston System endowment and non-endowed portfolios - University of Houston System

Action: Information

Presenter: Raymond Bartlett, Senior Vice Chancellor for Administration and Finance

I.C. Approval is requested to rebalance the portfolio of the University of Houston System Endowment Fund to manage risk within the portfolio, which will include the hiring , partial redemption and termination of managers - University of Houston System .

Action: Approval

Presenter: Raymond Bartlett, Senior Vice Chancellor for Administration and Finance

II. **Executive Session**

Presenter: Chair Steve Chazen

II.A. 1. Consultation with System Attorney Regarding Legal Matters and/or Contemplated Litigation or Settlement Offers.

Texas Gov't Code Section 551.071

2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property.

Texas Gov't Code Section 551.072

3. Deliberation Regarding a Prospective Gift

Texas Gov't Code Section 551.073

4. Personnel Matters Relating to Appointment, Employment, Evaluation,

Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Chancellor, President, Vice Chancellors, in the Division of Athletics and members of the Board of Regents.

Texas Gov't Code Section 551.074

III. **Report and Action from Executive Session**

Presenter: Chair Steve Chazen

IV. **Adjourn**

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Endowment Management Committee

ITEM: Report from NEPC regarding the University of Houston System endowment and non-endowed portfolios.

DATE PREVIOUSLY SUBMITTED: N/A

SUMMARY:

Representatives from NEPC will present to the Committee a report regarding the System's endowment and non-endowed investment portfolios. The report may include, such topics as market commentary, asset allocation, portfolio risk analysis, manager performance reporting, current and future investment strategies, and overall portfolio performance among others.

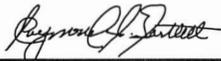
SUPPORTING

DOCUMENTATION: NEPC discussion materials report

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

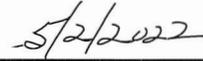
COMPONENT: University of Houston System



SENIOR VICE CHANCELLOR

Raymond S. Bartlett

DATE



CHANCELLOR

Renu Khator

DATE





ENDOWMENT MANAGEMENT COMMITTEE

UNIVERSITY OF HOUSTON SYSTEM

MAY 19, 2022





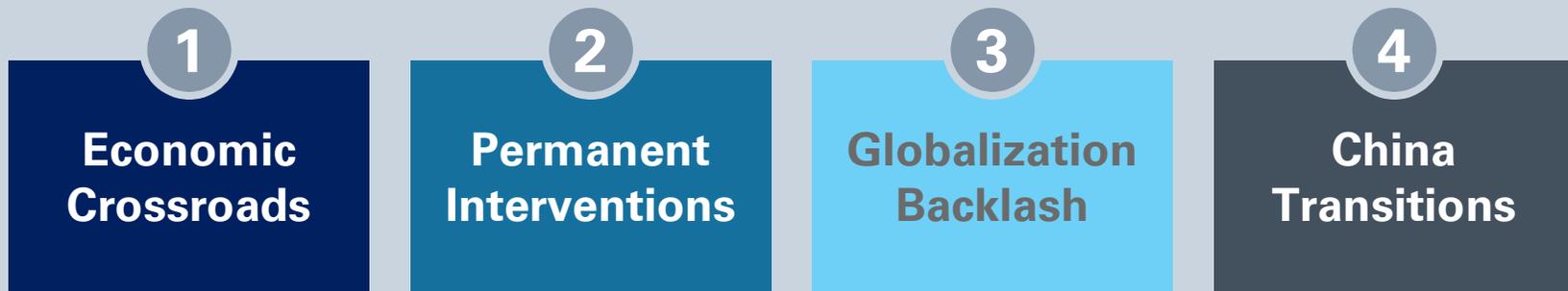
MARKET PERSPECTIVE & OUTLOOK



NEPC KEY MARKET THEMES

- **Key Market Themes influence global markets and may remain relevant for an extended period with significant implications for capital markets**
- **Themes can be disrupted and incite outsized market volatility**
- **The introduction of a theme looks to identify the unique implications for asset allocation and portfolio implementation**
- **The conclusion of a theme alters market dynamics and NEPC's outlook**

NEPC CURRENTLY HAS FOUR KEY MARKET THEMES:



ASSESSING THE KEY MARKET THEMES

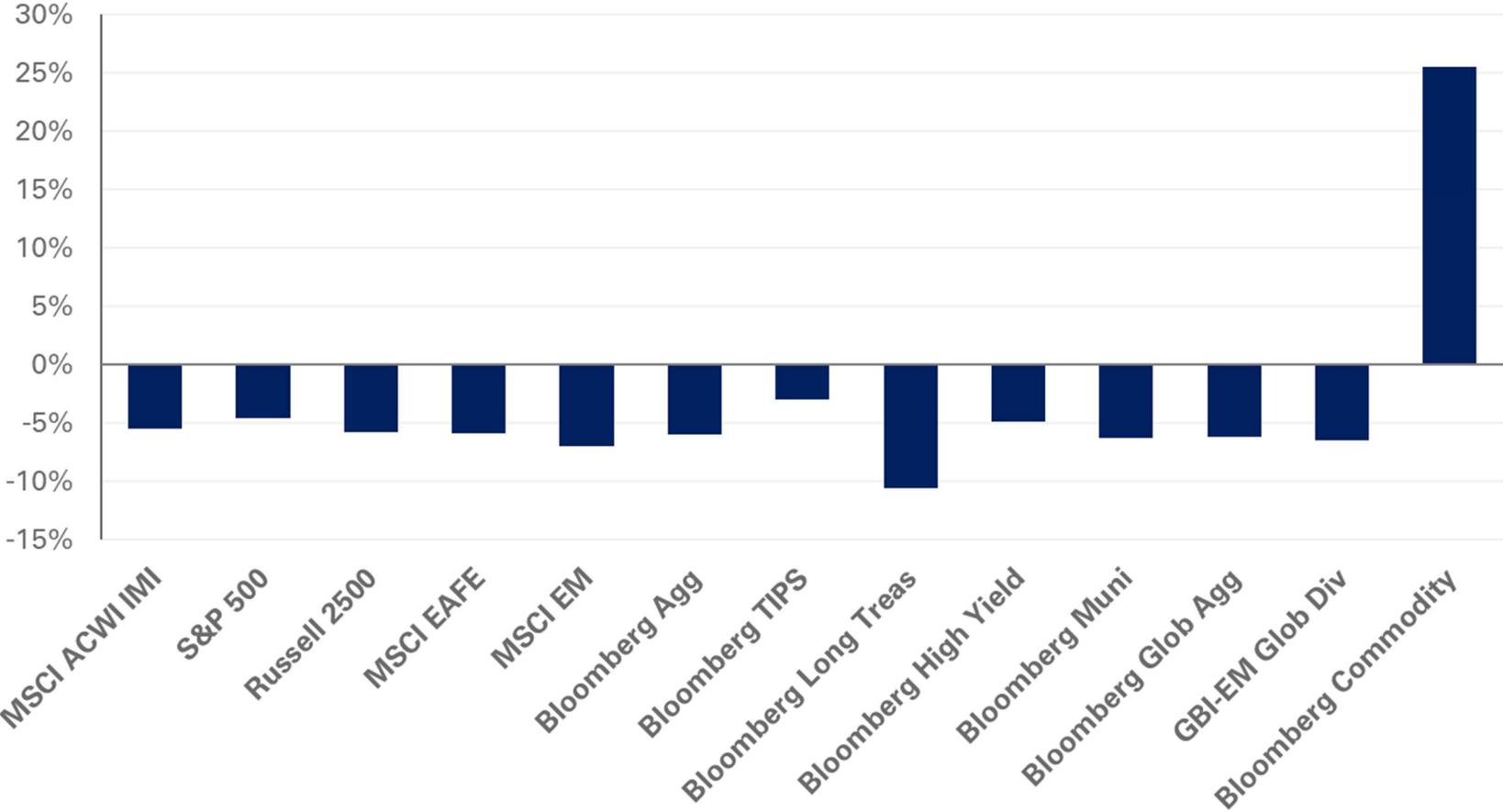
AS OF 03/31/22

<p>Economic Crossroads</p> <p>Change in Status: <i>Neutral to Prevalent</i></p>	DORMANT	FADED	NEUTRAL	PREVALENT	DOMINANT
<p>Permanent Interventions</p> <p>Change in Status: -</p>	DORMANT	FADED	NEUTRAL	PREVALENT	DOMINANT
<p>Globalization Backlash</p> <p>Change in Status: -</p>	DORMANT	FADED	NEUTRAL	PREVALENT	DOMINANT
<p>China Transitions</p> <p>Change in Status: -</p>	DORMANT	FADED	NEUTRAL	PREVALENT	DOMINANT



GLOBAL MARKETS BROADLY DECLINED

QUARTERLY TOTAL RETURNS



Source: MSCI, S&P, Russell, MSCI, Bloomberg, JPM, FactSet



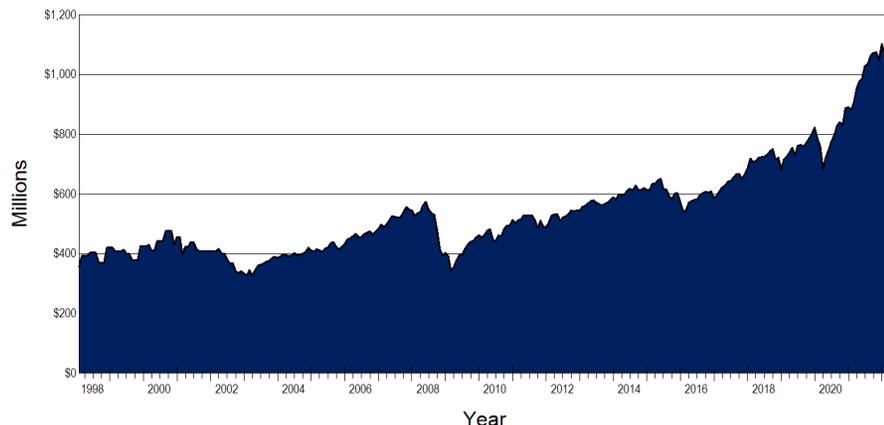
INVESTMENT PERFORMANCE : UHS ENDOWMENT FUND



University of Houston System Endowment Fund

INVESTMENT PERFORMANCE

Portfolio Market Value



Market Value (\$)

