

---

# AGENDA

---

## UNIVERSITY OF HOUSTON SYSTEM ENDOWMENT MANAGEMENT COMMITTEE MEETING

**DATE:** Thursday, November 14, 2019

**TIME:** 9:30 AM

**PLACE:** Hilton University of Houston Hotel  
Conrad Hilton Ballroom, Second Floor  
4450 University Drive  
Houston, Texas 77204

---

**Chair:** Durga D. Agrawal

**Vice Chair:** Beth Madison

**Members:** Alonzo Cantu  
John A. McCall, Jr.  
Ricky A. Raven  
Mielad Ziaee- Non Voting  
Tilman J. Fertitta, Ex Officio

---

- I. **Endowment Management Committee**
- A. Call to order
  - B. Approval of Committee Minutes
    - August 22 2019, Endowment Management Committee Meeting
  - C. Report from Cambridge Associates regarding the University of Houston System endowment and non-endowed portfolios - University of Houston System 3
  - D. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the hiring of a new hedge fund investment manager for the University of Houston System Endowment Fund - University of Houston System 33
  - E. Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the hiring of a private investment manager for the University of Houston System Endowment - University of Houston System 34
  - F. Quarterly update on "Here, We Go" campaign progress - University of Houston System 35
- II. **Executive Session**
- A. Consultation with System Attorney Regarding Legal Matters and/or Contemplated Litigation or Settlement Offers  
TEXAS GOV'T CODE SECTION 551.071  
- Consultation with General Counsel regarding legal matters

- B. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property  
TEXAS GOV'T CODE SECTION 551.072
- C. Deliberations regarding a Prospective Gift  
TEXAS GOV'T CODE SECTION 551.073
- D. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees, including but not limited to the Chancellor, Presidents, 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**

IV. **Adjourn**

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

**COMMITTEE:** Endowment Management

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

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Representatives from Cambridge Associates 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:** Cambridge Associates discussion materials report (pages 4-11)

**FISCAL NOTE:** None

**RECOMMENDATION/  
ACTION REQUESTED:** This item is for information only.

**COMPONENT:** University of Houston System

\_\_\_\_\_  
SENIOR VICE CHANCELLOR

*Jim McShan*  
\_\_\_\_\_  
Jim McShan

\_\_\_\_\_  
DATE

*10/29/19*

\_\_\_\_\_  
CHANCELLOR

*Renu Khator*  
\_\_\_\_\_  
.Renu Khator

\_\_\_\_\_  
DATE

*11/12/19*

# UNIVERSITY OF HOUSTON SYSTEM

## DISCUSSION MATERIALS



# UNIVERSITY OF HOUSTON SYSTEM

DISCUSSION MATERIALS

NOVEMBER 2019

---

# UNIVERSITY OF HOUSTON SYSTEM

DISCUSSION MATERIALS

NOVEMBER 2019

Kerry D. Kirk, CFA  
Erin Schuhmacher  
Phil Fiske  
Philip DeTrempe  
Rob Dee



CAMBRIDGE  
ASSOCIATES

Copyright © 2018 by Cambridge Associates LLC. All rights reserved.

The information and material published in this report is nontransferable. Therefore, recipients may not disclose any information or material derived from this report to third parties or use information or material from this report without prior written authorization unless such use is in accordance with an agreement with Cambridge Associates ("CA"). Nothing contained in this document should be construed as the provision of tax, accounting, or legal advice. Past performance is not indicative of future performance. Broad-based securities indexes are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Any information provided in this document is as of the date of the document, and CA is under no obligation to update the information or communicate that any updates have been made.

The information contained herein represents CA's estimates of investment performance, portfolio positioning and manager information including but not limited to fees, liquidity, attribution and strategy and are prepared using information available at the time of production. Though CA makes reasonable efforts to discover inaccuracies in the data used in this report, CA cannot guarantee the accuracy and is ultimately not liable for inaccurate information provided by external sources. CA is under no obligation to update the information or communicate that any updates have been made. Clients should compare the investment values with the statements sent directly from their custodians, administrators or investment managers, and similarly, are ultimately responsible for ensuring that manager information and details are correct. Historical results can and likely will adjust over time as updated information is received. Estimated, preliminary, and/or proxy information may be displayed and can change with finalized information over time, and CA disclaims any obligation to update a previously provided report when such changes occur. Some of the data contained herein or on which the research is based is current public information that CA considers reliable, but CA does not represent it as accurate or complete, and it should not be relied on as such. This report is not intended as a Book of Record nor is it intended for valuation, reconciliation, accounting, auditing, or staff compensation purposes, and CA assumes no responsibility if the report is used in any of these ways.

The primary data source for information is the investment manager and/or fund administrator, therefore data may not match custodial or other client records due to differences in data sourcing, methodology, valuation practices, etc. Estimated values may include prior quarter end data adjusted by a proxy benchmark or by subsequent cash flows. In some instances, data may be sourced directly from a client and/or prior advisors or service providers. CA makes no representations that data reported by unaffiliated parties is accurate, and the information contained herein is not reconciled with manager, custodian, and/or client records. There are multiple methodologies available for use in the calculation of portfolio performance, and each may yield different results. Differences in both data inputs and calculation methodologies can lead to different calculation results. Expected return, efficient frontier analysis and methodology may include equilibrium asset class assumptions derived from CA's Capital Markets Group, and such assumptions are available upon request.

The terms "CA" or "Cambridge Associates" may refer to any one or more CA entity including: Cambridge Associates, LLC (a registered investment adviser with the US Securities and Exchange Commission, a Commodity Trading Adviser registered with the US Commodity Futures Trading Commission and National Futures Association, and a Massachusetts limited liability company with offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA, New York, NY; and San Francisco, CA), Cambridge Associates Limited (a registered limited company in England and Wales, No. 06135829, that is authorized and regulated by the UK Financial Conduct Authority in the conduct of Investment Business, reference number: 474331); Cambridge Associates Limited, LLC (a registered investment adviser with the US Securities and Exchange Commission, an Exempt Market Dealer and Portfolio Manager in the Canadian provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec, and Saskatchewan, and a Massachusetts limited liability company with a branch office in Sydney, Australia, ARBN 109 366 654), Cambridge Associates Investment Consultancy (Beijing) Ltd (a wholly owned subsidiary of Cambridge Associates, LLC which is registered with the Beijing Administration for Industry and Commerce, registration No. 110000450174972), and Cambridge Associates Asia Pte Ltd (a Singapore corporation, registration No. 200101063G, which holds a Capital Market Services License to conduct Fund Management for Accredited and/or Institutional Investors only by the Monetary Authority of Singapore).

- I. Cambridge Associates Report on UH Portfolio (Information Only)
  - a. UH Performance & Asset Allocation (Endowed & Non-Endowed)
- II. Cambridge Associates Recommendations (Action Items)
  - a. Hedge Fund Manager Recommendation
  - b. Private Investments Update & Recommendations
- III. Appendix



## Executive Summary

Key Tabs	Comments
<b>I. Cambridge Associates Report On UH Portfolio (Information Only)</b>	
a. UH Performance & Asset Allocation	Despite some market volatility in Q3, the UH portfolio continues to have a strong year in absolute terms, up +10.6%. In relative terms the portfolio is trailing the policy benchmark by 200 bps while the marketable portfolio has returned +11.1%, in-line with the marketable benchmark. The portfolio is outperforming the policy benchmark over the trailing 1, 3, and 5 year periods.
<b>II. Cambridge Associates Recommendations (Action Items)</b>	
a. Hedge Fund Manager Recommendation	<u>For Approval:</u> We recommend a \$15.0mm initial investment to long/short equity manager Atalan Capital Partners.
b. Private Investments Update & Recommendations	<u>For Approval:</u> We recommend the following new commitments: ACME Fund III (\$5.0 million commitment).
<b>III. Appendix</b>	



