Thursday, May 16, 2019 - The members of Endowment Management Committee of the University of Houston System convened at 9:06 a.m. on Thursday, May 16, 2019, at the Hilton University of Houston Hotel, Conrad Hilton Ballroom, Second Floor, 4450 University Drive, Houston, Texas, with the following members participating:

ATTENDANCE –

Present
Durga D. Agrawal, Chair
Beth Madison, Vice Chair
Steve I. Chazen, Member
Jack B. Moore, Member
Tilman J. Fertitta, Ex Officio

Member(s) Present via Teleconference Call
Doug H. Brooks, Member

Non-Member(s) Present:
Gerald W. McElvy, Regent
Paula M. Mendoza, Regent
Peter K. Taaffe, Regent
Andrew Z. Teoh, Student Regent, Non-voting

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 at 9:06 a.m.

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AGENDA ITEMS

Regent Agrawal stated there were six (6) items listed on the agenda – two (2) action items requiring committee and board approval; two (2) items requiring committee approval only; and two (2) items for information only. There were four (4) 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 would require committee approval only.

Regent Agrawal moved to the first action item requiring committee approval, the minutes from the February 28, 2019, Endowment Management Committee meeting.

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

- February 28, 2019, 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. Raymond Bartlett, Senior Associate Vice Chancellor for Administration and Finance to introduce Item C, a Report from...
Mr. Bartlett introduced the four (4) representatives from Cambridge Associates who were in attendance at the meeting: Kerry Kirk, Erin Schuhmacher, Phil Fiske, and Lucy Chang. After introducing the representatives from Cambridge, he asked Mr. Kirk to begin his presentation to the committee.

Mr. Kirk stated it was a pleasure to be at the University of Houston and to be able to provide their report to the board regarding the endowed and non-endowed portfolios and what had occurred in the capital markets since the February 28, 2019 committee meeting. Mr. Kirk noted that the university was now a little over three years into the reallocation strategic plan that had been adopted by the committee back in mid-2015. During this period, there have been a number of changes aimed at improving the absolute returns as well as the relative returns of the long-term portfolio. This has resulted in some consolidation of asset classes in terms of the nomenclatures Cambridge uses; some modest modifications of some of the benchmarking; and it involves significant ramp-up in the investment of private capital investments, private equity adventure, private energy, etc. towards an AV target of 25%. It was noted that on a 3-year annualized basis of the portfolio it is now above the benchmark on a total portfolio basis, on a marketable only basis, and even on a relative to peer basis.

Following his remarks, Mr. Kirk turned the meeting over to Ms. Erin Schuhmacher, who would address the capital markets condition and how that has influenced the University of Houston’s results. Below is a brief summary of Ms. Schuhmacher’s remarks.

Ms. Schuhmacher stated the Calendar Year-to-Date (CYTD), 2019 markets were off to an exceptionally strong start following market declines in the 4thQ of 2018. Ms. Schuhmacher presented a brief explanation as to the negative returns to stocks in 2018 which were reflected in the trailing 1-year performance results, April 1, 2018 through March 31, 2019. Equity markets were down in the 4thQ of 2018 but are now back where they started.

The UH portfolio has rebounded from a difficult 2018 with strong absolute returns thus far in 2019. At the end of the 1stQ, the portfolio reached $730 million and remains near targets with sufficient liquidity. Ms. Schuhmacher stated there was a lot of liquidity in the UH portfolio; and in terms of the performance, the portfolio was up approximately 7%. She pointed out the spread between the total portfolio and total marketable assets in the 1stQ, and stated that spread was pretty meaningful because our privates were marked at “0” for the 1stQ. As a reference point, Cambridge only mark the private portfolio once they receive marks for every fund in that portion of the portfolio, so privates are always on a lag. Frankly, what they could expect from the total portfolio number once they have the entire private allocation was for that to go up about 200 bps given the returns that they have seen in the 1stQ market. On a trailing 3-year basis, which was approximately when the strategic plan was being implemented, the total portfolio was up 8.0% annualized ahead of the policy benchmark; and the marketable portfolio was up 7.2%.

Ms. Schuhmacher gave a brief outline of how the portfolio performed by asset class. Total assets for the 1stQ were up 6.9% in-line with benchmark largely driven by our equity allocation. U.S.
equity managers performed well from an active management perspective. Emerging markets managers lagged a bit and 0% return was noted in private equity. There were good returns across hedge funds as well as real assets, and reasonable returns from fixed income portfolio during this period as well.

