



TEXAS TECH UNIVERSITY SYSTEM™

Board of Regents Report

as of February 2017

Texas Tech University System Endowment

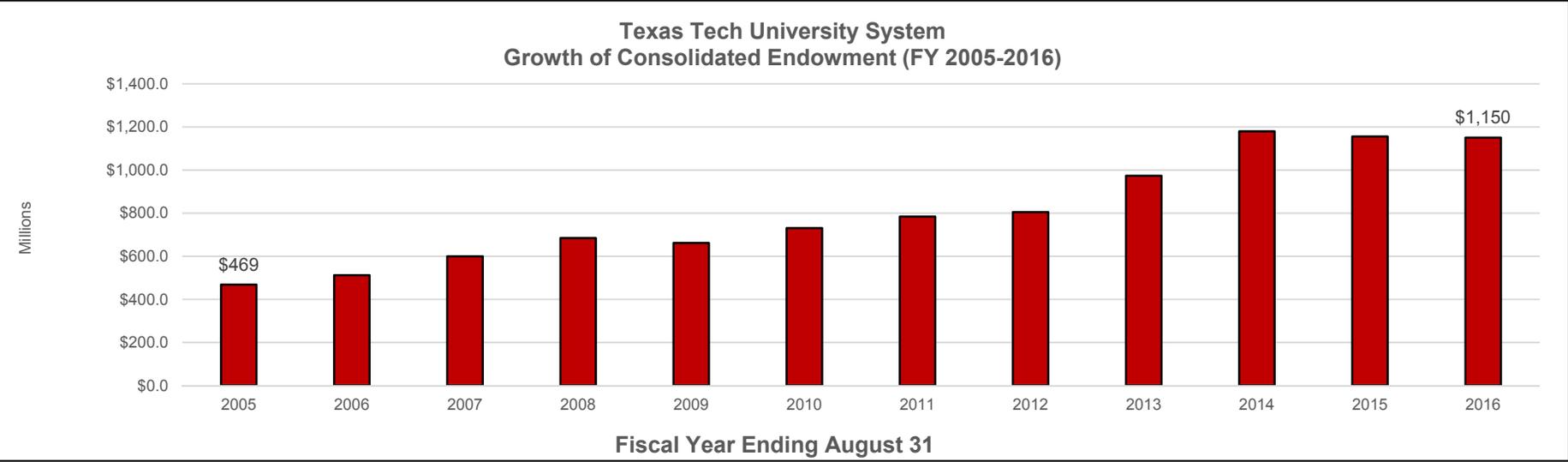
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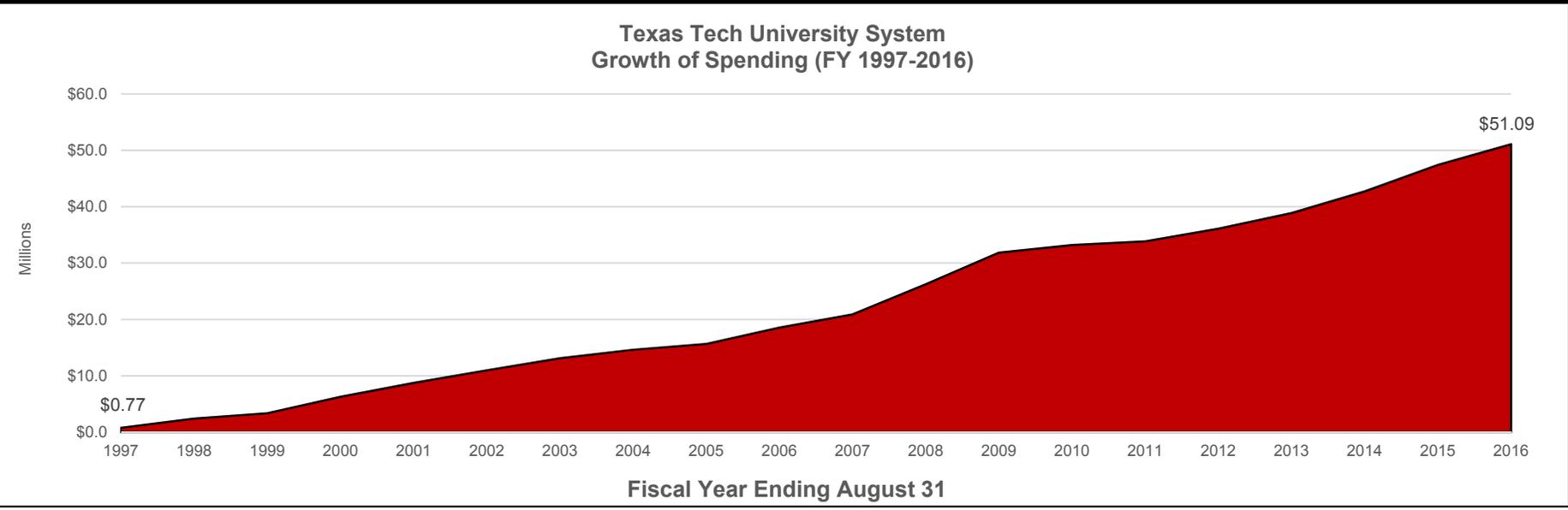
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Endowment Data

HISTORICAL MARKET VALUE (Fiscal Year)



HISTORICAL SPENDING (Fiscal Year)



The 4.5% distribution rate has been realized every year since inception.

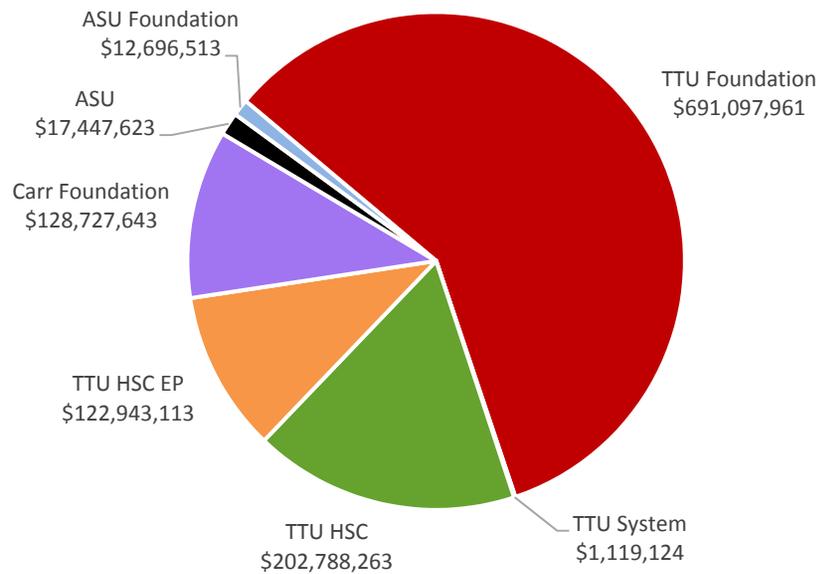


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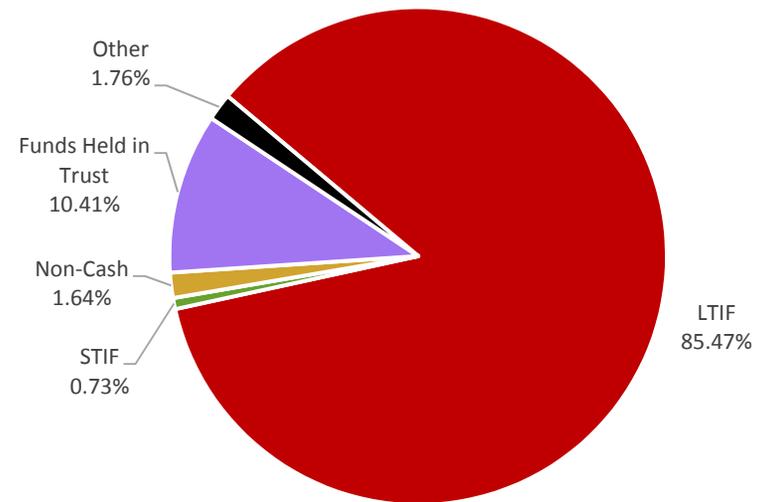
Endowment Data (cont.)

