



# ENDOWMENT MANAGEMENT COMMITTEE

UNIVERSITY OF HOUSTON SYSTEM

DECEMBER 2, 2021



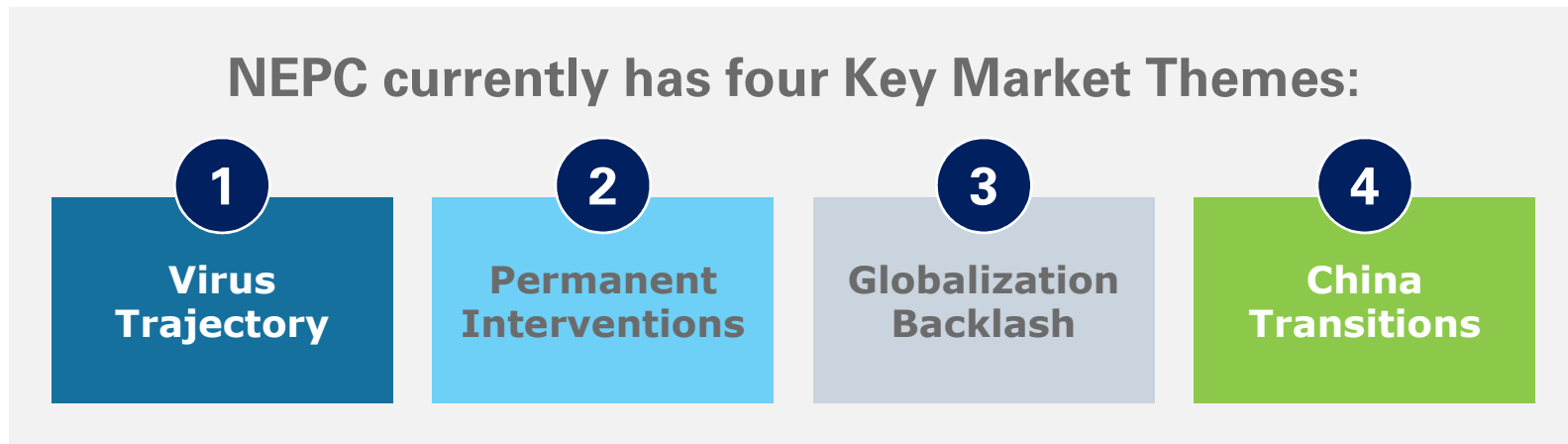


# MARKET PERSPECTIVE & OUTLOOK



# NEPC KEY MARKET THEMES

- Key Market Themes influence global markets and may remain relevant for an extended period with significant implications for capital markets
- Themes can be disrupted and incite market volatility
- The conclusion of a theme alters market dynamics and NEPC's outlook



# ASSESSING THE KEY MARKET THEMES

AS OF 09/30/21

|   |         |       |                |                  |          |
|---|---------|-------|----------------|------------------|----------|
| <p><b>Virus Trajectory</b></p> <p>Change in Status:<br/><i>Prevalent to Neutral</i></p>         | DORMANT | FADED | <b>NEUTRAL</b> | PREVALENT        | DOMINANT |
| <p><b>Permanent Interventions</b></p> <p>Change in Status:<br/><i>Dominant to Prevalent</i></p> | DORMANT | FADED | NEUTRAL        | <b>PREVALENT</b> | DOMINANT |
| <p><b>Globalization Backlash</b></p> <p>Change in Status:<br/><i>None</i></p>                   | DORMANT | FADED | NEUTRAL        | <b>PREVALENT</b> | DOMINANT |
| <p><b>China Transitions</b></p> <p>Change in Status:<br/><i>Neutral to Prevalent</i></p>        | DORMANT | FADED | NEUTRAL        | <b>PREVALENT</b> | DOMINANT |

- Market sentiment has proven less sensitive to news related to the virus as vaccination rates have improved in the U.S. and globally
- The severity and prevalence of variants continues to be a risk to the timing and pace of a global economic recovery

- Permanent Interventions continues to be a meaningful force influencing global markets
- The Federal Reserve has announced plans to begin tapering asset purchases given positive trends in economic data and increasing inflation pressures in the U.S.

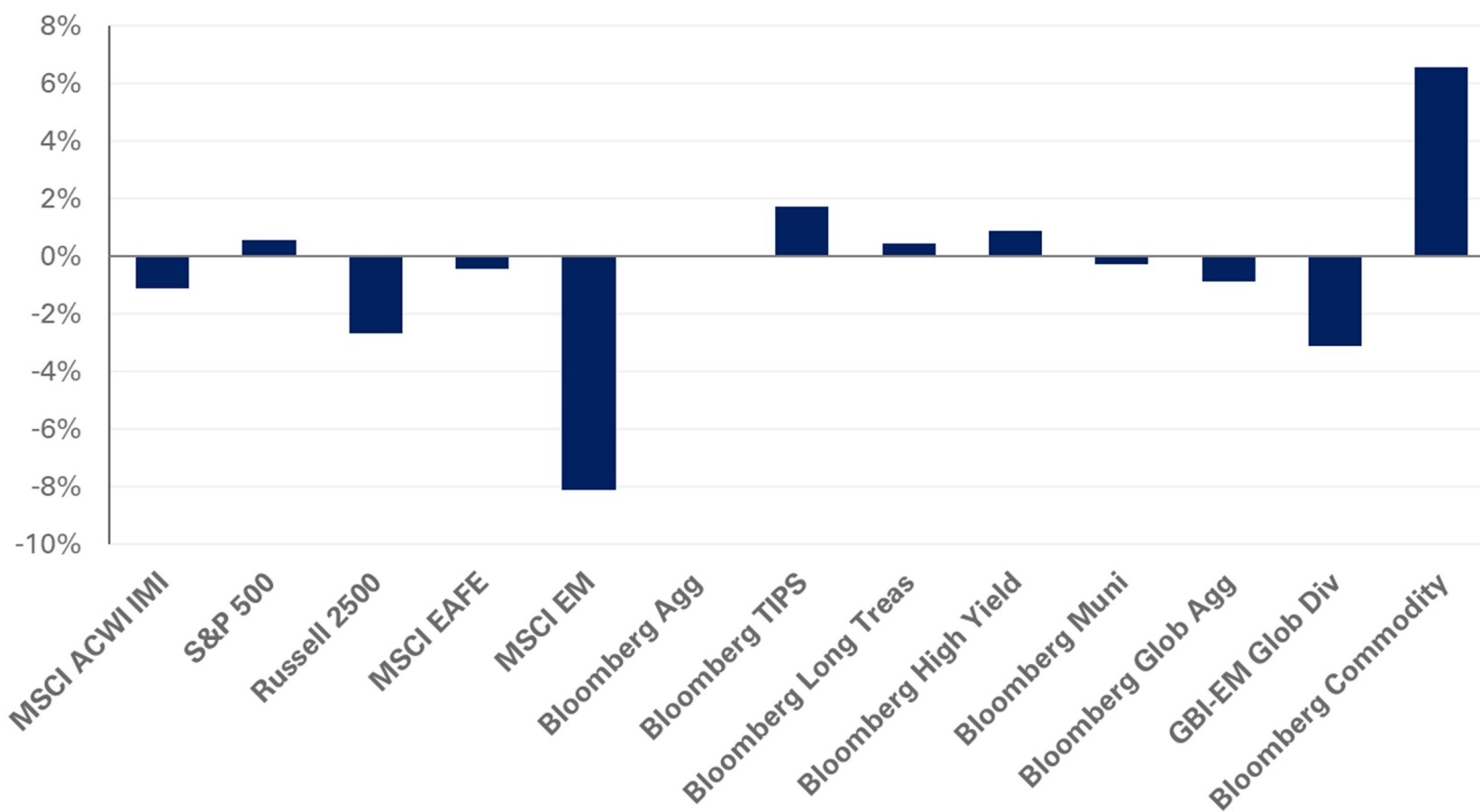
- The importance of this theme may increase as supply-chain disruptions and inflationary pressures strain the electorate and geopolitical relationships
- The world will likely be faced with an amplified wealth divide given economic and labor market disruptions, which has historically driven more volatile political outcomes

- China introduced a wave of new regulations, implementing anti-monopoly, industry-specific, and consumer protection regulations
- While in-line with the longer-term economic goals, the string of regulatory actions has negatively impacted market sentiment for Chinese investments



# MARKET REVIEW: Q3 2021

## QUARTERLY RETURN







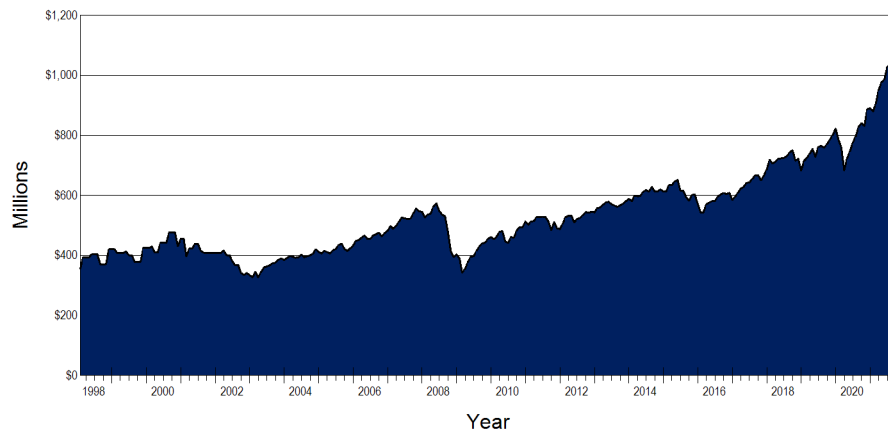
# INVESTMENT PERFORMANCE: UHS ENDOWMENT FUND



# University of Houston System Endowment Fund

## INVESTMENT PERFORMANCE

Portfolio Market Value



Market Value (\$)

**UHS Endowment Fund** 1,073,741,925

1 Yr (%)

|   |             |
|---|-------------|
| <b>UHS Endowment Fund</b>                 | <b>28.1</b> |
| <i>Dynamic Benchmark</i>                  | 24.9        |
| <b>Public Equity</b>                      | <b>29.7</b> |
| <i>MSCI ACWI</i>                          | 27.4        |
| <b>Bonds and Cash</b>                     | <b>1.2</b>  |
| <i>Dynamic Bonds and Cash Benchmark</i>   | -0.2        |
| <b>Marketable Real Assets</b>             | <b>36.5</b> |
| <i>Marketable Real Assets Benchmark</i>   | 34.5        |
| <b>Hedge Funds</b>                        | <b>15.6</b> |
| <i>HFRI Fund of Funds Composite Index</i> | 14.2        |
| <b>Private Equity</b>                     | <b>46.6</b> |
| <i>C/A Global All PE (Qtr Lag)</i>        | 55.1        |
| <b>Private Real Assets</b>                | <b>24.7</b> |
| <i>Private Real Assets Benchmark</i>      | 21.8        |

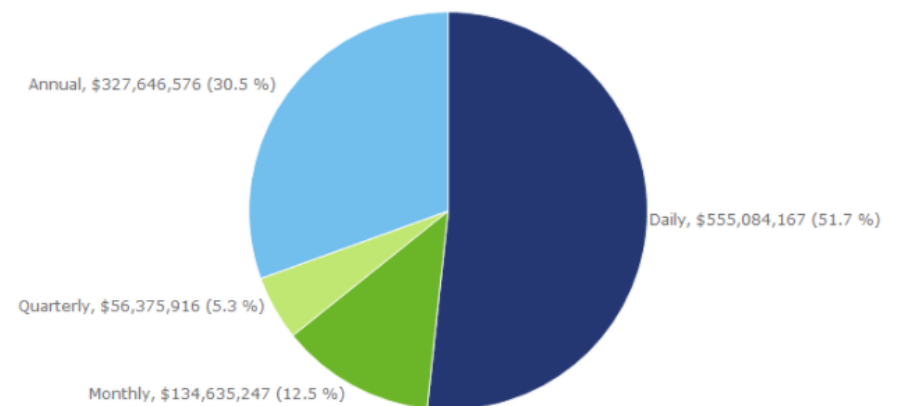
Allocation vs. Targets and Policy

|                | Current Allocation | Policy        | Policy Range  |
|----------------|--------------------|---------------|---------------|
| Equities       | 47.9%              | 45.0%         | 35.0% - 55.0% |
| Bonds and Cash | 12.9%              | 15.0%         | 5.0% - 20.0%  |
| Private Equity | 24.3%              | 25.0%         | 10.0% - 35.0% |
| Hedge Funds    | 5.8%               | 5.0%          | 0.0% - 10.0%  |
| Real Assets    | 9.1%               | 10.0%         | 5.0% - 15.0%  |
| <b>Total</b>   | <b>100.0%</b>      | <b>100.0%</b> |               |