UHS Endowment Fund 1,083,526,671

1 Yr (%)

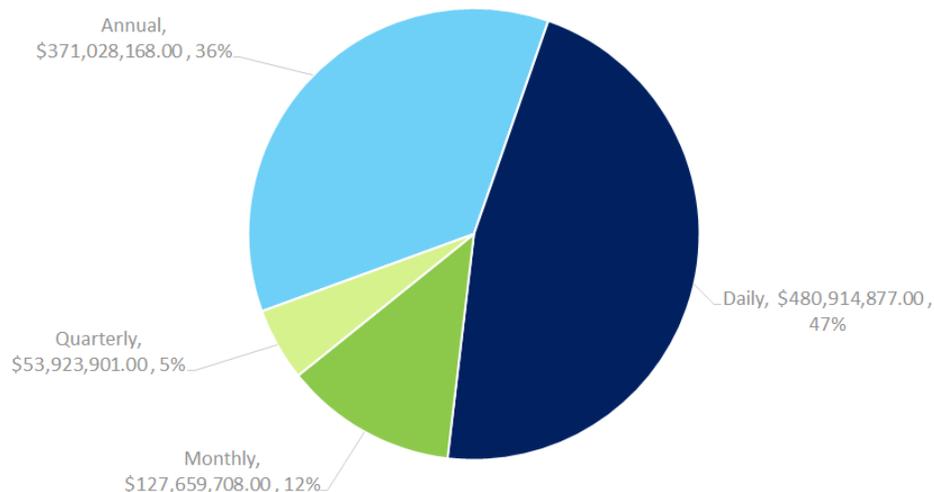
UHS Endowment Fund	13.4
<i>Dynamic Benchmark</i>	12.8
Public Equity	1.4
<i>MSCI ACWI</i>	7.3
Bonds and Cash	-2.3
<i>Dynamic Bonds and Cash Benchmark</i>	-2.5
Marketable Real Assets	22.2
<i>Marketable Real Assets Benchmark</i>	28.1
Hedge Funds	12.8
<i>HFRI Fund of Funds Composite Index</i>	1.3
Private Equity	43.5
<i>C A Global All PE (Qtr Lag)</i>	35.1
Private Real Assets	36.4
<i>Private Real Assets Benchmark</i>	24.5

Allocation vs. Targets and Policy

	Current Allocation	Policy	Policy Range
Equities	44.6%	45.0%	35.0% - 55.0%
Bonds and Cash	13.1%	15.0%	7.0% - 17.0%
Private Equity	27.2%	25.0%	10.0% - 35.0%
Hedge Funds	5.0%	5.0%	0.0% - 10.0%
Real Assets	10.2%	10.0%	5.0% - 15.0%
Total	100.0%	100.0%	

Fiscal YTD (%) 2021 (%) 3 Yrs (%) 5 Yrs (%)

UHS Endowment Fund	3.2	24.3	14.4	11.6
<i>Policy Benchmark</i>	4.4	21.5	12.2	9.8
<i>InvMetrics All E&F > \$1B Net Median</i>	-2.8	15.3	10.4	8.7
UH Endowment Fund Excl. Private Markets	-6.6	13.3	9.5	8.0
<i>Policy Benchmark Excl. Private Markets</i>	-0.9	14.7	10.7	8.7

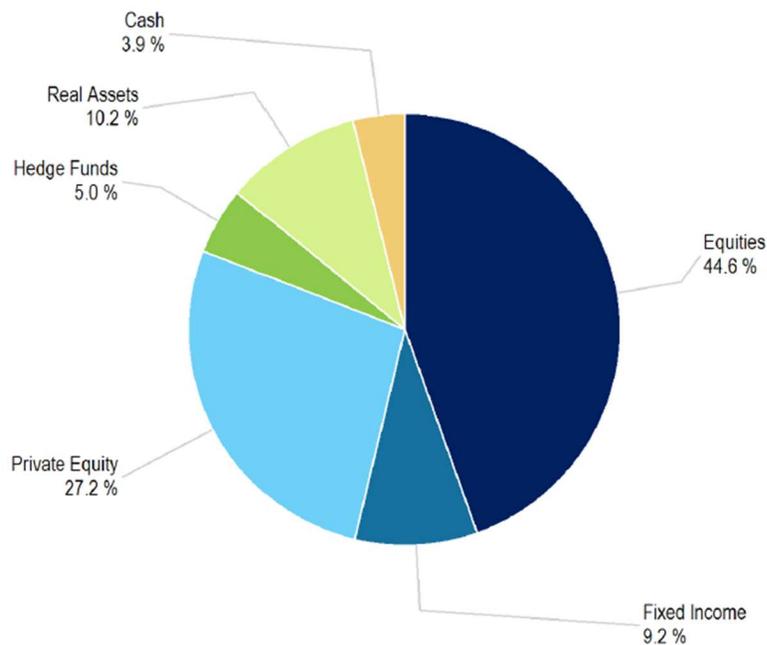


University of Houston System Endowment Fund

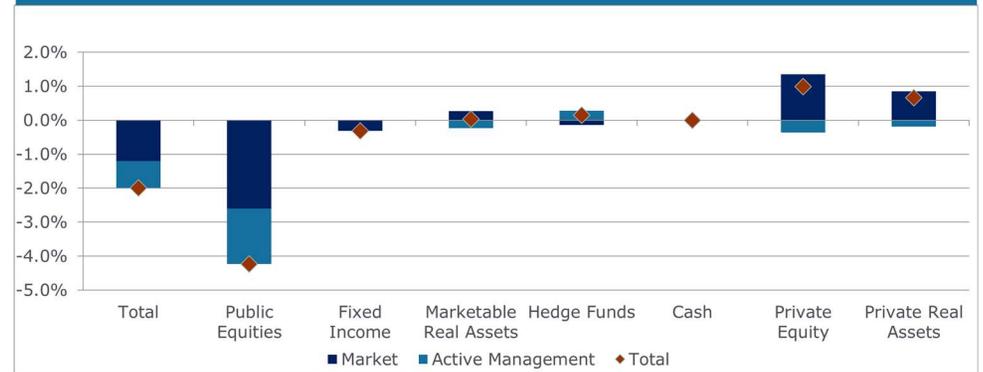
INVESTMENT PERFORMANCE

	Market Value (\$)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
UHS Endowment Fund	1,083,526,671	-2.9	13.4	14.4	11.6	8.4
<i>Dynamic Benchmark</i>		<i>-1.2</i>	<i>12.8</i>	<i>11.7</i>	<i>9.4</i>	<i>7.5</i>
Over/Under		-1.7	0.6	2.7	2.2	0.9
<i>InvMetrics All E&F > \$1B Net Median</i>		-4.4	4.2	10.4	8.7	8.1

Current Allocation



YTD Attribution



- The five-year return for UHS now stands at +11.6% annualized**
 - Returns for 1-, 3-, 5- and 10- year time periods have exceeded UHS's target return (i.e. spending plus inflation)
 - Manager outperformance has been a significant driver
- The Endowment Fund posted a -2.9% return in Q1 2022, and +13.4% for the past year**
 - Public Equities were the primary drivers of performance, as rising rates, inflation, and the Russia Ukraine conflict depressed investor sentiment
- Agenda items for today:**
 - Investment Performance Review
 - Manager Recommendations (EM Equity, Short-Duration Credit, Hedge Funds)
 - Portfolio Rebalance Recommendation



UNIVERSITY PEER GROUP

- Peer group comprised of Colleges and Universities with assets of \$750M-2B as of 12/31/2021

Institution	Asset Allocation (%)										AACRs (%)					
	Global Equity	U.S. Equity	Non-U.S. Developed Equity	Emerging Markets Equity	PE & VC	Hedge Funds	RA & ILB	Bonds	Cash	Other	12/31/2021 Quarterly	CYTD	1 Year	3 Years	5 Years	10 Years
1	—	19.7	8.0	9.4	22.9	24.0	2.3	6.3	2.8	4.5	0.6	11.9	11.9	14.3	9.7	8.0
2	8.3	28.7	8.7	5.3	21.7	13.2	2.8	7.1	3.4	0.8	2.6	19.5	19.5	19.2	13.6	10.3
3	—	20.9	11.3	5.6	27.1	15.6	3.8	9.7	5.1	1.0	1.7	17.9	17.9	19.0	13.8	11.5
4	9.1	23.6	11.1	6.2	15.2	19.5	2.8	10.1	-0.2	2.6	2.6	13.6	13.6	15.9	11.0	—
5	—	18.3	11.3	2.8	31.7	18.1	6.8	7.5	2.0	1.5	2.3	24.5	24.5	17.0	13.4	11.1
6	16.1	7.6	2.2	5.0	35.7	16.3	4.5	—	9.1	3.3	2.5	25.1	25.1	20.8	15.8	11.6
7	—	40.0	7.6	3.9	11.8	12.4	10.8	6.9	4.2	2.4	4.7	20.0	20.0	17.9	13.0	10.7
8	38.8	—	—	—	24.0	19.4	7.8	1.2	3.5	5.3	3.7	20.9	20.9	15.1	11.6	9.1
9	4.2	28.1	18.5	—	20.1	8.8	9.2	7.1	4.0	0.1	3.6	27.3	27.3	19.6	13.4	10.1
10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	8.3	23.5	11.3	4.4	24.9	10.6	6.2	8.0	0.4	2.3	3.3	23.9	23.9	19.0	12.7	10.0
12	15.8	14.4	6.5	2.9	25.6	28.4	1.1	—	1.9	3.3	2.4	20.6	20.6	19.6	14.3	10.8
13	—	26.3	19.7	4.9	22.8	2.9	10.1	3.6	5.7	4.1	3.7	17.6	17.6	16.6	12.2	9.8
14	23.2	12.4	5.0	3.8	16.0	13.5	12.1	9.1	0.6	4.5	2.6	18.1	18.1	13.8	9.7	8.4
Key Peers Mean <i>n=13</i>	9.5	20.3	9.3	4.2	20.0	13.5	5.4	5.1	3.3	2.4	2.8	20.1	20.1	17.5	12.6	10.1
C&U Mean <i>n=124</i>	9.2	19.6	9.5	4.9	20.8	15.2	6.8	7.5	4.0	2.5	2.6	19.2	19.2	17.2	12.4	10.0
Institutional Mean <i>n=376</i>	10.4	20.7	10.2	4.7	16.6	16.1	5.7	9.3	4.1	2.1	2.5	16.7	16.7	16.2	11.6	9.4
UHS Endowment Fund	0	27.4	16.8	3.8	24.3	5.8	9.1	9.7	3.2	-	5.4	24.4	24.4	18.5	13.2	9.5

*Primary drivers of recent outperformance vs. peers:
Higher exposure to both Public Equity and Private Equity and strong contributions from your active managers.*

Hedge Funds include Long/Short Hedge, Absolute Return, and Distressed strategies

Fixed Income includes Global Bonds, U.S. Bonds, Developed Markets ex. U.S. Bonds, Emerging Markets Bonds, and High Yield Bonds

Real Assets includes Private and Public Real Estate, Commodities, Inflation-Linked Bonds, Private Oil & Gas/Natural Resources, Timber, and Public Energy/Natural Resources

