



TEXAS TECH UNIVERSITY SYSTEM

Long Term Investment Fund  
Endowment Report  
February 2014





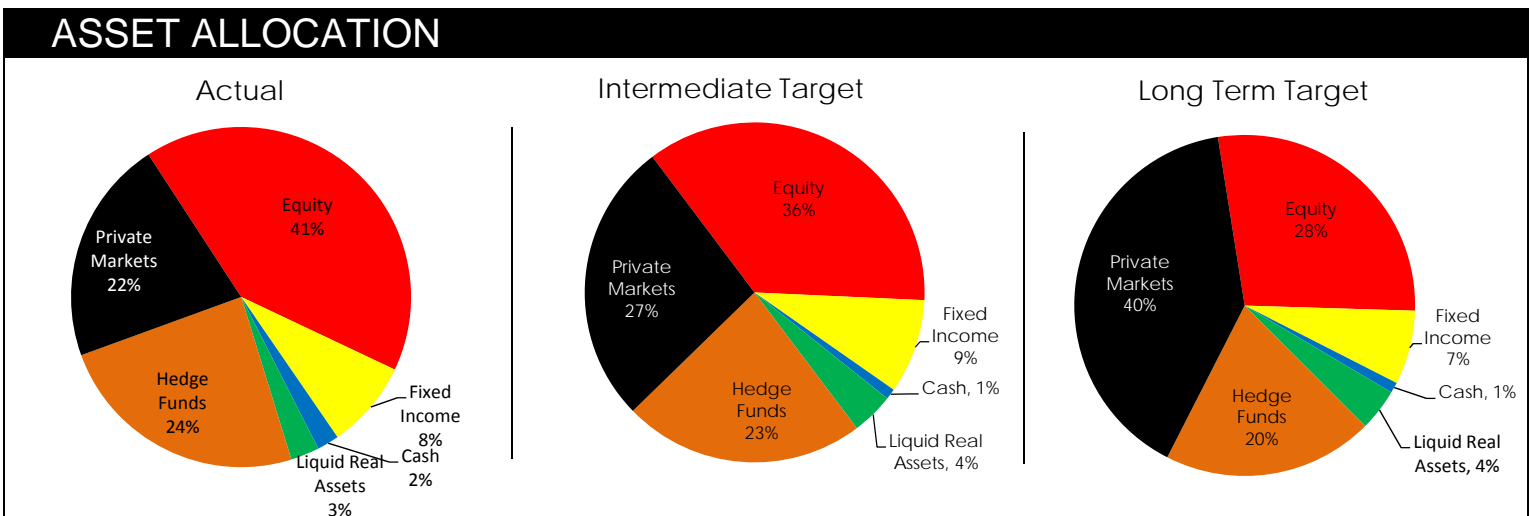
# LONG TERM INVESTMENT FUND Endowment Report

December-2013  
Preliminary

FUND PERFORMANCE		Total Value	QTD	1-year	3-year	5-year	10-year
<b>Long Term Investment Fund *</b>		\$ 979,680,198	4.47%	12.55%	6.58%	8.82%	6.94%
CPI +5%			0.37%	6.27%	7.14%	7.21%	7.56%
Equity	\$ 403,474,212	7.41%	23.51%	10.46%	15.08%	7.42%	
Fixed Income	\$ 82,005,913	0.36%	-3.05%	5.01%	6.01%	4.58%	
Cash	\$ 20,754,642	0.00%	0.00%	0.36%	0.20%	1.37%	
Liquid Real Assets	\$ 26,402,976	-2.11%	-11.08%	-5.26%			
Hedge Funds	\$ 237,516,810	5.28%	12.08%	2.76%	6.95%	5.74%	
Private Investments *	\$ 209,525,645	1.74%	7.24%	8.80%	10.67%	15.56%	
MSCI AC World Index Free - Gross			7.42%	23.45%	10.32%	15.53%	7.72%
Standard & Poor's 500 Total Return Index			10.52%	32.41%	16.18%	17.94%	7.40%
MSCI EAFE			5.74%	23.29%	8.66%	12.95%	7.39%
Barclays Aggregate			-0.14%	-2.02%	3.28%	4.46%	4.55%
HFRI FoF Composite			3.45%	8.01%	1.62%	3.95%	2.85%
DJ UBS Commodity			-1.06%	-9.52%	-7.99%	1.58%	0.90%

