

UTIMCO

Soft Dollar Policy and Procedures

Effective Date of Policy: July 1, 2012

Supersedes: Soft Dollar Policy and Procedures dated May 30, 2001

The Board of Regents of The University of Texas System (“UT Board”) has delegated investment management responsibility to UTIMCO subject to compliance with UT Board approved investment policies. Day-to-day management of funds is further delegated to UTIMCO management. UTIMCO employs internal investment managers in addition to entering into investment advisory agreements with external investment managers.

UTIMCO provides investment guidelines to external as well as internal investment managers. All investment managers have a fiduciary duty to make a good faith determination that commissions paid to a broker are reasonable and competitive. Investment managers generally treat the Accounts they manage as discretionary accounts and have authority to act for UTIMCO for the purpose of placing orders to effect any purchase, sale, exchange, liquidation, or other investment of the assets in the accounts; subject, however, to any limitations set forth in the Investment Guidelines for the particular manager.

UTIMCO requests that all orders for transactions of Account assets be placed in such markets and through such brokers as shall offer the most favorable price, execution and commission cost of each order (best execution). Best execution refers to execution of trades so that the total cost is the most favorable under the circumstances at the time. Notwithstanding the foregoing, UTIMCO acknowledges that investment managers may from time to time and in accordance with applicable law pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain research and other services provided by such brokers in the expectation to enhance the long-term value of the Account. These arrangements are referred to as soft dollar arrangements. Annually, UTIMCO reviews investment managers’ soft dollar practices and requests information about soft dollars from external managers through the ADV forms filed with the SEC. Currently, internal investment managers do not use soft dollars for third party research, products or other types of services. Internal investment managers may obtain general and proprietary research from brokers with whom they execute trades.

UTIMCO generally does not engage in directed brokerage arrangements because it believes it is in the best interest of UTIMCO for the UT Board accounts to allow investment managers to select the broker they use. Selections of brokers serve as a key component of an investment manager’s ability to add value to the UT Board accounts. Investment managers must be held accountable for the investment performance of the accounts managed for the benefit of the UT Board.

Soft Dollars Arrangements for UTIMCO's Internal Investment Managers—

UTIMCO's internal investment managers generally do not use soft dollar arrangements in the execution of trades for the Accounts for third party research, products, and non-research-related items. They may receive investment recommendations or general and proprietary research from the brokers with whom they execute trades. The value of these services is often not tracked by the broker. All brokers receive the same commission (cents per share) on trades executed for discretionary accounts unless the investment manager believes that a higher commission rate must be paid due to the nature of the trade.

Internal managers may propose soft dollar arrangements for the following products or services if the criteria are documented and the soft dollar arrangement is approved in advance by UTIMCO's CEO and Chief Investment Officer or President and Deputy CIO. All soft dollars must benefit the investment accounts. Soft dollar trades must be agency trades.

Products or services that may be eligible for soft dollars include third party research, data service, exchange fees, seminar and conference fees, equipment associated with the investment process, performance measurement and proxy services, and investment publications which provide assistance to the investment decision making process. Written documentation describing the product or service and the expected **direct** benefit obtained by the use of these soft dollars for the account must be maintained.

In addition, the internal manager must have documented that he has reviewed the most recent AIMR soft dollar standards and is in compliance with those standards as they pertain to the management of UT Board accounts. The internal manager must also document the broker's capability to provide best execution, taking into consideration the broker's financial responsibility, responsiveness, the commission rate or spread involved, and the range of services offered by such broker.

Following the end of each fiscal quarter the internal manager must report all transactions with brokers involving soft dollar arrangements to the individual designated by the Chief Compliance Officer for UTIMCO in the form or report prescribed by such officer (Exhibit 1).

Soft Dollar Report

Account managed:
Account manager:
Time Period Covered:
Date of Report:

Total amount of commissions generated from the account, detailed by Broker.

<u>Name of Broker</u>	<u>Commissions</u>

Signed: _____

Dated: _____