TOTAL ENDOWMENT (Fiscal Year 2017 Q1)

**Texas Tech University System
Endowment Breakout
by Institution**



**Texas Tech University System
Endowment Breakout
by Pool**



Summary of Endowment

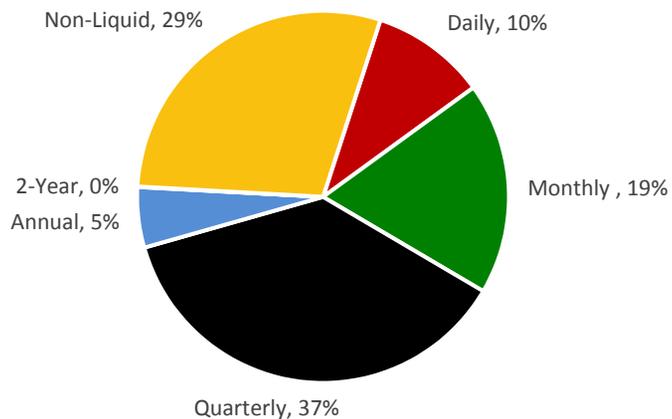
	TTU Foundation	TTU System	TTU HSC	TTU HSC EP	Carr Foundation	ASU	ASU Foundation	Total
LTIF	\$623,514,473	\$1,118,454	\$139,490,816	\$92,383,143	\$120,064,477	\$16,546,385	\$12,696,513	\$1,005,814,261
STIF	\$5,092,565	\$670	\$2,543,024	\$70	\$0	\$900,971	\$0	\$8,537,300
Non-Cash	\$9,198,718	\$0	\$1,418,536	\$0	\$8,663,166	\$0	\$0	\$19,280,420
Funds Held in Trust	\$32,597,723	\$0	\$59,335,886	\$30,559,900	\$0	\$0	\$0	\$122,493,508
Other	\$20,694,482	\$0	\$0	\$0	\$0	\$267	\$0	\$20,694,749
Total	\$691,097,961	\$1,119,124	\$202,788,263	\$122,943,113	\$128,727,643	\$17,447,623	\$12,696,513	\$1,176,820,238



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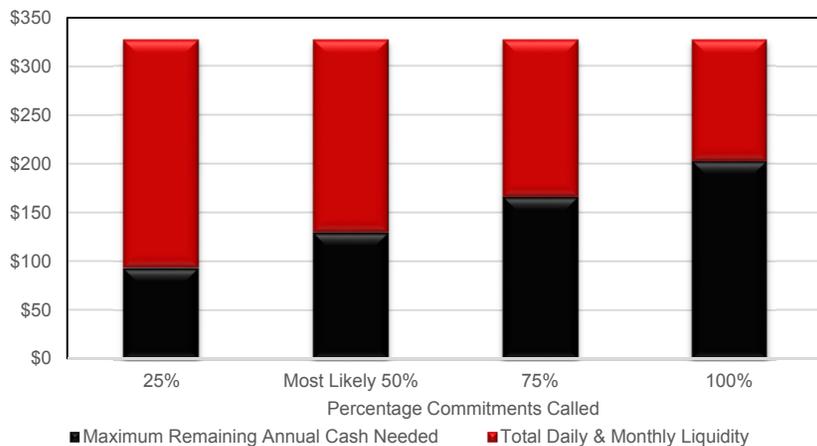
LTIF Liquidity

LTIF Liquidity



LTIF		Liquidity
Daily	\$111,736,703	10.0%
Monthly	\$206,313,871	18.5%
Quarterly	\$414,810,368	37.1%
Annual	\$58,723,702	5.3%
2-Year	\$545,017	0.0%
Non-Liquid	\$325,188,344	29.1%
Total LTIF	\$1,117,318,004	100%

Liquidity Sensitivity



	<u>Commitment</u>	<u>Capital Called</u>	<u>Distributions</u>	<u>Account Balance</u>	<u>Remaining Commitment</u>
Private Equity	\$207,000,000	\$114,886,641	\$58,974,584	\$80,812,174	\$92,113,359
Private Credit	\$151,603,248	\$121,949,424	\$24,960,455	\$126,989,764	\$29,653,824
Private Real Assets	\$286,698,950	\$262,699,386	\$184,600,817	\$119,567,073	\$23,999,564
Total Illiquid Assets	\$645,302,198	\$499,535,451	\$268,535,856	\$327,369,010	\$145,766,747
			Annual Spending		\$57,500,000
			Total Committed Funds		\$203,266,747

Unfunded Commitments - Sensitivity Analysis

	<u>25% Called</u>	<u>Most Likely 50% Called</u>	<u>75% Called</u>	<u>100% Called</u>
Maximum Remaining Annual Cash Needed	\$93,941,687	\$130,383,374	\$166,825,060	\$203,266,747
Percentage of Daily & Monthly Liquidity	29%	40%	51%	62%

28th February 2017**Market Data**

Benchmarks	Underlying	Weight	MTD Perf.	QTD Perf.	Calendar YTD	Fiscal YTD	Nacubo YTD	1 Year Perf.	3 Year Perf.	5 Year Perf.
Policy Benchmarks			1.11%	2.30%	2.30%	3.79%	5.68%	10.99%	5.24%	7.45%
Equity	Global Index (MSCI ACWI)	35%	2.76%	5.54%	5.54%	7.66%	12.83%	22.65%	4.78%	8.39%
Debt	Global Bonds (Barclays Global Agg)	25%	0.47%	1.61%	1.61%	-5.06%	-4.81%	0.59%	-0.47%	0.21%
Liquid Real Assets	CPI + 4%	10%	1.12%	1.63%	1.63%	4.13%	4.99%	7.35%	4.96%	5.21%
Private Investments	VE All PE Qtr Lag	27%	0.00%	0.00%	0.00%	7.88%	7.88%	8.66%	10.72%	12.56%
Private Investments	NCREIF	3%	0.00%	0.00%	0.00%	3.53%	3.53%	7.97%	11.01%	10.91%
Other Benchmarks										
Equity	S&P 500 Total Return		3.97%	5.94%	5.94%	10.01%	14.23%	24.98%	10.63%	14.01%
Equity	Non US Developed Equity (MSCI EAFE)		1.43%	4.37%	4.37%	4.90%	10.30%	15.75%	-0.62%	5.12%
Equity	EM Equities (MSCI EMF)		3.06%	8.70%	8.70%	5.51%	13.58%	29.46%	1.35%	-0.18%
Debt	EM Bonds (JPM EM Bond Index)		2.08%	3.54%	3.54%	-0.48%	2.88%	12.06%	6.05%	5.20%
Cash & Alpha Pool	90 Day T-Bills		0.04%	0.09%	0.09%	0.22%	0.27%	0.36%	0.16%	0.13%
Hedge Funds	HFRI FOF Composite		0.92%	1.93%	1.93%	3.16%	5.17%	6.53%	1.43%	3.14%
Private Investments	Private Market Index (90% VE, 10% NCREIF)		0.00%	0.00%	0.00%	7.44%	7.44%	8.59%	10.75%	12.39%

CIO NOTES:

Global equity markets hit record highs mid-month as economic data was positive globally. President Trump also announced a Tax Plan that spurred investor sentiment driving markets higher. This pushed expectations for a rate hike in June notably higher. We are currently in a market environment where equity valuations are fair to high depending on your metrics, credit spreads are tight and interest rates are low, leaving no easy investment choices for investors. We have maintained our balanced investment approach and slightly increased our hedging which is prudent in this environment.