# A. UH PERFORMANCE & ASSET ALLOCATION

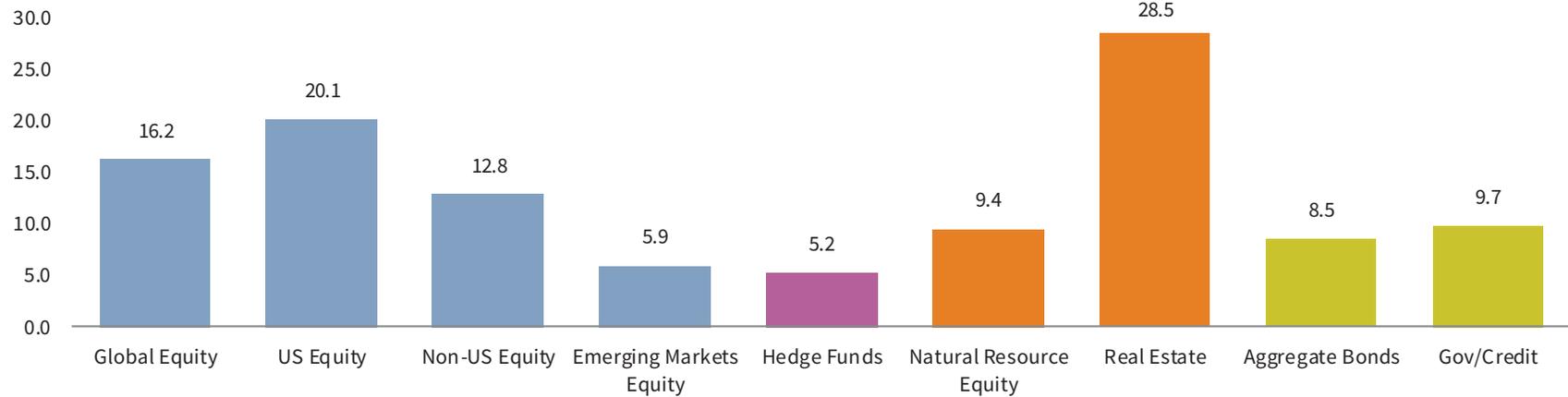


## Key equity and bond market returns

Despite some market volatility in the second half of the year, markets have experienced strong positive returns in 2019

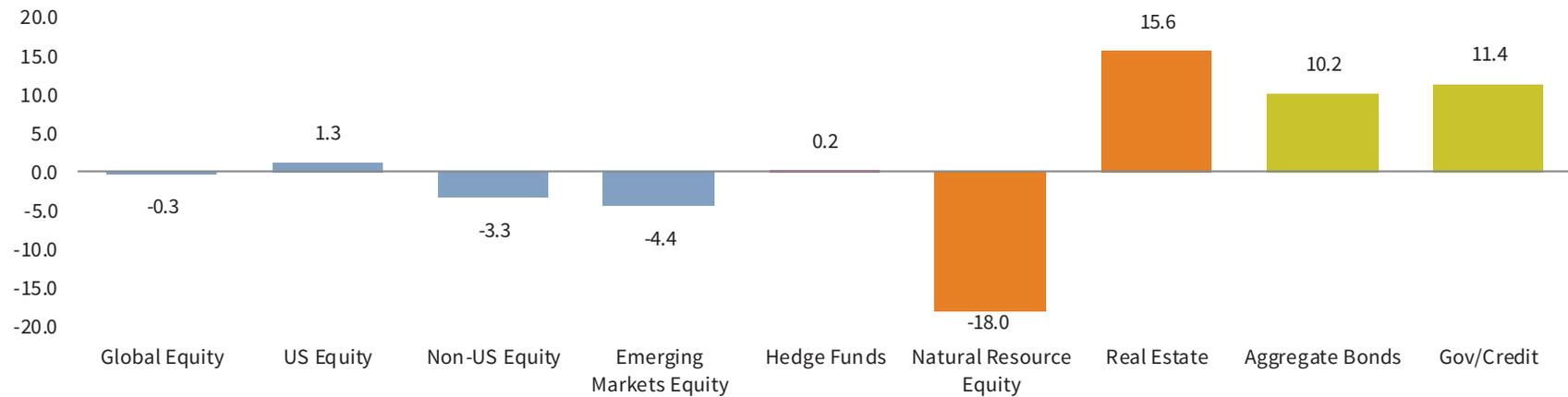
### CYTD 2019 PERFORMANCE

January 1, 2019 - September 30, 2019



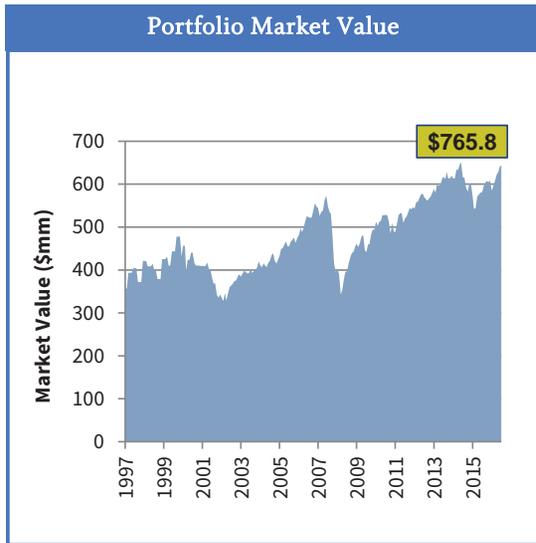
### FISCAL YEAR 2019 PERFORMANCE

September 1, 2018 - August 31, 2019



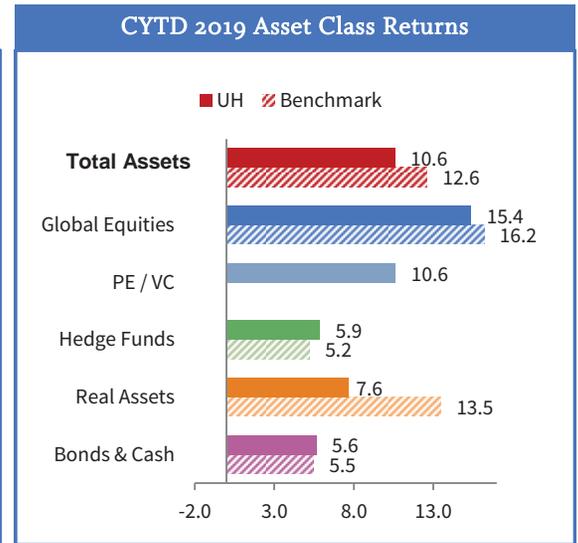
# UH portfolio dashboard

UH portfolio has returned +10.6% so far this year, underperforming the policy benchmark by 200 bps. However, the portfolio is outperforming over the trailing 1, 3, and 5 year periods



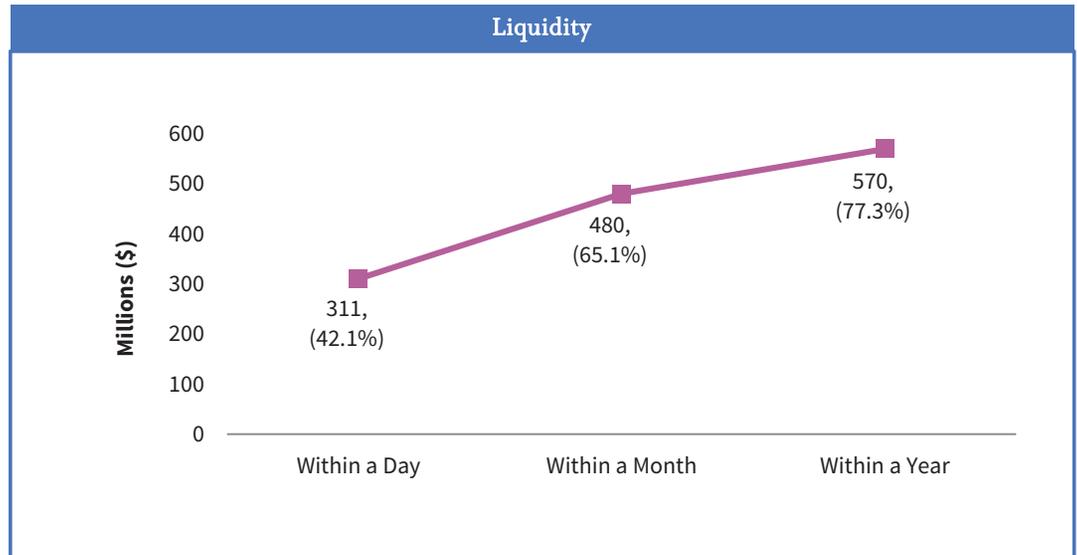
### Performance Summary – Total Portfolio