Fiscal YTD (%) 2020 (%) 3 Yrs (%) 5 Yrs (%)

|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| <b>UHS Endowment Fund</b>                             | <b>1.0</b>  | <b>13.4</b> | <b>13.6</b> | <b>12.1</b> |
| <i>Policy Benchmark</i>                               | 0.2         | 7.7         | 10.4        | 9.9         |
| <i>InvMetrics All E&amp;F &gt; \$500mm Net Median</i> | -2.1        | 11.8        | 10.4        | 10.0        |
| <b>UHS Endowment Fund Excl. Private Markets</b>       | <b>-2.9</b> | <b>14.0</b> | <b>10.5</b> | <b>9.8</b>  |
| <i>Policy Benchmark Excl. Private Markets</i>         | -2.5        | 12.3        | 9.9         | 9.3         |

Liquidity

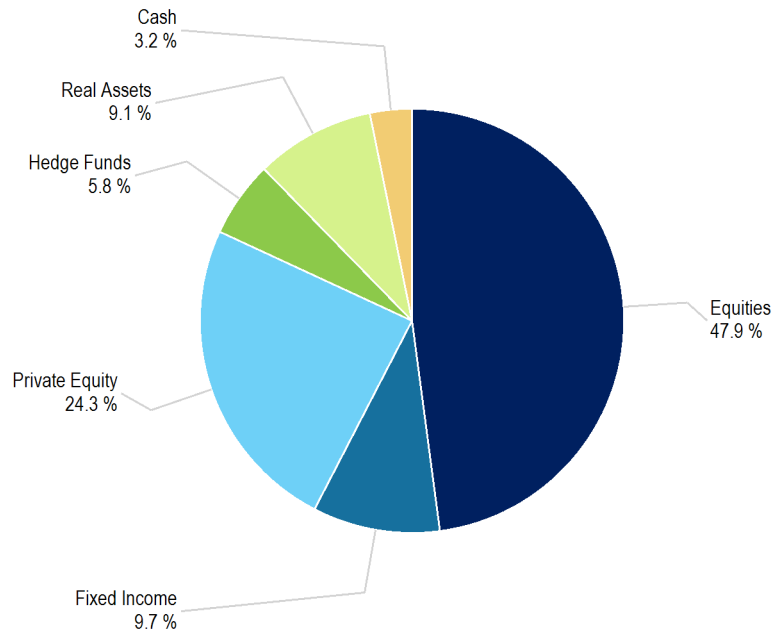


# University of Houston System Endowment Fund

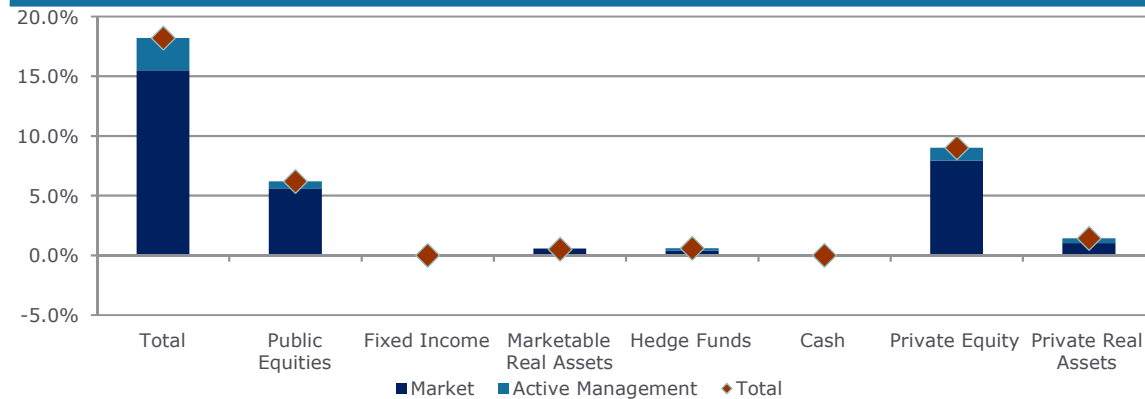
## INVESTMENT PERFORMANCE

|   | Market Value (\$)    | 3 Mo (%)   | Rank     | YTD (%)     | Rank     | 1 Yr (%)    | Rank      | 3 Yrs (%)   | Rank      | 5 Yrs (%)   | Rank      | 10 Yrs (%) | Rank      |
|---|----------------------|------------|----------|-------------|----------|-------------|-----------|-------------|-----------|-------------|-----------|------------|-----------|
| <b>UHS Endowment Fund</b>                             | <b>1,073,741,925</b> | <b>2.8</b> | <b>1</b> | <b>18.2</b> | <b>2</b> | <b>28.1</b> | <b>11</b> | <b>13.6</b> | <b>8</b>  | <b>12.1</b> | <b>7</b>  | <b>9.3</b> | <b>46</b> |
| <i>Dynamic Benchmark</i>                              |                      | <i>2.6</i> | <i>1</i> | <i>15.4</i> | <i>9</i> | <i>24.9</i> | <i>27</i> | <i>9.9</i>  | <i>63</i> | <i>9.7</i>  | <i>66</i> | <i>8.2</i> | <i>87</i> |
| Over/Under  |                      | 0.2        |          | 2.8         |          | 3.2         |           | 3.7         |           | 2.4         |           | 1.1        |           |
| <i>InvMetrics All E&amp;F &gt; \$500mm Net Median</i> |                      | -0.3       |          | 9.9         |          | 22.4        |           | 10.4        |           | 10.0        |           | 9.2        |           |

### Current Allocation



### YTD Attribution



- **The UHS Endowment Fund posted a +2.8% return in Q3 2021, outpacing the “Dynamic Benchmark”**
  - Private Equity and Private Real Assets were the primary drivers of outperformance (helpful when Public Equity returns were mostly negative)
- **The five-year return for UHS now stands at +12.1% annualized**
  - Returns for 1-, 3-, 5- and 10- year time periods have exceeded target return of spending plus inflation (~7%)
  - Manager outperformance has been a significant driver
- **Agenda items for today:**
  - Investment Performance Review
  - Market Outlook/Key Themes
  - Private Markets Recommendations





# UNIVERSITY PEER GROUP

- Peer group is comprised of universities in the \$1-4B range

| Universities \$1B - \$4B Net Peer Group as of September 30, 2021 |                        |                      |              |                |            |             |             |            |            |                 |             |             |             |            |  |
|--|------------------------|----------------------|--------------|----------------|------------|-------------|-------------|------------|------------|-----------------|-------------|-------------|-------------|------------|--|
| Institution  | Market Value           | Asset Allocation (%) |              |                |            |             |             |            |            | Performance (%) |             |             |             |            |  |
|  |                        | Equity               | Fixed Income | Private Equity | Cash       | Hedge Fund  | Real Estate | Misc.      | 3 Mos      | YTD             | 1 Yr        | 3 Yrs       | 5 Yrs       | 10 Yrs     |  |
| 1  | \$1,040,000,000        | 32.6                 | 11.0         | 30.9           | 0.0        | 24.0        | 1.2         | 0.3        | 1.3        | 13.4            | 25.3        | 12.1        | 10.7        | 8.8        |  |
| 2  | \$1,040,000,000        | 31.4                 | 10.0         | 32.0           | 1.3        | 20.6        | 4.8         | 0.0        | 0.9        | 10.6            | 20.9        | -           | -           | -          |  |
| 3  | \$1,170,000,000        | 10.8                 | 16.8         | 7.2            | 6.1        | 4.5         | 43.0        | 11.6       | 3.9        | 11.9            | 15.3        | 9.5         | -           | -          |  |
| 4  | \$1,390,000,000        | 33.4                 | 4.4          | 20.3           | 9.0        | 30.7        | 1.6         | 0.6        | 0.1        | 11.1            | 22.2        | 11.5        | 11.3        | 9.7        |  |
| 5  | \$1,460,000,000        | 22.1                 | 4.4          | 65.9           | 2.2        | 4.2         | 1.0         | 0.2        | 2.6        | -               | -           | 19.2        | 15.8        | 11.9       |  |
| 6  | \$1,630,000,000        | 57.2                 | 6.0          | 21.6           | 4.3        | 0.0         | 10.9        | 0.0        | 0.3        | 17.6            | 33.0        | 11.9        | 11.4        | -          |  |
| 7  | \$1,980,000,000        | 24.5                 | 15.1         | 22.1           | 18.3       | 18.2        | 1.6         | 0.2        | 2.0        | 10.5            | 17.3        | 9.1         | 8.7         | 7.7        |  |
| 8  | \$1,980,000,000        | 16.2                 | 12.0         | 47.9           | 2.8        | 17.0        | 3.8         | 0.3        | 3.5        | 16.2            | 25.0        | 11.6        | 11.3        | -          |  |
| 9  | \$1,990,000,000        | 13.3                 | 2.0          | 40.5           | 3.7        | 35.4        | 3.0         | 2.2        | -0.4       | 15.9            | 26.6        | 11.6        | -           | -          |  |
| 10   | \$2,120,000,000        | 16.4                 | 5.6          | 50.7           | 4.3        | 13.6        | 6.1         | 3.4        | 2.9        | 20.5            | 30.9        | 12.2        | 11.5        | 10.1       |  |
| 11   | \$2,150,000,000        | 36.3                 | 4.1          | 36.4           | 6.1        | 15.7        | 1.4         | 0.0        | 3.7        | 18.3            | 32.3        | 14.5        | 12.3        | -          |  |
| 12   | \$2,290,000,000        | 18.1                 | 13.3         | 28.0           | 7.6        | 27.6        | 5.2         | 0.2        | 2.2        | 14.9            | 25.4        | 11.8        | 11.2        | -          |  |
| 13   | \$2,510,000,000        | 11.8                 | 0.0          | 53.1           | 4.5        | 26.6        | 4.0         | 0.0        | 4.7        | 25.5            | 37.5        | 19.0        | 15.9        | -          |  |
| 14   | \$2,940,000,000        | 13.1                 | 0.0          | 42.5           | 10.1       | 34.2        | 0.1         | 0.0        | 0.6        | 11.6            | 36.0        | 17.6        | 16.1        | 12.7       |  |
| <b>UHS Endowment Fund</b>  | <b>\$1,073,741,925</b> | <b>47.9</b>          | <b>9.7</b>   | <b>24.3</b>    | <b>3.2</b> | <b>5.8</b>  | <b>2.8</b>  | <b>6.3</b> | <b>2.8</b> | <b>18.2</b>     | <b>28.1</b> | <b>13.6</b> | <b>12.1</b> | <b>9.3</b> |  |
| <b>Universities \$1B - \$4B Net Median</b>                       |                        | <b>20.1</b>          | <b>5.8</b>   | <b>34.2</b>    | <b>4.4</b> | <b>19.4</b> | <b>3.4</b>  | <b>0.2</b> | <b>2.1</b> | <b>14.9</b>     | <b>25.4</b> | <b>11.9</b> | <b>11.4</b> | <b>9.9</b> |  |

*Despite lower Private Equity exposure (PE has been a top performer), UHS outperformed the peer group median in five of the six time periods shown.*

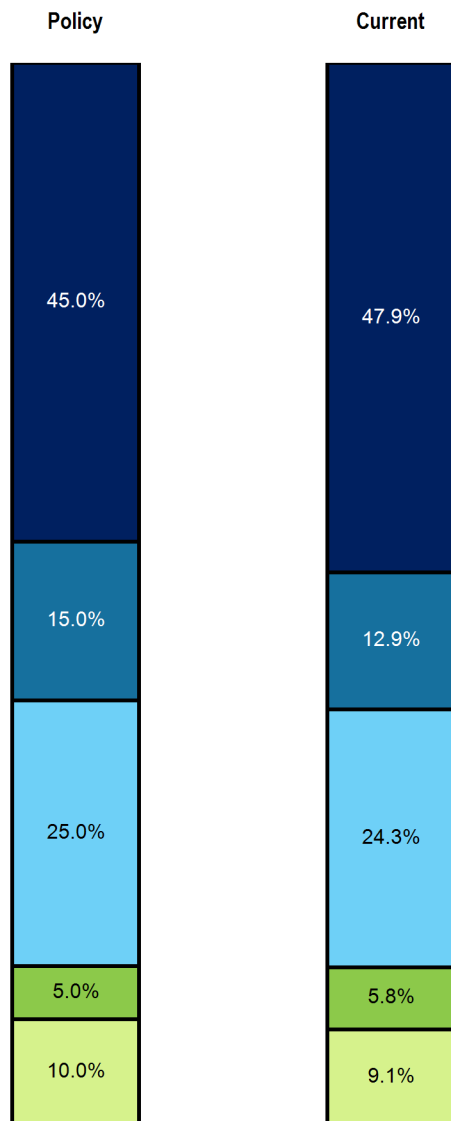
Source: Northern Trust.

