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

- 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 period, has been trued-up for private investment returns.

ENDOWMENT GROWTH (Fiscal Year)

Texas Tech University System
Compounding of $100

* 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 period, has been trued-up for private investment returns.
### Endowment Liquidity

**Endowment Liquidity**

<table>
<thead>
<tr>
<th>Period</th>
<th>Daily Liquidity</th>
<th>Monthly Liquidity</th>
<th>Quarterly Liquidity</th>
<th>Annual Liquidity</th>
<th>2-Year Liquidity</th>
<th>Non-Liquid Liquidity</th>
<th>Total Endowment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24.5%</td>
<td>28.3%</td>
<td>14.5%</td>
<td>8.3%</td>
<td>2.4%</td>
<td>22.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Liquidity Sensitivity

**UnFunded Commitments - Sensitivity Analysis**

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Capital Called</th>
<th>Distributions</th>
<th>Account Balance</th>
<th>Remaining Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>$156,500,000</td>
<td>$(83,826,148)</td>
<td>$82,453,076</td>
<td>$42,497,117</td>
</tr>
<tr>
<td>Private Credit</td>
<td>$117,000,000</td>
<td>$(83,548,699)</td>
<td>$49,551,342</td>
<td>$23,152,074</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$223,585,500</td>
<td>$(168,342,387)</td>
<td>$76,358,388</td>
<td>$34,103,436</td>
</tr>
<tr>
<td><strong>Total Illiquid Assets</strong></td>
<td><strong>$497,085,500</strong></td>
<td><strong>($335,717,234)</strong></td>
<td><strong>$208,362,806</strong></td>
<td><strong>$99,752,626</strong></td>
</tr>
</tbody>
</table>

**Annual Spending**

- $45,200,000

**UnFunded Commitments - Sensitivity Analysis**

- **25% Called**: $70,138,157
- **50% Called**: $95,076,313
- **75% Called**: $120,014,470
- **100% Called**: $144,952,626

**Percentage of Daily Liquidity**

- 25% Called: 29%
- 50% Called: 40%
- 75% Called: 50%
- 100% Called: 60%