	CY 2019 1/1/19 - 9/30/2019	FY 2019 9/1/2018- 8/31/19	Annualized Trailing 3 Years	Annualized Trailing 5 Years
<b>Total Portfolio</b>	<b>10.6</b>	<b>2.9</b>	<b>7.4</b>	<b>4.8</b>
Policy BM	12.6	0.9	6.7	4.7
<b>Total Marketable Assets</b>	<b>11.1</b>	<b>0.2</b>	<b>6.0</b>	<b>3.7</b>
Marketable Policy BM	11.3	1.1	6.2	4.1
Peer Mean <sup>1</sup>	10.5	1.6	7.1	5.0



### Asset Allocation: Actual, Targets, and Allowable Ranges

	Actual Allocation	Near-Term Targets	Allowable Ranges
Global Equities	42%	42%	30-50%
Hedge Funds	21%	22%	10-30%
Private Equity / Venture Capital	15%	16%	10-30%
Real Assets	10%	10%	5-15%
Bonds and Cash	12%	10%	0-20%



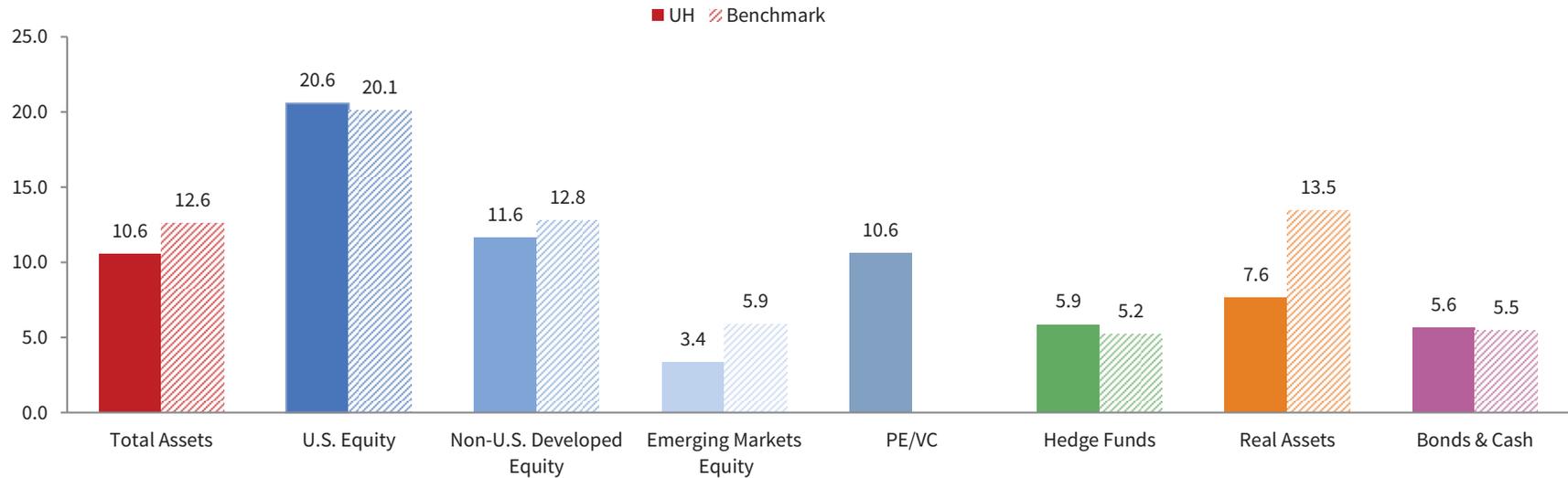
Note: UH portfolio market value includes private investment values as of June 30, 2019.

<sup>1</sup> Peer data performance represents the universe of UH peers that C|A covers for performance reporting and not the entire peer universe as seen on the CompAA.

## Calendar year to date 2019 UH performance & attribution

UH portfolio driven by US & non-US equity on an absolute basis; underperformance driven by non-US equities, real assets, and PI lag

UH Performance vs. Benchmarks (%) as of September 30, 2019

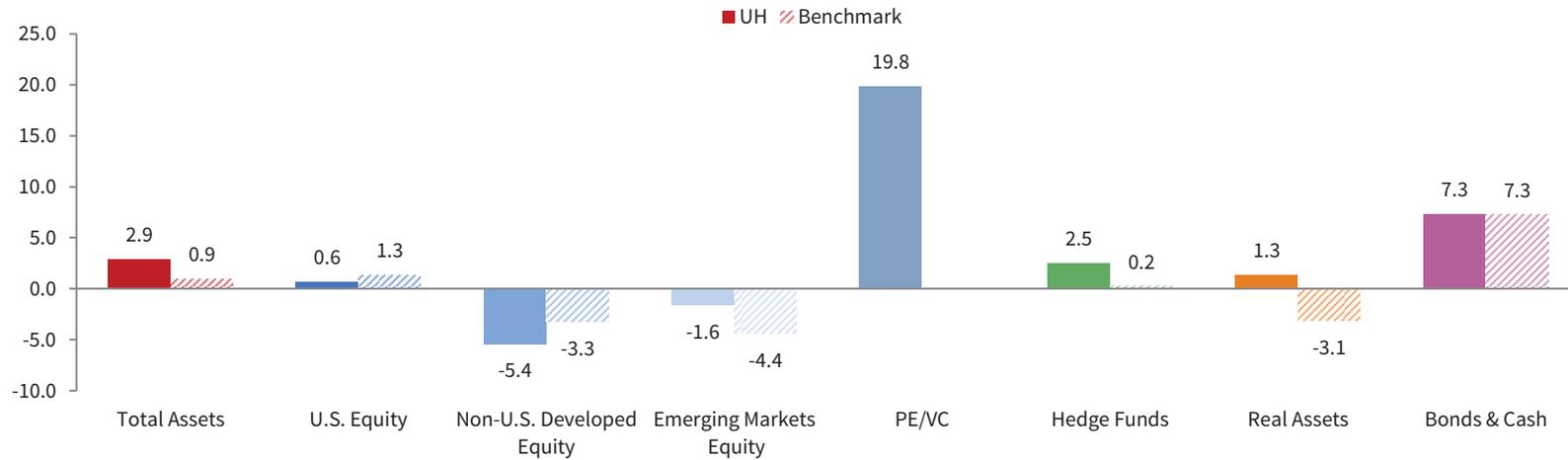


	Absolute Return	Relative To Asset Allocation Benchmark
<b>Calendar Year 2019 Result</b>	<b>+10.6%</b>	<b>-2.0%</b>
<b>Key Contributors</b>	<ul style="list-style-type: none"> <li>U.S. Equity (Columbia, Vulcan)</li> </ul>	<ul style="list-style-type: none"> <li>Hedge Funds</li> </ul>
<b>Key Detractors</b>	<ul style="list-style-type: none"> <li>Emerging Markets (Oldfield)</li> </ul>	<ul style="list-style-type: none"> <li>Non-U.S. Equity (Silchester)</li> <li>Emerging Markets Equity (Oldfield)</li> </ul>

## Fiscal year 2019 UH performance & attribution

The UH portfolio outperformed the benchmark in FY 2019, outperformance driven by private investment, hedge funds and emerging market performance

UH Performance vs. Benchmarks (%) as of August 31, 2019



	Absolute Return	Relative To Asset Allocation Benchmark
<b>Fiscal Year 2019 Results</b>	<b>+2.9%</b>	<b>+100 bps</b>
<b>Key Contributors</b>	<ul style="list-style-type: none"> <li>Private Investments</li> <li>U.S. Bonds (Smith Graham)</li> </ul>	<ul style="list-style-type: none"> <li>Private Investments</li> <li>Emerging Markets Equity (Somerset)</li> </ul>
<b>Key Detractors</b>	<ul style="list-style-type: none"> <li>Non-U.S. Developed Equities (Silchester)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Equity (Columbia)</li> <li>Non – U.S. Developed Equity (Silchester)</li> </ul>

## University of Houston cash flows by category

As of September 30, 2019

Period	Beginning Market Value	Net Withdrawals	Earned Income	Unrealized Gains/Loss	Management Fees	Ending Market Value
						(\$000)
2012	\$486,853	\$10,962	\$19,227	\$42,164	-\$3,798	\$555,408
2013	\$555,408	-\$42,572	\$35,492	\$40,892	-\$3,885	\$585,336
2014	\$585,336	\$9,127	\$44,772	-\$24,157	-\$4,495	\$610,582
2015	\$610,582	-\$24,614	\$49,433	-\$61,636	-\$3,678	\$570,086
2016	\$570,086	-\$16,937	\$24,526	\$7,660	-\$4,666	\$580,670
2017	\$580,670	\$7,757	\$34,341	\$61,495	-\$5,011	\$679,252
2018	\$679,252	\$26,657	\$32,659	-\$50,434	-\$4,834	\$683,300
2019	\$683,300	\$11,651	\$21,555	\$54,033	-\$4,624	\$755,530