Performance displayed is net of fees. Misc. allocation refers to asset class exposure that fall outside Equity, Fixed Income, Private Equity, Cash, Hedge Fund, and Real Estate.



# University of Houston System Endowment Fund

## ASSET ALLOCATION VS. POLICY TARGETS



| Asset Allocation vs. Target |                        |               |                     |              |               |     |
|-----------------------------|------------------------|---------------|---------------------|--------------|---------------|-----|
|                             | Current                | Policy        | Current Difference* | Policy Range | Within Range  |     |
| Equities                    | \$514,711,312          | 45.0%         | 47.9%               | 2.9%         | 35.0% - 55.0% | Yes |
| Bonds and Cash              | \$138,548,903          | 15.0%         | 12.9%               | -2.1%        | 5.0% - 20.0%  | Yes |
| Private Equity              | \$260,417,351          | 25.0%         | 24.3%               | -0.7%        | 10.0% - 35.0% | Yes |
| Hedge Funds                 | \$62,759,114           | 5.0%          | 5.8%                | 0.8%         | 0.0% - 10.0%  | Yes |
| Real Assets                 | \$97,305,245           | 10.0%         | 9.1%                | -0.9%        | 5.0% - 15.0%  | Yes |
| <b>Total</b>                | <b>\$1,073,741,925</b> | <b>100.0%</b> | <b>100.0%</b>       |              |               |     |

\*Difference between Policy and Current Allocation

\*Interim Policy is shown.



# University of Houston System Endowment Fund

## PERFORMANCE DETAIL

|  |                      |                | Ending September 30, 2021 |             |             |             |             |             |               |                |  |
|--|----------------------|----------------|---------------------------|-------------|-------------|-------------|-------------|-------------|---------------|----------------|--|
|  | Market Value (\$)    | % of Portfolio | 3 Mo (%)                  | YTD (%)     | 1 Yr (%)    | 3 Yrs (%)   | 5 Yrs (%)   | 10 Yrs (%)  | Inception (%) | Inception Date |  |
| <b>UHS Endowment Fund</b>                        | <b>1,073,741,925</b> | <b>100.0</b>   | <b>2.8</b>                | <b>18.2</b> | <b>28.1</b> | <b>13.6</b> | <b>12.1</b> | <b>9.3</b>  | <b>6.3</b>    | <b>Jan-98</b>  |  |
| Dynamic Benchmark                                |                      |                | 2.6                       | 15.4        | 24.9        | 9.9         | 9.7         | 8.2         | 6.0           | Jan-98         |  |
| Policy Benchmark                                 |                      |                | 1.9                       | 15.5        | 25.1        | 10.4        | 9.9         | 8.7         | 6.3           | Jan-98         |  |
| <b>Public Equity</b>                             | <b>514,711,312</b>   | <b>47.9</b>    | <b>-1.0</b>               | <b>12.3</b> | <b>29.7</b> | <b>13.2</b> | <b>13.4</b> | <b>12.3</b> | <b>6.8</b>    | <b>Jan-98</b>  |  |
| MSCI ACWI  |                      |                | -1.1                      | 11.1        | 27.4        | 12.6        | 13.2        | 11.9        | 6.9           | Jan-98         |  |
| <b>U.S Equity</b>                                | <b>294,267,551</b>   | <b>27.4</b>    | <b>-0.5</b>               | <b>14.8</b> | <b>30.9</b> | <b>16.5</b> | <b>17.2</b> | <b>15.7</b> | <b>8.2</b>    | <b>Jan-98</b>  |  |
| Russell 3000                                     |                      |                | -0.1                      | 15.0        | 31.9        | 16.0        | 16.9        | 16.6        | 8.7           | Jan-98         |  |
| Northern Trust Russell 3000 Index Fund - Lending | 133,810,273          | 12.5           | -0.1                      | --          | --          | --          | --          | --          | 15.5          | Feb-21         |  |
| Russell 3000                                     |                      |                | -0.1                      | 15.0        | 31.9        | 16.0        | 16.9        | 16.6        | 15.5          | Feb-21         |  |
| Columbia Focused Large Cap Growth                | 76,561,600           | 7.1            | -2.0                      | 9.4         | 25.2        | 21.2        | 21.5        | 18.5        | 16.7          | May-10         |  |
| Russell 1000 Growth                              |                      |                | 1.2                       | 14.3        | 27.3        | 22.0        | 22.8        | 19.7        | 17.3          | May-10         |  |
| Vulcan Value Partners                            | 82,061,122           | 7.6            | 0.1                       | 20.5        | 41.2        | 17.5        | 17.3        | --          | 13.2          | Aug-15         |  |
| Russell 1000 Value                               |                      |                | -0.8                      | 16.1        | 35.0        | 10.1        | 10.9        | 13.5        | 9.8           | Aug-15         |  |
| Cougar Investment Fund                           | 1,834,556            | 0.2            | -1.4                      | 12.2        | 28.4        | 12.0        | 12.5        | 12.3        | 8.3           | Jun-05         |  |
| S&P 500  |                      |                | 0.6                       | 15.9        | 30.0        | 16.0        | 16.9        | 16.6        | 10.4          | Jun-05         |  |
| <b>Non-U.S. Developed Equity</b>                 | <b>180,014,839</b>   | <b>16.8</b>    | <b>-0.7</b>               | <b>10.4</b> | <b>28.2</b> | <b>10.0</b> | <b>10.6</b> | <b>10.0</b> | <b>9.2</b>    | <b>Apr-03</b>  |  |
| MSCI EAFE  |                      |                | -0.4                      | 8.3         | 25.7        | 7.6         | 8.8         | 8.1         | 8.2           | Apr-03         |  |
| William Blair International Growth               | 72,682,070           | 6.8            | -0.6                      | 7.9         | 25.6        | 16.1        | 13.9        | 11.4        | 9.1           | Oct-03         |  |
| MSCI ACWI ex USA                                 |                      |                | -3.0                      | 5.9         | 23.9        | 8.0         | 8.9         | 7.5         | 7.3           | Oct-03         |  |
| Silchester International Value                   | 74,489,494           | 6.9            | -1.1                      | 11.6        | 28.6        | 4.9         | 7.6         | 8.6         | 8.5           | Aug-09         |  |
| MSCI EAFE  |                      |                | -0.4                      | 8.3         | 25.7        | 7.6         | 8.8         | 8.1         | 6.8           | Aug-09         |  |
| Global Alpha Int'l Small Cap                     | 32,843,275           | 3.1            | 0.1                       | 13.4        | 33.2        | 10.4        | --          | --          | 8.9           | May-18         |  |
| MSCI EAFE Small Cap                              |                      |                | 0.9                       | 10.0        | 29.0        | 9.0         | 10.4        | 10.7        | 6.7           | May-18         |  |
| <b>Emerging Markets Equity</b>                   | <b>40,428,922</b>    | <b>3.8</b>     | <b>-5.4</b>               | <b>3.7</b>  | <b>27.6</b> | <b>5.3</b>  | <b>4.8</b>  | <b>5.1</b>  | <b>5.6</b>    | <b>Feb-10</b>  |  |
| MSCI Emerging Markets                            |                      |                | -8.1                      | -1.2        | 18.2        | 8.6         | 9.2         | 6.1         | 5.0           | Feb-10         |  |
| Oldfield Emerging Markets                        | 15,019,861           | 1.4            | -2.7                      | 9.3         | 36.5        | 4.7         | 5.6         | --          | 5.1           | May-14         |  |
| MSCI Emerging Markets                            |                      |                | -8.1                      | -1.2        | 18.2        | 8.6         | 9.2         | 6.1         | 5.6           | May-14         |  |
| Somerset Global Emerging Markets                 | 13,126,444           | 1.2            | -11.5                     | -7.8        | 12.5        | 8.0         | 7.2         | --          | 4.1           | Jun-14         |  |
| MSCI Emerging Markets                            |                      |                | -8.1                      | -1.2        | 18.2        | 8.6         | 9.2         | 6.1         | 5.2           | Jun-14         |  |
| Edgbaston Asian Equity                           | 12,282,617           | 1.1            | -1.5                      | 11.7        | 36.3        | --          | --          | --          | 1.3           | Jul-19         |  |
| MSCI AC Asia Pacific ex Japan                    |                      |                | -8.4                      | -2.1        | 16.6        | 9.2         | 9.9         | 8.3         | 11.3          | Jul-19         |  |