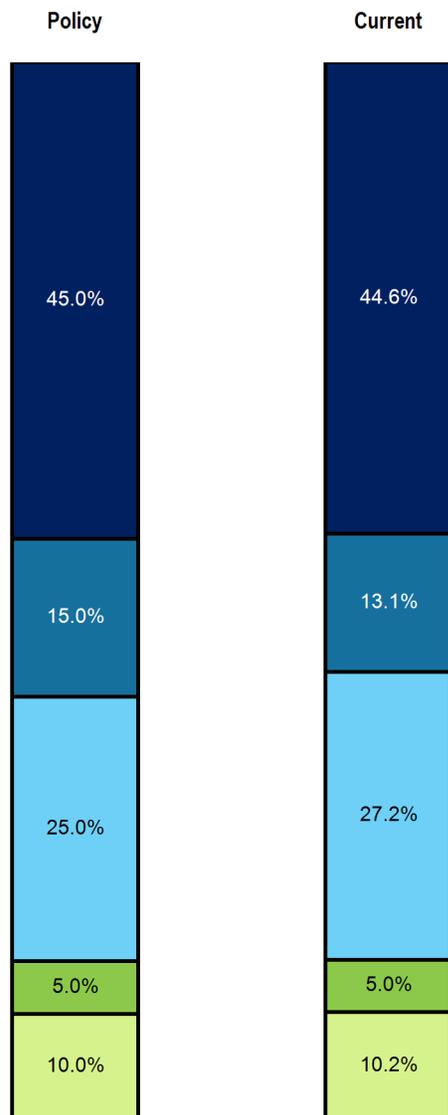
Other includes assets that cannot be categorized in the aforementioned asset classes

Performance is displayed net of fees; Source: CA Associates



University of Houston System Endowment Fund

ASSET ALLOCATION VS. POLICY TARGETS



Asset Allocation vs. Target						
	Current	Policy	Current Difference*	Policy Range	Within Range	
Equities	\$482,886,119	45.0%	44.6%	-0.4%	35.0% - 55.0%	Yes
Bonds and Cash	\$141,606,748	15.0%	13.1%	-1.9%	7.0% - 17.0%	Yes
Private Equity	\$294,845,855	25.0%	27.2%	2.2%	10.0% - 35.0%	Yes
Hedge Funds	\$53,989,553	5.0%	5.0%	0.0%	0.0% - 10.0%	Yes
Real Assets	\$110,198,397	10.0%	10.2%	0.2%	5.0% - 15.0%	Yes
Total	\$1,083,526,671	100.0%	100.0%			

*Difference between Policy and Current Allocation

*Interim Policy is shown.



University of Houston System Endowment Fund

PERFORMANCE DETAIL

			Ending March 31, 2022						
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
UHS Endowment Fund	1,083,526,671	100.0	-2.9	13.4	14.4	11.6	8.4	6.3	Jan-98
Dynamic Benchmark			-1.2	12.8	11.7	9.4	7.5	6.0	Jan-98
Policy Benchmark			-1.0	13.5	12.2	9.8	7.8	6.3	Jan-98
Public Equity	482,886,119	44.6	-8.8	1.4	11.9	10.4	9.5	6.4	Jan-98
MSCI ACWI			-5.4	7.3	13.8	11.6	10.0	6.8	Jan-98
U.S Equity	252,934,390	23.3	-9.7	4.4	15.6	13.8	12.5	7.8	Jan-98
Russell 3000			-5.3	11.9	18.2	15.4	14.3	8.6	Jan-98
Northern Trust Russell 3000 Index Fund - Lending	133,602,875	12.3	-5.3	11.9	--	--	--	16.6	Feb-21
Russell 3000			-5.3	11.9	18.2	15.4	14.3	16.5	Feb-21
Columbia Focused Large Cap Growth	55,751,940	5.1	-14.4	-3.2	16.6	16.7	13.9	14.5	May-10
Russell 1000 Growth			-9.0	15.0	23.6	20.9	17.0	16.6	May-10
Vulcan Value Partners	61,644,556	5.7	-13.3	-1.2	14.0	11.5	--	10.0	Aug-15
Russell 1000 Value			-0.7	11.7	13.0	10.3	11.7	10.1	Aug-15
Cougar Investment Fund	1,935,019	0.2	-2.9	9.2	15.1	11.8	11.0	8.4	Jun-05
S&P 500			-4.6	15.6	18.9	16.0	14.6	10.5	Jun-05
Non-U.S. Developed Equity	141,849,929	13.1	-7.8	-1.7	8.9	7.4	7.7	8.5	Apr-03
MSCI EAFE			-5.9	1.2	7.8	6.7	6.3	7.8	Apr-03
William Blair International Growth	52,292,020	4.8	-15.7	-6.7	12.0	9.8	7.7	8.0	Oct-03
MSCI ACWI ex USA			-5.4	-1.5	7.5	6.8	5.6	6.9	Oct-03
Silchester International Value	59,557,338	5.5	0.1	2.8	6.7	5.5	7.7	8.1	Aug-09
MSCI EAFE			-5.9	1.2	7.8	6.7	6.3	6.3	Aug-09
Global Alpha Int'l Small Cap	30,000,571	2.8	-8.1	-1.6	8.3	--	--	5.2	May-18
MSCI EAFE Small Cap			-8.5	-3.6	8.5	7.4	8.3	3.5	May-18



University of Houston System Endowment Fund

PERFORMANCE DETAIL

			Ending March 31, 2022						
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Emerging Markets Equity	38,101,800	3.5	-6.5	-5.8	1.4	2.8	2.5	4.8	Feb-10
<i>MSCI Emerging Markets</i>			-7.0	-11.4	4.9	6.0	3.4	4.1	Feb-10
Oldfield Emerging Markets	14,359,462	1.3	-7.3	-1.1	0.9	3.9	--	4.2	May-14
<i>MSCI Emerging Markets</i>			-7.0	-11.4	4.9	6.0	3.4	4.1	May-14
Somerset Global Emerging Markets	11,226,186	1.0	-12.0	-20.2	0.3	2.3	--	1.8	Jun-14
<i>MSCI Emerging Markets</i>			-7.0	-11.4	4.9	6.0	3.4	3.7	Jun-14
Edgbaston Asian Equity	12,516,152	1.2	-0.1	5.4	--	--	--	1.8	Jul-19
<i>MSCI AC Asia Pacific ex Japan</i>			-5.7	-10.8	6.2	6.9	5.8	6.5	Jul-19
Global Equity	50,000,000	4.6	--	--	--	--	--	--	Apr-22
Arrowstreet Global Equity	50,000,000	4.6							
<i>MSCI ACWI</i>			-5.4	7.3	13.8	11.6	10.0	--	Apr-22
Fixed Income	99,468,290	9.2	-4.4	-3.4	2.0	2.1	1.4	-3.8	Jan-21
Core Fixed Income	82,541,125	7.6	-4.6	-3.4	1.8	2.0	1.3	3.7	Jan-98
<i>Bloomberg US Aggregate TR</i>			-5.9	-4.2	1.7	2.1	2.2	4.4	Jan-98
Smith Graham Intermediate Aggregate	65,634,469	6.1	-4.5	-3.7	1.5	1.8	--	1.9	Feb-17
<i>Bloomberg US Int TR</i>			-4.7	-4.4	1.2	1.7	1.8	1.7	Feb-17
Loomis Sayles Investment Grade Fixed Income Fund	16,906,656	1.6	-5.2	-2.1	--	--	--	-0.2	Oct-20
<i>Bloomberg US Govt/Credit TR</i>			-6.3	-3.9	2.1	2.4	2.5	-4.9	Oct-20
Diversified Fixed Income	16,927,165	1.6	-3.1	-3.6	-0.2	-0.1	-0.8	-0.6	Nov-20
<i>Bloomberg Global Aggregate TR</i>			-6.2	-6.4	0.7	1.7	1.0	-5.5	Nov-20
PIMCO Dynamic Bond Fund	16,927,165	1.6	-3.1	-3.6	--	--	--	-0.3	Oct-20
<i>3-Month Libor Total Return USD</i>			0.1	0.3	0.9	1.3	0.9	0.2	Oct-20
Cash and Equivalents	42,138,458	3.9	0.0	0.0	0.7	1.0	0.6	2.0	Jan-98
<i>ICE BofA 91 Days T-Bills TR</i>			0.0	0.1	0.8	1.1	0.6	1.9	Jan-98
Cash	42,138,458	3.9	0.0	0.0	0.8	1.2	0.7	2.0	Jan-98



University of Houston System Endowment Fund

PERFORMANCE DETAIL

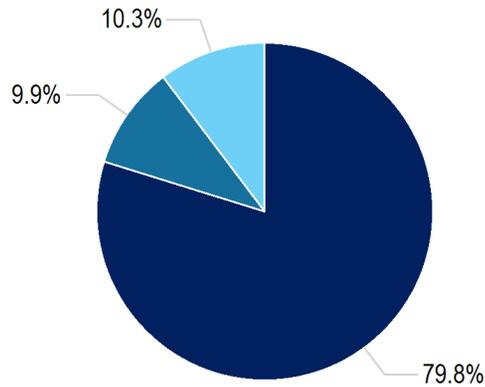
	Market Value (\$)	% of Portfolio	Ending March 31, 2022					Inception (%)	Inception Date
			3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)		
Marketable Real Assets	34,081,723	3.1	1.3	22.2	10.8	6.5	1.3	6.2	Oct-03
<i>Marketable Real Assets Benchmark</i>			8.9	28.1	11.4	8.2	--	--	Oct-03
Vanguard Real Estate Index Fund	15,152,793	1.4	-6.0	21.5	11.5	--	--	12.7	Oct-18
<i>Real Estate Index</i>			-6.0	21.6	11.6	--	--	12.8	Oct-18
T. Rowe Price New Era Fund	18,928,931	1.7	8.2	22.9	11.2	--	--	6.7	Oct-18
<i>MSCI World Select Natural Resources</i>			19.1	34.9	12.1	8.1	4.1	7.1	Oct-18
Hedge Funds	53,989,553	5.0	2.7	12.8	10.3	7.4	5.7	5.6	Aug-03
<i>HFRI Fund of Funds Composite Index</i>			-2.6	1.3	5.9	4.6	3.9	3.7	Aug-03
SRS Partners	17,751,555	1.6	9.6	37.7	19.0	15.1	--	11.0	Jun-14
Davidson Kempner	17,831,308	1.6	0.1	3.3	6.5	5.6	5.8	6.7	Aug-03
HBK Offshore	18,341,039	1.7	-1.0	5.7	6.0	5.0	4.8	5.1	Mar-11
Manager Holdbacks	65,651	0.0	16.6	15.8	2.8	3.1	--	-5.6	Jul-12
Private Markets	370,962,529	34.2	5.1	42.0	26.8	22.3	16.0	48.7	Jan-21
Private Equity	294,845,855	27.2	3.8	43.5	32.8	27.8	20.1	14.2	Jan-98
<i>CJA Global All PE (Qtr Lag)</i>			5.2	35.1	25.0	20.5	16.1	--	Jan-98
Private Real Assets	76,116,673	7.0	10.6	36.4	10.5	9.2	8.2	7.0	Nov-03
<i>Private Real Assets Benchmark</i>			7.6	24.5	9.1	8.9	8.5	10.1	Nov-03