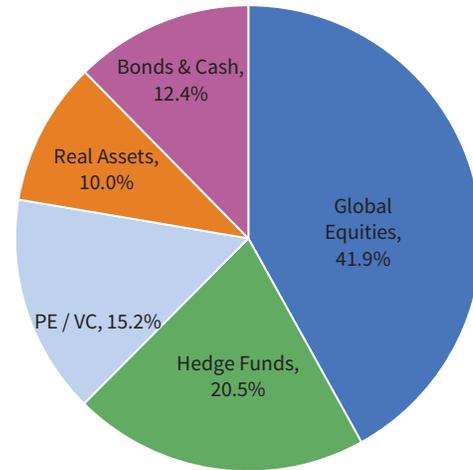
- Since 2012 the Endowment has:
  - ◆ added \$182 million in new gifts,
  - ◆ generated \$262 million in realized/unrealized gains,
  - ◆ distributed \$137 million to the beneficiary accounts, and
  - ◆ paid \$34 million in portfolio expenses.

# Asset allocation summary

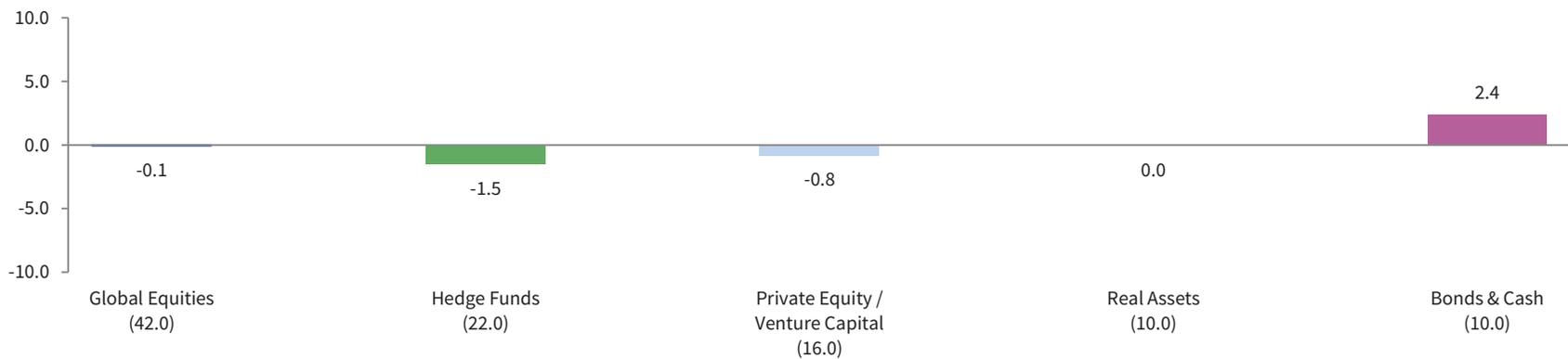
The UH portfolio is generally in-line with targets

## Asset Allocation (\$ Millions)

Asset Class	MV (\$mm)	Current (%)	NT Target (%)	LT Target (%)
Global Equities	\$321.2	41.9	42.0	40.0
Hedge Funds	\$157.1	20.5	22.0	20.0
PE / VC	\$116.4	15.2	16.0	20.0
Real Assets	\$76.4	10.0	10.0	10.0
Bonds & Cash	\$94.7	12.4	10.0	10.0
<b>Total</b>	<b>\$765.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## Relative Weights versus Near-Term Targets (%)

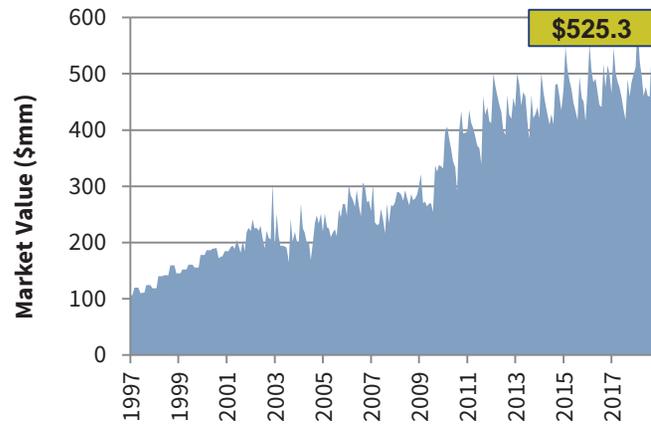


Note: Target allocation in parentheses.

# UH non-endowed portfolio dashboard

As of Q3 2019

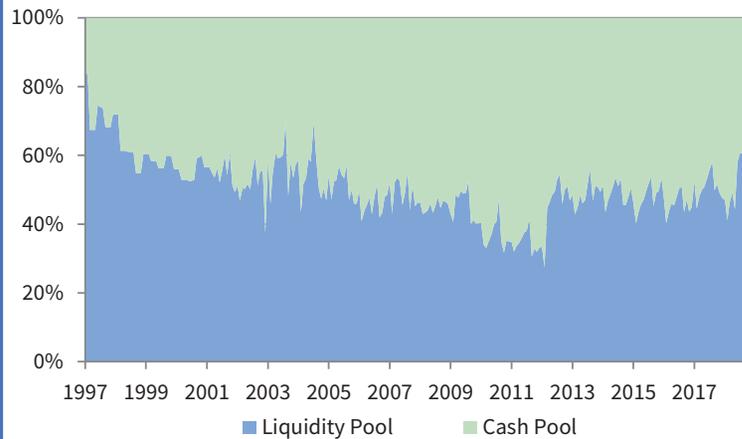
Portfolio Market Value



Performance Summary – Total Non-Endowed Portfolio

	CY 2019 1/1/19 - 9/30/2019	FY 2019 9/1/2018 - 8/31/19	Annualized Trailing 3 Years	Annualized Trailing 5 Years
<b>Total Non-Endowed</b>	<b>3.0</b>	<b>5.4</b>	<b>1.6</b>	<b>1.3</b>
Non-Endowed Policy Benchmark	3.1	4.1	1.7	1.4
<b>Total Cash Pool</b>	<b>1.4</b>	<b>4.9</b>	<b>1.3</b>	<b>0.8</b>
BofA ML 91-Day T Bills	1.8	2.4	1.5	1.0
<b>Total Liquidity Pool</b>	<b>4.2</b>	<b>5.7</b>	<b>1.8</b>	<b>1.8</b>
BofA ML 1-5 Year Gov/Credit AA+	3.9	5.6	1.7	1.8
BofA ML 1-5 Year Gov/Corp Index	4.5	6.0	2.0	2.0