# University of Houston System Endowment Fund

## PERFORMANCE DETAIL

|  |                      |                   | Ending September 30, 2021 |             |             |              |              |               |                  |                   |  |
|--|----------------------|-------------------|---------------------------|-------------|-------------|--------------|--------------|---------------|------------------|-------------------|--|
|  | Market Value<br>(\$) | % of<br>Portfolio | 3 Mo<br>(%)               | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 10 Yrs<br>(%) | Inception<br>(%) | Inception<br>Date |  |
| <b>Fixed Income</b>                              | <b>104,350,804</b>   | <b>9.7</b>        | <b>0.0</b>                | <b>-0.1</b> | <b>1.3</b>  | <b>5.0</b>   | <b>2.6</b>   | <b>2.0</b>    | <b>-0.1</b>      | <b>Jan-21</b>     |  |
| <b>Core Fixed Income</b>                         | <b>86,727,430</b>    | <b>8.1</b>        | <b>0.0</b>                | <b>-0.3</b> | <b>0.8</b>  | <b>4.8</b>   | <b>0.6</b>   | <b>2.0</b>    | <b>4.0</b>       | <b>Jan-98</b>     |  |
| <i>Bloomberg US Aggregate TR</i>                 |                      |                   | 0.1                       | -1.6        | -0.9        | 5.4          | 2.9          | 3.0           | 4.8              | Jan-98            |  |
| Smith Graham Intermediate Aggregate              | 68,973,146           | 6.4               | 0.0                       | -0.5        | -0.1        | 4.5          | --           | --            | 3.1              | Feb-17            |  |
| <i>Bloomberg US Int TR</i>                       |                      |                   | 0.0                       | -0.8        | -0.4        | 4.4          | 2.5          | 2.5           | 3.1              | Feb-17            |  |
| Loomis Sayles Investment Grade Fixed Income Fund | 17,754,284           | 1.7               | 0.2                       | 0.3         | 4.7         | --           | --           | --            | 4.7              | Oct-20            |  |
| <i>Bloomberg US Govt/Credit TR</i>               |                      |                   | 0.0                       | -1.9        | -1.1        | 5.9          | 3.2          | 3.2           | -1.1             | Oct-20            |  |
| <b>Diversified Fixed Income</b>                  | <b>17,623,374</b>    | <b>1.6</b>        | <b>0.1</b>                | <b>1.2</b>  | <b>3.6</b>  | <b>1.2</b>   | <b>1.7</b>   | <b>-0.5</b>   | <b>3.2</b>       | <b>Nov-20</b>     |  |
| <i>Bloomberg Global Aggregate TR</i>             |                      |                   | -0.9                      | -4.1        | -0.9        | 4.2          | 2.0          | 1.9           | -1.0             | Nov-20            |  |
| PIMCO Dynamic Bond Fund                          | 17,623,374           | 1.6               | 0.1                       | 1.2         | 3.6         | --           | --           | --            | 3.6              | Oct-20            |  |
| <i>3-Month Libor Total Return USD</i>            |                      |                   | 0.0                       | 0.1         | 0.2         | 1.3          | 1.4          | 0.9           | 0.2              | Oct-20            |  |
| <b>Cash and Equivalents</b>                      | <b>34,198,099</b>    | <b>3.2</b>        | <b>0.0</b>                | <b>0.0</b>  | <b>0.1</b>  | <b>1.2</b>   | <b>1.1</b>   | <b>0.6</b>    | <b>2.0</b>       | <b>Jan-98</b>     |  |
| <i>ICE BofA 91 Days T-Bills TR</i>               |                      |                   | 0.0                       | 0.0         | 0.1         | 1.2          | 1.2          | 0.6           | 1.9              | Jan-98            |  |
| Cash   | 34,198,099           | 3.2               | 0.0                       | 0.1         | 0.1         | 1.2          | 1.2          | 0.7           | 2.1              | Jan-98            |  |
| <b>Marketable Real Assets</b>                    | <b>30,130,080</b>    | <b>2.8</b>        | <b>0.1</b>                | <b>18.5</b> | <b>36.5</b> | <b>5.2</b>   | <b>4.1</b>   | <b>1.2</b>    | <b>5.6</b>       | <b>Oct-03</b>     |  |
| <i>Marketable Real Assets Benchmark</i>          |                      |                   | 2.2                       | 20.4        | 34.5        | 6.3          | 5.3          | --            | --               | Oct-03            |  |
| Vanguard Real Estate Index Fund                  | 14,018,346           | 1.3               | 0.7                       | 22.2        | 33.5        | 12.0         | --           | --            | 12.0             | Oct-18            |  |
| <i>Real Estate Index</i>                         |                      |                   | 0.7                       | 22.3        | 33.6        | 12.1         | --           | --            | 12.1             | Oct-18            |  |
| T. Rowe Price New Era Fund                       | 16,111,734           | 1.5               | -0.3                      | 15.5        | 39.2        | 2.2          | --           | --            | 2.2              | Oct-18            |  |
| <i>MSCI World Select Natural Resources</i>       |                      |                   | -0.7                      | 24.4        | 52.7        | 0.4          | 4.3          | 3.6           | 0.4              | Oct-18            |  |
| <b>Hedge Funds</b>                               | <b>62,759,114</b>    | <b>5.8</b>        | <b>2.8</b>                | <b>9.4</b>  | <b>15.6</b> | <b>7.7</b>   | <b>6.4</b>   | <b>5.5</b>    | <b>5.3</b>       | <b>Aug-03</b>     |  |
| <i>HFRI Fund of Funds Composite Index</i>        |                      |                   | 0.7                       | 5.7         | 14.2        | 6.5          | 5.8          | 4.5           | 3.9              | Aug-03            |  |
| <b>Long/Short Equity</b>                         | <b>20,056,805</b>    | <b>1.9</b>        | <b>8.3</b>                | <b>21.2</b> | <b>32.3</b> | <b>14.2</b>  | <b>10.8</b>  | <b>7.8</b>    | <b>6.4</b>       | <b>Jan-05</b>     |  |
| SRS Partners                                     | 14,334,615           | 1.3               | 10.3                      | 19.2        | 27.0        | 14.5         | 11.6         | --            | 8.6              | Jun-14            |  |
| Lakewood Capital Offshore                        | 5,722,190            | 0.5               | 3.5                       | 27.1        | 49.2        | 9.0          | --           | --            | 9.0              | Oct-18            |  |
| <b>Diversifiers</b>                              | <b>42,082,438</b>    | <b>3.9</b>        | <b>0.4</b>                | <b>4.7</b>  | <b>9.5</b>  | <b>4.6</b>   | <b>3.8</b>   | <b>4.2</b>    | <b>4.8</b>       | <b>Aug-03</b>     |  |
| Davidson Kempner                                 | 17,784,948           | 1.7               | -0.2                      | 6.9         | 12.2        | 6.6          | 6.3          | 6.2           | 6.9              | Aug-03            |  |
| HBK Offshore                                     | 17,968,365           | 1.7               | 1.9                       | 6.0         | 9.9         | 6.0          | 5.4          | 5.1           | 5.1              | Mar-11            |  |
| Standard Life GARs                               | 6,329,125            | 0.6               | -2.5                      | -4.2        | -0.7        | 3.0          | 2.1          | --            | 0.9              | Aug-15            |  |
| <b>Manager Holdbacks</b>                         | <b>619,872</b>       | <b>0.1</b>        | <b>-0.4</b>               | <b>0.1</b>  | <b>-0.5</b> | <b>-2.3</b>  | <b>-0.4</b>  | <b>--</b>     | <b>-7.4</b>      | <b>Jul-12</b>     |  |



# University of Houston System Endowment Fund

## PERFORMANCE DETAIL

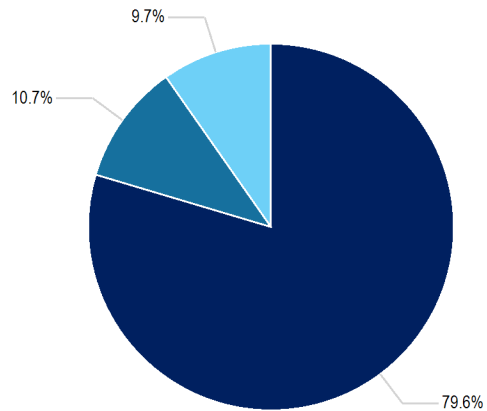
|                                      |                      |                   | Ending September 30, 2021 |             |             |              |              |               |                  |                   |  |
|--------------------------------------|----------------------|-------------------|---------------------------|-------------|-------------|--------------|--------------|---------------|------------------|-------------------|--|
|                                      | Market Value<br>(\$) | % of<br>Portfolio | 3 Mo<br>(%)               | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 10 Yrs<br>(%) | Inception<br>(%) | Inception<br>Date |  |
| <b>Private Markets</b>               | <b>327,592,516</b>   | <b>30.5</b>       | <b>10.8</b>               | <b>41.5</b> | <b>41.5</b> | <b>22.7</b>  | <b>20.2</b>  | <b>14.9</b>   | <b>41.5</b>      | <b>Jan-21</b>     |  |
| <b>Private Equity</b>                | <b>260,417,351</b>   | <b>24.3</b>       | <b>11.3</b>               | <b>46.6</b> | <b>46.6</b> | <b>29.7</b>  | <b>25.4</b>  | <b>18.9</b>   | <b>13.8</b>      | <b>Jan-98</b>     |  |
| <i>CJA Global All PE (Qtr Lag)</i>   |                      |                   | 11.4                      | 41.0        | 55.1        | 21.8         | 19.6         | 14.7          | --               | Jan-98            |  |
| <b>Private Real Assets</b>           | <b>67,175,165</b>    | <b>6.3</b>        | <b>9.2</b>                | <b>24.7</b> | <b>24.7</b> | <b>5.0</b>   | <b>7.5</b>   | <b>7.0</b>    | <b>6.2</b>       | <b>Nov-03</b>     |  |
| <i>Private Real Assets Benchmark</i> |                      |                   | 8.0                       | 18.1        | 21.8        | 5.5          | 7.8          | 7.6           | 9.8              | Nov-03            |  |



# University of Houston System Endowment Fund

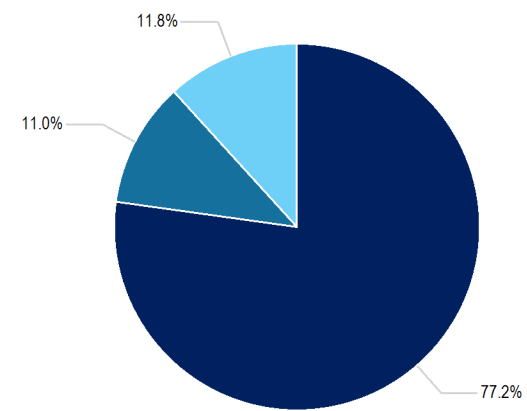
## PRIVATE INVESTMENTS SUMMARY

Valuation by Asset Class



Private Equity Real Assets Real Estate

Fund Exposure by Asset Class



Private Equity Real Assets Real Estate

| Asset Class          | Investments \$       |                          |                      |                      | Trailing Period Performance (IRR) |               |               |               |               |               | Multiples     |             |             |
|----------------------|----------------------|--------------------------|----------------------|----------------------|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
|                      | Commitment           | Cumulative Contributions | Unfunded Commitment  | Valuation            | (QTR)                             | (YTD)         | (1 YR)        | (3 YRS)       | (5 YRS)       | (10 YRS)      | SI IRR        | DPI         | TVPI        |
| Total Private Equity | \$293,131,535        | \$175,311,426            | \$117,820,109        | \$265,748,328        | 11.17%                            | 26.04%        | 69.92%        | 34.10%        | 28.87%        | 22.76%        | 21.53%        | 0.50        | 2.02        |
| Total Real Assets    | \$74,500,000         | \$55,257,545             | \$19,242,455         | \$35,568,193         | 11.82%                            | 22.99%        | 36.65%        | 3.30%         | 6.80%         | 6.14%         | 8.12%         | 0.57        | 1.21        |
| Total Real Estate    | \$70,235,295         | \$44,294,513             | \$25,940,782         | \$32,509,456         | 6.65%                             | 8.23%         | 19.33%        | 12.13%        | 12.11%        | 12.03%        | 5.01%         | 0.57        | 1.29        |
| <b>Total</b>         | <b>\$437,866,830</b> | <b>\$274,863,484</b>     | <b>\$163,003,346</b> | <b>\$333,825,977</b> | <b>10.78%</b>                     | <b>23.75%</b> | <b>59.33%</b> | <b>26.66%</b> | <b>23.33%</b> | <b>18.61%</b> | <b>14.93%</b> | <b>0.53</b> | <b>1.74</b> |

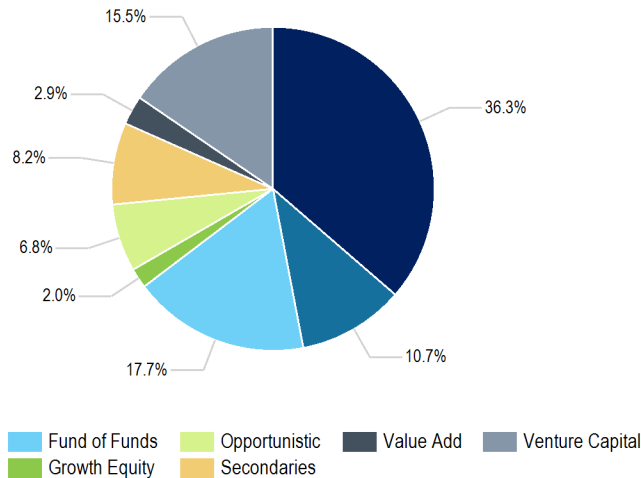




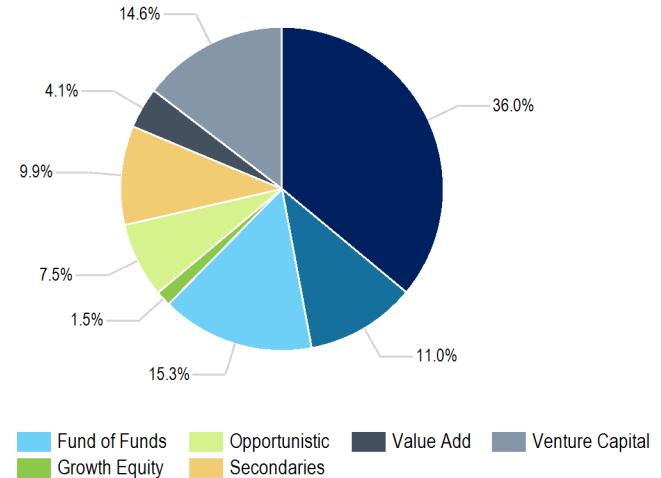
# University of Houston System Endowment Fund

