



TEXAS TECH UNIVERSITY SYSTEM™

Long Term Investment Fund
Endowment Report
May 2014





LONG TERM INVESTMENT FUND Endowment Report

February-2014
Preliminary

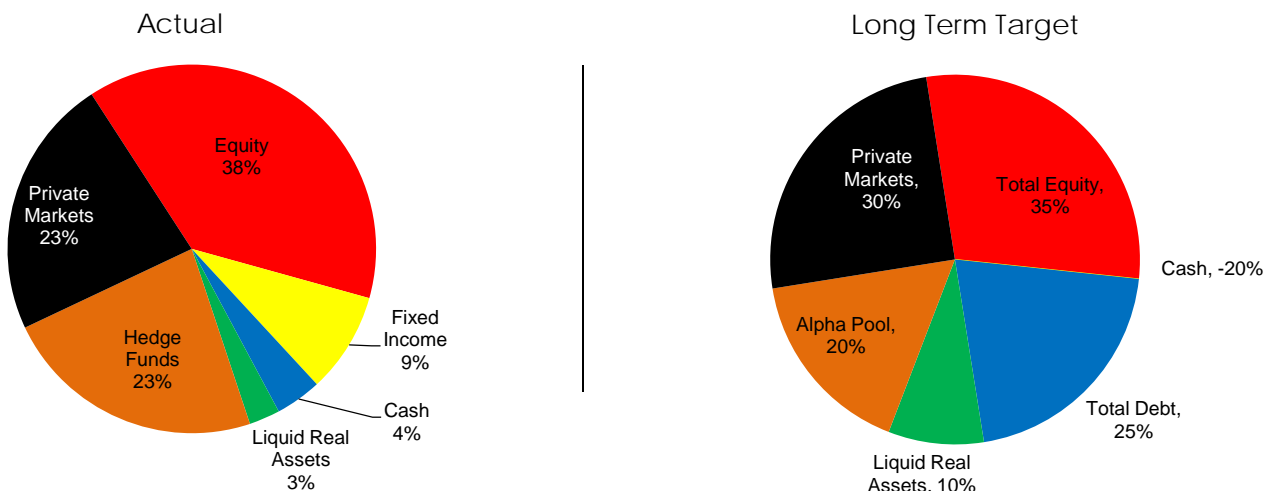
FUND PERFORMANCE		Total Value	QTD	1-year	3-year	5-year	10-year
Long Term Investment Fund *		\$ 1,011,168,243	0.84%	11.66%	6.66%	10.48%	6.70%
CPI +5%			1.58%	6.30%	7.20%	7.25%	7.57%
Equity	\$ 389,094,961		1.63%	19.42%	10.18%	19.72%	7.19%
Fixed Income	\$ 89,076,683		2.47%	-0.65%	5.83%	6.48%	4.64%
Cash	\$ 41,063,790		0.00%	0.00%	0.36%	0.22%	1.37%
Liquid Real Assets	\$ 27,430,250		3.89%	-5.57%	-5.69%		
Hedge Funds	\$ 233,497,219		0.28%	9.06%	1.98%	6.94%	5.57%
Private Investments *	\$ 231,005,341		0.00%	11.74%	10.30%	11.58%	16.03%
MSCI AC Word Index Free - Gross			0.71%	18.77%	8.94%	20.20%	7.42%
Standard & Poor's 500 Total Return Index			0.95%	25.38%	14.35%	23.00%	7.16%
MSCI EAFE			1.35%	19.77%	7.12%	18.14%	7.14%
Barclays Aggregate			2.02%	0.16%	3.84%	5.14%	4.57%
HFRI FoF Composite			1.48%	7.08%	1.91%	4.25%	2.74%
DJ UBS Commodity			6.56%	-1.83%	-6.74%	4.97%	0.73%

As you may have noticed, the Long-Term Investment Fund (LTIF) recently exceeded \$1 Billion in assets. This is a substantial milestone and is a credit to both the fundraising efforts as well as the efforts of the Board of Regents and IAC in overseeing the investment program.