University of Houston System Endowment Fund

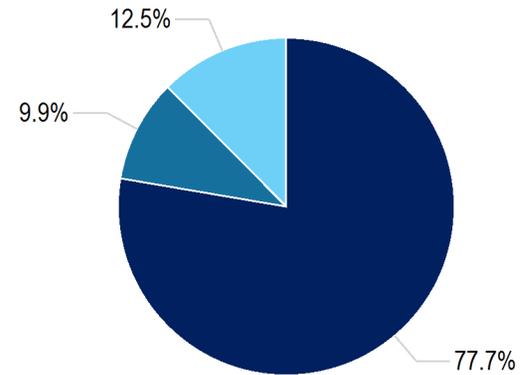
EXECUTIVE SUMMARY

Valuation by Asset Class



Private Equity Real Assets Real Estate

Fund Exposure by Asset Class



Private Equity Real Assets Real Estate

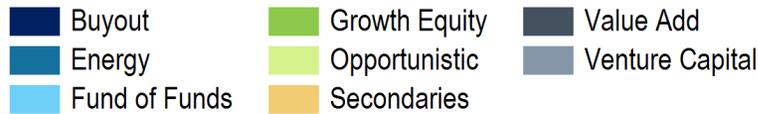
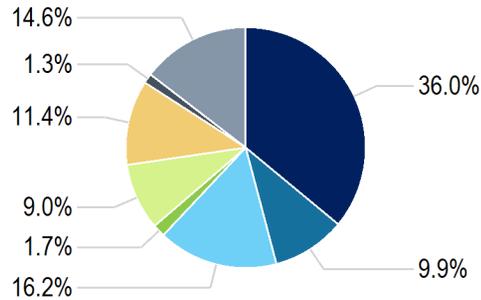
Asset Class	Investments \$				Trailing Period Performance (IRR)							Multiples	
	Commitment	Cumulative Contributions	Unfunded Commitment	Valuation	(QTR)	(YTD)	(1 YR)	(3 YRS)	(5 YRS)	(10 YRS)	SI IRR	DPI	TVPI
Total Private Equity	\$332,131,535	\$200,472,774	\$131,658,761	\$297,228,095	4.16%	46.06%	46.06%	36.15%	30.58%	24.19%	22.27%	0.62	2.10
Total Real Assets	\$74,500,000	\$56,866,271	\$17,633,778	\$36,857,822	10.37%	41.90%	41.90%	7.56%	8.11%	6.98%	9.71%	0.65	1.30
Total Real Estate	\$77,735,295	\$47,398,723	\$30,336,572	\$38,447,355	10.43%	28.86%	28.86%	16.69%	15.30%	13.88%	6.33%	0.60	1.40
Total	\$484,366,830	\$304,737,768	\$179,629,111	\$372,533,272	5.37%	43.70%	43.70%	29.48%	25.07%	19.90%	15.90%	0.62	1.84



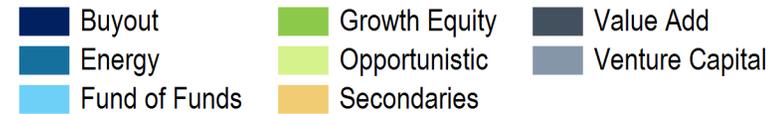
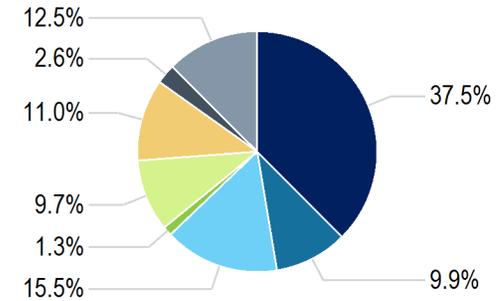
University of Houston System Endowment Fund

ANALYSIS BY STRATEGY

Private Markets Valuation by Strategy



Private Markets Fund Exposure by Strategy



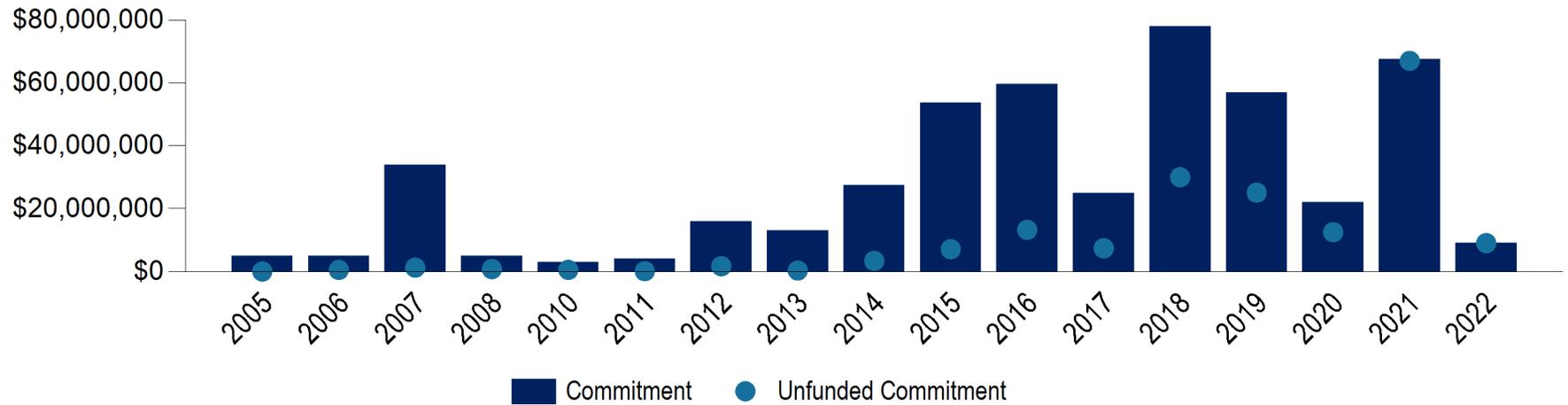
Investment Strategy	Investments			Commitments			Contributions & Distributions			Valuations				Performance		
	Commitment	Unfunded Commitment	Call Ratio	Cumulative Contributions	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Fund Exposure	DPI	TVPI	IRR			
Total Buyout	\$168,500,000	\$73,031,553	0.57	\$95,468,447	\$4,897	\$52,696,785	\$134,065,617	\$186,762,402	\$91,289,057	\$207,097,169	0.55	1.96	23.17%			
Total Energy	\$74,500,000	\$17,633,778	0.76	\$56,866,271	-\$23,570	\$37,027,899	\$36,857,822	\$73,885,721	\$17,043,020	\$54,491,600	0.65	1.30	9.71%			
Total Fund of Funds	\$63,250,000	\$25,420,278	0.60	\$37,829,722	\$0	\$37,903,544	\$60,208,204	\$98,111,748	\$60,282,026	\$85,628,482	1.00	2.59	15.32%			
Total Growth Equity	\$5,000,000	\$642,937	0.87	\$4,357,063	\$0	\$1,792,451	\$6,279,027	\$8,071,478	\$3,714,415	\$6,921,964	0.41	1.85	52.25%			
Total Opportunistic	\$46,500,000	\$20,006,796	0.57	\$26,493,204	\$866,154	\$8,775,560	\$33,399,280	\$42,174,840	\$14,815,482	\$53,406,076	0.32	1.54	19.41%			
Total Secondaries	\$54,000,000	\$18,383,006	0.66	\$35,616,994	\$254	\$19,183,220	\$42,481,373	\$61,664,593	\$26,047,345	\$60,864,379	0.54	1.73	27.20%			
Total Value Add	\$23,235,295	\$9,630,244	0.59	\$13,605,051	\$109,256	\$11,388,275	\$4,853,549	\$16,241,824	\$2,527,517	\$14,483,793	0.83	1.18	2.16%			
Total Venture Capital	\$49,381,535	\$14,880,519	0.70	\$34,501,016	-\$6,091	\$20,698,405	\$54,388,401	\$75,086,806	\$40,591,880	\$69,268,920	0.60	2.18	21.52%			
Total	\$484,366,830	\$179,629,111	0.63	\$304,737,768	\$950,900	\$189,466,139	\$372,533,272	\$561,999,411	\$256,310,743	\$552,162,383	0.62	1.84	15.90%			