Asset Allocation Over Time



Portfolio Characteristics

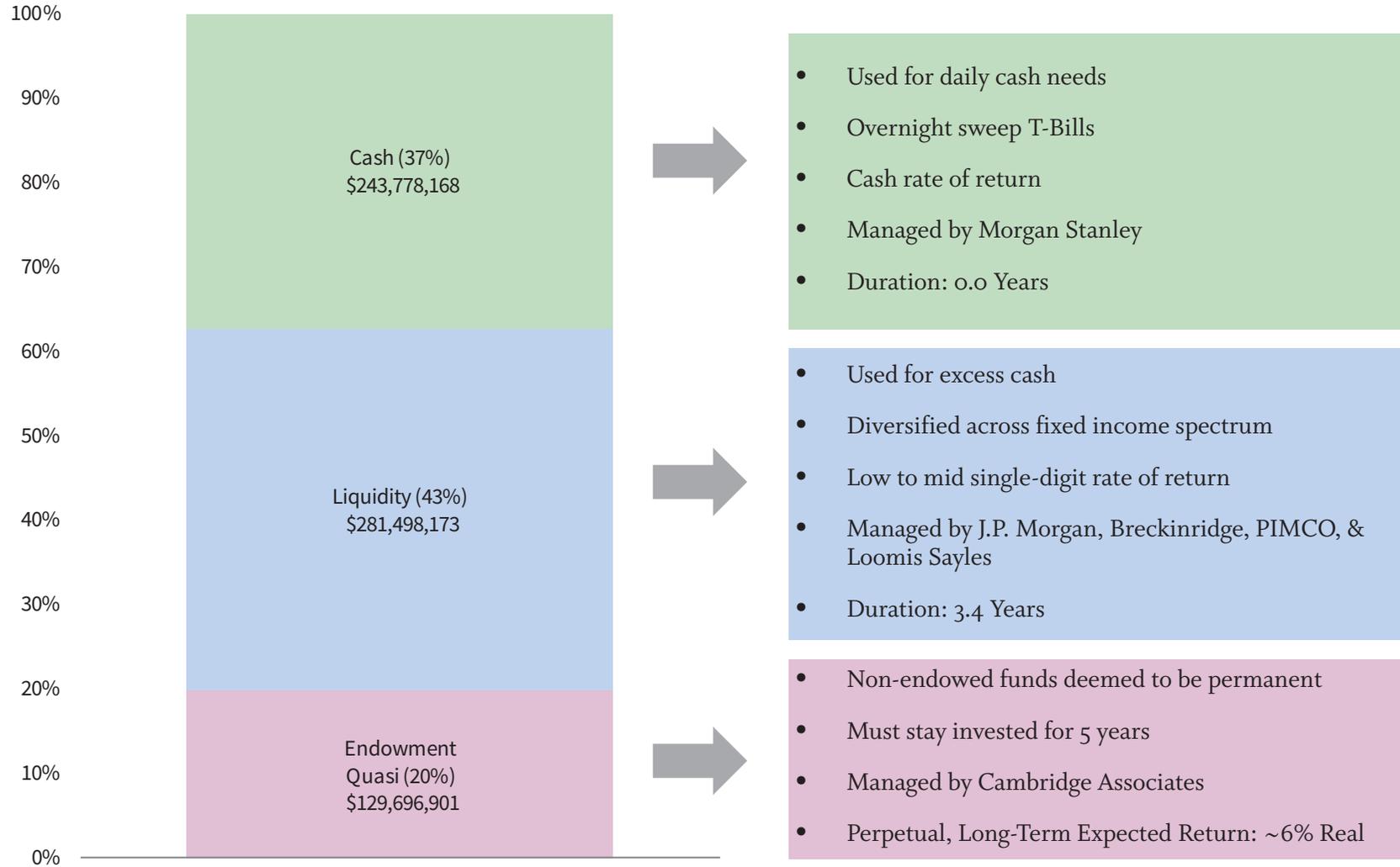


# Non-endowed fund composition

UH's non-endowed fund is diversified across cash & liquidity pools and the endowment

## UH NON-ENDOWED ASSETS

As of September 30, 2019





# A. HEDGE FUND MANAGER RECOMMENDATION



## Hedge fund manager recommendation

- At the Q3 EMC meeting, the committee approved a full redemption from the long/short manager, Brahman. Today, we are bringing forward a manager in order to redeploy redemption proceeds based on policy asset allocation targets.
- Our recommendation is to invest \$15.0mm (~2% of the total portfolio) to Atalan Capital Partners.
  - Atalan is a concentrated, fundamental, long-term oriented long/short equity manager. Their experienced Portfolio Manager, David Thomas, is a proven risk-taker with investment acumen spanning multiple asset classes, geographies, and sectors. Atalan's flexible mandate enables them to invest across the capital structure, with a focus on long/short equities.
  - Since inception (August 2015), the portfolio has returned +9.2% annualized vs. +1.4% for the HFRI Fund of Funds Composite Index.

MANAGER	DESCRIPTION	ACTION	RATIONALE
Atalan	Equity Long/Short Manager	Initial \$15.0mm investment	Concentrated, long/short equity manager with an experienced PM

