Thursday, November 16, 2017 - The members of Endowment Management Committee of the University of Houston System convened at 9:06 a.m. on Thursday, November 16, 2017, at the University of Houston-Downtown, Girard Street Building, Third Floor, Milam and Travis Rooms, Welcome Center, One Main Street, Houston, Texas, with the following members participating:

ATTENDANCE –

<table>
<thead>
<tr>
<th>Present</th>
<th>Non-Member(s) Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durga D. Agrawal, Chair</td>
<td>Paula M. Mendoza, Regent</td>
</tr>
<tr>
<td>Roger F. Welder, Vice Chair</td>
<td>Peter K. Taaffe, Regent</td>
</tr>
<tr>
<td>Spencer D. Armour, III, Member</td>
<td>Welcome W. Wilson, Jr., Regent</td>
</tr>
<tr>
<td>Beth Madison, Member</td>
<td>Neelesh C. Mutyala, Student Regent, Non-voting</td>
</tr>
<tr>
<td>Gerald W. McElvy, Member</td>
<td></td>
</tr>
<tr>
<td>Tilman J. Fertitta, Ex Officio</td>
<td></td>
</tr>
</tbody>
</table>

In accordance with a notice being timely posted with the Secretary of State and there being a quorum in attendance, the Chair of the Committee, Durga D. Agrawal, called the meeting to order.

*****

AGENDA ITEMS

Regent Agrawal stated there were seven (7) items listed on the agenda – two (2) requiring committee and board approval; three (3) requiring committee approval only; and the two (2) remaining items for information only. There were three (3) representatives from Cambridge Associates who were present at the meeting and presented several of the items listed on the agenda. It was also noted that after discussions and any recommendation(s) made from Cambridge Associates, a vote was called; and that the recommendation(s) from Cambridge Associates required committee approval only.

Regent Agrawal moved to the first action item requiring committee approval, the minutes from the August 24, 2017, Endowment Management Committee meeting.

On motion from Regent Welder, seconded by Regent McElvy, and by a unanimous vote of the regents in attendance, the minutes from the following meeting was approved:

- August 24, 2017, Endowment Management Committee Meeting

Following the approval of the minutes, Regent Agrawal stated the next item listed on the agenda would be presented by Cambridge Associates and he asked Mr. Jim McShan, Senior Vice Chancellor for Administration and Finance to introduce Item C, a Report from Cambridge Associates regarding the UH System Endowment and Non-Endowed portfolios – University of Houston System.
Mr. McShan introduced the three (3) representatives from Cambridge Associates who were in attendance at the meeting: Erin Schuhmacher, Katherine Chu, and Phil DeTrempe; and he asked Ms. Schuhmacher to please begin her presentation to the committee.

Ms. Schuhmacher stated she was excited to be at the UH-Downtown campus for this meeting. She said that Kerry Kirk sent his regards but unfortunately he had another commitment so he was unable to attend the meeting. Ms. Schuhmacher began her remarks by presenting a performance and market update to the committee and below is a brief summary of her remarks.

- The surge in equities continues, with international up over 20%, but real assets still lagging.
- The calendar year-to-date performance, January 1, 2017 through September 30, 2017 was addressed. It had been a strong year within equities and particularly across non-U.S. markets which has helped this portfolio based on the way we were tilted, and if we were too fast forward these numbers to current day, U.S. equities were currently up approximately 17%; developed international equities up approximately 21%; and emerging markets up about 33%.
- It was a good year for hedge funds. On a relative basis, if you were to think about relative to fixed income, although trailing equities which would be expected in these markets and then mixed across hard assets, so real estate commodities and natural resource equities, we continue to see some weakness in the oil and gas markets.
- It had been a good year on both an absolute and relative basis regarding the performance of the University of Houston’s portfolio as of September 30, 2017. The investment managers delivered good performances above their respective end of season benchmarks.
- Ms. Schuhmacher stated the marketable portfolio had returned +12.2% CYTD, outperforming both the policy and dynamic benchmarks.
- UH’s hedge fund program was designed to provide a diversified “market-like” source of return at lower levels of risk over the long-term. Since inception, the hedge fund allocation had outperformed the HRFI benchmark by 1.6% while achieving 61.0% of the return of global equities with approximately 38.2% of the volatility over the same time period.
- The asset allocation summary as of September 30, 2017 showed the Endowment portfolio was overweight equities and underweight hedge funds and private equity/venture capital.
- The total of the non-endowed assets portfolio was $475.8 million.

Following the performance and market update, Ms. Schuhmacher addressed global equity.