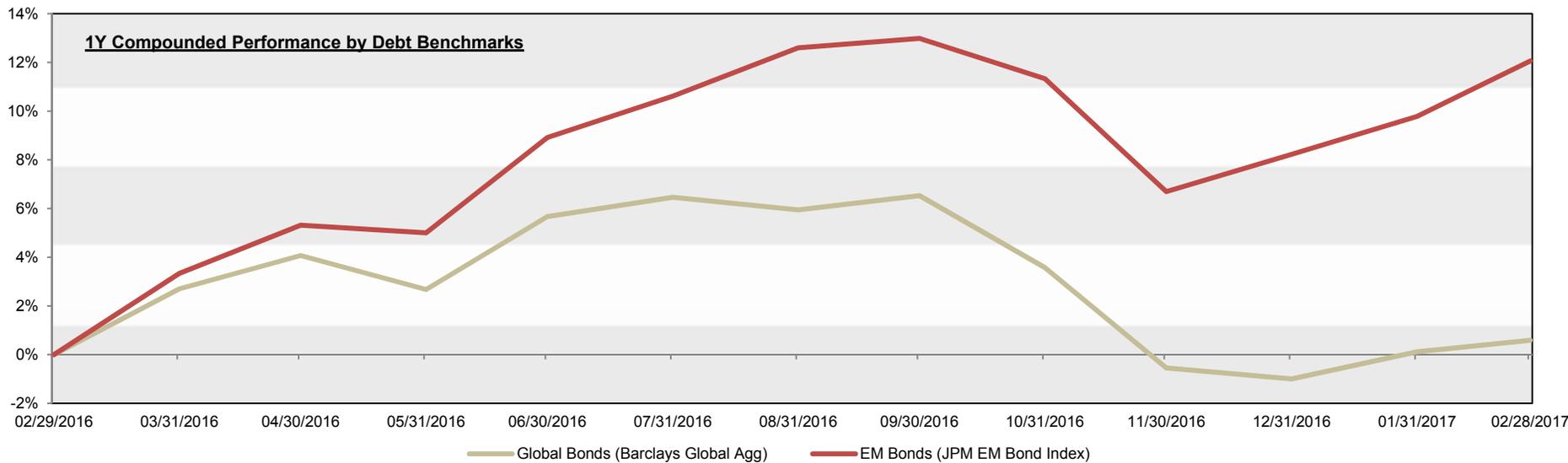
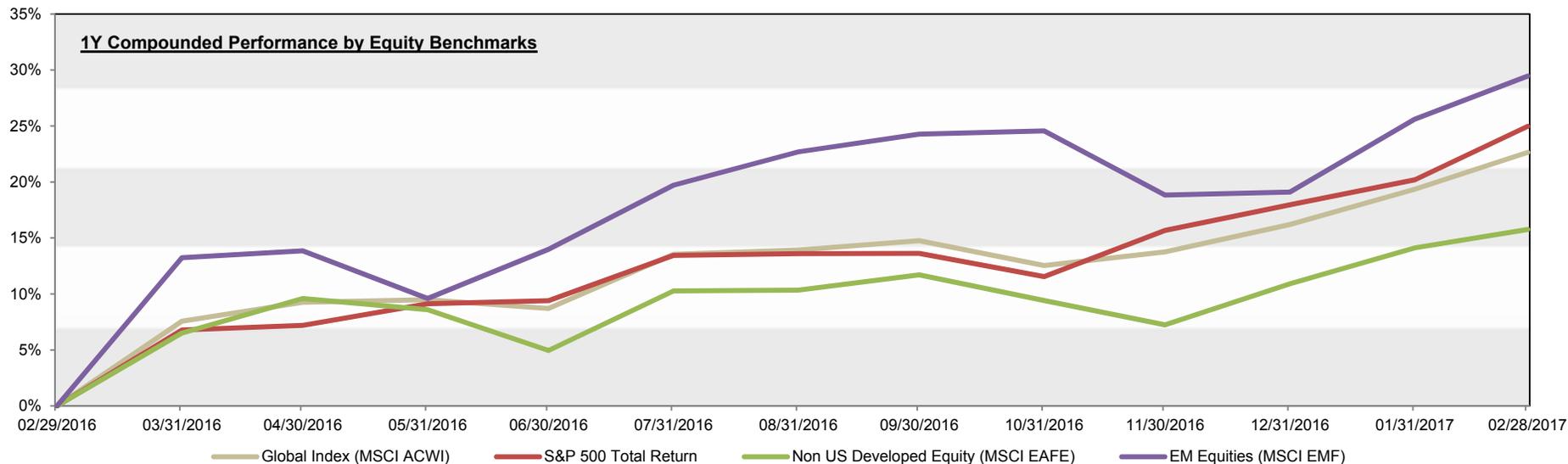
Over the last year, the LTIF has outperformed the policy benchmark substantially (14.76% vs. 10.99%). Since July 1, 2016, the start of the current NACUBO year, the LTIF has outperformed the policy benchmark as well (9.62% vs. 5.68%). In addition, over the last year our private portfolio has performed well, outperforming the benchmark (14.16% vs. 8.59%). Private energy investments bounced back this year providing a nice change of direction in that portfolio.

Overall, we are very pleased with our results this past year and are continuing to monitor markets and our managers for opportunities going forward.



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Market Data (cont.)

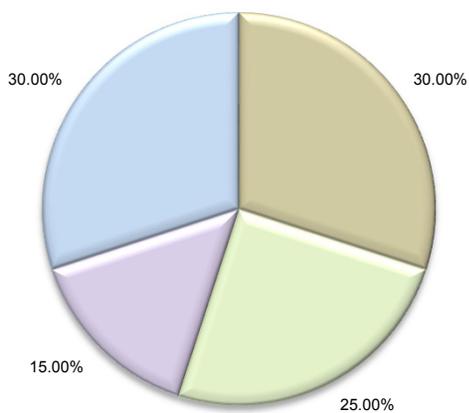
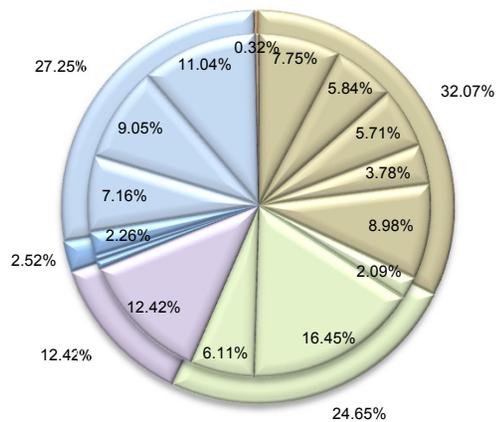