The Long-Term Investment Fund's (LTIF) objective is CPI +5%. The LTIF is ahead of the objective for the QTD, 1-year and 5-year periods and trailing over the 3 year and 10 year period. It is hard to believe, but the financial crisis that impacted virtually all global assets is technically five years behind us at this point. This is the driving reason you are seeing substantial improvements in the return numbers. The LTIF equity portfolio returned 23.51% last year and delivered 15.08% for the five year period. These are remarkable returns. This has been primarily driven by improvement in stocks globally, but especially in the United States as seen by looking at the MSCI World Index returns compared to the S&P500 index returns.

In normal market environments, a diversified portfolio typically outperforms a less diversified portfolio. In today's extreme global monetary easing environment, any diversification away from developed market equities detracted from performance. Fixed Income and Real Assets both performed poorly due to lagging global GDP and increased expectations for rising rates.



In 2012, the LTIF shifted assets into equities from risk averse assets due to a view of global accommodative policy by Central Banks. This can be seen in the allocation to equities at 41% versus the Intermediate and Long-Term Targets of 36% and 28%, respectively. Fixed Income, Cash, and liquid Real Assets are at or slightly below their target allocations. Hence, the tactical adjustments to the portfolio added substantial value.

We are implementing the new Asset Allocation over the next several months and have already made substantial process in repositioning the allocation. The next report will detail the new Asset Allocation approved by the Board of Regents.

One of the financial goals of the LTIF is to provide a significant and stable flow of funds for distribution to the operating budgets of the University. The target distribution rate of 4.5% has been realized every year since the inception of the LTIF.

\* Preliminary. Due to normal lags in receiving private market information, returns include private market data as of Sept 30, 2013, with cash flows adjusted through December 31, 2013. Historical performance prior to this, has been trued-up for private investment returns.