- The goal that global equities would play in the portfolio would be to maximize return at an appropriate level of risk.
- The growth engine was the focus at this meeting and it is comprised of both public and private equity investments; and Ms. Schuhmacher concentrated on the public portion of global equity for discussion.
- The public portion was the largest allocation in the UH System portfolio. The public portion of the growth engine supports spending but we also need to preserve purchasing power over the long term. Therefore, from that perspective, we need to have a healthy allocation to grow assets.
- The global equity portfolio was approximately 47% of our total allocation if you were to account for public equity; and private equity accounts for another 15%.
• Now that the strategic plan has been in place, and Cambridge has also gone through the enhancements to this plan, moving forward Cambridge would like to take a portion of the portfolio and review it in depth at each meeting in order to provide the Board with a good refresher and reminder of what we own; how that allocation was structured and why it was structured that way; and what Cambridge has found with other clients. Ms Schuhmacher stated this will help to establish a regular routine of reviewing asset classes over the course of a year.
• The long-term real cumulative wealth of US equities, bonds and cash were addressed.
• UH’s global equity portfolio was the Endowment’s primary growth engine. Cambridge has chosen equity managers whose style and investment philosophies complement one another. In the U.S., UH employs both active and passive managers; internationally, UH has focused on active management given less efficient markets which creates more opportunity for active managers to add value.
• Cambridge Associates monitors the portfolio’s positioning and underlying geographic exposures relative to the global opportunity set and benchmark. A consistent overweight to non-U.S. equity and emerging markets relative to the U.S. for some time, driven by valuations has been maintained; and we have trimmed these tilts in 2017 given relative outperformance of these regions.
• Cambridge has confidence in UH’s equity managers’ roster and structure; however, given the late stage of the U.S. bull market, they see opportunity to better position the portfolio for outperformance from here.
• Cambridge was recommending that UH reduce passive component of U.S. equity allocation by trimming from Northern Trust Russell 1000 and adding to Columbia, Gotham, and Vulcan.
• UH’s equity portfolio was designed to add value above the policy benchmark. The portfolio employs active non-U.S. equity managers, while capturing passive exposure in U.S. and emerging markets. In addition to being diversified by region, the portfolio was purposefully structure to include both value and growth-oriented managers providing diversification by investment style and philosophy.
• The active share within the portfolio was addressed. By way of context, the active share was the percentage of the stockholdings in any manager’s portfolio; the percentage of those stockholdings that differ from the benchmark.

This presentation was for information only and required no board action.

Following Ms. Schuhmacher’s presentation on global equity, Cambridge made the following recommendation for Item D – Approval is requested to rebalance the portfolio for the University of Houston System Endowment Fund – UH System.

Cambridge Associates made the following recommendation for the committee’s consideration and approval:
- $15.0 million redemption from Northern Trust Russell 1000;
- $2.0 million addition to Columbia;
- $7.0 million addition to Gotham; and
- $6.0 million addition to Vulcan
On motion of Regent McElvy, seconded by Regent Welder, and by a unanimous vote of the committee members in attendance, the request to rebalance the portfolio for the University of Houston System Endowment Fund was approved as presented. This approval required committee approval only.

Regent Agrawal moved to the next item listed on the agenda, Item E, Approval is requested to delegate authority to the Chancellor to negotiate and execute a contract for the hiring of a private investment manager for the University of Houston System Endowment Fund – UH System, and asked Mr. McShan to introduce this item.

Mr. McShan asked Ms. Katherine Chu, from Cambridge Associates, to present this item for the committee’s consideration. Below is a brief summary of Ms. Chu’s remarks.

- Ms. Chu stated the University of Houston’s Private Investments (PI) program was still immature, but has produced an attractive 13.7% net IRR since inception.
- The market value of the PI program was slightly under $100.0 million, but notably, this program has been growing since we have increased the target to private investments.
- It was mentioned that the distributions that have been received from the PI program have equaled close to 60% of the capital that had been paid in and as time progresses, it is expected that the distributions continue to be taken out and at the same time we would be funding more unfunded commitments.
- In 2016, the University of Houston had committed $66.5 million to PI; and thus far in 2017, the University had committed $21.5 million. It was noted that the pace in 2017 was slower than in the past few years but not every year will be exactly the same amount.