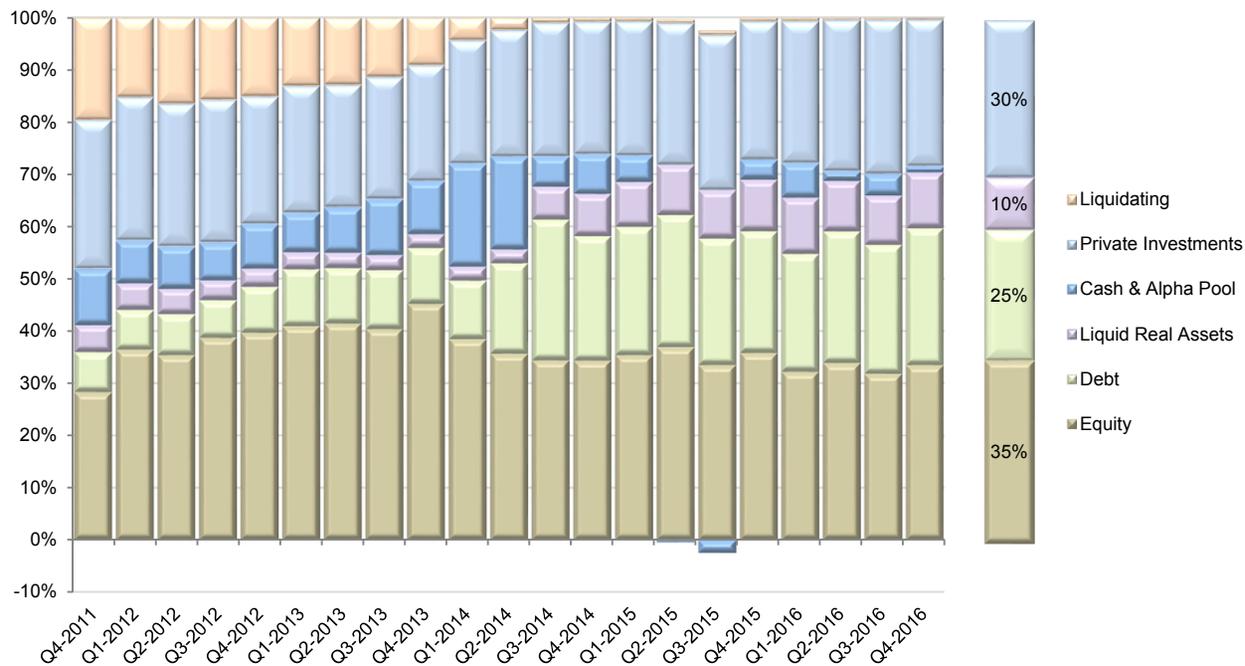
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Asset Class Allocation: Actual vs. Target

Actual Allocation



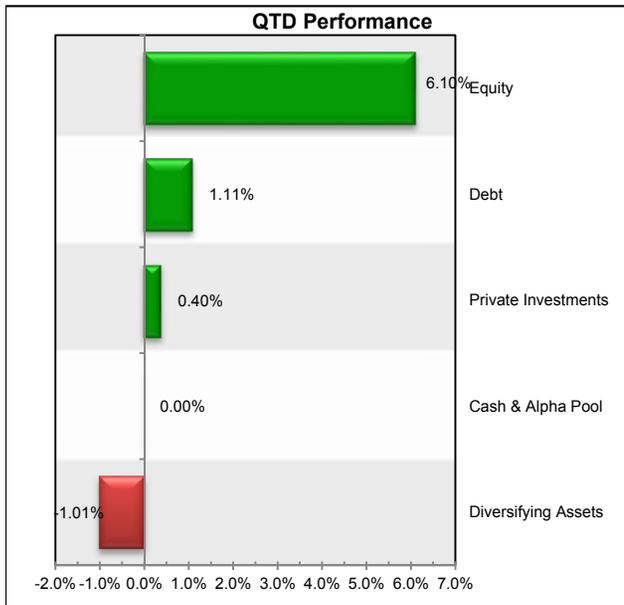
Asset Class	Actual \$ Allocation			Total % Allocation	Target % Allocation	Target Range
	Physical	Synthetic	Total			
Equity	190,495,437	167,870,002	358,365,439	32.07%	30%	30% - 40%
Debt	252,047,429	23,371,875	275,419,304	24.65%	25%	20% - 30%
Liquid Real Assets	102,005,359	36,724,904	138,730,263	12.42%	15%	5% - 15%
Cash & Alpha Pool	264,755,466	-236,554,044	28,201,422	2.52%	0%	0% - 10%
Private Investments	304,489,331	0	304,489,331	27.25%	30%	10% - 55%
Liquidating	3,524,982	0	3,524,982	0.32%	0%	
Portfolio Hedge	0	8,587,263	8,587,263	0.77%	0%	
Total	1,117,318,004	0	1,117,318,004	100%	100%	





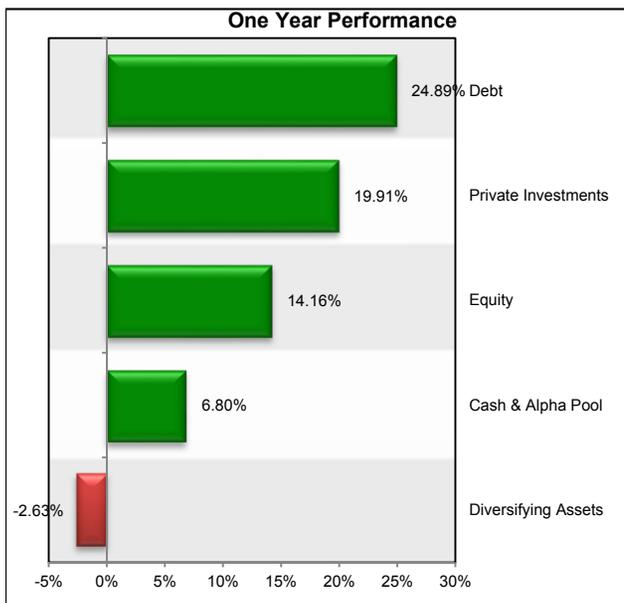
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Asset Class Performance: Actual vs. Policy



Asset Class	Month				
	Physical Return	Synthetic Overlay	Alpha Pool + Cash	Total Return	Policy
Equity	2.38%	2.81%	-0.39%	2.40%	2.76%
Debt	0.34%	0.11%	-0.39%	0.29%	0.47%
Diversifying Assets	-0.87%	1.67%	-0.39%	-0.31%	1.12%
Cash & Alpha Pool	-0.37%			-0.37%	
Private Investments	0.03%			0.03%	0.00%
Portfolio Hedge Contri.	0.08%			0.08%	
Total	0.35%	2.33%	-0.39%	0.68%	1.11%

Asset Class	QTD				
	Physical Return	Synthetic Overlay	Alpha Pool + Cash	Total Return	Policy
Equity	6.39%	5.68%	0.11%	6.10%	5.54%
Debt	2.13%	0.15%	0.11%	1.11%	1.61%
Diversifying Assets	-1.96%	4.32%	0.11%	-1.01%	1.63%
Cash & Alpha Pool	0.00%			0.00%	
Private Investments	0.40%			0.40%	0.00%
Portfolio Hedge Contri.	0.05%			0.05%	
Total	1.48%	4.64%	0.11%	1.90%	2.30%