As of March 31, 2019, the University of Houston’s cash flows by category was addressed. Since 2012 the Endowment has:
1. Added $169 million in new gifts;
2. Generated $256 million in realized/unrealized gains,
3. Distributed $137 million to the beneficiary accounts, and
4. Paid $30 million in portfolio expenses.

A brief summary of asset allocation was addressed. The UH portfolio is generally in-line with targets. As part of the strategic plan, Cambridge is working on a glide path toward UH’s long-term policy targets. Approximately every 4thQ, the Committee receives an update as to where we are on this path. The current near-term targets for private equity/venture capital was at 14% and Cambridge recommended that this be increased to 16%; and with this in mind, subsequently lower our hedge funds current near-term target from 24% to 22%. Ms. Schuhmacher stated this just reflects how they are benchmarking the portfolio in this interim period until we reach our full allocation in private equity.

Ms. Schuhmacher touched on the non-endowed portfolio and stated that at the end of the 1stQ, non-endowed assets totaled $496.2 million which represents affectively 50% in cash and 50% is invested in the liquidity pool.

Following Ms. Schuhmacher’s remarks, Mr. Kirk stated he wanted to give a quick review of the global equity structure of the Endowment portfolio. He stated there were four (4) objectives for putting together this management structure and below is summary of the objectives and how was this segment implemented to achieve those objectives.

1. Deploy equity managers whose style and investment philosophies complement one another. **Implementation:** Given efficiency of US markets, UH employs one passive manager surrounded by a few active managers. Internationally, they focus on active management given less efficient markets which give active managers opportunity to add value.

2. Focus on equity managers with long track records of success. **Implementation:** The average tenure of UH’s public managers is 7 years, reflecting a long-term investing philosophy.

3. Monitor the portfolio’s geographic exposure relative to the global opportunity set and benchmark. **Implementation:** We have maintained a slight overweight to international equity and emerging markets relative to US, driven by valuations.

4. Constantly monitor portfolio managers and make changes as upgrade opportunities arise. **Implementation:** At this meeting, Cambridge would recommended a full redemption from JO Hambro Asia ex-Japan, replacing it with Edgbaston Asian Equity.
Mr. Kirk presented a generalized mapping of the individual global equity managers along several spectrums – well diversified across geography, market cap, and investment style.

1. From a market capitalization perspective – Mega Cap, Large Cap, Mid Cap, and Small Cap;
2. From an investment standpoint – Core, Growth, and Value
4. There are 10 managers – nine (9) of which are active; one (1) is indexed.
5. Relative to benchmark, five (5) of the nine (9) active managers are at or above benchmark while four (4) are not since they have been in the portfolio.

On a 10-year risk/return basis, the public equity component was addressed which accounts for all 10 managers that have been in the portfolio (including the incumbents) together for the past 10-years. The UH public equity portfolio has provided enhanced returns while taking less risk as shown by superior trailing 10-year performance and lower standard deviation. The average tenure of the managers in the portfolio was seven (7) years, reflecting the long-term nature of the investing philosophy.

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

Following this item, Regent Agrawal moved to Item D, the Approval is requested to make a full redemption from an emerging markets equity manager, delegate authority to the Chancellor to negotiate and execute a contract for the hiring of a new manager, and make other rebalancing changes to the marketable assets portion of the University of Houston System Endowment Fund – University of Houston System; and asked Mr. Bartlett to introduce this item.

Mr. Bartlett introduced this item and stated this item was recommending the termination of one (1) manager for underperformance, as well as other rebalancing changes to the marketable assets portion of the Endowment. Mr. Bartlett asked Ms. Schuhmacher to present this item for the committee’s consideration.

Ms. Schuhmacher stated that Cambridge Associates was recommending to the committee a full redemption from JO Hambro Asia ex-Japan Strategy. This manager has been in the UH portfolio since July 31, 2015 and has underperformed by 500 bps during that period. Cambridge recommended a full redemption from JO Hambro of approximately $9.0 million and with an initial investment of approximately $9.0 million to Edgbaston Asian Equity.

Edgbaston Investment Partners was founded by Charu Fernando in 2008. Ms. Fernando has invested in Asian equities for more than two (2) decades; and because Edgbaston is an affiliate of Silchester International Investors, an established value manager based in London, the investment team is free of most organizational woes that many other boutique firms face. It was noted that Silchester is currently a manager in the UH international equity portfolio; and they own 49.9% of the equity in Edgbaston as a passive investor. Edgbaston has provided substantial value-add above the benchmark since inception, while taking on less risk.