As you may recall, the LTIF objective is to substantially exceed inflation over time. This is measured by comparing the actual LTIF performance results against a benchmark of CPI+5%. The LTIF has exceeded the benchmark over the 1-year and 5-year periods, while slightly underperforming the benchmark over the 3 and 10-year periods. Over the last quarter, performance from all liquid assets was positive with commodities and fixed income providing a slight respite from an otherwise tough year.

Risks remain high in capital markets with tight credit spreads and arguably fairly valued equity markets. This puts equity markets at some risk as the Fed slowly eases off the gas pedal by reducing quantitative easing. Global risks are continuing with China trying to find a soft landing and Europe trying to avoid deflationary pressures. In this environment, a balanced approach with increased focus on floating rate instruments with contractual cash flow, as well as event driven equity should continue to outperform more commonplace fixed income and equity strategies. The LTIF has committed substantial capital to these strategies recently.

ASSET ALLOCATION



The Actual Asset Allocation versus the Long-term Target Asset Allocation is detailed above. As you may recall, we are in process of moving to a newly approved asset allocation. Currently, we are slightly overweight equities (+3%) but dramatically underweight public debt at 9% versus the target of 25%. This will be a major focus over the coming several months. The allocation to public equities and the Alpha Pool (non-correlated Hedge fund strategies) is nearly complete. Private markets strategies currently account for 23% of the LTIF versus a target of 30%. We are continuing to commit to private assets and have recently completed one private equity and two private debt deals which will slowly increase our exposure to private assets.

* Preliminary. Due to normal lags in receiving private market information, returns include private market data as of December 31, 2013, with cash flows adjusted through February 28, 2014. Historical performance prior to this, has been trued-up for private investment returns.