Asset Class	Calendar YTD				
	Physical Return	Synthetic Overlay	Alpha Pool + Cash	Total Return	Policy
Equity	6.39%	5.68%	0.11%	6.10%	5.54%
Debt	2.13%	0.15%	0.11%	1.11%	1.61%
Diversifying Assets	-1.96%	4.32%	0.11%	-1.01%	1.63%
Cash & Alpha Pool	0.00%			0.00%	
Private Investments	0.40%			0.40%	0.00%
Portfolio Hedge Contri.	0.05%			0.05%	
Total	1.48%	4.64%	0.11%	1.90%	2.30%

Asset Class	1 Year				
	Physical Return	Synthetic Overlay	Alpha Pool + Cash	Total Return	Policy
Equity	22.54%	18.84%	7.89%	24.89%	22.65%
Debt	24.08%	-0.27%	7.89%	19.91%	0.59%
Diversifying Assets	-5.68%	15.69%	7.89%	-2.63%	7.35%
Cash & Alpha Pool	7.49%			6.80%	
Private Investments	14.16%			14.16%	8.59%
Portfolio Hedge Contri.	-0.12%			-0.12%	
Total	14.14%	14.54%	7.89%	14.76%	10.99%

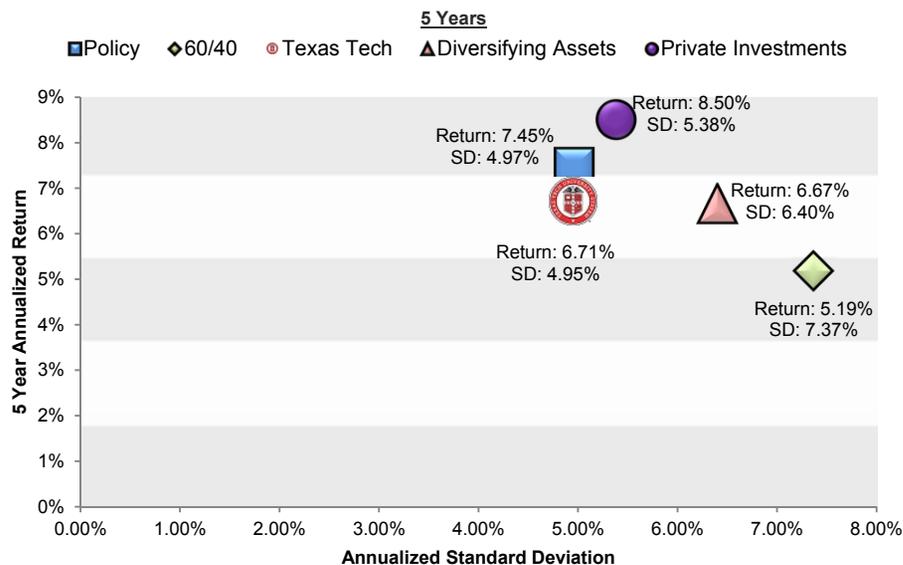
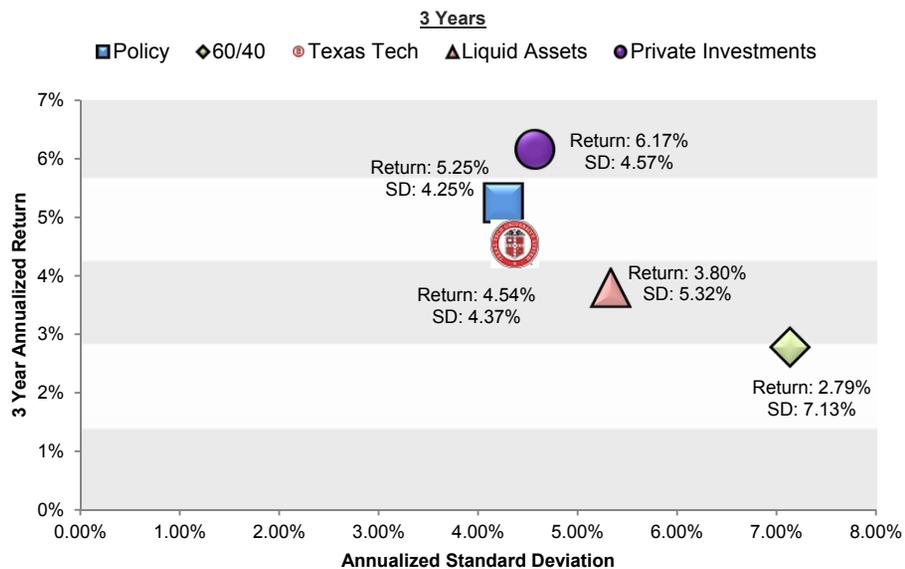
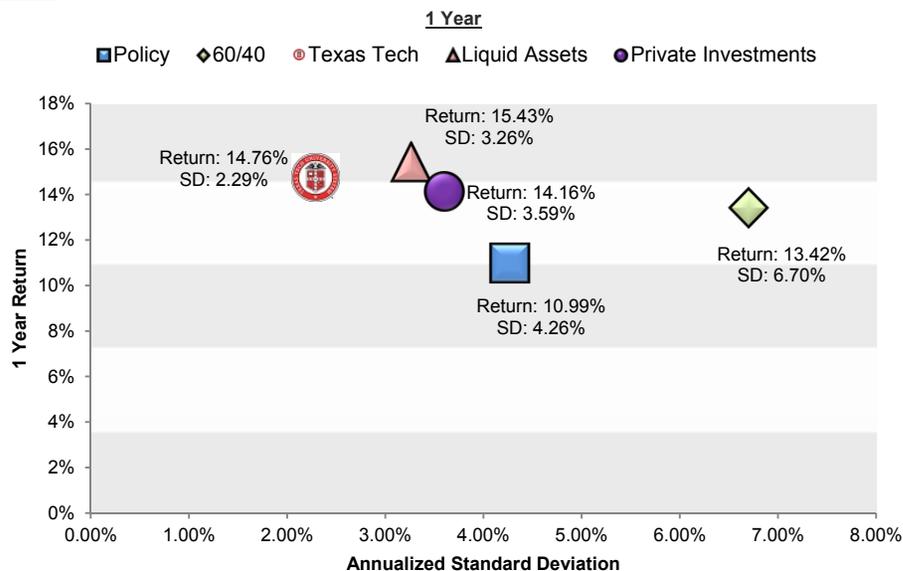


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Long Term Risk/Return of Endowment vs. 60/40 Portfolio & Policy Returns

Commentary

- The Texas Tech portfolio is less volatile than the 60/40 portfolio over all time horizons.
- The Texas Tech portfolio outperforms the 60/40 portfolio over all time horizons.
- Volatility (measured by standard deviation) on the Texas Tech portfolio has decreased over the past 12 months compared with the annualized 5 year volatility.