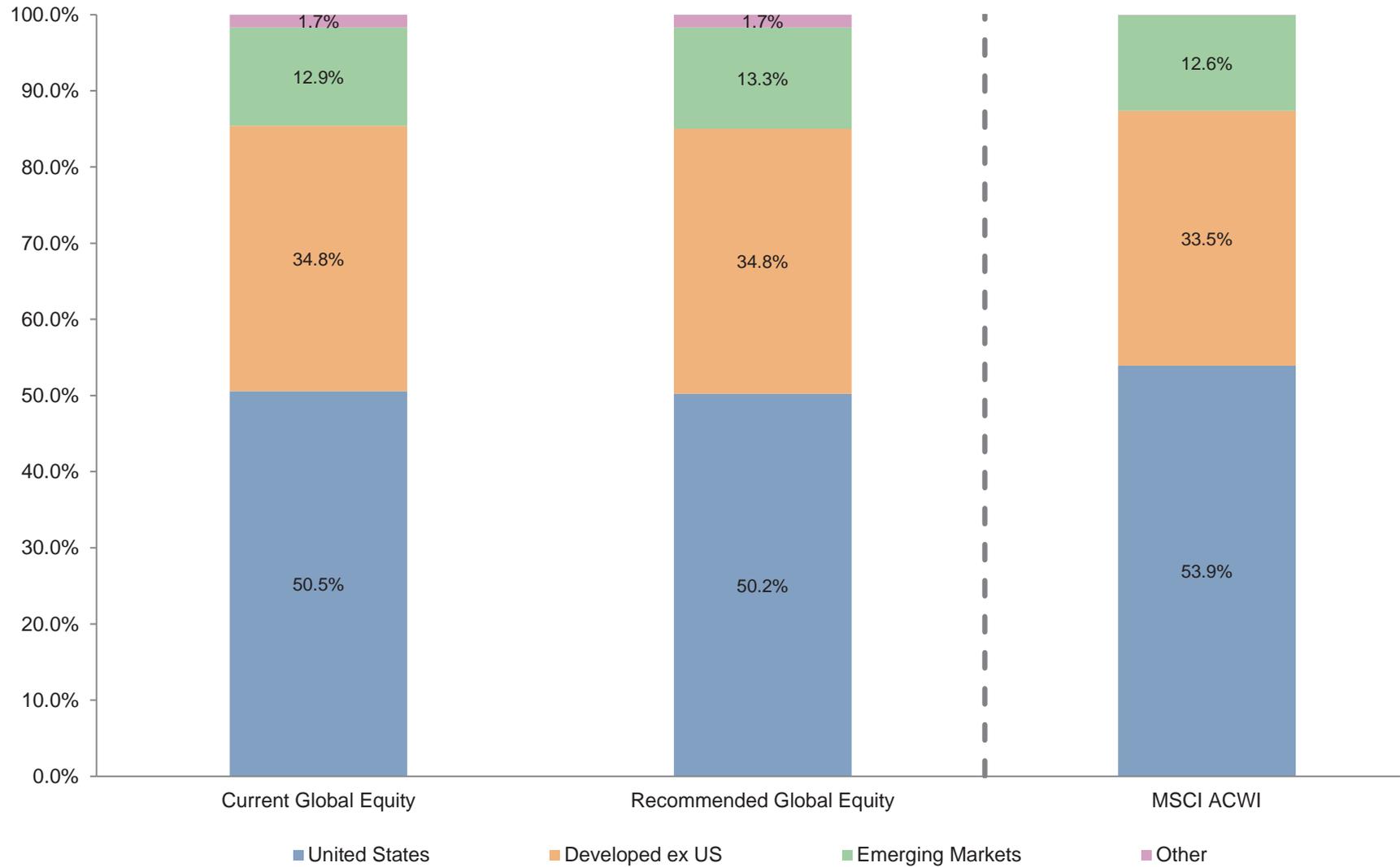
## UH implementation schedule

	September 30, 2019		Q4 2019			Q1 2020			Near-Term Target	Allowable Range
	Balance	%	Add	Balance	%	Add	Balance	%	%	%
<b>TOTAL GLOBAL EQUITIES</b>	<b>\$321.2</b>	<b>41.9</b>	<b>-\$15.0</b>	<b>\$306.2</b>	<b>41.7</b>	<b>\$---</b>	<b>\$306.2</b>	<b>41.7</b>	<b>42.0</b>	<b>30.0-50.0%</b>
<b>U.S. Equity</b>	<b>\$169.1</b>	<b>22.1</b>	<b>-\$9.0</b>	<b>\$160.1</b>	<b>21.8</b>	<b>\$---</b>	<b>\$160.1</b>	<b>21.8</b>		<b>20.0-35.0%</b>
Northern Trust Russell 1000 Index	51.3	6.7	-3.0	48.3	6.6		48.3	6.6		
Columbia	36.4	4.8	-2.0	34.4	4.7		34.4	4.7		
Gotham 140/40	34.4	4.5	-2.0	32.4	4.4		32.4	4.4		
Vulcan	45.6	6.0	-2.0	43.6	5.9		43.6	5.9		
Cougar Investment Fund	1.4	0.2		1.4	0.2		1.4	0.2		
<b>Non-U.S. Developed Equity</b>	<b>\$127.4</b>	<b>16.6</b>	<b>-\$6.0</b>	<b>\$121.4</b>	<b>16.5</b>	<b>\$---</b>	<b>\$121.4</b>	<b>16.5</b>		<b>10.0-20.0%</b>
Silchester	63.6	8.3	-2.0	61.6	8.4		61.6	8.4		
William Blair	42.5	5.5	-2.0	40.5	5.5		40.5	5.5		
Global Alpha International Small Cap	21.3	2.8	-2.0	19.3	2.6		19.3	2.6		
<b>Emerging Markets Equity</b>	<b>\$24.7</b>	<b>3.2</b>	<b>\$---</b>	<b>\$24.7</b>	<b>3.4</b>	<b>\$---</b>	<b>\$24.7</b>	<b>3.4</b>		<b>5.0-15.0%</b>
Oldfield	7.7	1.0		7.7	1.0		7.7	1.0		
Somerset	8.8	1.1		8.8	1.2		8.8	1.2		
Edgbaston Asia Equity	8.3	1.1		8.3	1.1		8.3	1.1		
<b>Private Equity / Venture Capital</b>	<b>\$116.4</b>	<b>15.2</b>	<b>\$---</b>	<b>\$116.4</b>	<b>15.8</b>	<b>\$---</b>	<b>\$116.4</b>	<b>15.8</b>	<b>16.0</b>	<b>10.0-30.0%</b>
Private Equity / Venture Capital	116.4	15.2		116.4	15.8		116.4	15.8		
<b>Hedge Funds</b>	<b>\$157.1</b>	<b>20.5</b>	<b>\$---</b>	<b>\$157.1</b>	<b>21.4</b>	<b>-\$0.8</b>	<b>\$156.3</b>	<b>21.3</b>	<b>22.0</b>	<b>10.0-30.0%</b>
Long/Short Equity	67.6	8.8	---	67.6	9.2	-0.8	66.8	9.1		10.0-20.0%
Diversifiers	88.5	11.6	---	88.5	12.0	---	88.5	12.0		10.0-20.0%
Manager Holdbacks	0.9	0.1	---	0.9	0.1	---	0.9	0.1		
<b>Real Assets</b>	<b>\$76.4</b>	<b>10.0</b>	<b>\$---</b>	<b>\$76.4</b>	<b>10.4</b>	<b>\$---</b>	<b>\$76.4</b>	<b>10.4</b>	<b>10.0</b>	<b>5.0-15.0%</b>
<b>Marketable Real Assets</b>	<b>\$25.2</b>	<b>3.3</b>		<b>\$25.2</b>	<b>3.4</b>		<b>\$25.2</b>	<b>3.4</b>		<b>2.0-8.0%</b>
Vanguard Real Estate Index	12.0	1.6		12.0	1.6		12.0	1.6		
T. Rowe Price Global Natural Resources	13.2	1.7		13.2	1.8		13.2	1.8		
<b>Private Real Assets</b>	<b>51.2</b>	<b>6.7</b>		<b>51.2</b>	<b>7.0</b>		<b>51.2</b>	<b>7.0</b>		<b>5.0-12.0%</b>
<b>Bonds and Cash</b>	<b>\$94.7</b>	<b>12.4</b>	<b>-\$15.8</b>	<b>\$78.8</b>	<b>10.7</b>	<b>\$0.8</b>	<b>\$79.7</b>	<b>10.8</b>	<b>10.0</b>	<b>5.0-20.0%</b>
<b>Bonds</b>	<b>\$78.4</b>	<b>10.2</b>	<b>\$---</b>	<b>\$78.4</b>	<b>10.7</b>	<b>\$---</b>	<b>\$78.4</b>	<b>10.7</b>		
Smith Graham Intermediate Aggregate	78.4	10.2		78.4	10.7		78.4	10.7		
<b>Cash</b>	<b>\$16.3</b>	<b>2.1</b>	<b>-\$15.8</b>	<b>\$0.5</b>	<b>0.1</b>	<b>\$0.8</b>	<b>\$1.3</b>	<b>0.2</b>		
Cash	16.2	2.1	-15.8	0.5	0.1	0.8	1.3	0.2		
Cash Pending	0.1	0.0		---	---		---	---		
Distributions			-30.8			---				
Contributions			---	24		---				
<b>TOTAL ASSETS</b>	<b>\$765.8</b>	<b>100.0</b>	<b>-\$30.8</b>	<b>\$735.0</b>	<b>100.0</b>	<b>\$---</b>	<b>\$735.0</b>	<b>100.0</b>	<b>100.0</b>	

## UH hedge fund implementation schedule

	September 30, 2019		Q4 2019			Q1 2020			Near-Term Target	Allowable Range
	Balance	%	Add	Balance	%	Add	Balance	%	%	%
<b>Long/Short Equity</b>	<b>\$67.6</b>	<b>8.8</b>	<b>\$---</b>	<b>\$67.6</b>	<b>9.2</b>	<b>-\$0.8</b>	<b>\$66.8</b>	<b>9.1</b>		<b>10.0-20.0%</b>
<b>U.S.</b>	<b>32.4</b>	<b>4.2</b>	<b>---</b>	<b>32.4</b>	<b>4.4</b>	<b>-0.8</b>	<b>31.6</b>	<b>4.3</b>		
Lakewood	15.8	2.1		15.8	2.1		15.8	2.1		
Atalan	---	---		---	---	15.0	15.0	2.0		
Brahman	16.6	2.2		16.6	2.3	-15.8	0.8	0.1		
<b>Global</b>	<b>16.9</b>	<b>2.2</b>	<b>---</b>	<b>16.9</b>	<b>2.3</b>	<b>---</b>	<b>16.9</b>	<b>2.3</b>		
SRS	16.9	2.2		16.9	2.3		16.9	2.3		
<b>Sector Focused</b>	<b>18.3</b>	<b>2.4</b>	<b>---</b>	<b>18.3</b>	<b>2.5</b>	<b>---</b>	<b>18.3</b>	<b>2.5</b>		
Coatue	18.3	2.4		18.3	2.5		18.3	2.5		
<b>Diversifiers</b>	<b>\$88.5</b>	<b>11.6</b>	<b>\$---</b>	<b>\$88.5</b>	<b>12.0</b>	<b>\$---</b>	<b>\$88.5</b>	<b>12.0</b>		<b>10.0-20.0%</b>
<b>Multi-Strategy, Event Driven</b>	<b>20.2</b>	<b>2.6</b>	<b>---</b>	<b>20.2</b>	<b>2.7</b>	<b>---</b>	<b>20.2</b>	<b>2.7</b>		
Davidson Kempner	20.2	2.6		20.2	2.7		20.2	2.7		
<b>Multi-Strategy, Arbitrage</b>	<b>33.8</b>	<b>4.4</b>	<b>---</b>	<b>33.8</b>	<b>4.6</b>	<b>---</b>	<b>33.8</b>	<b>4.6</b>		
HBK	18.6	2.4		18.6	2.5		18.6	2.5		
Standard Life	15.2	2.0		15.2	2.1		15.2	2.1		
<b>Global Macro</b>	<b>23.8</b>	<b>3.1</b>	<b>---</b>	<b>23.8</b>	<b>3.2</b>	<b>---</b>	<b>23.8</b>	<b>3.2</b>		
AQR	13.6	1.8		13.6	1.9		13.6	1.9		
ISAM	10.2	1.3		10.2	1.4		10.2	1.4		
<b>Distressed/Credit Opportunities</b>	<b>10.8</b>	<b>1.4</b>	<b>---</b>	<b>10.8</b>	<b>1.5</b>	<b>---</b>	<b>10.8</b>	<b>1.5</b>		
Anchorage	10.8	1.4		10.8	1.5		10.8	1.5		
<b>Manager Holdbacks</b>	<b>\$0.9</b>	<b>0.1</b>	<b>\$---</b>	<b>\$0.9</b>	<b>0.1</b>	<b>\$---</b>	<b>\$0.9</b>	<b>0.1</b>		
Manager Holdbacks	0.9	0.1		0.9	0.1		0.9	0.1		
<b>TOTAL HEDGE FUNDS</b>	<b>\$157.1</b>	<b>20.5</b>	<b>\$---</b>	<b>\$157.1</b>	<b>21.4</b>	<b>-\$0.8</b>	<b>\$156.3</b>	<b>21.3</b>	<b>22.0</b>	<b>20.0-30.0%</b>