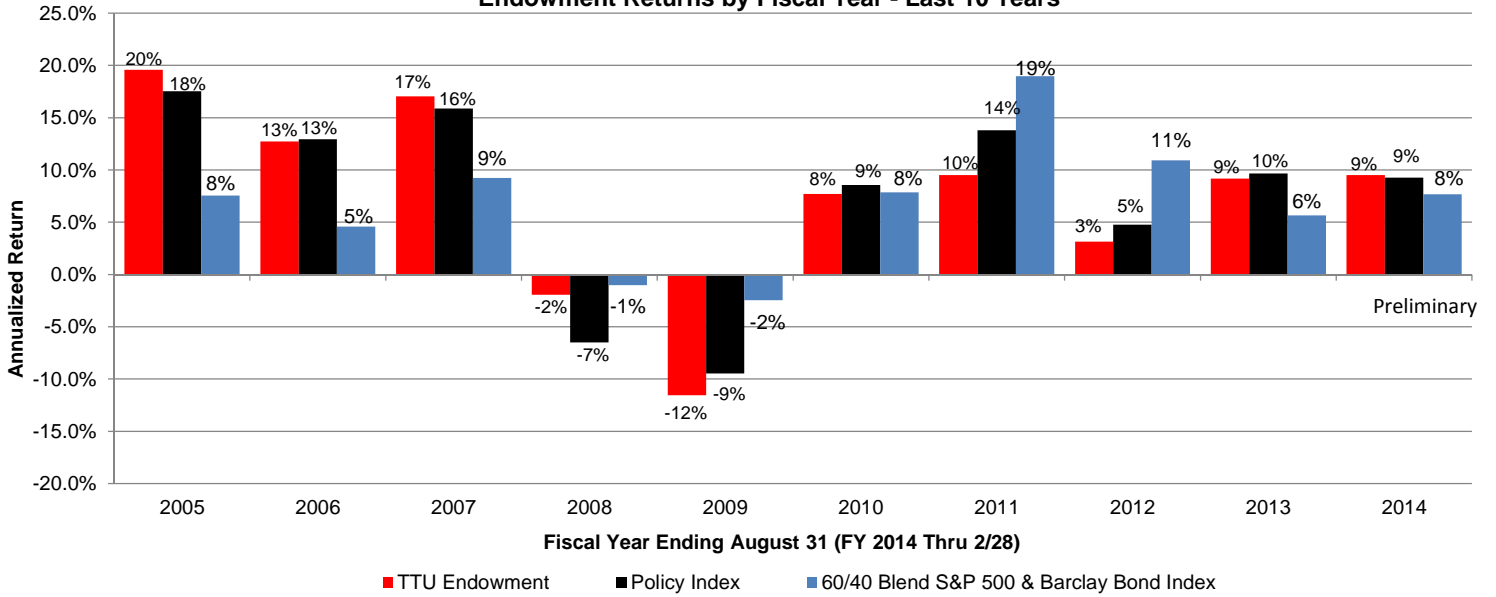
LONG TERM INVESTMENT FUND

Endowment Report

February 28, 2014

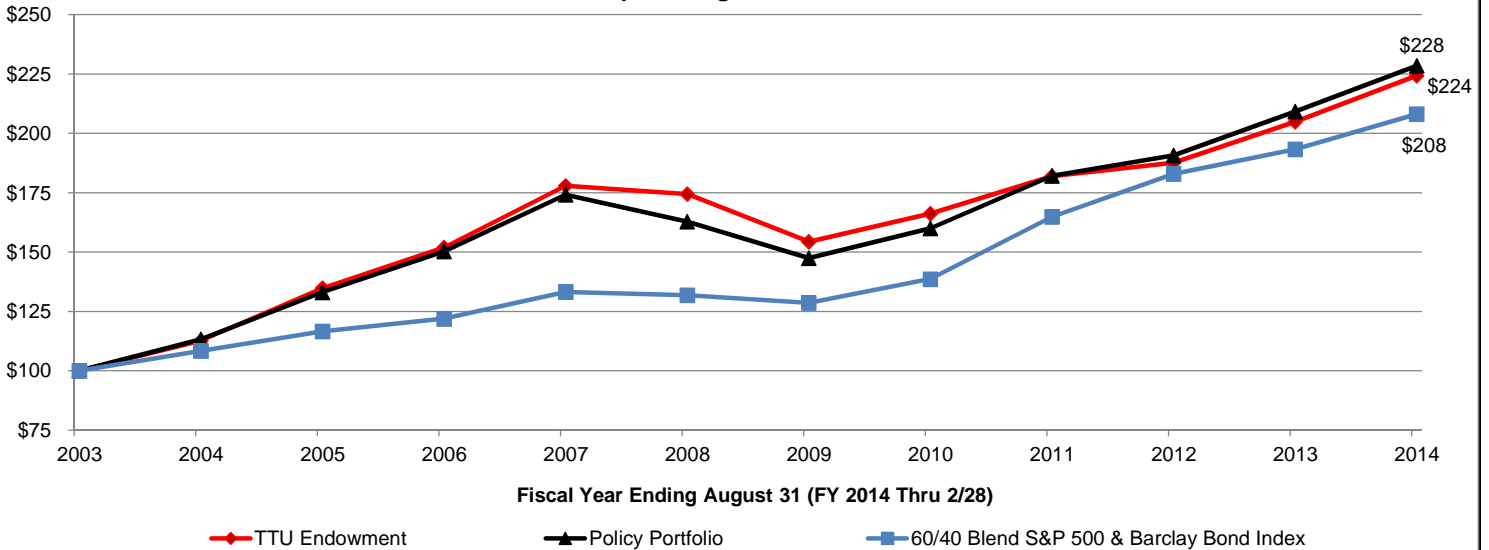
ENDOWMENT RETURNS (Fiscal Year)

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



ENDOWMENT GROWTH (Fiscal Year)