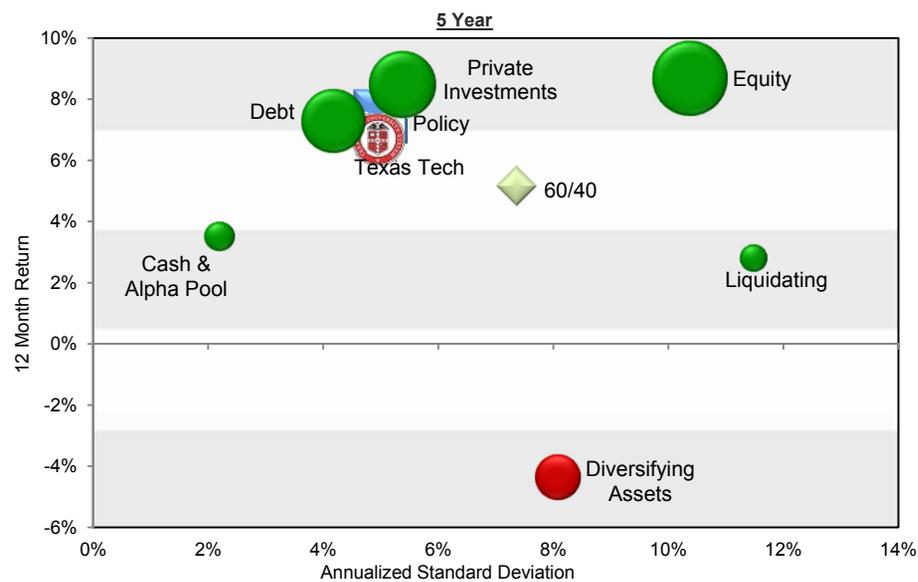
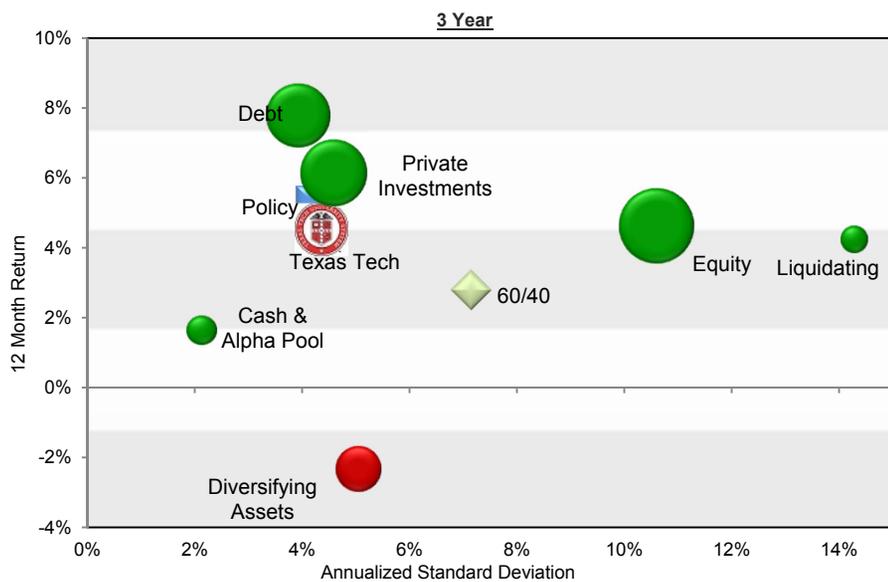
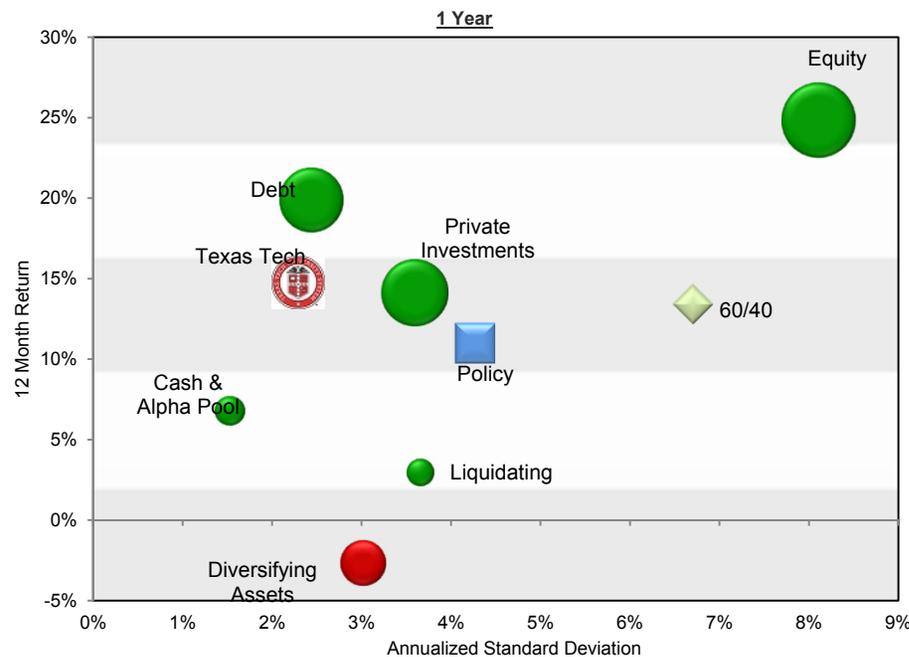


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Risk Profile

Commentary

- EM Debt, US Equity, and Credit have provided the highest risk adjusted returns over the last 12 months
- Liquidating, Non US Developed Equity, and Liquid Real Assets have generated the lowest risk adjusted returns over the last 12 months.