University of Houston System Endowment Fund

ANALYSIS BY VINTAGE YEAR

Commitments By Vintage Year



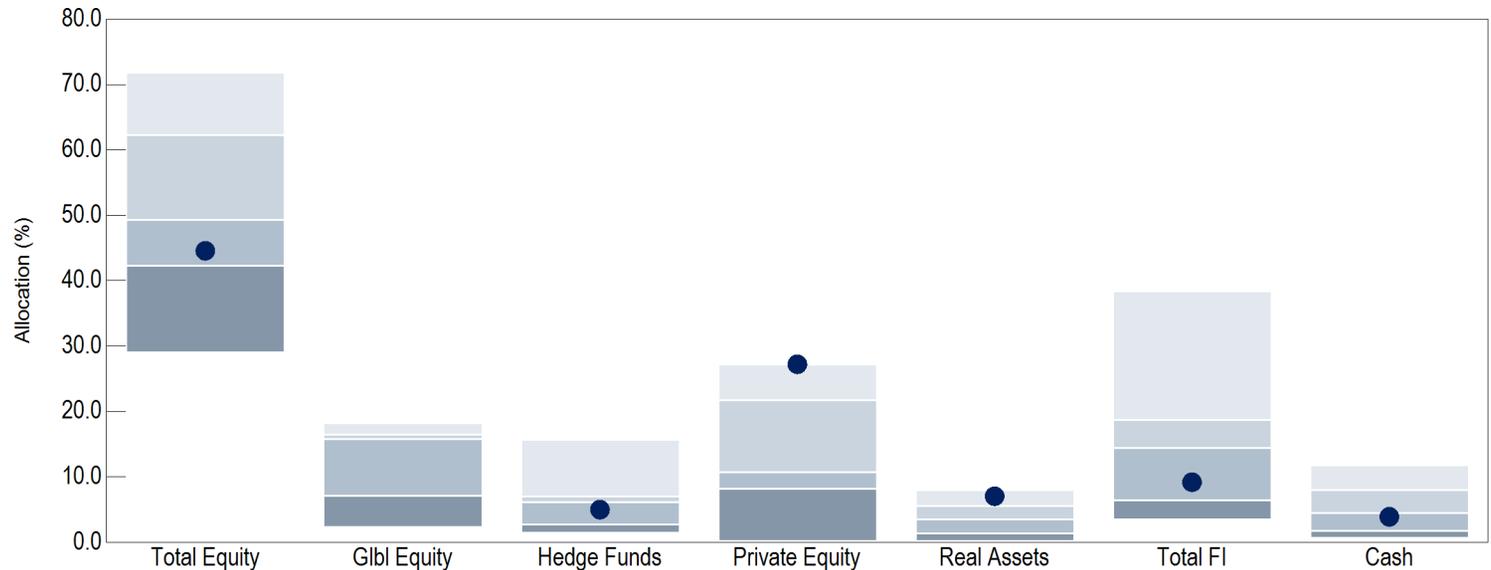
Vintage Year	Commitments			Contributions & Distributions			Valuations			Performance		
	Commitment	Unfunded Commitment	Call Ratio	Cumulative Contributions	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	DPI	TVPI	IRR
Total 2005	\$5,000,000	\$0	1.00	\$5,000,000	\$0	\$3,581,837	\$1,212,850	\$4,794,687	-\$205,313	0.72	0.96	-0.33%
Total 2006	\$5,000,000	\$505,441	0.90	\$4,494,559	\$0	\$4,552,547	\$25,410	\$4,577,957	\$83,398	1.01	1.02	0.24%
Total 2007	\$33,985,295	\$1,207,217	0.96	\$32,778,078	\$0	\$47,815,120	\$5,806,009	\$53,621,129	\$20,843,051	1.46	1.64	10.41%
Total 2008	\$5,000,000	\$755,000	0.85	\$4,245,000	\$0	\$7,078,777	\$1,242,583	\$8,321,360	\$4,076,360	1.67	1.96	10.22%
Total 2010	\$3,000,000	\$510,000	0.83	\$2,490,000	\$0	\$7,405,852	\$7,521,800	\$14,927,652	\$12,437,652	2.97	6.00	23.83%
Total 2011	\$4,000,000	\$86,098	0.98	\$3,913,902	\$0	\$4,173,459	\$3,205,002	\$7,378,461	\$3,464,559	1.07	1.89	12.26%
Total 2012	\$16,000,000	\$1,656,331	0.90	\$14,343,669	\$3,431	\$19,228,306	\$11,486,446	\$30,714,751	\$16,367,651	1.34	2.14	20.15%
Total 2013	\$13,000,000	\$299,739	0.98	\$12,700,261	\$0	\$14,901,092	\$20,263,187	\$35,164,279	\$22,464,018	1.17	2.77	21.17%
Total 2014	\$27,500,000	\$3,364,131	0.88	\$24,135,869	\$3,964	\$16,712,195	\$28,120,993	\$44,833,188	\$20,693,355	0.69	1.86	18.42%
Total 2015	\$53,750,000	\$7,078,774	0.87	\$46,671,275	\$508,764	\$33,994,367	\$59,615,836	\$93,610,203	\$46,430,164	0.72	1.98	20.80%
Total 2016	\$59,631,535	\$13,219,881	0.78	\$46,411,654	\$143,894	\$15,373,103	\$70,566,549	\$85,939,652	\$39,384,103	0.33	1.85	25.42%
Total 2017	\$25,000,000	\$7,373,617	0.71	\$17,626,383	-\$6,091	\$2,588,719	\$34,026,918	\$36,615,637	\$18,995,344	0.15	2.08	39.91%
Total 2018	\$78,000,000	\$29,996,318	0.62	\$48,003,682	\$194,968	\$8,234,001	\$71,692,698	\$79,926,699	\$31,728,049	0.17	1.66	42.96%
Total 2019	\$57,000,000	\$25,093,534	0.56	\$31,906,466	\$101,969	\$3,406,923	\$47,406,948	\$50,813,871	\$18,805,436	0.11	1.59	61.85%
Total 2020	\$22,000,000	\$12,483,029	0.43	\$9,516,971	\$0	\$419,842	\$9,900,592	\$10,320,434	\$803,463	0.04	1.08	19.49%
Total 2021	\$67,500,000	\$67,000,000	0.01	\$500,000	\$0	\$0	\$439,451	\$439,451	-\$60,549	0.00	0.88	-12.11%
Total 2022	\$9,000,000	\$9,000,000		\$0	\$0	\$0						
Total	\$484,366,830	\$179,629,111	0.63	\$304,737,768	\$950,900	\$189,466,139	\$372,533,272	\$561,999,411	\$256,310,743	0.62	1.84	15.90%



University of Houston System Endowment Fund

ASSET ALLOCATION VS. E&F INSTITUTIONS > \$1B

Total Plan Allocation vs. InvMetrics All E&F > \$1B Net
As of March 31, 2022



Allocation (Rank)

5th Percentile	71.8	18.3	15.7	27.1	8.0	38.4	11.7	
25th Percentile	62.4	16.6	7.1	21.8	5.6	18.8	8.1	
Median	49.4	15.9	6.3	10.8	3.6	14.5	4.6	
75th Percentile	42.4	7.2	2.8	8.3	1.5	6.5	1.8	
95th Percentile	29.1	2.4	1.5	0.3	0.3	3.5	0.7	
# of Portfolios	17	6	11	15	7	16	16	
● UHS Endowment Fund	44.6 (68)	--	--	5.0 (58)	27.2 (5)	7.0 (19)	9.2 (60)	3.9 (54)

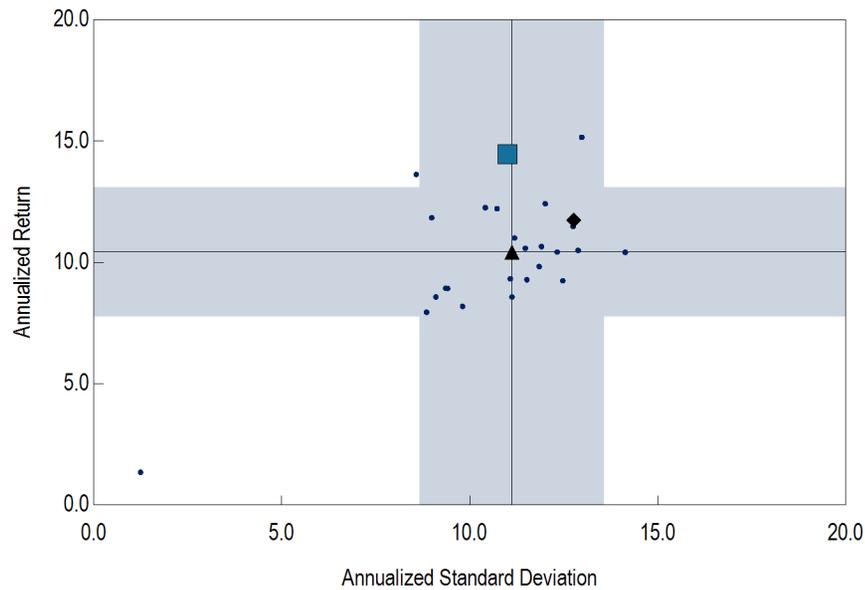
*Marketable Real Assets are excluded from analytic.



University of Houston System Endowment Fund

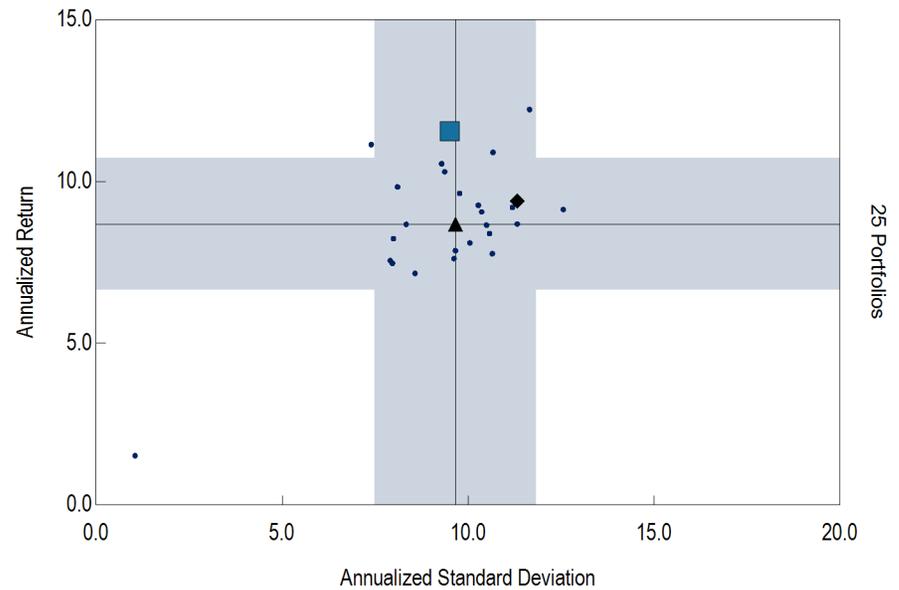
RISK/RETURN VS. E&F INSTITUTIONS > \$1B

3 Years Ended March 31, 2022



- UHS Endowment Fund
- ◆ Dynamic Benchmark
- ▲ Universe Median
- 68% Confidence Interval
- InvMetrics All E&F > \$1B Net

5 Years Ended March 31, 2022



- UHS Endowment Fund
- ◆ Dynamic Benchmark
- ▲ Universe Median
- 68% Confidence Interval
- InvMetrics All E&F > \$1B Net

3 Years Ended March 31, 2022								
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
UHS Endowment Fund	14.4%	5	11.0%	45	1.3	7	1.5	13
Dynamic Benchmark	11.7%	27	12.8%	89	0.9	44	1.0	67

5 Years Ended March 31, 2022								
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
UHS Endowment Fund	11.6%	5	9.5%	44	1.1	6	1.3	17
Dynamic Benchmark	9.4%	32	11.3%	92	0.7	58	0.9	89



UHS ENDOWMENT CASH FLOWS BY CATEGORY

Period	Beginning Market Value (in millions)	Net Cash Flows (in millions)	Net Investment Change (in millions)	Management Fees (in millions)	Ending Market Value (in millions)
2012	\$486,853	\$10,962	\$61,391	-\$3,798	\$555,408
2013	\$555,408	-\$42,572	\$76,384	-\$3,885	\$585,336
2014	\$585,336	\$9,127	\$20,615	-\$4,495	\$610,582
2015	\$610,582	-\$24,614	-\$12,203	-\$3,678	\$570,086
2016	\$570,086	-\$16,937	\$32,186	-\$4,666	\$580,670
2017	\$580,670	\$7,757	\$95,836	-\$5,011	\$679,252
2018	\$679,252	\$26,657	-\$17,775	-\$4,834	\$683,300
2019	\$683,300	\$17,003	\$120,690	-\$6,372	\$814,623
2020	\$814,624	-\$37,486	\$121,586	-\$6,854	\$891,870
2021	\$891,870	-\$6,840	\$225,818	-\$6,917	\$1,102,842
2022 YTD	\$1,102,842	\$11,435	-\$30,067	-\$6,959	\$1,083,527

Net cash flows include transfers in and out of the plan, including but not limited to gifts, annual payouts, and non-management fees such as custodial fees, consulting fees, and performance fees.