Texas Tech University System
Compounding of \$100

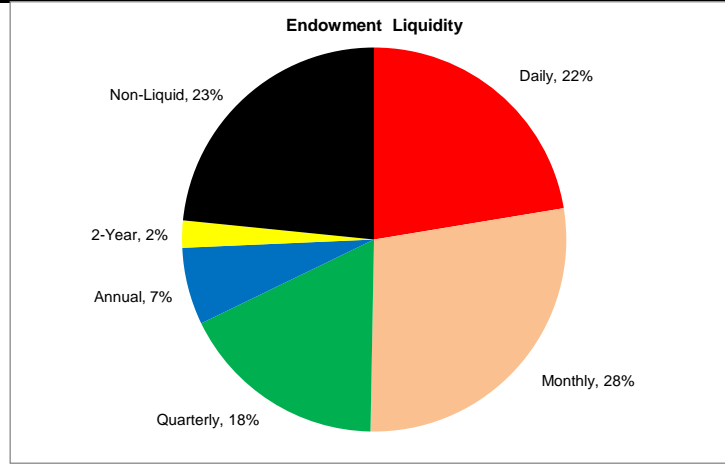


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LONG TERM INVESTMENT FUND Endowment Report

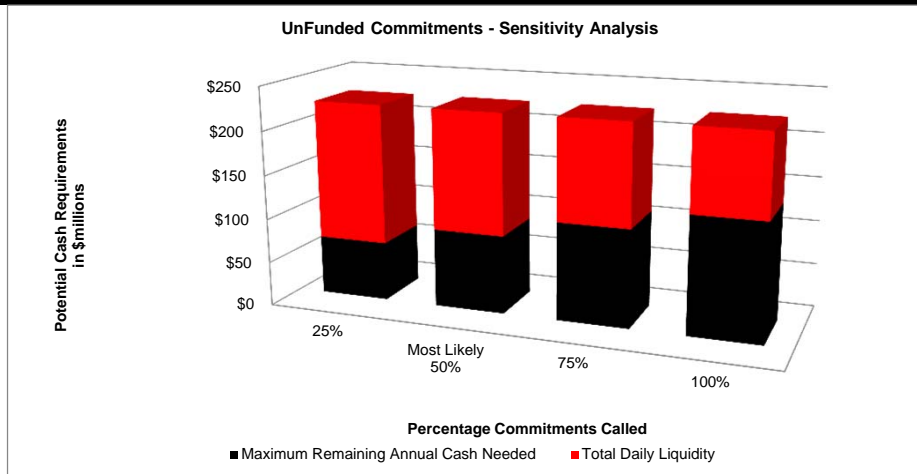
February 28, 2014 - Preliminary Balances

ENDOWMENT LIQUIDITY



Endowment		Liquidity
Daily	\$226,258,805	22.4%
Monthly	\$282,075,982	27.9%
Quarterly	\$177,301,841	17.5%
Annual	\$65,247,925	6.5%
2-Year	\$23,745,028	2.3%
Non-Liquid	\$236,538,662	23.4%
Total Endowment	\$1,011,168,243	100%

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	\$122,980,242	(\$89,135,455)	\$85,715,419	\$33,519,758
Private Credit	\$137,000,000	\$112,066,746	(\$85,155,323)	\$63,985,804	\$24,933,254
Real Assets	\$223,585,500	\$194,098,010	(\$174,084,818)	\$81,304,119	\$29,487,490
Total Illiquid Assets	\$517,085,500	\$429,144,999	(\$348,375,596)	\$231,005,341	\$87,940,502

Annual Spending **\$45,200,000**
Total Committed Funds **\$133,140,502**

Unfunded Commitments - Sensitivity Analysis	<u>25% Called</u>	<u>50% Called</u>	<u>75% Called</u>	<u>100% Called</u>
Maximum Remaining Annual Cash Needed	\$67,185,125	\$89,170,251	\$111,155,376	\$133,140,502
Percentage of Daily Liquidity	30%	39%	49%	59%