## PRIVATE INVESTMENTS BY STRATEGY

Private Markets Valuation by Strategy



Private Markets Fund Exposure by Strategy



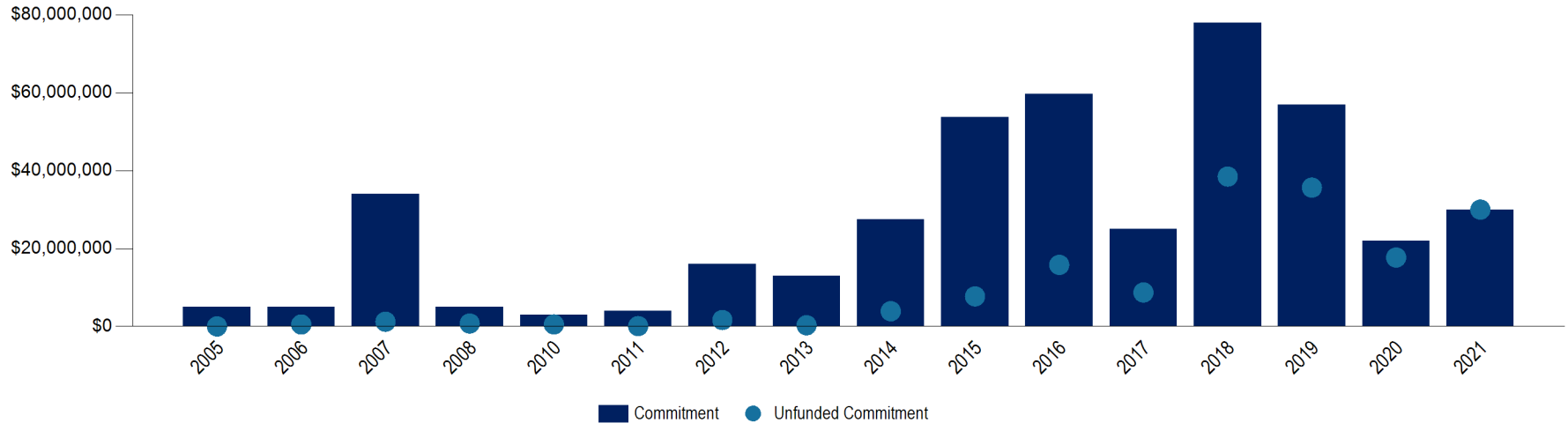
| Investment Strategy   | Investments          |                      |             | Commitments              |                  |                          | Contributions & Distributions |                      |                      | Valuations           |             |             |               | Performance |  |  |
|-----------------------|----------------------|----------------------|-------------|--------------------------|------------------|--------------------------|-------------------------------|----------------------|----------------------|----------------------|-------------|-------------|---------------|-------------|--|--|
|                       | Commitment           | Unfunded Commitment  | Call Ratio  | Cumulative Contributions | Additional Fees  | Cumulative Distributions | Valuation                     | Total Value          | Net Benefit          | Fund Exposure        | DPI         | TVPI        | IRR           |             |  |  |
| Total Buyout          | \$139,500,000        | \$57,650,097         | 0.59        | \$81,849,903             | \$4,897          | \$37,246,336             | \$121,304,500                 | \$158,550,836        | \$76,696,037         | \$178,954,597        | 0.46        | 1.94        | 22.98%        |             |  |  |
| Total Energy          | \$74,500,000         | \$19,242,455         | 0.74        | \$55,257,545             | -\$23,570        | \$31,506,672             | \$35,568,193                  | \$67,074,865         | \$11,840,890         | \$54,810,648         | 0.57        | 1.21        | 8.12%         |             |  |  |
| Total Fund of Funds   | \$56,000,000         | \$17,137,407         | 0.69        | \$38,862,593             | \$0              | \$36,013,623             | \$59,073,229                  | \$95,086,852         | \$56,224,259         | \$76,210,636         | 0.93        | 2.45        | 14.68%        |             |  |  |
| Total Growth Equity   | \$5,000,000          | \$945,267            | 0.81        | \$4,054,733              | \$0              | \$0                      | \$6,649,679                   | \$6,649,679          | \$2,594,946          | \$7,594,946          | 0.00        | 1.64        | 57.08%        |             |  |  |
| Total Opportunistic   | \$34,000,000         | \$14,585,649         | 0.57        | \$19,414,351             | \$851,363        | \$6,052,148              | \$22,598,787                  | \$28,650,935         | \$8,385,221          | \$37,184,436         | 0.30        | 1.41        | 15.66%        |             |  |  |
| Total Secondaries     | \$46,500,000         | \$21,887,558         | 0.53        | \$24,612,442             | \$254            | \$15,216,015             | \$27,287,043                  | \$42,503,058         | \$17,890,362         | \$49,174,601         | 0.62        | 1.73        | 25.89%        |             |  |  |
| Total Value Add       | \$28,235,295         | \$10,655,226         | 0.62        | \$17,580,069             | \$105,763        | \$10,828,751             | \$9,680,075                   | \$20,508,826         | \$2,822,994          | \$20,335,301         | 0.61        | 1.16        | 2.33%         |             |  |  |
| Total Venture Capital | \$54,131,535         | \$20,899,687         | 0.61        | \$33,231,848             | -\$6,091         | \$8,811,738              | \$51,664,471                  | \$60,476,209         | \$27,250,452         | \$72,564,158         | 0.27        | 1.82        | 22.66%        |             |  |  |
| <b>Total</b>          | <b>\$437,866,830</b> | <b>\$163,003,346</b> | <b>0.63</b> | <b>\$274,863,484</b>     | <b>\$932,616</b> | <b>\$145,675,284</b>     | <b>\$333,825,977</b>          | <b>\$479,501,261</b> | <b>\$203,705,160</b> | <b>\$496,829,323</b> | <b>0.53</b> | <b>1.74</b> | <b>14.93%</b> |             |  |  |



# University of Houston System Endowment Fund

## PRIVATE INVESTMENTS BY VINTAGE YEAR

Commitments By Vintage Year



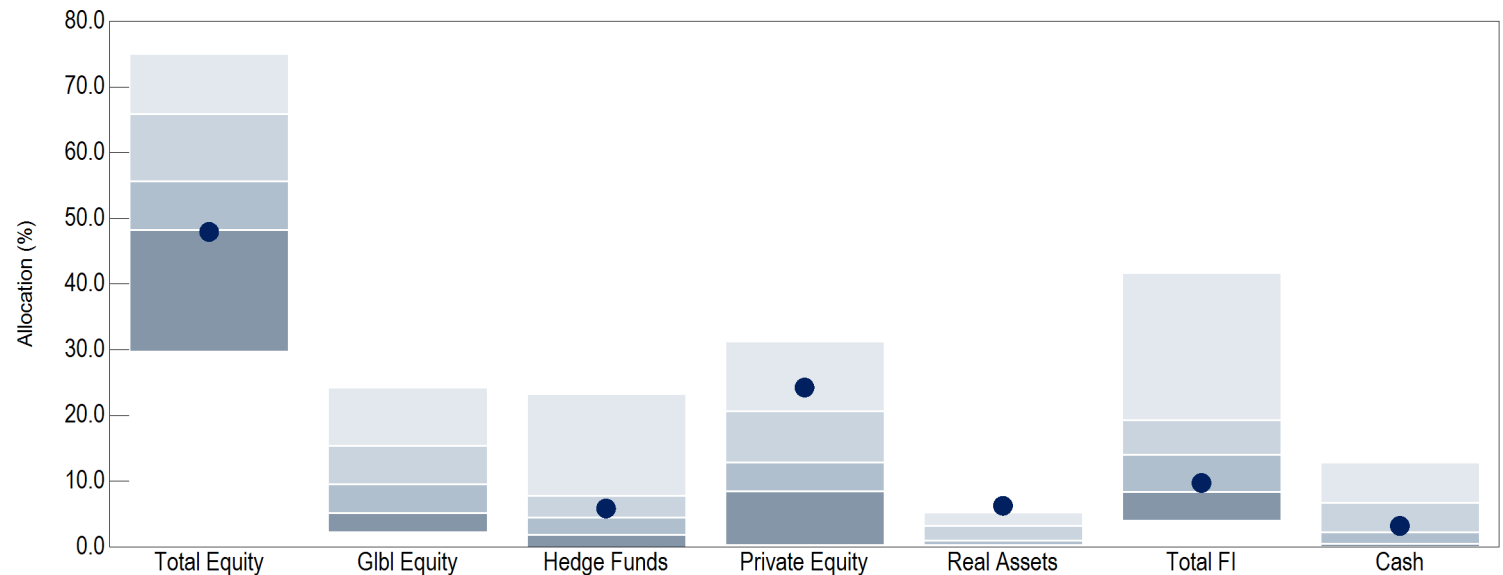
| Investments  | Commitments          |                      |             | Contributions & Distributions |                  |                          | Valuations           |                      |                      | Performance |             |               |
|--------------|----------------------|----------------------|-------------|-------------------------------|------------------|--------------------------|----------------------|----------------------|----------------------|-------------|-------------|---------------|
| Vintage Year | Commitment           | Unfunded Commitment  | Call Ratio  | Cumulative Contributions      | Additional Fees  | Cumulative Distributions | Valuation            | Total Value          | Net Benefit          | DPI         | TVPI        | IRR           |
| Total 2005   | \$5,000,000          | \$0                  | 1.00        | \$5,000,000                   | \$0              | \$3,023,654              | \$1,974,148          | \$4,997,802          | -\$2,198             | 0.60        | 1.00        | 0.00%         |
| Total 2006   | \$5,000,000          | \$505,441            | 0.90        | \$4,494,559                   | \$0              | \$4,527,977              | \$43,094             | \$4,571,071          | \$76,512             | 1.01        | 1.02        | 0.22%         |
| Total 2007   | \$33,985,295         | \$1,207,592          | 0.96        | \$32,777,703                  | \$0              | \$46,261,049             | \$7,046,125          | \$53,307,174         | \$20,529,471         | 1.41        | 1.63        | 10.41%        |
| Total 2008   | \$5,000,000          | \$755,000            | 0.85        | \$4,245,000                   | \$0              | \$6,253,722              | \$2,275,415          | \$8,529,137          | \$4,284,137          | 1.47        | 2.01        | 10.63%        |
| Total 2010   | \$3,000,000          | \$510,000            | 0.83        | \$2,490,000                   | \$0              | \$5,487,438              | \$8,101,855          | \$13,589,293         | \$11,099,293         | 2.20        | 5.46        | 23.33%        |
| Total 2011   | \$4,000,000          | \$88,560             | 0.98        | \$3,911,440                   | \$0              | \$3,889,331              | \$4,138,018          | \$8,027,349          | \$4,115,909          | 0.99        | 2.05        | 14.07%        |
| Total 2012   | \$16,000,000         | \$1,656,331          | 0.90        | \$14,343,669                  | \$3,431          | \$17,066,266             | \$13,605,207         | \$30,671,473         | \$16,324,373         | 1.19        | 2.14        | 20.90%        |
| Total 2013   | \$13,000,000         | \$299,739            | 0.98        | \$12,700,261                  | \$0              | \$10,339,579             | \$20,679,878         | \$31,019,456         | \$18,319,195         | 0.81        | 2.44        | 19.82%        |
| Total 2014   | \$27,500,000         | \$3,890,005          | 0.86        | \$23,609,995                  | \$3,964          | \$13,081,080             | \$28,945,324         | \$42,026,403         | \$18,412,444         | 0.55        | 1.78        | 18.54%        |
| Total 2015   | \$53,750,000         | \$7,719,757          | 0.86        | \$46,030,243                  | \$490,481        | \$22,654,201             | \$64,386,005         | \$87,040,206         | \$40,519,483         | 0.49        | 1.87        | 20.80%        |
| Total 2016   | \$59,631,535         | \$15,807,685         | 0.73        | \$43,823,850                  | \$143,894        | \$7,894,306              | \$65,745,612         | \$73,639,917         | \$29,672,173         | 0.18        | 1.67        | 24.22%        |
| Total 2017   | \$25,000,000         | \$8,725,174          | 0.65        | \$16,274,826                  | -\$6,091         | \$96,485                 | \$28,427,332         | \$28,523,817         | \$12,255,082         | 0.01        | 1.75        | 36.91%        |
| Total 2018   | \$78,000,000         | \$38,481,678         | 0.51        | \$39,518,322                  | \$194,968        | \$2,231,056              | \$56,017,631         | \$58,248,686         | \$18,535,396         | 0.06        | 1.47        | 39.98%        |
| Total 2019   | \$57,000,000         | \$35,645,493         | 0.37        | \$21,354,507                  | \$101,969        | \$2,869,141              | \$27,825,698         | \$30,694,839         | \$9,238,363          | 0.13        | 1.43        | 59.27%        |
| Total 2020   | \$22,000,000         | \$17,710,891         | 0.19        | \$4,289,109                   | \$0              | \$0                      | \$4,614,636          | \$4,614,636          | \$325,527            | 0.00        | 1.08        | 33.93%        |
| Total 2021   | \$30,000,000         | \$30,000,000         |             | \$0                           | \$0              | \$0                      | \$0                  | \$0                  | \$0                  |             |             |               |
| <b>Total</b> | <b>\$437,866,830</b> | <b>\$163,003,346</b> | <b>0.63</b> | <b>\$274,863,484</b>          | <b>\$932,616</b> | <b>\$145,675,284</b>     | <b>\$333,825,977</b> | <b>\$479,501,261</b> | <b>\$203,705,160</b> | <b>0.53</b> | <b>1.74</b> | <b>14.93%</b> |



# University of Houston System Endowment Fund

## ASSET ALLOCATION VS. E&F INSTITUTIONS > \$500MM

Total Plan Allocation vs. InvMetrics All E&F > \$500mm Net  
As of September 30, 2021