28th February 2017**Appendix I – Sub-Asset Detail**

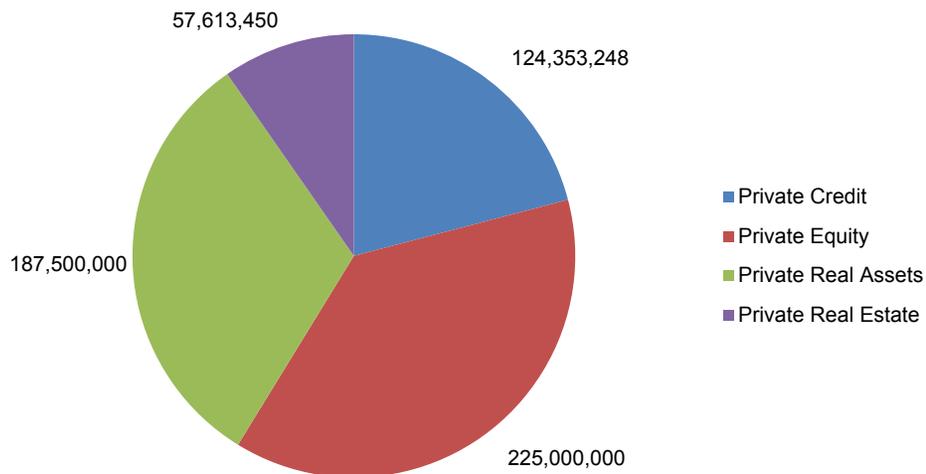
Fund	Current Exposure	MTD Perf.	QTD Perf.	Calendar YTD	Fiscal YTD	Nacubo YTD	1 Year Perf.	3 Year Perf.	5 Year Perf.
TOTAL	1,117,318,004	0.68%	1.90%	1.90%	6.13%	9.62%	14.76%	4.54%	6.71%
Policy		1.11%	2.30%	2.30%	3.79%	5.68%	10.99%	5.25%	7.45%
Portfolio Hedge	8,587,263	0.08%	0.05%	0.05%	-0.05%	-0.23%	-0.12%	n/a	n/a
Equity	358,365,439	2.40%	6.10%	6.10%	8.63%	15.56%	24.92%	4.71%	8.74%
Equity Policy Benchmark (MSCI ACWI)		2.76%	5.54%	5.54%	7.66%	12.83%	22.65%	4.78%	8.39%
US Equity	86,632,484	3.89%	6.40%	6.40%	12.23%	18.17%	36.79%	9.50%	13.07%
Benchmark: S&P 500 Total Return		3.97%	5.94%	5.94%	10.01%	14.23%	24.98%	10.63%	14.01%
Global Equity	65,259,768	1.20%	5.78%	5.78%	3.84%	11.25%	21.75%	4.95%	11.88%
Benchmark: MSCI ACWI (Net)		2.76%	5.54%	5.54%	7.66%	12.83%	22.65%	4.78%	8.39%
Non US Developed Equity	63,853,001	0.79%	3.51%	3.51%	7.31%	14.72%	21.04%	-0.32%	6.03%
Benchmark: MSCI EAFE (Net)		1.43%	4.37%	4.37%	4.90%	10.30%	15.75%	-0.62%	5.12%
Non US Emerging Markets Equity	42,236,128	3.01%	10.32%	10.32%	10.10%	19.47%	34.79%	5.47%	2.71%
Benchmark: MSCI EMF (Net)		3.06%	8.70%	8.70%	5.51%	13.58%	29.46%	1.35%	-0.18%
Alternative Equity	100,384,058	2.74%	5.72%	5.72%	10.19%	16.00%	21.14%	2.87%	8.71%
Benchmark: MSCI ACWI (Net)		2.76%	5.54%	5.54%	7.66%	12.83%	22.65%	4.78%	8.39%
Debt	275,419,304	0.29%	1.11%	1.11%	7.39%	11.69%	19.80%	7.82%	7.31%
Debt Policy Benchmark (Barclays Global Agg)		0.47%	1.61%	1.61%	-5.06%	-4.81%	0.59%	-0.47%	0.21%
Sovereign/Investment Grade Bonds	23,371,875	-0.29%	0.26%	0.26%	1.92%	3.31%	7.84%	3.30%	2.98%
Benchmark: Barclays Global Aggregate		0.47%	1.61%	1.61%	-5.06%	-4.81%	0.59%	-0.47%	0.21%
Credit	183,757,702	0.26%	3.06%	3.06%	10.20%	15.91%	23.70%	7.06%	9.37%
Benchmark: Barclays Global Aggregate		0.47%	1.61%	1.61%	-5.06%	-4.81%	0.59%	-0.47%	0.21%
Emerging Markets Debt	68,289,726	0.56%	-0.50%	-0.50%	7.88%	11.17%	24.31%	9.72%	8.15%
Benchmark: JP Morgan EM Bond Index		2.08%	3.54%	3.54%	-0.48%	2.88%	12.06%	6.05%	5.20%
Diversifying Assets	138,730,263	-0.31%	-1.01%	-1.01%	0.70%	2.08%	-2.68%	-2.32%	-4.34%
Benchmark: HFRXGL Index		1.12%	1.63%	1.63%	4.13%	4.99%	7.35%	4.96%	5.21%
Cash & Alpha Pool	28,201,422	-0.37%	0.00%	0.00%	2.18%	3.87%	7.49%	2.50%	4.05%
Cash	26,284,398	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%
Cash Collateral	28,314,587	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	n/a
Collateral Held Elsewhere	2,500,000	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	n/a	n/a
Adjustments for Synthetic Exposure	(236,554,044)								
Alpha Pool	207,656,482	-0.49%	0.06%	0.06%	2.81%	5.04%	10.16%	3.46%	5.70%
Benchmark: HFRI FOF Index		0.92%	1.93%	1.93%	3.16%	5.17%	6.53%	1.43%	3.14%
Liquidating	3,524,982	1.31%	2.85%	2.85%	0.39%	2.38%	3.01%	4.26%	2.81%
Private Investments	304,489,331	0.03%	0.40%	0.40%	7.18%	8.66%	14.16%	6.17%	8.50%
Benchmark: Private Market Index (90% VE, 10% NCREIF)		0.00%	0.00%	0.00%	7.44%	7.44%	8.59%	10.75%	12.39%
Private Equity	80,021,047	-0.52%	-0.79%	-0.79%	6.92%	6.09%	10.65%	6.68%	8.73%
Private Credit	101,152,312	-0.13%	-0.11%	-0.11%	4.76%	6.32%	13.32%	5.28%	9.78%
Private Real Assets	123,315,973	0.53%	1.61%	1.61%	9.58%	12.61%	17.11%	5.98%	7.26%



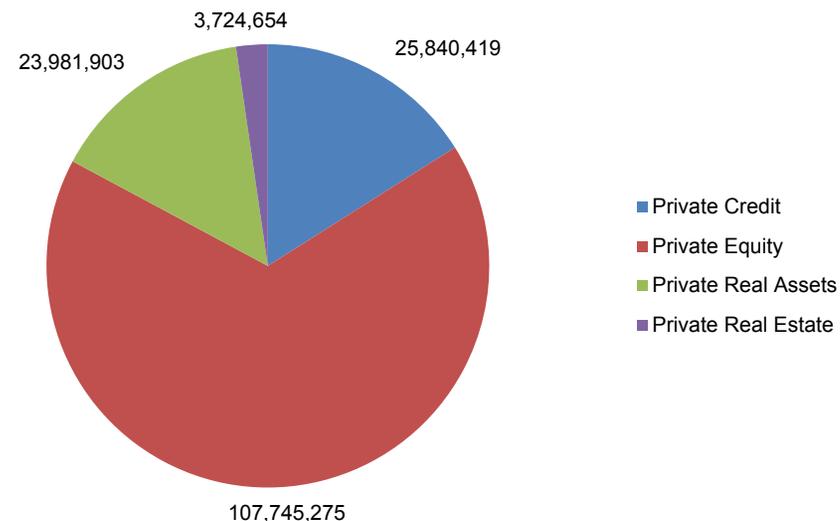
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Appendix VII - Private Markets Report (as of February 2017) - Total Commitment