Ms. Chu made the following recommendation to the committee for their consideration and approval as follows:

- Cambridge Associates recommended that the University of Houston approve a $5.0 million commitment to Mercury Fund Ventures IV.
- Mercury Fund Ventures IV would be a new manager in the University of Houston’s portfolio.
- Mercury Fund is a capital investment manager based in Houston but also has a presence in Ann Arbor, Michigan.
- Mercury Fund is targeting $125 million, with a $150 million maximum capitalization for Fund IV. The manager held a first close in September 2017 and plans to hold subsequent closing in early 2018. Fund IV will invest in early-stage information technology and software companies based in the U.S., Midwest, targeting capital-efficient deals at attractive valuations in specific sectors that it knows well.
- By investing in the seed and inception stage in undervalued and underfunded markets, the firm has time to reduce risk prior to investing additional capital and can acquire large ownership positions, which enables it to generate attractive returns at relatively modest exist valuations.

The summary of the Mercury Fund Venture IV fundraising terms were as follows:

- Target Fund Size – $125 million (with $150 million hard cap)
- Management Fee – 2.5% management fee that will begin to step-down in year six.
- GP Commitment – 1.0% commitments.
- Carried Interest – 20% after return of total capital contributions.
- Fund Life – 10 years
Following the presentation of this item, Regent Agrawal called for a vote from the committee members.

On motion of Regent Armour, seconded by Regent Welder, and by a unanimous vote of the committee members in attendance, the request 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 Fund was approved.

This item required committee approval only and no further board action was required.

Regent Agrawal stated the next item listed on the agenda was Item F, Approval is requested to rebalance the non-endowed portfolio for the University of Houston System – UH System, and asked Mr. McShan to introduce this item.

Mr. McShan stated that approval was being requested to rebalance the non-endowed portfolio of the UH System by moving $60 million from the cash pool. Of the $60 million, $20 million would then be moved into the liquidity pool and the remaining $40 million would be moved into the existing UH Core Pool Quasi Endowment within the Endowment pool. Mr. McShan stated that the University’s cash balances reside in one (1) of three (3) places: the cash pool (0.1% rate), the liquidity pool (1% rate) and the UH Core Pool Quasi Endowment within the Endowment pool (6-1/2% on average). A 6-year analysis had been completed of the balances available and the recommendation was made as noted above. The analysis of the high balances totaled $314 million in the liquidity and cash pools; and the low balance totaled $114 million; with the current balance of $191 million.

On motion of Regent Welder, seconded by Regent Armour, and by a unanimous vote of the committee members in attendance, the request to rebalance the non-endowed portfolio for the University of Houston System was approved.

This item required committee approval only and no further board action was required.

Regent Agrawal moved to the next item on the agenda, Item G, the Approval is requested to liquidate an endowment from the University of Houston System Endowment Fund and transfer the proceeds to the UH Foundation – UH System and asked Mr. McShan to present this item to the committee.

Mr. McShan said that this request was to liquidate the Helen M. Douthitt Endowed Scholarship. This endowment had been established in 1979 to provide scholarships for female students at the University of Houston who were majoring in history. The market value of this endowment was $23,766 as of August 31, 2017; and due to the changes in state laws over the years, and since this is a gender-specific endowment in terms of the use of the funds being generated, the university is not allowed to hold it in the University’s endowment. There have been several of these endowments in the past. This is a housekeeping item and these funds will be liquidated from the UH System’s Endowment and transfer the proceeds to the UH Foundation.
On motion of Regent McElvy, seconded by Regent Armour, and by a unanimous vote of the members in attendance, the request to liquidate an endowment from the UH System Endowment Fund and transfer the proceeds to the UH Foundation was approved.

The last action item, Item H, the Approval is requested to amend the Lewis and Jean McCammon Endowment – UH System was presented by Mr. McShan.

Mr. McShan stated this endowment had been established in December 1993 by Dr. Lewis McCammon to provide student fellowships, undergraduate scholarships, and academic support for the Institute for Molecular Design. This endowment was originally $45,000. However, in January 2012, the directors of IMD resigned from the university and subsequently, IMD was inactivated in August 2012. The terms of the endowment allowed for the college to reallocate the income fund from those endowments to another similar purpose. In working with the college, the UH Sequencing Center was a similar type project that meets the criteria. It was requested to modify the terms of the endowment which is consistent with the original endowment; and since the donor is now deceased the Board does have the authority to redirect the proceeds to a similar purpose.

On motion of Regent Madison, seconded by Regent McElvy, and by a unanimous vote of the members in attendance, the request to amend the Lewis and Jean McCammon Endowment – UH System was approved.

Following the approval of this item by the committee, Regent Agrawal made the motion to place the following two (2) action items, unanimously approved by the committee, on the Board of Regents’ Consent Docket Agenda for final board approval.