### Allocation (Rank)

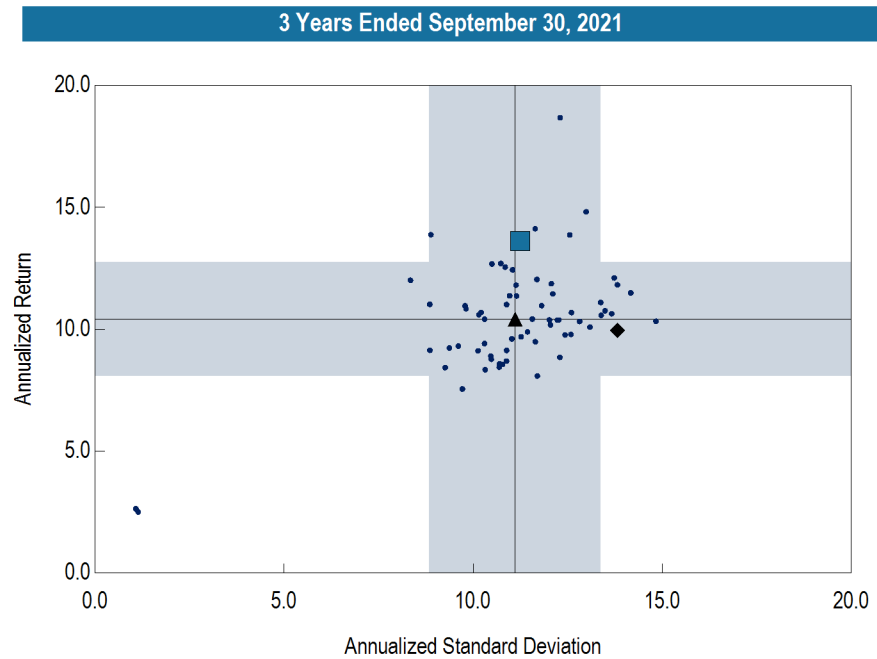
|                      |      |      |      |      |     |      |      |      |     |     |     |      |     |      |
|----------------------|------|------|------|------|-----|------|------|------|-----|-----|-----|------|-----|------|
| 5th Percentile       | 75.1 | 24.3 | 23.3 | 31.3 | 5.2 | 41.7 | 12.9 |      |     |     |     |      |     |      |
| 25th Percentile      | 66.0 | 15.5 | 7.9  | 20.8 | 3.3 | 19.4 | 6.8  |      |     |     |     |      |     |      |
| Median               | 55.7 | 9.6  | 4.6  | 13.0 | 1.1 | 14.1 | 2.3  |      |     |     |     |      |     |      |
| 75th Percentile      | 48.3 | 5.2  | 2.0  | 8.5  | 0.4 | 8.5  | 0.6  |      |     |     |     |      |     |      |
| 95th Percentile      | 29.8 | 2.3  | 0.0  | 0.4  | 0.1 | 4.1  | 0.1  |      |     |     |     |      |     |      |
| # of Portfolios      | 47   | 22   | 29   | 42   | 21  | 46   | 47   |      |     |     |     |      |     |      |
| ● UHS Endowment Fund | 47.9 | (76) | --   | --   | 5.8 | (41) | 24.3 | (20) | 6.3 | (1) | 9.7 | (69) | 3.2 | (46) |

\*Marketable Real Assets are excluded from analytic.

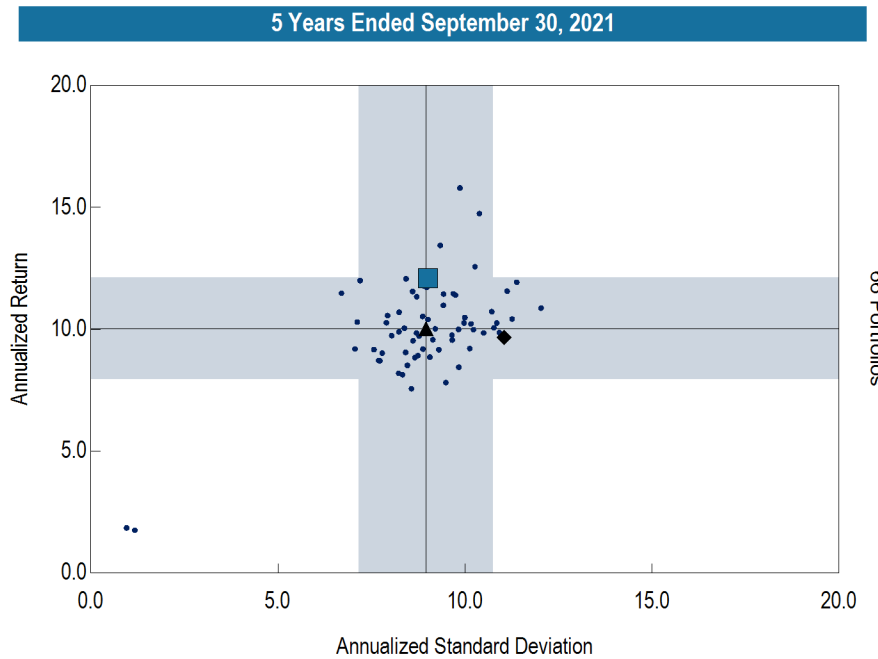


# University of Houston System Endowment Fund

## RISK/RETURN VS. E&F INSTITUTIONS > \$500MM



- UHS Endowment Fund
- ◆ Dynamic Benchmark
- ▲ Universe Median
- 68% Confidence Interval
- InvMetrics All E&F > \$500mm Net



- UHS Endowment Fund
- ◆ Dynamic Benchmark
- ▲ Universe Median
- 68% Confidence Interval
- InvMetrics All E&F > \$500mm Net

|                    | 3 Years Ended September 30, 2021 |      |               |      |              |      |               |      |
|--------------------|----------------------------------|------|---------------|------|--------------|------|---------------|------|
|                    | Anlzd Ret                        | Rank | Anlzd Std Dev | Rank | Sharpe Ratio | Rank | Sortino Ratio | Rank |
| UHS Endowment Fund | 13.6%                            | 8    | 11.2%         | 54   | 1.1          | 12   | 1.3           | 19   |
| Dynamic Benchmark  | 9.9%                             | 63   | 13.8%         | 97   | 0.6          | 97   | 0.8           | 99   |

|                    | 5 Years Ended September 30, 2021 |      |               |      |              |      |               |      |
|--------------------|----------------------------------|------|---------------|------|--------------|------|---------------|------|
|                    | Anlzd Ret                        | Rank | Anlzd Std Dev | Rank | Sharpe Ratio | Rank | Sortino Ratio | Rank |
| UHS Endowment Fund | 12.1%                            | 7    | 9.0%          | 53   | 1.2          | 12   | 1.3           | 25   |
| Dynamic Benchmark  | 9.7%                             | 66   | 11.0%         | 95   | 0.8          | 95   | 0.8           | 99   |



# UHS ENDOWMENT CASH FLOWS BY CATEGORY

| Period   | Beginning Market Value (in millions) | Net Cash Flows (in millions) | Net Investment Change (in millions) | Management Fees (in millions) | Ending Market Value (in millions) |
|----------|--------------------------------------|------------------------------|-------------------------------------|-------------------------------|-----------------------------------|
| 2012     | \$486,853                            | \$10,962                     | \$61,391                            | -\$3,798                      | \$555,408                         |
| 2013     | \$555,408                            | -\$42,572                    | \$76,384                            | -\$3,885                      | \$585,336                         |
| 2014     | \$585,336                            | \$9,127                      | \$20,615                            | -\$4,495                      | \$610,582                         |
| 2015     | \$610,582                            | -\$24,614                    | -\$12,203                           | -\$3,678                      | \$570,086                         |
| 2016     | \$570,086                            | -\$16,937                    | \$32,186                            | -\$4,666                      | \$580,670                         |
| 2017     | \$580,670                            | \$7,757                      | \$95,836                            | -\$5,011                      | \$679,252                         |
| 2018     | \$679,252                            | \$26,657                     | -\$17,775                           | -\$4,834                      | \$683,300                         |
| 2019     | \$683,300                            | \$17,003                     | \$120,690                           | -\$6,372                      | \$814,623                         |
| 2020     | \$814,624                            | -\$37,486                    | \$121,586                           | -\$6,854                      | \$891,870                         |
| YTD 2021 | \$891,870                            | \$22,007                     | \$167,871                           | -\$5,257                      | \$1,073,741                       |

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

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

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





# GLOBAL EQUITY

Continued Discussion  
Planned for Q1 2022





# GLOBAL EQUITY DETAILED ANALYSIS

| Summary Statistics            | Global Equity Index (MSCI ACWI) | Global Equity (Recommended Managers) |
|-------------------------------|---------------------------------|--------------------------------------|
| Realized Alpha                | 0.0%                            | 5.4%                                 |
| Beta                          | 1.0                             | 1.06                                 |
| Tracking Error                | 0.0%                            | 6.6%                                 |
| Diversification Ratio         | 1.0                             | 1.13                                 |
| Information Ratio             | ---                             | 0.81                                 |
| Style                         | Neutral                         | Growth                               |
| Upside Market Capture         | 100%                            | 120%                                 |
| Downside Market Capture       | 100%                            | 91%                                  |
| Trailing 7-Year Excess Return | 0.0%                            | 7.7%                                 |

Proposed Global equity managers have significantly outperformed

Meaningful diversification benefit for overall portfolio

Dramatic difference in historical downside protection with material participation in upside

All Risk/Return statistics calculated using since fund inception through 03/31/21

Portfolio metrics calculated by combining fund statistics at specified weights

Diversification Ratio defined as:  $\sum(\text{Fund Active Risk} * \text{Fund Weight}) / (\text{Total Portfolio Active Risk})$ . Higher numbers represent greater diversification.

Information Ratio defined as:  $\text{Realized Alpha} / \text{Tracking Error}$



# TRAILING RETURNS

- **Recommended Global Equity managers have delivered significant excess returns versus the global equity index (MSCI ACWI)**
  - Outperformed the MSCI ACWI Index by 7.7% annualized over trailing 7-year period

| Fund                                 | 1 Year      | 3 Years      | 5 Years     | 7 Years     | 10 Years    |
|--------------------------------------|-------------|--------------|-------------|-------------|-------------|
| Global Equity (Recommended Managers) | 29.4%       | 23.4%        | 23.2%       | 18.2%       | 18.9%       |
| MSCI ACWI                            | 28.0%       | 13.1%        | 13.8%       | 10.5%       | 12.5%       |
| <i>Excess Return</i>                 | <b>1.4%</b> | <b>10.3%</b> | <b>9.5%</b> | <b>7.7%</b> | <b>6.4%</b> |



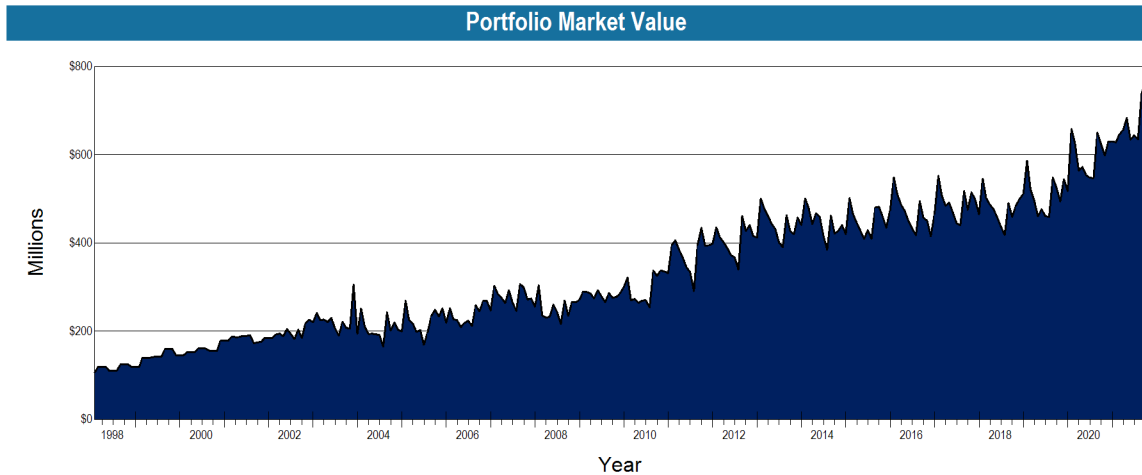
All Return statistics calculated using since fund inception through 09/30/21