Ms. Schuhmacher made several marketable and additional rebalancing recommendations for the committee’s consideration as follows.
<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Type</th>
<th>Recommendation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Trust Russell 1000 Index</td>
<td>US passive equity</td>
<td>Additional investment</td>
<td>$2.0mm</td>
</tr>
<tr>
<td>Gotham 140/40</td>
<td>US value</td>
<td>Additional investment</td>
<td>$2.0mm</td>
</tr>
<tr>
<td>JO Hambro</td>
<td>Asia ex-Japan growth equity</td>
<td>Full redemption</td>
<td>(~$8.7mm)</td>
</tr>
<tr>
<td>Edgbaston</td>
<td>Asia ex-Japan value equity</td>
<td>Initial investment</td>
<td>$9.0mm</td>
</tr>
<tr>
<td>Oldfield</td>
<td>Emerging markets equity</td>
<td>Partial redemption</td>
<td>($2.0mm)</td>
</tr>
<tr>
<td>Somerset</td>
<td>Emerging markets equity</td>
<td>Partial redemption</td>
<td>($2.0mm)</td>
</tr>
<tr>
<td>Smith Graham Intermediate Aggregate</td>
<td>US bond</td>
<td>Additional investment</td>
<td>($8.0mm)</td>
</tr>
</tbody>
</table>

*Note: Nitorum investment recommended at the Q1 2019 Endowment Management Committee meeting has been cancelled, as the manager was unwilling to comply with certain Texas State Law requirements required by the University.

On motion of Regent Chazen, seconded by Regent Moore, and by unanimous vote of the regents on the committee, the approval to make a full redemption from an emerging markets equity manager (JO Hambro), delegate authority to the Chancellor to negotiate and execute a contract for the hiring of a new manager (Edgbaston), and make other rebalancing changes to the marketable assets portion of the University of Houston System Endowment Fund as noted above – 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 listed on the agenda, Item E, Approval is requested to delegate authority to the Chancellor to negotiate and execute contracts for the hiring of private investment managers for the University of Houston System Endowment Fund – University of Houston System, and asked Mr. Bartlett to introduce this item.

Mr. Bartlett stated Mr. Phil Fiske and Ms. Lucy Change, both from Cambridge Associates, would be presenting this item to the committee for their consideration and below is a brief summary of their remarks.

Mr. Fiske said that since its inception, the Private Investment (“PI”) Program has generated net returns of 14% annually. In Mr. Fiske’s 15 years of doing private equity, 2018 was probably the strongest relative performance he has seen. As of December 31, 2018, the University’s 1-year return was 12.6% and the benchmark he used was the Russell 3000 which was down 7%; so the University had close to 2,000 bps above the benchmark in 2018. Regarding allocation, the University is targeting to get to a 25% allocation, and at the end of 2018, the University was at 21%. Mr. Fiske estimated that at the end of March 31, 2019, the University was at approximately 22% allocation; and Cambridge is comfortable that the University will reach their 25% target allocation sometime in the year 2020 depending on relative performance.

Cambridge had two (2) private investment manager recommendations for the committee’s consideration at this meeting. Mr. Fiske stated the first recommendation was that the University of Houston approve a $5.0 million commitment to Jackson Square Ventures III, LP (Fund III). Jackson Square Ventures (JSV) is seeking $150 million, with a hard cap of $175 million, for its
third fund since

Sigma Partners split into East and West coast firms in 2010 and Sigma West subsequently rebranded to JSV. The manager intends to hold a first close at the end of April and a final close at the end of May or early June. The University of Houston is an existing investor in Jackson Square Ventures having previously committed $7.5 million to Fund II in 2016.

Jackson Square is an early stage technology investment firm based in San Francisco. Their target funds are B2B software-as-a-service (SaaS), peer-to-peer marketplaces, and to a lesser extent, mobile and security businesses. The manager will build a portfolio of 15 to 20 companies, investing between $1 million and $5 million initially – typically in the Series A round. Geographically, the fund will continue to invest in companies across North America, with about 50% of the portfolio coming from the Bay Area. JSV targets companies that use technological developments in a new manner and avoids companies developing novel technologies. The manager looks outside overfunded sectors and companies, and focuses on companies with sound business models.