On motion of Regent Welder, seconded by Regent McElvy, and by a unanimous vote of the members in attendance, the following action items were approved and will be placed on the Board of Regents’ Consent Docket Agenda for final board approval at the November 16, 2017, Board of Regents’ meeting held later in the day as follows:

1. Approval is requested to liquidate an endowment from the UH System Endowment Fund and transfer the proceeds to the UH Foundation – UH System; and

2. Approval is requested to amend the Lewis and Jean McCammon Endowment – UH System.

The last item listed on the agenda was for information only, Item I, the Quarterly update on “Here, We Go” campaign progress presented by Vice Chancellor for University Advancement – University of Houston, and Regent Agrawal asked Ms. Eloise Dunn Brice, to please present this item.

Ms. Brice presented this item to the Board and showed a powerpoint presentation. Below is a brief summary of her remarks.

- Ms. Brice gave a special thanks to everyone who has been involved in the campaign in significant ways as donors and as volunteers.
- She stated two (2) of the co-chairs were present at the meeting, Regent Beth Madison and Chairman Tilman J. Fertitta, who have engineered a very successful effort for the University of Houston/University of Houston System.
- At the end of the fiscal year, the total was at $775 million (8/31/17); and since that time (11/14/17), the University had moved forward and was now at $787 million. If we stay on the same course, by the end of the next fiscal year (8/31/18), we should be over $900+ million.
- The volunteer partnerships were extremely important for success of the campaign, e.g.,
  - Campaign Executive Committee
  - Board of Visitors
  - Energy Advisory Board
  - College Campaign Committees
- Alumni engagement was also critical to our success. Roadshows were annually held in Dallas, Los Angeles, New York, and Washington, D.C.; and Alumni Constituent Groups from Houston gather to focus on how we can strengthen these groups and make them more relevant.
- Planned Giving Program was addressed. Before the campaign was started, in FY2011, we were raising approximately $450,000/year; our goal in FY2018 is to raise $21 million.
- Another element of success in the campaign was the number of donors. There were 163,182 new donors; 137,423 donors giving under $1,000; and there were a number of donors giving gifts of $1 million or more. In the next few years, the focus will be on the numbers in between; and getting individuals to invest in their first major gift.
- During the campaign there was $188+ million in new endowments which included some planned gifts and pledges.
- There has been a slight impact from Hurricane Harvey. Over $1.0 million was raised for the Cougar Emergency Fund which was for the campus and the students who were particularly affected by Harvey (which was a good aid to be able to retain those students). A brief discussion followed.

This item was presented for information only and no further board action was required.

There was no Executive Session held.

There being no further business to come before the committee, the meeting adjourned at 9:54 a.m.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to “Passed” agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

*****

Others Present:

Renu Khator          Erin Schuhmacher          Katherine Chu
Jim McShan           Raymond Bartlett         Phil De'Trempe
Paula Myrick Short   Don Guyton              Nader Ibrahim
Dona Cornell         Eric Bentley            Glen Houston
Eloise Dunn Brice    David Bradley           Ryan Harrison

Endowment Management Committee
Minutes, November 16, 2017
**Others Present (cont’d)**

<table>
<thead>
<tr>
<th>Amr Elnashai</th>
<th>Macie Kelly</th>
<th>Jon Aldrich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Holdeman</td>
<td>Sabrina Hassumani</td>
<td>Glen Houston</td>
</tr>
<tr>
<td>Jason Smith</td>
<td>Trinity Delafance</td>
<td>Mike Rosen</td>
</tr>
<tr>
<td>Richard Walker</td>
<td>Mike Britt</td>
<td>Mary Ann Ottinger</td>
</tr>
<tr>
<td>Mike Johnson</td>
<td>David Oliver</td>
<td>Lindsey Ellis</td>
</tr>
<tr>
<td>Valerie Coleman-Ferguson</td>
<td>Pam Muscarello</td>
<td>Sandra Dahlke</td>
</tr>
<tr>
<td>Randy Wang</td>
<td>Phil Booth</td>
<td>Hussain Shahrakhi</td>
</tr>
<tr>
<td>Mara Alfre</td>
<td>Wayne Beran</td>
<td>Karin Livingston</td>
</tr>
<tr>
<td>Gadan Luce</td>
<td>Patrick West</td>
<td>Joe Brueggman</td>
</tr>
<tr>
<td>Matt Castello</td>
<td>Connie Applebach</td>
<td>Johanna Wolff</td>
</tr>
<tr>
<td>Mike Emery</td>
<td>Russ Hoskins</td>
<td>Courtney Hunt</td>
</tr>
<tr>
<td>Jean Carr</td>
<td>Tomika LeGrande</td>
<td>Brian Thomas</td>
</tr>
<tr>
<td>Phil Booth</td>
<td>Marquette Hobbs</td>
<td>Brenda Robles</td>
</tr>
<tr>
<td>Gerry Mathisen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>