## UH exposures



# B. PRIVATE INVESTMENTS UPDATE & RECOMMENDATIONS



■ **Cambridge Associates recommends that the University of Houston approve a \$5.0 million commitment to ACME Fund III, L.P.**

- ACME is targeting \$200 million with a hard-cap of \$250 million for its inaugural early-stage venture fund under the recently created ACME brand. A first close was held in July and a second and final close is expected to occur in early 2020.
- ACME Capital was formed in 2018 by Scott Stanford, co-founder of Sherpa Capital, and Hany Nada, co-founder of GGV Capital. Stanford and Nada joined forces in 2018 to form ACME Capital after Sherpa co-founder, Shervin Pishevar, left Sherpa following a sexual assault allegation. Despite Pishevar's departure and key person event, Stanford and the remaining Sherpa team gained 90%+ support from LPs to continue investing the Sherpa funds. The Sherpa team and Nada then joined forces to create ACME Capital.
- ACME will invest in companies that take advantage of broad macro trends involving mobile, social, user-generated content, video and artificial intelligence across a wide range of industries. The firm has specifically targeted next gen commerce, digital health, transportation, fintech, connected hardware, AI and deep tech, where the partners either have investing or operational experience.
- The team will invest \$3-8 million in initial investment, targeting 10-12% ownership, and will look to take a board seat with each investment. While the fund will be US focused, it has the ability to invest up to 25% in non-US investments.
- Both Nada and Stanford have strong track records. They have made over 30 investments each, together totaling over \$800 million in invested capital and \$1.5 billion in realized gains. Nada has an average realized MOIC of 3.32, while Stanford's average stands at 2.42.





Copyright © 2019 by Cambridge Associates LLC. All rights reserved.

The information and material published in this report is nontransferable. Therefore, recipients may not disclose any information or material derived from this report to third parties or use information or material from this report without prior written authorization unless such use is in accordance with an agreement with Cambridge Associates ("CA"). Nothing contained in this document should be construed as the provision of tax, accounting, or legal advice. Past performance is not indicative of future performance. Broad-based securities indexes are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Any information provided in this document is as of the date of the document, and CA is under no obligation to update the information or communicate that any updates have been made.

The information contained herein represents CA's estimates of investment performance, portfolio positioning and manager information including but not limited to fees, liquidity, attribution and strategy and are prepared using information available at the time of production. Though CA makes reasonable efforts to discover inaccuracies in the data used in this report, CA cannot guarantee the accuracy and is ultimately not liable for inaccurate information provided by external sources. CA is under no obligation to update the information or communicate that any updates have been made. Clients should compare the investment values with the statements sent directly from their custodians, administrators or investment managers, and similarly, are ultimately responsible for ensuring that manager information and details are correct. Historical results can and likely will adjust over time as updated information is received. Estimated, preliminary, and/or proxy information may be displayed and can change with finalized information over time, and CA disclaims any obligation to update a previously provided report when such changes occur. Some of the data contained herein or on which the research is based is current public information that CA considers reliable, but CA does not represent it as accurate or complete, and it should not be relied on as such. This report is not intended as a Book of Record nor is it intended for valuation, reconciliation, accounting, auditing, or staff compensation purposes, and CA assumes no responsibility if the report is used in any of these ways.

The primary data source for information is the investment manager and/or fund administrator, therefore data may not match custodial or other client records due to differences in data sourcing, methodology, valuation practices, etc. Estimated values may include prior quarter end data adjusted by a proxy benchmark or by subsequent cash flows. In some instances, data may be sourced directly from a client and/or prior advisors or service providers. CA makes no representations that data reported by unaffiliated parties is accurate, and the information contained herein is not reconciled with manager, custodian, and/or client records. There are multiple methodologies available for use in the calculation of portfolio performance, and each may yield different results. Differences in both data inputs and calculation methodologies can lead to different calculation results. Expected return, efficient frontier analysis and methodology may include equilibrium asset class assumptions derived from CA's Capital Markets Group, and such assumptions are available upon request.

The terms "CA" or "Cambridge Associates" may refer to any one or more CA entity including: Cambridge Associates, LLC (a registered investment adviser with the US Securities and Exchange Commission, a Commodity Trading Adviser registered with the US Commodity Futures Trading Commission and National Futures Association, and a Massachusetts limited liability company with offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA, New York, NY; and San Francisco, CA), Cambridge Associates Limited (a registered limited company in England and Wales, No. 06135829, that is authorized and regulated by the UK Financial Conduct Authority in the conduct of Investment Business, reference number: 474331); Cambridge Associates Limited, LLC (a registered investment adviser with the US Securities and Exchange Commission, an Exempt Market Dealer and Portfolio Manager in the Canadian provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec, and Saskatchewan, and a Massachusetts limited liability company with a branch office in Sydney, Australia, ARBN 109 366 654), Cambridge Associates Investment Consultancy (Beijing) Ltd (a wholly owned subsidiary of Cambridge Associates, LLC which is registered with the Beijing Administration for Industry and Commerce, registration No. 110000450174972), and Cambridge Associates Asia Pte Ltd (a Singapore corporation, registration No. 200101063G, which holds a Capital Market Services License to conduct Fund Management for Accredited and/or Institutional Investors only by the Monetary Authority of Singapore).



### General Disclaimer

Notwithstanding any specific disclosure provided below, indexes listed on the previous pages and used in this report are the property of the named provider of such index. Each index is used with the permission of, or has been licensed for use by, the provider. The index information may not be copied, used, or distributed without permission of the index provider. Neither CA nor individual index providers are responsible for any loss, damage, cost or expense suffered as a result of any use of, or reliance on, any of the information. Broad-based securities indexes are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index.

### Specific Disclaimers

#### BofA Merrill Lynch

Source Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML"), used with permission. BofAML PERMITS USE OF THE BofAML INDICES AND RELATED DATA ON AN "AS IS" BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BofAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND CA OR ANY OF ITS PRODUCTS OR SERVICES.

Subscriber will include the following attribution, translated into the local language if required by applicable law, in all other Reports, not mentioned above, that include Index Data or reference an Index:

The index data referenced herein is the property of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML") and/or its licensors and has been licensed for use by CA. BofAML and its licensors accept no liability in connection with this its use.

The BofA Merrill Lynch Indices are used with permission. Copyright 2019 , Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The BofA Merrill Lynch Indices may not be copied, used, or distributed without BofA Merrill Lynch's prior written approval.

#### FTSE

To the extent permissible by law, FTSE accepts no liability for errors or omissions in the data.

The Industry Classification Benchmark is property of FTSE International Limited and has been licensed for use.

#### MSCI

Copyright MSCI 2019 . Unpublished. All Rights Reserved. This information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages. The MSCI information is the exclusive property of MSCI Inc. ("MSCI") and may not be reproduced or disseminated in any form or used to create any financial products or indices without MSCI's express prior written permission. This information is provided "as is" without any express or implied warranties. In no event shall MSCI or any of its affiliates or information providers have any liability of any kind to any person or entity arising from or related to this information.



CAMBRIDGE  
ASSOCIATES

### Standard & Poor's

S&P Indices are a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by CA. Copyright© 2018 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones LLC's indices please visit [www.spdji.com](http://www.spdji.com). S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and either S&P Dow Jones Indices LLC, Dow Jones omissions, or interruptions of any index of the data included therein.

### Wilshire Indexes

The Wilshire Indexes<sup>SM</sup> are produced by Wilshire Associates Incorporated and have been licensed for use. All content of the Wilshire Indexes<sup>SM</sup> © 2019 is proprietary to Wilshire Associates Incorporated.