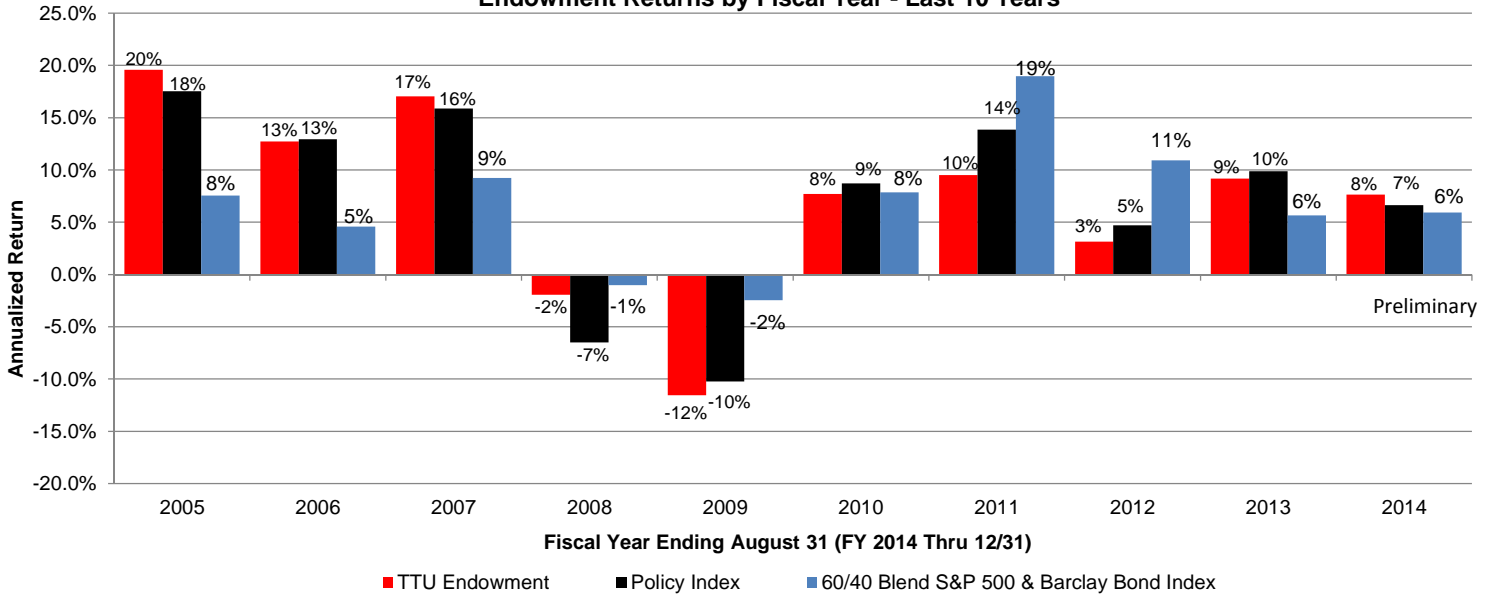
# LONG TERM INVESTMENT FUND

# Endowment Report

December 31, 2013

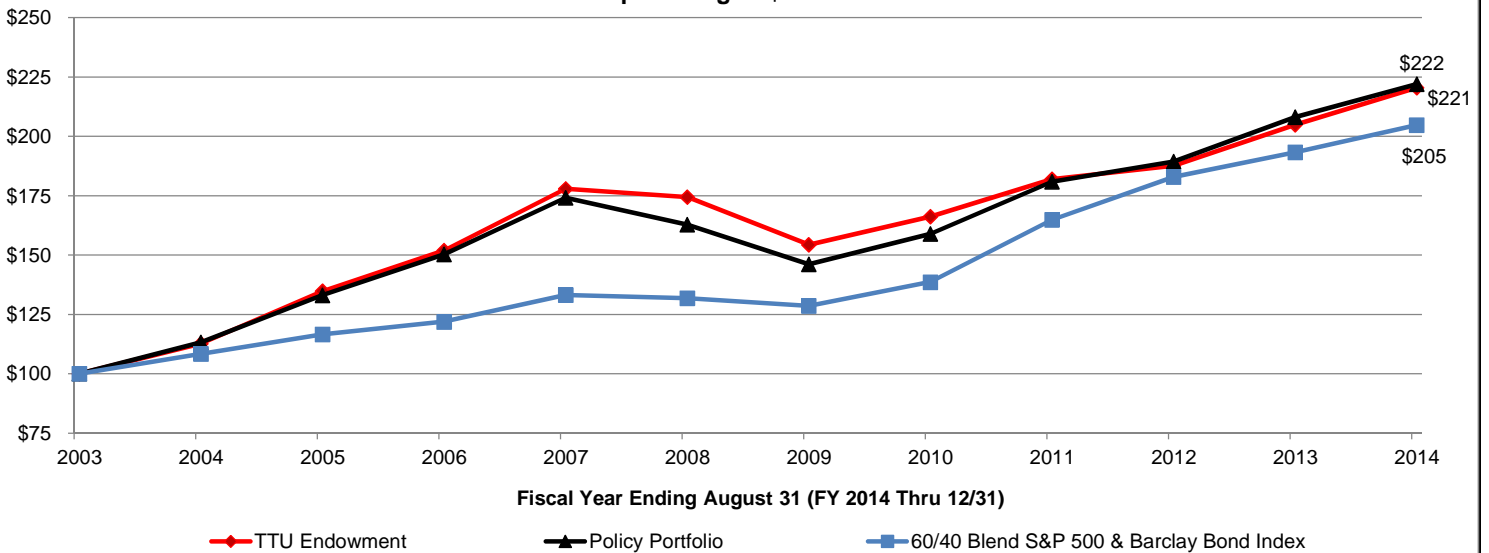
## ENDOWMENT RETURNS (Fiscal Year)