# INVESTMENT PERFORMANCE: UHS NON-ENDOWED ASSETS



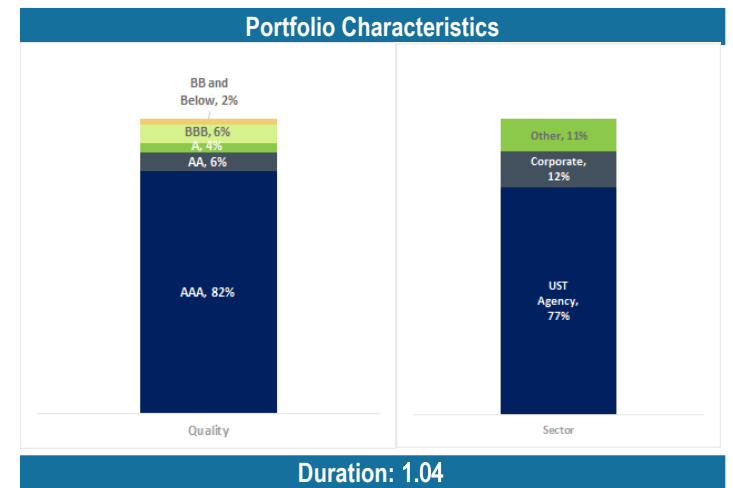
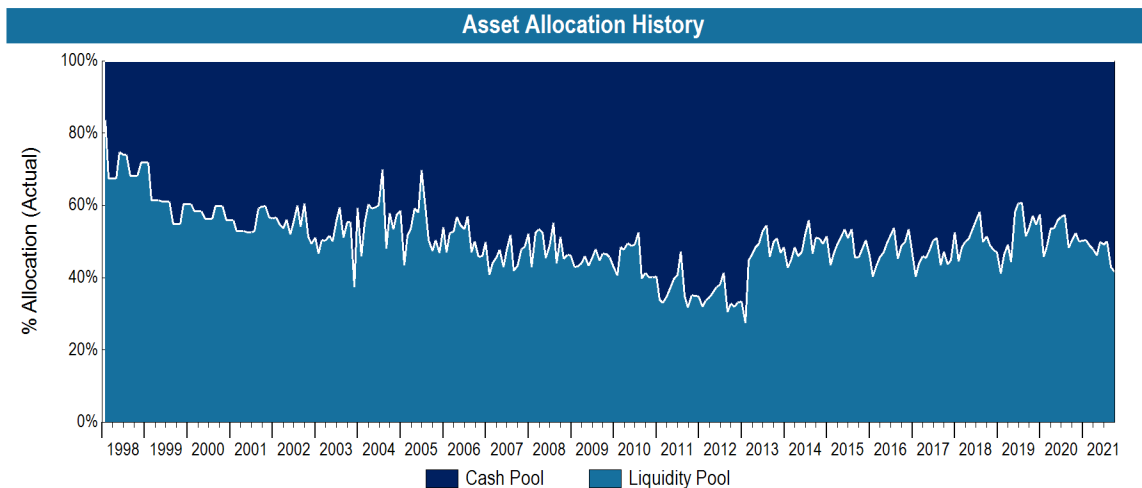
# University of Houston System Non-Endowed Assets INVESTMENT PERFORMANCE



|   | YTD          | 1 Yr         | 3 Yrs       | 5 Yrs       |
|---|--------------|--------------|-------------|-------------|
| <b>UHS Non-Endowed Assets</b>                 | <b>-0.3%</b> | <b>0.3%</b>  | <b>2.6%</b> | <b>1.7%</b> |
| <i>Dynamic Benchmark</i>                      | -0.2%        | --           | --          | --          |
| <i>Non-Endowed Policy Benchmark</i>           | -0.1%        | 0.0%         | 2.4%        | 1.6%        |
| <b>Cash Pool</b>                              | <b>-0.6%</b> | <b>-0.4%</b> | <b>0.8%</b> | <b>0.9%</b> |
| <i>ICE BofA 91 Days T-Bills TR</i>            | 0.0%         | 0.1%         | 1.2%        | 1.2%        |
| <b>Liquidity Pool</b>                         | <b>-0.2%</b> | <b>0.9%</b>  | <b>4.2%</b> | <b>2.4%</b> |
| <i>ICE BofA 1-5 Yrs US Corp &amp; Govt TR</i> | -0.2%        | 0.2%         | 3.7%        | 2.2%        |

### Market Value

|                               |                      |
|-------------------------------|----------------------|
| <b>UHS Non-Endowed Assets</b> | <b>\$762,645,951</b> |
|-------------------------------|----------------------|

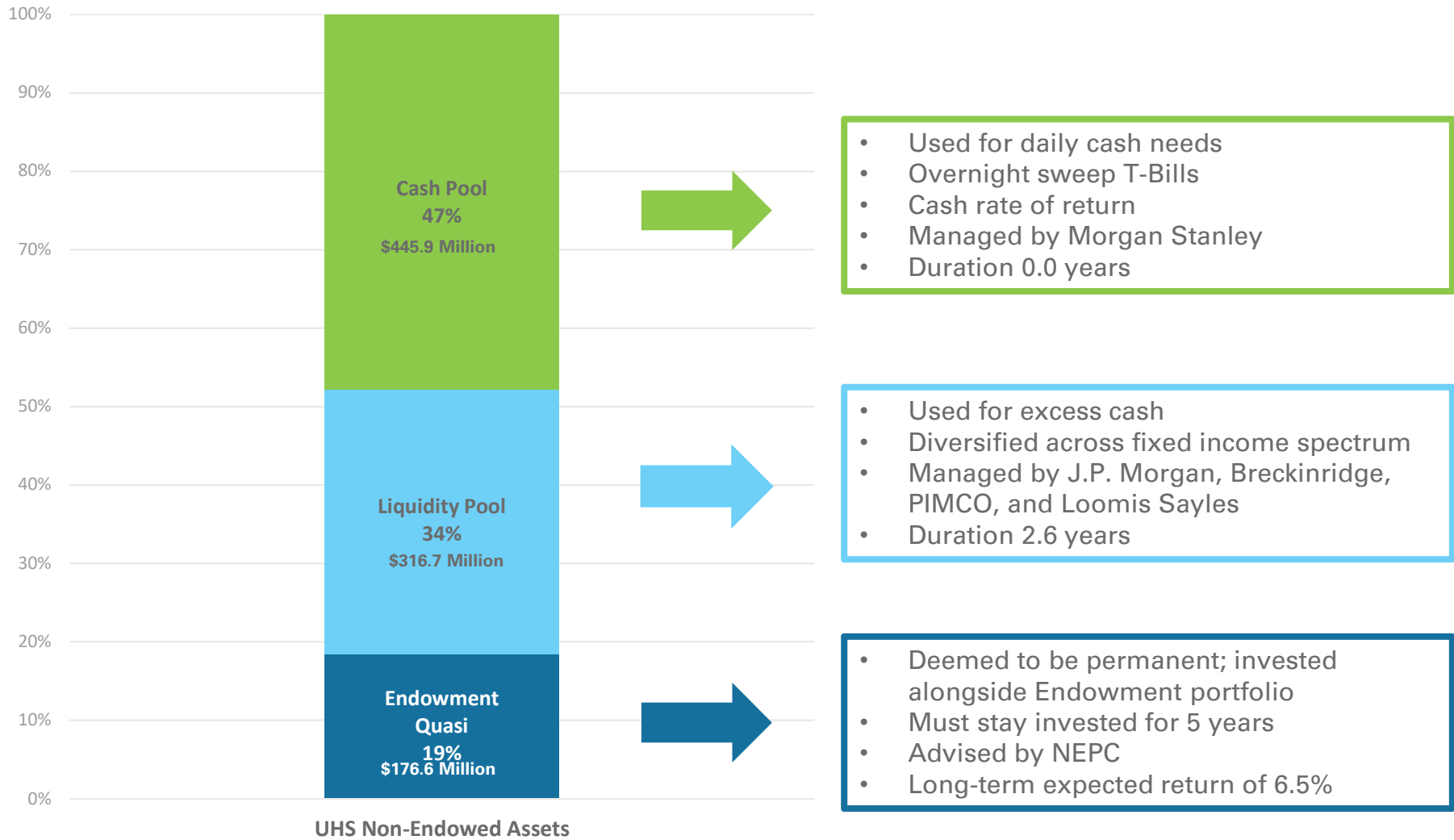


**Dynamic Benchmark:** Designed to match the actual composition of the portfolio, the Dynamic Benchmark evolves over time with market movements and changes to the portfolio. The Dynamic Benchmark is calculated monthly using the return for each manager's passive index multiplied by that manager's percentage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

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

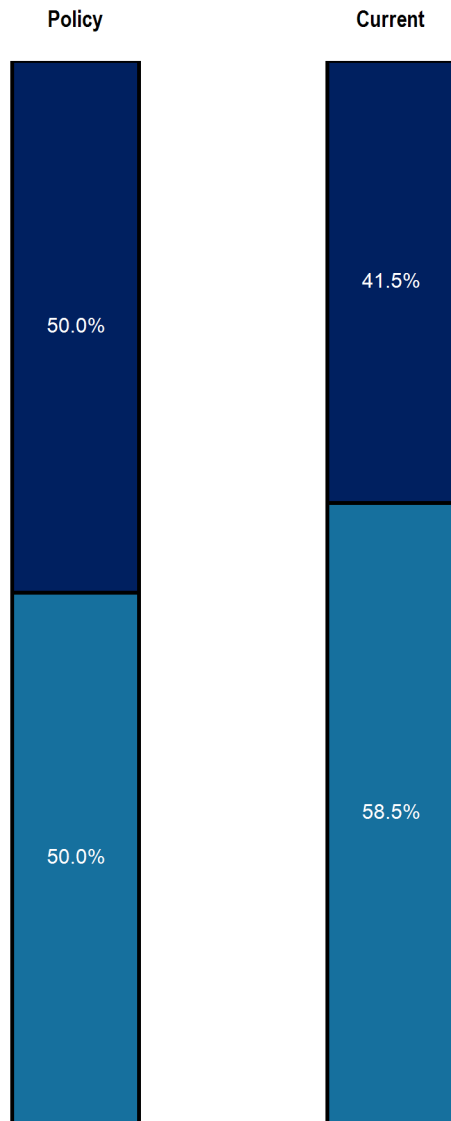


# NON-ENDOWED ASSETS COMPOSITION



# University of Houston System Non-Endowed Assets

## ACTUAL ASSET ALLOCATION VS. POLICY TARGETS



|              | Asset Allocation vs. Target |               |               |             | Policy Range   | Within Range |
|--------------|-----------------------------|---------------|---------------|-------------|----------------|--------------|
|              | Current                     | Policy        | Current       | Difference* |                |              |
| Fixed Income | \$316,711,112               | 50.0%         | 41.5%         | -8.5%       | 0.0% - 70.0%   | Yes          |
| Cash         | \$445,934,839               | 50.0%         | 58.5%         | 8.5%        | 30.0% - 100.0% | Yes          |
| <b>Total</b> | <b>\$762,645,951</b>        | <b>100.0%</b> | <b>100.0%</b> |             |                |              |

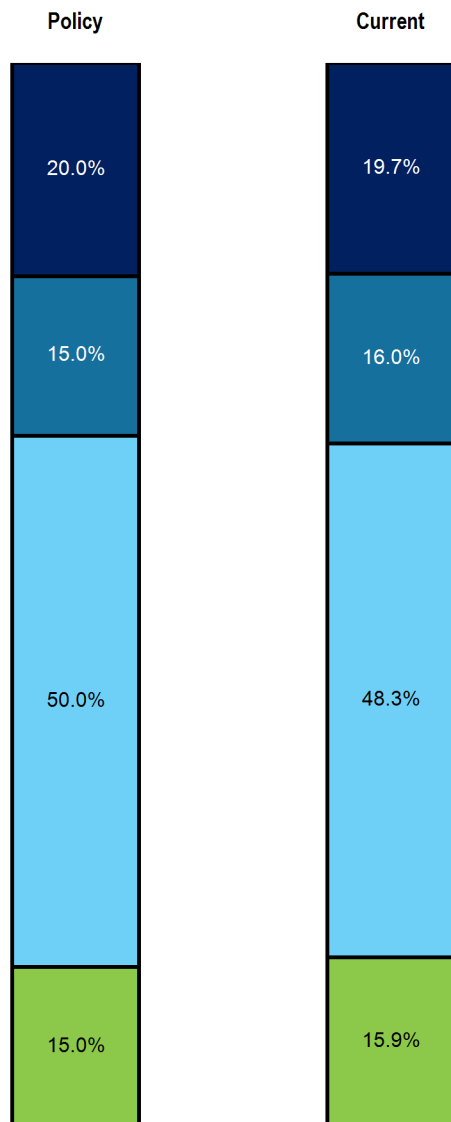
\*Difference between Policy and Current Allocation