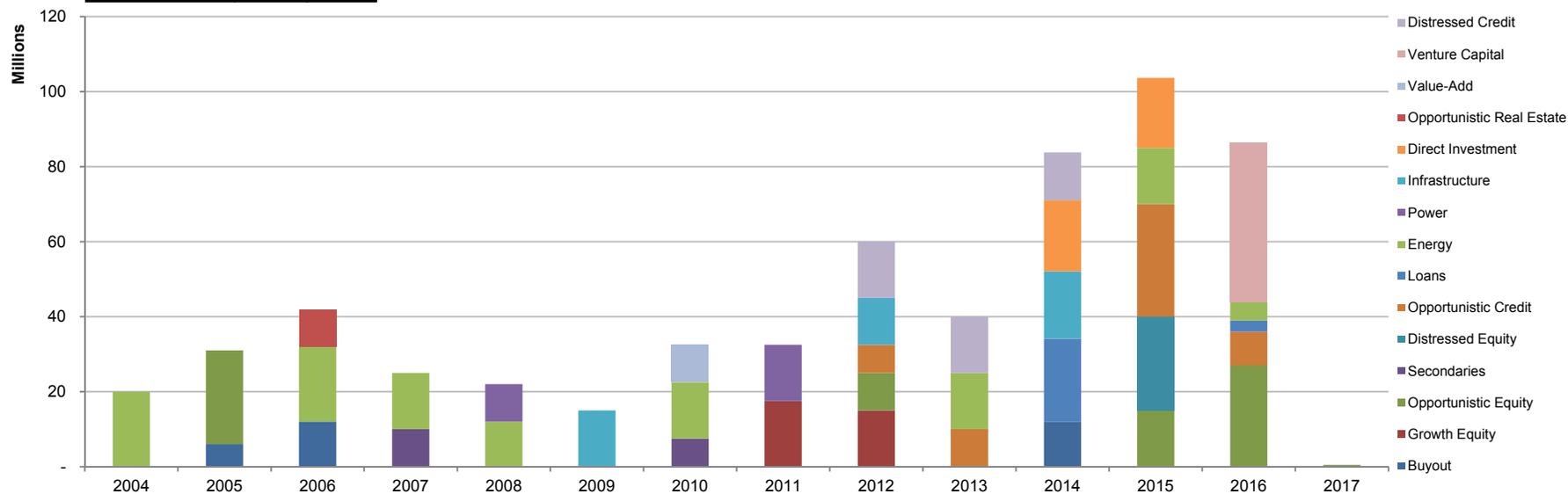
Total Commitment



Total Unfunded



Commitment by Vintage Year



Data provided by Texas Tech University System
 Reported valuations use latest available statements ranging from June 2016 to February 2017
 Adjusted Valuations include all cashflows through February 2017

28th February 2017**Appendix VII - Private Markets Report (as of February 2017) - Performance Analysis by Asset Class & Strategy Type****Performance by Asset Class**

Asset Class	# of Funds	Commitment	Funded	Paid-In Capital	Distributions	% Drawn	Reported Valuation	Adjusted Valuation	IRR	MOC
Private Equity	17	\$225,000,000	\$117,290,141	\$122,333,457	\$64,104,878	54%	\$79,504,516	\$78,993,919	9.83%	1.38
Private Credit	11	\$124,353,248	\$98,512,829	\$102,348,894	\$28,103,374	82%	\$92,705,768	\$93,394,110	10.34%	1.28
Private Real Assets	13	\$187,500,000	\$164,228,602	\$176,862,232	\$161,554,029	94%	\$73,425,921	\$70,917,745	21.56%	1.37
Private Real Estate	4	\$57,613,450	\$56,672,954	\$58,076,356	\$13,678,115	101%	\$55,262,030	\$54,762,030	5.37%	1.23
Total	45	\$594,466,698	\$436,704,526	\$459,620,939	\$267,440,396	77%	\$300,898,235	\$298,067,804	11.04%	1.32

Performance by Strategy Type

Asset Class	Strategy	# of Funds	Commitment	Funded	Paid-In Capital	Distributions	% Drawn	Reported Valuation	Adjusted Valuation	IRR	MOC
Private Equity	Buyout	3	\$30,000,000	\$21,762,447	\$22,855,728	\$20,131,166	76%	\$7,936,366	\$7,877,080	15.03%	1.69
	Distressed Equity	1	\$25,000,000	\$4,524,992	\$4,524,992	\$1,004,850	18%	\$6,831,895	\$6,831,895	83.08%	1.73
	Growth Equity	2	\$32,500,000	\$20,937,649	\$23,856,433	\$4,102,161	73%	\$22,013,335	\$21,187,063	2.60%	1.06
	Opportunistic Equity	7	\$77,500,000	\$50,180,937	\$50,433,408	\$26,192,959	65%	\$35,157,234	\$33,831,698	4.48%	1.19
	Secondaries	2	\$17,500,000	\$16,410,991	\$17,037,896	\$12,673,742	97%	\$6,189,374	\$5,911,746	5.00%	1.23
	Venture Capital	2	\$42,500,000	\$3,473,125	\$3,625,000	\$0	9%	\$1,376,312	\$3,354,437	-14.50%	0.93
	Total	17	\$225,000,000	\$117,290,141	\$122,333,457	\$64,104,878	54%	\$79,504,516	\$78,993,919	9.83%	1.38
Private Credit	Distressed Credit	3	\$42,750,000	\$41,281,472	\$41,410,540	\$15,436,505	97%	\$33,394,131	\$33,394,131	10.70%	1.37
	Loans	3	\$25,103,248	\$25,024,589	\$25,582,673	\$7,329,375	102%	\$25,001,189	\$24,361,189	9.24%	1.18
	Opportunistic Credit	5	\$56,500,000	\$32,206,768	\$35,355,681	\$5,337,494	63%	\$34,310,448	\$35,638,790	8.97%	1.16
	Total	11	\$124,353,248	\$98,512,829	\$102,348,894	\$28,103,374	82%	\$92,705,768	\$93,394,110	10.34%	1.28
Private Real Assets	Energy	8	\$117,000,000	\$102,857,706	\$109,270,211	\$112,226,803	93%	\$35,312,605	\$33,190,345	24.25%	1.41
	Infrastructure	3	\$45,500,000	\$39,591,809	\$44,968,265	\$40,576,590	99%	\$27,165,252	\$26,779,336	29.89%	1.50
	Power	2	\$25,000,000	\$21,779,087	\$22,623,756	\$8,750,636	90%	\$10,948,064	\$10,948,064	-4.79%	0.87
	Total	13	\$187,500,000	\$164,228,602	\$176,862,232	\$161,554,029	94%	\$73,425,921	\$70,917,745	21.56%	1.37
Private Real Estate	Direct Investment	2	\$37,613,450	\$39,373,050	\$40,719,952	\$8,830,979	108%	\$43,771,502	\$43,771,502	18.67%	1.29
	Opportunistic Real Estate	1	\$10,000,000	\$9,745,230	\$9,745,230	\$0	97%	\$3,500,546	\$3,500,546	-2.67%	0.86
	Value-Add	1	\$10,000,000	\$7,554,674	\$7,611,174	\$4,847,136	76%	\$7,989,982	\$7,489,982	7.28%	1.46
	Total	4	\$57,613,450	\$56,672,954	\$58,076,356	\$13,678,115	101%	\$55,262,030	\$54,762,030	5.37%	1.23



28th February 2017

Appendix III – Glossary

Major Asset Classes

Alpha Pool: Investments that tend to be uncorrelated with “traditional” stock and bond investments. Not technically an asset class, but rather an investment construct within a *portable alpha framework

Cash & Equivalents: Cash and short term investments held in lieu of cash and readily converted into cash within a short time span (i.e., CDs, commercial paper, Treasury bills, etc.)

Global Debt: Investments in debt instruments located in developed markets, may include various credit, mortgage-backed and emerging markets debt securities

Global Equity: Investments in companies domiciled in developed market countries and may include opportunistic investments in emerging market countries

Liquidating: The residual investment in terminated managers

Liquid Real Assets: Liquid investments in strategies whose values are sensitive to inflation

Private Equity: Investments in equity securities and debt in operating companies that are not publicly traded on a stock exchange

Private Real Assets: Investments in equity securities and debt in operating companies that are not publicly traded on a stock exchange and whose strategies are sensitive to inflation

Sub-Asset Classes

Alternative Equity: Investments in companies globally through both long and short positions and may include non-equity instruments such as fixed income, commodities, CDS, options, etc.

Credit: Investments in companies, often stressed or distressed, principally through the debt portion of capital structure

Emerging Market Debt: Investments in debt securities in emerging market countries, primarily in three categories - external sovereign, local sovereign, and corporate debt

Emerging Market Equity: Investments in companies located in emerging market countries

Investment Grade Bonds: Investments in investment grade rated debt securities

Non-US Developed Equity: Investments in companies domiciled in developed market countries

US Equity: Investments in companies domiciled in the US