Jackson Square Ventures II, L.P.’s terms are outlined below:

- Target Fund Size – $150 million, $175 million hard cap
- GP Commitment – Minimum of 3% of total fund size
- Management Fee – The manager will charge a management fee that peaks at 2.5% of committed capital in years two (2) through five (5) of the fund and subsequently changes to 2.0% of committed capital minus the cost basis of investments sold, distributed, written-off, or written down, for the remainder of the fund’s life.
- Carried Interest – 20% carried interest, increasing to 25% after returning 2.5 times LP commitments.
- Partnership Life – 10 years, subject to three (3) one (1) year extensions.

The second Cambridge PI manager recommendation was for the University of Houston to approve a $7.0 million commitment to Great Hill Equity Partners VII (Fund VII). Ms. Lucy Chang, from Cambridge Associates, presented this item for the committee’s consideration.

Ms. Chang stated Great Hill Partners or Great Hill was seeking $2.0 billion in commitments, with a maximum capitalization of $2.5 billion, for its seventh fund. The firm intends to hold a first close on July 15, 2019 and expects to have the fund fully allocated by June 30, 2019. A final close may be held on October 15, 2019 if necessary. The University of Houston is an existing investor in Great Hill having previously committed $4.0 million to Fund V in 2013, and $7.0 million to Fund VI in 2016.

Consistent with prior funds, Great Hill will invest in technology-enabled growth businesses, including fintech & payments, healthcare IT and services, internet infrastructure, e-commerce & consumer, and software companies primarily in the US. Fund VII will target companies with enterprise values up to $500 million, taking both majority and significant minority positions with a preference for control. Great Hill will make 22 to 24 investments, generally ranging from $40 million to $200 million, and will seek to generate a net total value to paid-in (TVPI) multiple in excess of 2.0x.
Great Hill Partners is led by a cohesive and multigenerational team of partners with the requisite experience and skills to execute its strategy. The managing partners average 18 years with the firm and the partners average 12 years with the firm.

Great Hill Partner’s terms are outlined as follows:
- Target Fund Size - $2.0 billion target, $2.5 billion hard cap
- Management Fee – 1.5% of commitments
- GP Commitment – 5.0% of commitments
- Carried Interest – 20.0%
- Partnership Life – 10 years, subject to two (2) one (1) year extensions

Following this presentation, Regent Agrawal called for a motion to approve the two (2) PI manager recommendations presented to the committee.

On motion of Regent Madison, seconded by Regent Chazen, and by 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 two (2) private investment managers for the UH System Endowment Fund – UH System was approved as follows: (1) Jackson Square Ventures III, L.P. - $5.0 million; and (2) Great Hill Equity Partners VII, LP - $7.0 million.

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

Regent Agrawal moved to Item E, the Approval is requested of the UH System Endowment Fund Statement of Investment Objectives and Policies – University of Houston System, and asked Mr. Bartlett to present this item.

Mr. Bartlett stated that annually the UH System Endowment Fund Statement of Investment Objectives and Policies are reviewed and then brought to the committee for their consideration. These policies have been reviewed and there were no recommended changes during this review period and committee approval was recommended for these policies.

On motion of Regent Brooks, seconded by Regent Chazen, and by unanimous vote of the regents in attendance, the request of the UH System Endowment Fund Statement of Investment Objectives and Policies – University of Houston System was approved.

The next item listed on the agenda was Item G, a Quarterly update on “Here, We Go” campaign progress – University of Houston System. Ms. Eloise Dunn Brice, Vice Chancellor for University Advancement presented this item; and below is a brief summary of her remarks.

- Ms. Brice thanked the committee for the opportunity to address the progress of the campaign.
- She stated that thus far there was a total of 180,775 donors; 2,000 more donors than the prior meeting.
- Over $254,178,882 has been raised toward endowment; and since the campaign began, 469 endowments have been established.
- There has been a great focus on new and renovated facilities such as:
  - Architecture Media Lab
  - Darryl and Lori Schroeder Baseball Park
  - Indoor Practice Facility
  - Insperity Center
Centers and Institutes funded during the campaign are as follows:
- Arab-American Educational Foundation Center for Arab Studies
- Center of Excellence in Polymer Chemistry
- Creative Writing Program Graduate Student Community Partnership
- Education Research Center
- Hewlett Packard Enterprise Data Science Institute
- Humana Integrated Health System Sciences Institute
- Stephen Stagner Sales Excellence Institute
- Texas Center for Learning Disabilities
- Texas Center for Superconductivity

Over $184,000,000 has been raised for scholarships, with a total of 1,057 scholarships being awarded.

