

UTIMCO's Private Investment Returns Versus Public Benchmarks

(From Inception* to 11/30/08)	Returns if Cash Invested In:			Private Equity Return Differential	
	<i>Actual Returns</i>	<i>S&P 500</i>	<i>Wilshire 5000</i>	<i>S&P 500</i>	<i>Wilshire 5000</i>
Private Investments	11.12%	-0.65%	-8.70%	11.77%	19.82%

* UTIMCO began investing in private investments on December 15, 1982.

- As the table demonstrates, private investments have generated an internal rate of return (IRR) of 11.12% since inception of the investment period. Had those same cash flows been invested in the public markets using the S&P 500 or Wilshire 5000 indices instead of investing in private investments, the returns would have been lower than the actual returns generated. For instance, if each of the private investment cash outflows (dollars invested in private companies or private partnerships) had been invested in the S&P 500 during this period, the index would have generated an IRR of only -0.65% over the same time period. As such, the private investments program has generated 11.77% in additional IRR above those returns attainable through this established public market index. To put this in dollar terms, the private investments portfolio added approximately \$1,624.4 million in dollar value above what would have been earned from investing in the S&P 500.
- The CFA Institute, which is one of the self regulation organizations in the investment management industry responsible for setting reporting standards, has determined that the IRR information presented above is the correct method for reporting private capital returns. However, performance results in other asset categories, including publicly traded equities, generally are reported using a different calculation methodology referred to as "time-weighted" returns. Returns for private capital can be calculated using this methodology as well. However, the CFA Institute has determined that private capital returns calculated using the time-weighted return methodology do not meet industry standards. Thus, while it may be tempting to compare time-weighted return results for private capital to other asset categories or other public securities indices, the comparisons may be misleading or spurious, the practical equivalent of preparing accounting statements for an organization without following generally accepted accounting principles. With this caveat stated, the table below presents time-weighted returns for the UTIMCO private capital investment program over several historical time periods:

(Annual Returns as of 11/30/08)	One Year	Three Years	Five Years	Ten Years
Private Investments	-8.57%	12.23%	16.32%	9.78%
S&P 500 Index	-38.09%	-8.67%	-1.39%	-0.93%

- In addition to the fact that time-weighted returns do not meet industry performance reporting standards, short term performance comparisons of private capital investments to public market indices are often misleading and confusing because of differences in valuation and accounting standards in private and public markets. We advise caution in using and reporting these numbers.