### Bloomberg Barclays

LICENSEE AGREES AND ACKNOWLEDGES THAT THE SERVICES, INCLUDING ALL BISL MATERIALS, ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS. WITHOUT LIMITING THE FOREGOING, NEITHER BLOOMBERG, ITS COVERED ENTITIES NOR THEIR RESPECTIVE RELATED PARTIES ASSUMES ANY RESPONSIBILITY NOR DO THEY MAKE, AND HEREBY EXPRESSLY DISCLAIM, ALL ASSURANCES, REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, (INCLUDING ANY WARRANTY OR CONDITION OF MERCHANTABILITY, QUALITY OR FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO THE SERVICES, INCLUDING ALL BISL MATERIALS. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BLOOMBERG, ITS COVERED ENTITIES AND THEIR RESPECTIVE RELATED PARTIES SHALL NOT BE RESPONSIBLE FOR OR HAVE ANY LIABILITY FOR ANY INJURIES OR DAMAGES CAUSED BY THE SERVICES, FROM WHATEVER CAUSE, INCLUDING FOR ANY CALCULATION ERRORS, INACCURACIES, DELAYS OR INTERRUPTIONS WITH RESPECT THERETO, AND SHALL NOT BE LIABLE FOR ANY LOST PROFITS, LOSSES, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR ANY CLAIM AGAINST LICENSEE BY ANY OTHER PARTY. EXCEPT AS EXPRESSLY SET FORTH IN THE AGREEMENT, LICENSEE IS SOLELY RESPONSIBLE FOR ANY LOSSES, DAMAGES OR COSTS RESULTING FROM ITS RELIANCE ON THE SERVICES, INCLUDING ALL BISL MATERIALS.

*Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith." and (ii) Licensee shall not use or distribute Data or Derived Data in any manner that, in BISL's good faith judgment, adversely affects BISL's (or any of its Data Providers') ability to license the Data or would cause the use and distributions thereof to be a functional source of, or a substitute for, Data otherwise commercially available from Bloomberg or any of its Data Providers*

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

**COMMITTEE:** Endowment Management

**ITEM:** Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the hiring of a new hedge fund manager for the University of Houston System Endowment Fund.

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Committee will receive a report from the System's investment consultant, Cambridge Associates, regarding their recommendation to hire Atalan Capital Partners as a hedge fund manager for the UH System Endowment Fund.

**SUPPORTING DOCUMENTATION:** Cambridge Associates discussion materials report (pages 13-16)

**FISCAL NOTE:** \$15 million

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item. This item requires committee approval only.

**COMPONENT:** University of Houston System

<b>SENIOR VICE CHANCELLOR</b>	 Jim McShan	<u>10/29/19</u> <b>DATE</b>
<b>CHANCELLOR</b>	 Renu Khator	<u>11/12/19</u> <b>DATE</b>

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

**COMMITTEE:** Endowment Management Committee

**ITEM:** Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the hiring of a private investment manager for the University of Houston System Endowment – University of Houston System

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Cambridge Associates will discuss with the Committee their recommendation to make a \$5 million commitment to ACME Fund III, a private investment manager.

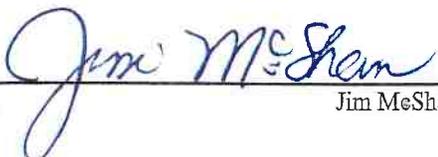
**SUPPORTING DOCUMENTATION:** Cambridge Associates discussion materials report (page 18)

**FISCAL NOTE:** \$5 million

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item  
This requires committee approval only

**COMPONENT:** University of Houston System

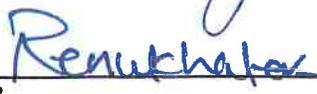
\_\_\_\_\_  
**SENIOR VICE CHANCELLOR**

  
Jim MeShan

\_\_\_\_\_  
**DATE**

10/29/19

\_\_\_\_\_  
**CHANCELLOR**

  
Renu Khator

\_\_\_\_\_  
**DATE**

11/12/19

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

**COMMITTEE:** Endowment Management

**ITEM:** Quarterly update on "Here, We Go" campaign progress.

**DATE PREVIOUSLY  
SUBMITTED:** May 16, 2019

**SUMMARY:**

Ms. Eloise Dunn Brice, Vice Chancellor for University Advancement, will present a quarterly update on the "Here, We Go" campaign.

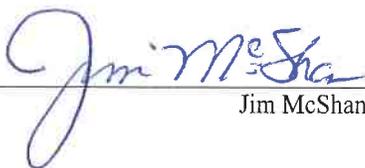
**SUPPORTING  
DOCUMENTATION:** None

**FISCAL NOTE:** None

**RECOMMENDATION/  
ACTION REQUESTED:** This item is for information only.

**COMPONENT:** University of Houston System

\_\_\_\_\_  
**SENIOR VICE CHANCELLOR**

  
Jim McShan

\_\_\_\_\_  
**DATE**

10/29/19

  
\_\_\_\_\_  
**CHANCELLOR**

Renu Khator

\_\_\_\_\_  
**DATE**

11/12/19

The University of Houston System

HERE, WE GO

Board of Regents Endowment  
Management Committee

Thursday, November 14, 2019

Eloise Brice

Vice Chancellor, University Advancement

# \$1 BILLION CAPITAL CAMPAIGN PROGRESS TOWARD GOAL





183,540  
Donors



1,166,373

Number of Gifts

# CAMPAIGN GIFT TABLE

## GOAL: \$1 BILLION

Gift Level	# of Gifts Needed	# of Prospects Needed	Gift Level Goals	# of Donors To Date	Dollars Raised
\$20M+	4	16	\$100,000,000	3	\$90,000,000
\$10M - 19.9M	10	40	\$70,000,000	7	\$75,500,000
\$5M – 9.9M	40	160	\$130,000,000	12	\$70,614,471
\$1M – 4.9M	100	400	\$200,000,000	117	\$275,254,567
\$500K – 999K	200	800	\$100,000,000	101	\$107,241,028
\$250K – 499K	750	2,250	\$75,000,000	163	\$76,765,162
\$100K – 249K	1,500	4,500	\$75,000,000	386	\$106,766,375
\$25K – 99K	3,200	9,600	\$100,000,000	1,167	\$121,619,441
Less than \$25K	-	-			
<b>Total</b>			<b>\$1,000,000,000</b>		<b>\$1,146,631,018</b>

# ELEMENTS OF SUCCESS IN HERE, WE GO

## GIVING BY DONOR TYPE

**FRIENDS**

**\$251.49M**

**22%**

**ALUMNI**

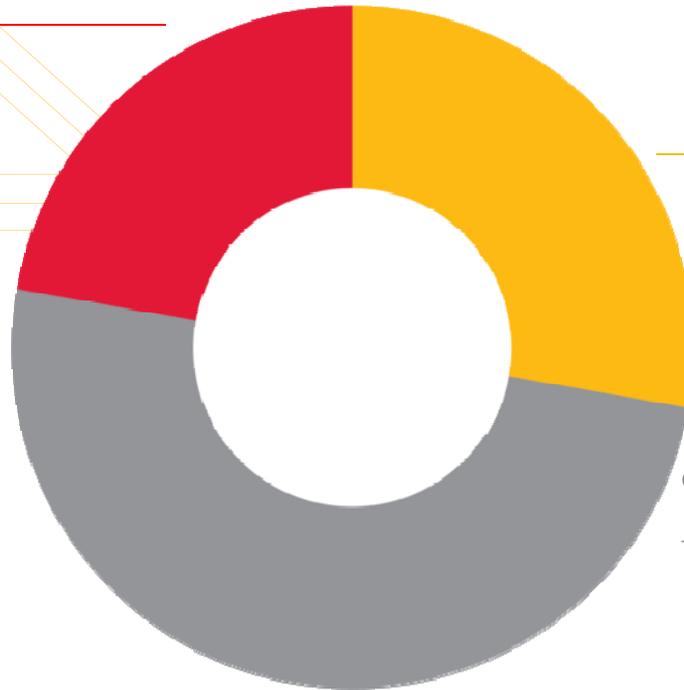
**\$326.14M**

**28%**

**CORPORATIONS, FOUNDATIONS,  
OTHER ORGANIZATIONS**

**\$569.14M**

**50%**



University Advancement, 11/08/2019



**\$314,388,451**

**Raised Toward Endowments**



494

Endowments Established  
Since Campaign Start



**Nearly \$200,000,000**  
**Raised for Scholarships and**  
**Fellowships**



HERE, WE GO.

# BEYOND THE BILLION

Our Journey Continues...  
Through August 31, 2020