Net investment change includes all unrealized and realized gains and losses, dividends, and interest income.

Management fees reflect all investment management fees. Private fund investment management fees reflect estimates. Management fees do not include performance-based fees for hedge funds and private investments.





EMERGING MARKETS EQUITY

Manager Termination



MANAGER TERMINATION: SOMERSET GLOBAL EM

Fund	1 Year*	3 Years*	5 Years*	Since Inception* (1/1/2008)
Somerset Global Emerging Markets	-12.0%	0.3%	2.3%	0.3%
MSCI Emerging Markets	-7.0%	4.9%	6.0%	1.8%
<i>Excess Return</i>	-5.0%	-4.6%	-3.7%	-1.5%

- **Somerset Global Emerging Markets invests in non-US, developing market stocks across all market capitalizations.**
 - Given recent equity market volatility and geopolitical events, trimming equity is sensible, specifically from the emerging markets exhibiting higher volatility
 - Termination of Somerset will provide funding for an investment in short-duration corporate bonds, a prudent move given the current, unpredictable market environment
 - UH’s remaining Emerging Markets managers will have Value tilts that have recently led markets

- **Recommendation**
 - Fully terminate ~\$11M (1.2%) position in the Somerset Global EM fund
 - Proceeds will be redirected to the funding of Lord Abbett’s Short Duration Credit fund
 - Rebalance recommendation follows 400 Capital profile on following pages



• Return statistics 1 Year or greater are annualized as of 3/31/2022
 • Source: eVestment



SHORT-DURATION CREDIT

Manager Recommendation

MANAGER RECOMMENDATION: LORD ABBETT

Fund	1 Year	3 Years	5 Years	Since Inception (1/31/2008)*
Lord Abbett Short-Duration	-1.8%	1.7%	2.1%	3.6%
ICE BofA 1-3Y US Corp TR USD	-3.2%	1.4%	1.8%	2.9%
<i>Excess Return</i>	<i>1.4%</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.7%</i>

- **Lord Abbett Short-Duration focuses on short-duration corporate debt**
 - Invests in bonds across the credit spectrum, typically with 0-3 years to maturity
 - Lord Abbett Short-Duration has exploited a market inefficiency and delivered significant excess returns since inception (nearly 15 years)
 - Fund has shown the ability to outperform while minimizing losses in down markets
 - Lord Abbett Short-Duration pairs well with UHS’s existing Fixed Income managers
 - Rising interest rates represent a primary risk for bond investments; Lord Abbett would reduce the Endowment’s duration profile, achieving balance with funds such as Smith Graham and Loomis

- **Recommendation**
 - Fund Lord Abbett Short Duration using proceeds from the liquidation of Somerset and cash (\$42M position)
 - Rebalance recommendation follows 400 Capital profile on following pages



• Return statistics 1 Year or greater are annualized as of 3/31/2022
 • Source: eVestment



HEDGE FUND

Manager Recommendation

MANAGER RECOMMENDATION: 400 CAPITAL

Fund	1 Year	3 Years	5 Years	Since Inception (2/28/2009)*
400 Capital Credit Opportunities	10.1%	7.1%	8.4%	11.9%
HFRI RV: Fixed Income Asset Backed Index	5.1%	3.9%	4.4%	8.1%
<i>Excess Return</i>	<i>5.0%</i>	<i>3.2%</i>	<i>4.0%</i>	<i>3.8%</i>

- **400 Capital participates actively across the structured credit space, primarily targeting asset backed securities**
 - Rotates investments between residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS), other asset backed securities (ABS), and collateralized loan obligations (CLOs).
 - Knowledgeable team with over two decades of experience investing in credit markets
 - Exceptional, steady returns and alpha generation across all relevant time periods
 - Strong complement to current UHS Hedge Fund managers; broad, diversified credit exposure pairs well with SRS Partners (Long/Short Equity) and Davidson Kempner/HBK Offshore (Multi-Strategy)
 - Lower volatility strategy with historically low correlations to traditional assets
- **Recommendation**
 - Fund 400 Capital Credit Opportunities using proceeds from Cash (\$17M)





REBALANCING RECOMMENDATION



PORTFOLIO REBALANCING: OVERVIEW

- **Given the current volatility in Equity and Fixed Income markets, heightened focus on risk mitigation is warranted**
- **Emerging Market Equities have historically exhibited higher volatility and sensitivity to geopolitical developments; reduction in exposure seems prudent in the present environment**
- **Short-duration corporate bonds can reduce overall interest rate sensitivity, while providing some return potential to offset the impact of inflation**
 - Similar change was made in the Non-Endowed Assets portfolio in April 2022

Investment Manager	Weighted Average Duration (years)
Smith Graham Intermediate Aggregate	4.6
Loomis Sayles Investment Grade Fixed Income	4.6
Lord-Abbott Short Duration Corporate	1.7

- **Modest reduction from Smith Graham and Loomis Sayles will reduce overall sensitivity to interest rate hikes**
- **Detailed rebalancing recommendations are outlined on following page**



University of Houston System - Endowment Fund

	Estimated Market Value as of 4/14/2021	Weight in Fund	Recommendation	Estimated Market Value as of 4/14/2022	Ending Weight	Target Weight	Over/ Under%
UHS Endowment Fund	\$1,044,354,346	100.0%	\$0	\$1,044,354,346	100.0%	100.0%	0.0%
Public Equity	\$467,708,190	44.8%	(\$11,205,450)	\$456,502,740	43.7%	46.0%	-2.3%
U.S. Equity	\$242,712,808	23.2%	\$0	\$242,712,808	23.2%	21.0%	2.2%
Northern Trust Russell 3000 Index Fund	\$129,436,002	12.4%		\$129,436,002	12.4%		
Columbia Focused Large Cap Growth	\$53,637,466	5.1%		\$53,637,466	5.1%		
Vulcan Value Partners	\$57,722,550	5.5%		\$57,722,550	5.5%		
Cougar Investment Fund	\$1,916,789	0.2%		\$1,916,789	0.2%		
International Equity	\$139,194,502	13.3%	\$0	\$139,194,502	13.3%	15.0%	-1.7%
William Blair International Growth	\$49,769,616	4.8%		\$49,769,616	4.8%		
Silchester International Value	\$59,858,750	5.7%		\$59,858,750	5.7%		
Global Alpha Int'l Small Cap	\$29,566,136	2.8%		\$29,566,136	2.8%		
Emerging Markets Equity	\$37,250,880	3.6%	(\$11,205,450)	\$26,045,430	2.5%	5.0%	-2.5%
Oldfield Emerging Markets	\$13,747,179	1.3%		\$13,747,179	1.3%		
Somerset Global Emerging Markets	\$11,205,450	1.1%	(\$11,205,450)	\$0	0.0%		
Edgbaston Asian Equity	\$12,298,251	1.2%		\$12,298,251	1.2%		
Global Equity	\$48,550,000	4.6%	\$0	\$48,550,000	4.6%	5.0%	-0.4%
Arrowstreet Global Equity - ACWI	\$48,550,000	4.6%		\$48,550,000	4.6%		
Total Fixed Income	\$96,632,504	9.3%	\$20,000,000	\$116,632,504	11.2%	12.0%	-0.8%
Core Fixed Income	\$79,798,060	7.6%	(\$22,000,000)	\$57,798,060	5.5%	8.0%	-2.5%
Smith Graham Intermediate Aggregate	\$63,427,669	6.1%	(\$17,500,000)	\$45,927,669	4.4%		
Loomis Sayles Investment Grade Fixed Income Fund	\$16,370,391	1.6%	(\$4,500,000)	\$11,870,391	1.1%		
Diversified Fixed Income	\$16,834,444	1.6%	\$0	\$16,834,444	1.6%	4.0%	-2.4%
PIMCO Dynamic Bond Fund	\$16,834,444	1.6%		\$16,834,444	1.6%		
Short-Duration Fixed Income	\$0	0.0%	\$42,000,000	\$42,000,000	4.0%		
Lord Abbett Short-Duration Credit	\$0	0.0%	\$42,000,000	\$42,000,000	4.0%		
Cash and Equivalents	\$42,501,952	4.1%	(\$25,794,550)	\$16,707,402	1.6%	3.0%	-1.4%
Cash	\$42,501,952	4.1%	(\$25,794,550)	\$16,707,402	1.6%		
Marketable Real Assets	\$33,846,719	3.2%	\$0	\$33,846,719	3.2%	3.0%	0.2%
Vanguard Real Estate Index Fund	\$15,113,953	1.4%		\$15,113,953	1.4%		
T. Rowe Price New Era Fund	\$18,732,766	1.8%		\$18,732,766	1.8%		
Hedge Funds	\$52,091,204	5.0%	\$17,000,000	\$69,091,204	6.6%	5.0%	1.6%
SRS Partners	\$15,747,833	1.5%		\$15,747,833	1.5%		
Davidson Kempner	\$17,886,740	1.7%		\$17,886,740	1.7%		
HBK Offshore	\$18,400,703	1.8%		\$18,400,703	1.8%		
400 Capital Opportunities Fund	\$0	0.0%	\$17,000,000	\$17,000,000	1.6%		
Manager Holdbacks	\$55,928	0.0%		\$55,928	0.0%		
Private Markets	\$351,573,778	33.7%		\$351,573,778	33.7%	31.0%	2.7%
Private Equity/Debt	\$282,908,965	27.1%		\$282,908,965	27.1%	25.0%	2.1%
Private Real Assets	\$68,664,813	6.6%		\$68,664,813	6.6%	6.0%	0.6%

*Estimated market values are based on custody statement as well as estimated manager and/or benchmark performance