**Texas Tech University System  
Endowment Returns by Fiscal Year - Last 10 Years**



## ENDOWMENT GROWTH (Fiscal Year)

**Texas Tech University System  
Compounding of \$100**



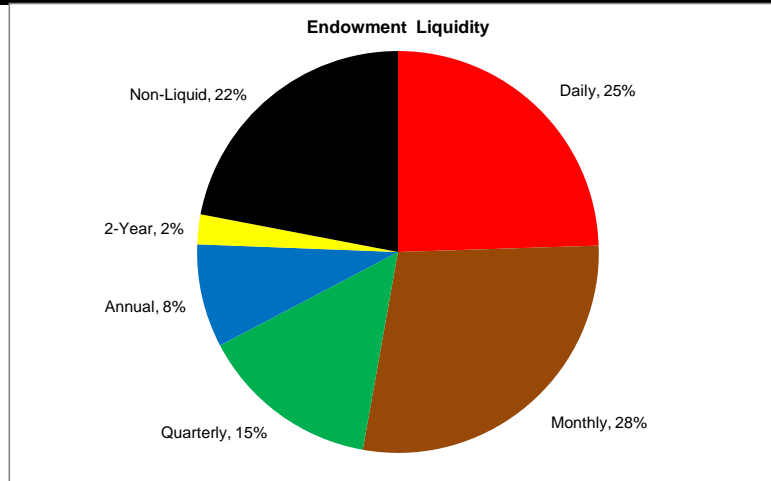
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# LONG TERM INVESTMENT FUND

## Endowment Report

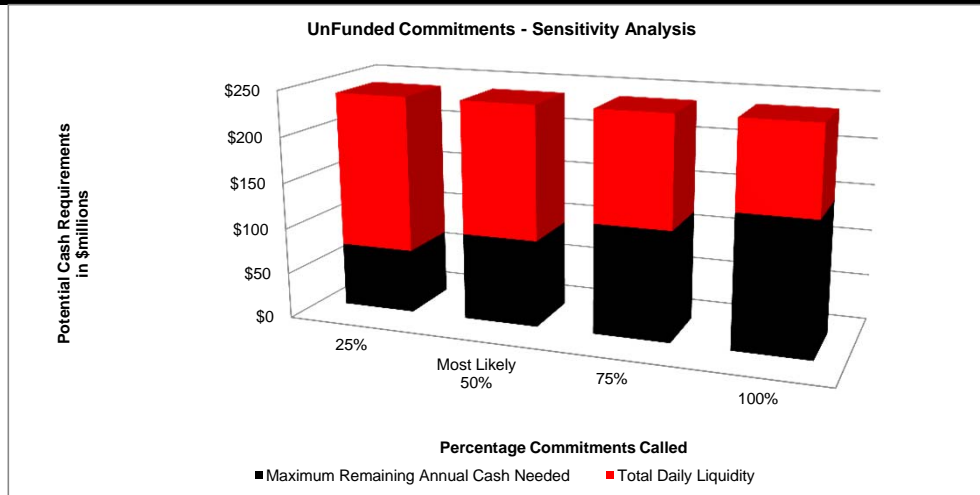
December 31, 2013 - Preliminary Balances

### ENDOWMENT LIQUIDITY



Endowment		Liquidity
Daily	\$239,882,242	24.5%
Monthly	\$277,715,307	28.3%
Quarterly	\$142,135,411	14.5%
Annual	\$80,924,384	8.3%
2-Year	\$23,930,099	2.4%
Non-Liquid	\$215,092,755	22.0%
<b>Total Endowment</b>	<b>\$979,680,198</b>	<b>100%</b>

### LIQUIDITY SENSITIVITY



	<u>Commitment</u>	<u>Capital Called</u>	<u>Distributions</u>	<u>Account Balance</u>	<u>Remaining Commitment</u>
Private Equity	\$156,500,000	\$114,002,883	(\$83,826,148)	\$82,453,076	\$42,497,117
Private Credit	\$117,000,000	\$93,847,926	(\$83,548,699)	\$49,551,342	\$23,152,074
Real Assets	\$223,585,500	\$189,482,064	(\$168,342,387)	\$76,358,388	\$34,103,436
<b>Total Illiquid Assets</b>	<b>\$497,085,500</b>	<b>\$397,332,874</b>	<b>(\$335,717,234)</b>	<b>\$208,362,806</b>	<b>\$99,752,626</b>
<b>Annual Spending</b>					<b>\$45,200,000</b>
<b>Unfunded Commitments - Sensitivity Analysis</b>			<b>Most Likely</b>		
Maximum Remaining Annual Cash Needed		<b>25% Called</b>	<b>50% Called</b>	<b>75% Called</b>	<b>100% Called</b>
Percentage of Daily Liquidity		\$70,138,157	\$95,076,313	\$120,014,470	\$144,952,626
		29%	40%	50%	60%