$78,000,000 has been raised for chairs and professorships.

At the February 28, 2019 meeting, Ms. Brice stated we celebrated reaching our $1 billion mark and we now call our campaign “Beyond the Billion.”

The real focus over the remaining 15-months of the campaign will be these three (3) priorities:
- Scholarships;
- Chairs and Professorships; and
- Campus Gateways and Grounds

Scholarships – the campaign will focus on college-based scholarships; college experience scholarships; and retention scholarships.

Chairs and Professorships – the campaign will focus on endowment levels and matching funds.

Campus Gateways and Grounds – the campaign will focus on gateways and Wilhelmina’s Grove/Temporary Public Art.

The campaign total is currently at $1,023 billion and counting!

Chancellor Khator stated she wanted to take a moment to reflect as to where the University was only (7) years ago. There was a whole infrastructure that needed to be built here at UH. When Dr. Khator interviewed Ms. Brice for the first time, she stated she was trying to sell the University of Houston but had nothing to offer her other than to come and be part of this dream and vision with her! Ms. Brice has done an incredible job in developing the infrastructure; in bringing the leadership here at the University; and bringing so many transformational gifts to the University as well. Dr. Khator stated it was unbelievable to see the commitment of the her staff, the team, and the engagement. Dr. Khator wanted to acknowledge that historical context and the monumental accomplishment of raising $1 billion, 18-months ahead of schedule! She thanked Ms. Brice and her entire team for a job well done.

This item was presented for information only and no further board action was required.
At 10:15 a.m., Regent Agrawal moved to Section II listed on the agenda, the Executive Session. Regent Agrawal stated that the committee would go into Executive Session pursuant to the sections of the Texas Government Code listed on page 2 of the committee’s agenda.

**Executive Session:**

Regent Agrawal reconvened the committee meeting in open session at 11:38 a.m. and stated the Board had met in Executive Session and discussed contract matters with the General Counsel. There was no action taken by the Board in Executive Session.

After the various discussions with the committee in Executive Session, the following action and recommendation was made as follows:

1. Approval is requested to modify the contract with Cambridge Associates, LLC and delegate authority to the Chancellor to negotiate and execute the amended and restated contract to provide investment advisory services for the University of Houston System – University of Houston System.

On motion of Regent Moore, seconded by Regent Chazen, and by unanimous vote of the committee members in attendance, the request to modify the contract with Cambridge Associates, LLC and delegate authority to the Chancellor to negotiate and execute the amended and restated contract to provide investment advisory services for the University of Houston System was approved.

Following the approval of this item by the committee, Regent Agrawal made a motion to place the following two (2) action items on the Board of Regents agenda for final approval as follows:

1. Approval is requested of the UH System Board of Regents Endowment Fund Statement of Investment Objectives and Policies – University of Houston System; and

2. Approval is requested to modify the contract with Cambridge Associates, LLC and delegate authority to the Chancellor to negotiate and execute the amended and restated contract to provide investment advisory services for the University of Houston System – University of Houston System.

On motion of Regent Chazen, seconded by Regent Moore, and by unanimous vote of the committee members in attendance, the above two (2) action items were approved and will be placed on the Board of Regents Consent Docket Agenda for final Board approval at the Board of Regents meeting held later today, May 16, 2019.

There being no further business to come before the committee, this meeting was adjourned at 11:40 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
Jim McShan
Paula Myrick Short
Dona Cornell
Eloise Dunn Brice
Amr Elnashai
Lisa Holdeman
Richard Walker
Ira K. Blake
Robert K. Glenn
Juan Sanchéz Munóz
Brian Thomas
Gerry Mathisen

Erin Schuhmacher
Kerry Kirk
Don Guyton
Raymond Bartlett
Surish Khator
Shiv Agrawal
Macie Kelly
Mark Denney
Joe Brueggman
Matthew Castello
Macie Kelly
Marquette Hobbs

Phil Fiske
Lucy Chang
Susan Koch
Ed Castello
David Oliver
Jeff Palmer
Ray Raulerson
Ryan Harrison
Brian Krueger
Jon Aldrich
Shannon Harrison
Brenda Robles