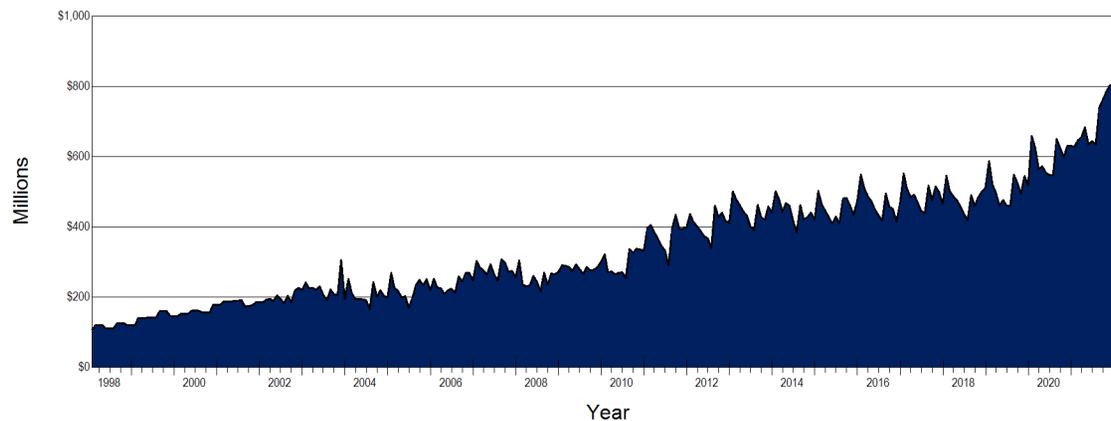


INVESTMENT PERFORMANCE: UHS NON-ENDOWED ASSETS



University of Houston System Non-Endowed Assets INVESTMENT PERFORMANCE

Portfolio Market Value

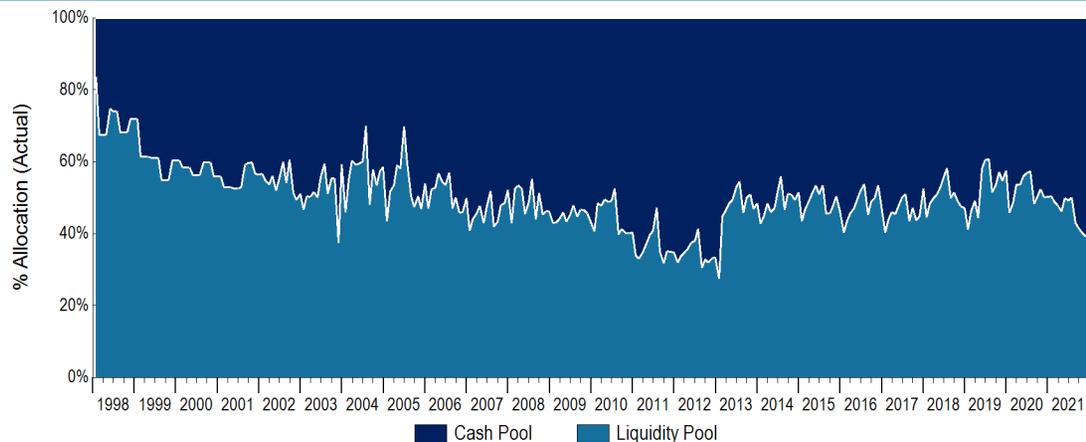


	YTD	Fiscal YTD	3 Yrs	5 Yrs
UHS Non-Endowed Assets	-1.4%	-1.4%	1.5%	1.5%
<i>Dynamic Benchmark</i>	-1.3%	-1.3%	--	--
<i>Non-Endowed Policy Benchmark</i>	-1.7%	-1.7%	1.0%	1.2%
Cash Pool	0.0%	0.0%	0.7%	0.9%
<i>ICE BofA 91 Days T-Bills TR</i>	0.0%	0.0%	0.8%	1.1%
Liquidity Pool	-3.7%	-3.7%	1.7%	1.7%
<i>ICE BofA 1-5 Yrs US Corp & Govt TR</i>	-3.5%	-3.5%	1.2%	1.4%

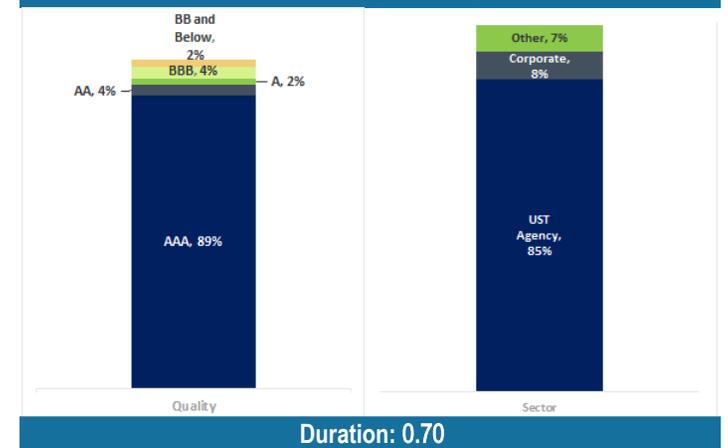
Market Value

UHS Non-Endowed Assets **\$850,546,505**

Asset Allocation History



Portfolio Characteristics

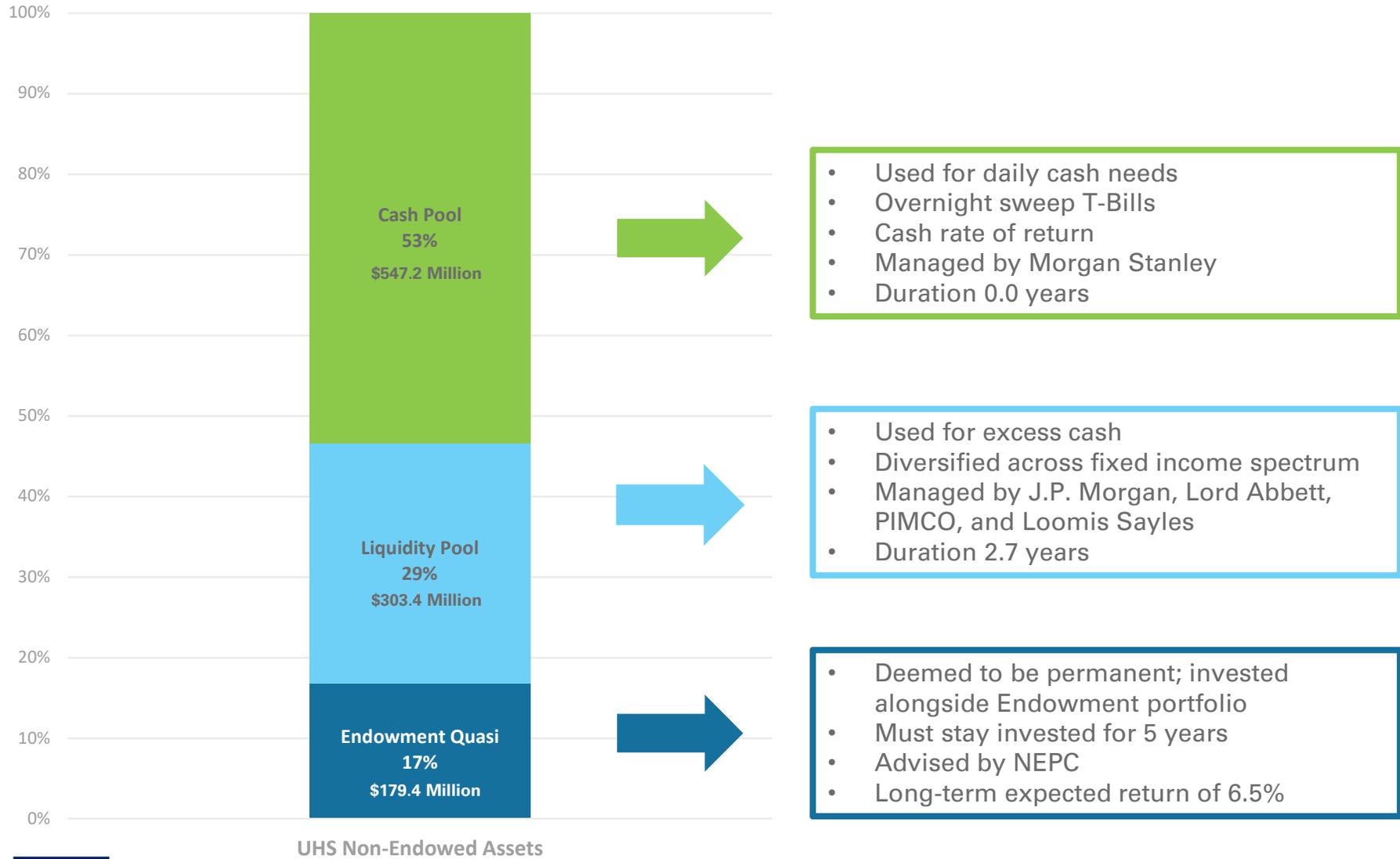


Dynamic Benchmark: Designed to match the actual composition of the portfolio, the Dynamic Benchmark evolves over time with market movements and changes to the portfolio. The Dynamic Benchmark is calculated monthly using the return for each manager's passive index multiplied by that manager's percentage weight within the portfolio at the beginning of the month. Because it evolves to match the way dollars are actually invested, the Dynamic Benchmark is a useful tool for evaluating the impact of manager performance.

Non-Endowed Policy Benchmark: The Policy Benchmark changes only infrequently. It is calculated monthly according to a formula specified in the Investment Policy Statement. For each asset class, the return for the passive benchmark for an asset class is multiplied by the target weight outlined in the Policy; the Policy Benchmark is simply the sum of these figures. The Policy Benchmark measures the return for the Policy asset allocation. Currently comprised of comprised of 50% ICE BofA AAA-A US Corp & Govt TR and 50% BofA Merrill Lynch 91-Day T-Bill.