# University of Houston System Non-Endowed Assets

## ACTUAL ASSET ALLOCATION VS. POLICY TARGETS



|                   | Asset Allocation vs. Target |               |                     |       | Policy Range   | Within Range |
|-------------------|-----------------------------|---------------|---------------------|-------|----------------|--------------|
|                   | Current                     | Policy        | Current Difference* |       |                |              |
| Core Fixed Income | \$62,539,747                | 20.0%         | 19.7%               | -0.3% | 0.0% - 30.0%   | Yes          |
| Core Plus         | \$50,693,280                | 15.0%         | 16.0%               | 1.0%  | 0.0% - 25.0%   | Yes          |
| Gov/Credit        | \$153,085,741               | 50.0%         | 48.3%               | -1.7% | 40.0% - 100.0% | Yes          |
| Absolute Return   | \$50,392,343                | 15.0%         | 15.9%               | 0.9%  | 0.0% - 25.0%   | Yes          |
| <b>Total</b>      | <b>\$316,711,112</b>        | <b>100.0%</b> | <b>100.0%</b>       |       |                |              |

\*Difference between Policy and Current Allocation



# University of Houston System Non-Endowed Assets

## PERFORMANCE DETAIL

|   | Market Value<br>(\$) | % of<br>Portfolio | Ending September 30, 2021 |             |             |              |              |               |            | Inception<br>(%) | Inception<br>Date |
|---|----------------------|-------------------|---------------------------|-------------|-------------|--------------|--------------|---------------|------------|------------------|-------------------|
|   |                      |                   | 3 Mo<br>(%)               | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 10 Yrs<br>(%) |            |                  |                   |
| <b>UHS Non-Endowed Assets</b>                             | <b>762,645,951</b>   | <b>100.0</b>      | <b>0.0</b>                | <b>-0.3</b> | <b>0.3</b>  | <b>2.6</b>   | <b>1.7</b>   | <b>1.2</b>    | <b>2.8</b> | <b>Jan-98</b>    |                   |
| <i>Dynamic Benchmark</i>                                  |                      |                   | 0.0                       | -0.2        | --          | --           | --           | --            | --         | Jan-98           |                   |
| <i>Non-Endowed Policy Benchmark</i>                       |                      |                   | 0.0                       | -0.1        | 0.0         | 2.4          | 1.6          | --            | --         | Jan-98           |                   |
| <b>Cash Pool</b>  | <b>445,934,839</b>   | <b>58.5</b>       | <b>0.0</b>                | <b>-0.6</b> | <b>-0.4</b> | <b>0.8</b>   | <b>0.9</b>   | <b>0.5</b>    | <b>1.9</b> | <b>Jan-98</b>    |                   |
| <i>ICE BofA 91 Days T-Bills TR</i>                        |                      |                   | 0.0                       | 0.0         | 0.1         | 1.2          | 1.2          | 0.6           | 1.9        | Jan-98           |                   |
| Morgan Stanley Instl. Liquid Treasuries- Clear Lake       | 48,143,630           | 6.3               | 0.0                       | 0.0         | 0.0         | -0.5         | 0.1          | 0.0           | 1.8        | Jan-98           |                   |
| Morgan Stanley Instl. Liquid Treasuries- Downtown         | 42,915,101           | 5.6               | 0.0                       | 0.0         | 0.0         | -0.5         | 0.1          | 0.0           | 1.8        | Jan-98           |                   |
| Morgan Stanley Instl. Liquid Treasuries- U. of Houston    | 319,906,726          | 41.9              | 0.0                       | 0.0         | 0.0         | -0.5         | 0.1          | 0.0           | 1.8        | Jan-98           |                   |
| Morgan Stanley Instl. Liquid Treasuries- UofH System      | 10,467,519           | 1.4               | 0.0                       | 0.0         | 0.0         | -0.5         | 0.1          | 0.0           | 1.8        | Jan-98           |                   |
| Morgan Stanley Instl. Liquid Treasuries- Victoria         | 10,250,396           | 1.3               | 0.0                       | 0.0         | 0.0         | -0.5         | 0.1          | 0.0           | 1.7        | Jul-98           |                   |
| Columbia Treasury Reserves                                | 14,251,467           | 1.9               | 0.0                       | -2.7        | -3.6        | 4.5          | 2.4          | 1.3           | 1.0        | Sep-08           |                   |
| <b>Liquidity Pool</b>                                     | <b>316,711,112</b>   | <b>41.5</b>       | <b>0.0</b>                | <b>-0.2</b> | <b>0.9</b>  | <b>4.2</b>   | <b>2.4</b>   | <b>1.8</b>    | <b>3.7</b> | <b>Jan-98</b>    |                   |
| <i>ICE BofA 1-5 Yrs US Corp &amp; Govt TR</i>             |                      |                   | 0.0                       | -0.2        | 0.2         | 3.7          | 2.2          | 2.0           | 3.7        | Jan-98           |                   |
| JP Morgan - Univ. of Houston                              | 153,085,741          | 20.1              | 0.0                       | -0.2        | -0.1        | 3.4          | 2.0          | 1.6           | 3.6        | Jan-98           |                   |
| <i>ICE BofA 1-5 Yrs AAA-A US Corp &amp; Govt TR</i>       |                      |                   | 0.0                       | -0.3        | -0.2        | 3.4          | 2.0          | 1.7           | 3.6        | Jan-98           |                   |
| <i>ICE BofA 1-5 Yrs US Corp &amp; Govt TR</i>             |                      |                   | 0.0                       | -0.2        | 0.2         | 3.7          | 2.2          | 2.0           | 3.7        | Jan-98           |                   |
| PIMCO Dynamic Bond Fund                                   | 50,392,343           | 6.6               | 0.1                       | 1.2         | 3.6         | --           | --           | --            | 3.6        | May-19           |                   |
| <i>3-Month Libor Total Return USD</i>                     |                      |                   | 0.0                       | 0.1         | 0.2         | 1.3          | 1.4          | 0.9           | 0.9        | May-19           |                   |
| Breckinridge Core Intermediate Government Credit Strategy | 62,539,747           | 8.2               | 0.0                       | -0.8        | -0.2        | --           | --           | --            | 4.2        | May-19           |                   |
| <i>Bloomberg US Govt/Credit Int TR</i>                    |                      |                   | 0.0                       | -0.9        | -0.4        | 4.6          | 2.6          | 2.5           | 4.0        | May-19           |                   |
| Loomis Sayles Core Plus Full Discretion Strategy          | 50,693,280           | 6.6               | 0.0                       | -0.6        | 2.6         | --           | --           | --            | 6.6        | Jun-19           |                   |
| <i>Bloomberg US Govt/Credit TR</i>                        |                      |                   | 0.0                       | -1.9        | -1.1        | 5.9          | 3.2          | 3.2           | 4.7        | Jun-19           |                   |





# UHS MANAGER WATCH LIST



# UHS MANAGER WATCH LIST

- **Objective:**

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

- **Criteria for Inclusion:**

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

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



# UHS MANAGER WATCH LIST:

- **“Stoplight” Rating:**


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

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

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



# UHS MANAGER WATCH LIST

| Details                                     |                         | View               |   | Performance vs. Benchmark |              |              |             |               |
|---|-------------------------|--------------------|---|---------------------------|--------------|--------------|-------------|---------------|
| Manager                                     | Allocation              | Driver             | Rating  | 1 Yr                      | 3 Yr         | SI           | SI Date     | Added to List |
| Oldfield Emerging Markets<br><i>MSCI EM</i> | Emerging Markets Equity | <i>Performance</i> |  | 36.5%<br>18.2%            | 4.7%<br>8.6% | 5.1%<br>5.6% | March, 2011 | Q4 2019       |

- Oldfield Emerging Markets appears on the list as a function of performance only (3-Year return trails the MSCI Emerging Markets benchmark by > 300bps)**
  - Performance consistent with expectation given style/focus
  - Oldfield has outperformed materially during the past year; Since Inception return relatively in line with index







# PRIVATE MARKETS

## Recommendations:

- Silver Lake Partners VIII
- WindRose Health Investors VI
- Grosvenor Advance Ltd.
- Dalfen Last Mile V

# SILVER LAKE PARTNERS VIII

## NEPC recommends a \$10.0 million commitment to Silver Lake Partners VIII

- **Silver Lake Partners VIII is a Private Equity Buyout fund with a focus on large-market firms in the Technology space**
  - Target raise: \$20B; anticipated deployment: 25-30 investments
  - Return target: 20% IRR, 2.0x return multiple (TVPI)
  - Global in nature though primarily invests in the U.S.
- **Silver Lake has demonstrated the ability to generate strong returns**
  - Fund IV: 28.4% IRR, 2.9x TVPI
  - Fund V: 33.1% IRR, 1.8x TVPI
  - Fund VI: 38.6% IRR, 1.25x TVPI
- **Commitment would continue UHS relationship with Silver Lake Partners**
  - UHS commitment history with Silver Lake:

| Fund                          | Vintage Year | Commitment    |
|-------------------------------|--------------|---------------|
| Silver Lake Partners IV, L.P. | 2012         | \$4.0 million |
| Silver Lake Partners V, L.P.  | 2016         | \$7.0 million |
| Silver Lake Partners VI, L.P. | 2020         | \$7.0 million |



# WINDROSE HEALTH INVESTORS FUND VI

## NEPC recommends a \$10.0 million commitment to WindRose Health Investors Fund VI

- **WindRose Health Investors Fund VI is a Private Equity Buyout fund targeting middle-market opportunities in the Healthcare sector**
  - Target raise: \$1.15B; anticipated deployment: 9-11 holdings
  - Return target: 20% IRR, 2.0x return multiple (TVPI)
  - Consistent leadership provides stability and expertise when sourcing potential deals
  
- **Performance has been strong for prior iterations of WindRose’s flagship fund**
  - Fund II, III, and IV have generated first quartile results across TVPI, DPI, and IRR metrics
  
- **WindRose would provide valuable, complementary exposure for UHS given its Healthcare focus and expertise**
  - WindRose (middle market healthcare) pairs well with other UHS investments (example: Silver Lake Partners is large market tech-focused)
  - WindRose’s leadership and network provides a sourcing and investment edge in a complex, rapidly-evolving, and difficult-to-navigate sector



# GROSVENOR ADVANCE, LTD.

**NEPC recommends a \$10.0 million commitment to Grosvenor Advance, Ltd.**

- **Grosvenor Advance is a Private Equity fund-of-funds targeting investments with diverse-led, diverse-owned, and emerging managers**
  - Target raise: \$500 million; anticipated deployment: 12-14 positions
  - Return target: 20% IRR, 2.0x return multiple (TVPI)
  - US-focused; primarily buyout but also venture capital
  
- **Grosvenor Advance team has a multi-decade history in this space**
  - Over the past 20 years, GCM Grosvenor has invested ~\$3.5 billion across 110 diverse private equity managers.
  - Grosvenor will draw upon industry relationships and strong network to source opportunities for the Advance Fund
  
- **Grosvenor Advance offers UHS a different lens and exposure to compelling emerging / diverse-led managers**
  - Target firms/investments often overlooked
  - Advance Fund affords diversified exposure to emerging managers
  - Grosvenor Advance can also serve as an incubator for UHS; the Advance team embraces role in connecting LPs and underlying funds



# DALFEN LAST MILE V

## NEPC recommends a \$7.5 million commitment to Dalfen Last Mile V

- **Dalfen is a value-add fund focused on “last mile” industrial real estate**
  - Target raise: \$500-650 million
  - Return target: 12-14% IRR, 1.4x return multiple (TVPI)
  - Geographic focus of North America
- **Dalfen’s prior funds have been top performers:**
  - Fund I: 1.5x TVPI and 19.4% IRR
  - Fund II, III, and IV: 1.5x, 1.8x, 1.3x TVPI, 16.6%, 18.8%, and 16.5% IRR, respectively
- **Attractive market segment, vertically integrated model (operations managed in-house), and strong industry network for both sourcing and leasing optimization**
  - Growing demand for e-commerce is a significant tailwind
  - Knowledgeable, experienced team provides Dalfen the ability to not only source these “last-mile” properties but also partner/package them with major e-commerce providers

<sup>1</sup> “Last Mile” refers to real estate in/near dense population centers; it is the final leg of delivery from retailer to consumer



# DISCLAIMERS & DISCLOSURES

Past performance is no guarantee of future results.

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

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

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

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

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

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