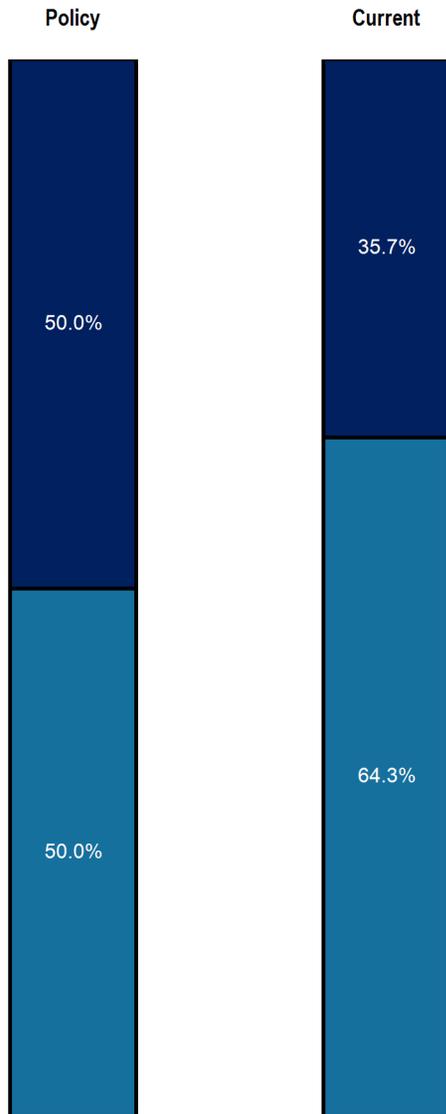


NON-ENDOWED ASSETS COMPOSITION



University of Houston System Non-Endowed Assets

ACTUAL ASSET ALLOCATION VS. POLICY TARGETS



Asset Allocation vs. Target							
	Current	Policy	Current Difference*	Policy Range	Within Range		
Fixed Income	\$303,396,569	50.0%	35.7%	-14.3%	0.0% - 70.0%	Yes	
Cash	\$547,149,936	50.0%	64.3%	14.3%	30.0% - 100.0%	Yes	
Total	\$850,546,505	100.0%	100.0%				

*Difference between Policy and Current Allocation



University of Houston System Non-Endowed Assets

ACTUAL ASSET ALLOCATION VS. POLICY TARGETS



	Asset Allocation vs. Target				Policy Range	Within Range
	Current	Policy	Current Difference*			
Core Fixed Income	\$5,790	20.0%	0.0%	-20.0%	0.0% - 30.0%	Yes
Core Plus	\$48,288,083	15.0%	15.9%	0.9%	0.0% - 25.0%	Yes
Gov/Credit	\$206,701,097	50.0%	68.1%	18.1%	0.0% - 100.0%	Yes
Absolute Return	\$48,401,598	15.0%	16.0%	1.0%	0.0% - 25.0%	Yes
Total	\$303,396,569	100.0%	100.0%			

*Difference between Policy and Current Allocation



University of Houston System Non-Endowed Assets

PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	Ending March 31, 2022					Inception (%)	Inception Date
			3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)		
UHS Non-Endowed Assets	850,546,505	100.0	-1.4	-1.2	1.5	1.5	1.0	2.7	Jan-98
<i>Dynamic Benchmark</i>			-1.3	-1.1	--	--	--	--	Jan-98
<i>Non-Endowed Policy Benchmark</i>			-1.7	-1.9	1.0	1.2	--	--	Jan-98
Cash Pool	547,149,936	64.3	0.0	0.0	0.7	0.9	0.5	1.9	Jan-98
<i>ICE BofA 91 Days T-Bills TR</i>			0.0	0.1	0.8	1.1	0.6	1.9	Jan-98
Morgan Stanley Instl. Liquid Treasuries- Clear Lake	39,146,005	4.6	0.0	0.0	-0.8	0.1	0.0	1.7	Jan-98
Morgan Stanley Instl. Liquid Treasuries- Downtown	48,918,069	5.8	0.0	0.0	-0.8	0.1	0.0	1.7	Jan-98
Morgan Stanley Instl. Liquid Treasuries- U. of Houston	405,937,652	47.7	0.0	0.0	-0.8	0.1	0.0	1.7	Jan-98
Morgan Stanley Instl. Liquid Treasuries- UoffH System	20,468,218	2.4	0.0	0.0	-0.8	0.1	0.0	1.7	Jan-98
Morgan Stanley Instl. Liquid Treasuries- Victoria	11,250,433	1.3	0.0	0.0	-0.8	0.1	0.0	1.7	Jul-98
Blackrock Liquidity Funds T-Fund	21,429,560	2.5	0.0	0.0	--	--	--	0.0	Dec-20
Liquidity Pool	303,396,569	35.7	-3.7	-3.5	1.7	1.7	1.3	3.4	Jan-98
<i>ICE BofA 1-5 Yrs US Corp & Govt TR</i>			-3.5	-3.8	1.2	1.4	1.4	3.5	Jan-98
JP Morgan - Univ. of Houston	147,312,936	17.3	-3.2	-3.6	1.1	1.3	1.1	3.3	Jan-98
<i>ICE BofA 1-5 Yrs AAA-A US Corp & Govt TR</i>			-3.2	-3.7	1.1	1.3	1.3	3.4	Jan-98
<i>ICE BofA 1-5 Yrs US Corp & Govt TR</i>			-3.5	-3.8	1.2	1.4	1.4	3.5	Jan-98
PIMCO Dynamic Bond Fund	48,401,598	5.7	-3.1	-3.6	--	--	--	1.5	May-19
<i>3-Month Libor Total Return USD</i>			0.1	0.3	0.9	1.3	0.9	0.8	May-19
Lord Abbett Short Duration Credit	59,388,161	7.0							
<i>ICE BofA 1-3 Yrs US Corporate TR</i>			-3.2	-3.2	1.5	1.8	1.9	--	Apr-22
Loomis Sayles Core Plus Full Discretion Strategy	48,288,083	5.7	-4.9	-2.5	--	--	--	3.6	Jun-19
<i>Bloomberg US Govt/Credit TR</i>			-6.3	-3.9	2.1	2.4	2.5	1.5	Jun-19
Breckinridge Core Intermediate Government Credit Strategy	5,790	0.0	-4.6	-4.1	--	--	--	1.6	May-19
<i>Bloomberg US Govt/Credit Int TR</i>			-4.5	-4.1	1.5	1.8	1.8	1.5	May-19





UHS MANAGER WATCH LIST



UHS MANAGER WATCH LIST

- **Objective:**

- The purpose of the Watch List is to highlight managers whose ability to generate long-term excess returns has come into question.

- **Criteria for Inclusion:**

- Underperformance relative to its market-based benchmark
 - Returns lag 300bps or more relative to the funds’ benchmark over the trailing 3-year period.
- Receives a rating of “Watch”, “Hold”, “Client Review”, or “Terminate” as a result of analysis by NEPC’s Research (not simply performance concerns)
 - Ratings are assigned for numerous reasons, primarily:
 - Organizational Concerns
 - “Key Person” considerations
 - Meaningful deviation from strategy
 - Significant growth/decline in Assets Under Management
 - Changes in firm ownership
 - Other organizational developments

Key Ratings	
Watch	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
Hold	Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
Client Review	Very serious issues have surfaced with a manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.
Terminate	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.



UHS MANAGER WATCH LIST:

- **“Stoplight” Rating:**

- Red, Yellow, or Green rating accompanies each manager
 - Green: Intended as a “FYI”; often associated with shorter time intervals
 - Yellow: Necessitates closer monitoring
 - Red: Reflects significant concern and may warrant action including possibly termination
- Greater emphasis is given to longer time periods; relative performance for shorter periods may not be meaningful for evaluation

- **Ongoing Monitoring/Process for Removal:**

- Watch List rating and recommendation will be updated on a quarterly basis.
- On an annual basis (at a minimum) we will provide a detailed summary that highlights changes over the prior year that has bettered or worsened our view; a recommendation from NEPC regarding the extension/removal of the manager will then be provided
 - Detailed summary will also be provided on an ad-hoc basis if the situation calls for a more expedited approach; annual, detailed summary in place to incentivize long-term outlook



UHS MANAGER WATCH LIST

Details		View		Performance vs. Benchmark				
Manager	Allocation	Driver	Rating	1 Yr	3 Yr	SI	SI Date	Added to List
Columbia Focused LC Growth <i>Russell 1000 Growth</i>	US Equity	<i>Performance</i>		-3.2% 15.0%	16.6% 23.6%	14.5% 16.6%	August, 2009	Q4 2021
Oldfield Emerging Markets <i>MSCI EM</i>	Emerging Markets Equity	<i>Performance</i>		-1.1% -11.4%	3.9% 6.0%	4.2% 4.1%	March, 2011	Q4 2019

- **Columbia Focused Large Cap Growth appears on the list as a function of performance only (3-year return trails the Russell 1000 Growth benchmark by > 300bps)**

 - Challenging environment for Growth managers; continued headwinds are likely given current market dynamic

- **Oldfield Emerging Markets appears on the list as a function of performance only (3-year return trails the MSCI Emerging Markets benchmark by > 300bps)**

 - Performance consistent with expectation given style/focus
 - Oldfield has outperformed dramatically for the past year; Oldfield has outperformed the index since inception despite Value headwinds





APPENDIX

DISCLAIMERS & DISCLOSURES

Past performance is no guarantee of future results.

Returns for pooled funds, e.g. mutual funds and collective investment trusts, are collected from third parties; they are not generally calculated by NEPC. Returns for separate accounts, with some exceptions, are calculated by NEPC. Returns are reported net of manager fees unless otherwise noted.

A “since inception” return, if reported, begins with the first full month after funding, although actual inception dates (e.g. the middle of a month) and the timing of cash flows are taken into account in Composite return calculations.

NEPC’s preferred data source is the plan’s custodian bank or record-keeper. If data cannot be obtained from one of the preferred data sources, data provided by investment managers may be used. Information on market indices and security characteristics is received from additional providers. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within. In addition, some index returns displayed in this report or used in calculation of a policy index, allocation index or other custom benchmark may be preliminary and subject to change.

All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.

The opinions presented herein represent the good faith views of NEPC as of the date of this presentation and are subject to change at any time. Neither fund performance nor universe rankings contained in this report should be considered a recommendation by NEPC.

This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Source of private fund performance benchmark data: Cambridge Associates, via Refinitiv





**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Endowment Management Committee

ITEM: Approval is requested to rebalance the portfolio of the University of Houston System Endowment Fund to manage risk within the portfolio which will include the hiring, partial redemption, and termination of managers.

DATE PREVIOUSLY SUBMITTED: N/A

SUMMARY:

NEPC will discuss with the Committee their recommendation to rebalance the portfolio of the University of System Endowment Fund to manage risk within the portfolio. Changes will include:

New Investment: Lord Abbett's Short Duration Credit fund. Lord Abbett's Short Duration fund invests in bonds across the credit spectrum with a short term to maturity, generally 0 – 3 years.

New Investment: 400 Capital Management's Capital Opportunities Fund. This fund focuses on structured credit across residential mortgage backed securities, commercial mortgage backed securities, other asset backed securities, and collateralized loan obligations.

These new investments will be funded by: the termination of the Somerset Global Emerging Markets Fund (\$11.2M), the partial redemption from two Core Fixed Income Managers - \$17.5M of the Smith Graham Intermediate Aggregate Fund and \$4.5M of the Loomis Sayles Investment Grade Fixed Income Fund; and the use of \$25.8M in cash in the Endowment Cash Fund.

SUPPORTING

DOCUMENTATION: NEPC discussion materials report

FISCAL NOTE: Sources: Somerset \$11.2M, Smith Graham \$17.5M, Loomis Sayles \$4.5M, Endowment Cash \$25.8M
Uses: Lord Abbett \$42M, 400 Capital \$17M,

**RECOMMENDATION/
ACTION REQUESTED:** Administration recommends approval of this item

COMPONENT: University of Houston System



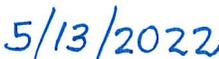
SENIOR VICE CHANCELLOR Raymond S. Bartlett



DATE



CHANCELLOR Renu Khator



DATE