

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2013 and 2012

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position of The University of Texas System General Endowment Fund (the "Fund"), as of August 31, 2013, and August 31, 2012, and the related Statements of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The University of Texas Investment Management Company ("UTIMCO" or "management") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of August 31, 2013 and 2012, and the changes in its fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund are intended only to present the fiduciary net position of the Fund as of August 31, 2013 and 2012, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the fiduciary net position of UTIMCO or The University of Texas System, as of August 31, 2013 or 2012, or the changes in their fiduciary net position for the years then ended.

As discussed in Note 2, the financial statements include investments valued at \$5,320,572,428 (68.7% of total assets) and \$4,933,094,554 (67.1% of total assets) as of August 31, 2013 and August 31, 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the

financial statements. These schedules are the responsibility of the Fund's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

Our discussion and analysis of The University of Texas System General Endowment Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2013 and 2012. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions and conditions.

Financial Highlights

The Fund's fiduciary net position, after contributions and withdrawals, increased by \$290.9 million from \$7,104.6 million to \$7,395.5 million or approximately 4.1% for the year ended August 31, 2013, compared to an increase of \$55.4 million or approximately 0.8% for the year ended August 31, 2012. The change in net fiduciary net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment gain of 8.99%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2013. Investments in developed country equities, credit-related fixed income and real estate were the biggest contributors to the 2013 return. Investments in developed country equities, credit-related fixed income and real estate were also the biggest contributors to the net investment gain of 3.24% for August 31, 2012.
2. The PHF and LTF redeemed and purchased Fund units resulting in net distributions of \$346.3 million for the year ended August 31, 2013, compared to net distributions for the year ended August 31, 2012 of \$167.8 million.
3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The distributed net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

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Use of Financial Statements and Notes

The Fund's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Fund's activities are accounted for as a fiduciary fund, therefore two financial statements are required under GASB: the statement of fiduciary net position and the statement of changes in fiduciary net position.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statements of Fiduciary Net Position

The statements of fiduciary net position present assets, liabilities, and the net position of the Fund as of the end of the fiscal year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates the Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

The following summarizes the statements of fiduciary net position (in millions):

Assets	2013	2012	2011
Investments, at Fair Value	\$ 7,536.2	\$ 7,115.5	\$ 7,042.1
Other Assets	206.4	239.7	257.1
Total Assets	7,742.6	7,355.2	7,299.2
Total Liabilities	347.1	250.6	250.0
Net Position Held in Trust	\$ 7,395.5	\$ 7,104.6	\$ 7,049.2

Statements of Changes in Fiduciary Net Position

Changes in fiduciary net position as presented on the statements of changes in fiduciary net position are based on activity of the Fund. The purpose of these statements is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant distributions and investment expenses.

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The net increase in investments of the Fund was \$576.5 million during the year ended August 31, 2013 compared to the net increase in investments of \$171.4 million for the year ended August 31, 2012. Expenses totaled \$19.3 million, \$12.3 million, and \$15.8 million, respectively, for the years ended August 31, 2013, 2012, and 2011.

The net increase in fiduciary net position totaled \$290.9 million for the year ended August 31, 2013 compared to a net increase in fiduciary net position totaling \$55.4 million for the year ended August 31, 2012.

The following summarizes the statements of changes in fiduciary net position (in millions):

	2013	2012	2011
Investment Income	\$ 656.6	\$ 235.5	\$ 936.7
Less Investment Expenses	19.3	12.3	15.8
Net Investment Income	<u>637.3</u>	<u>223.2</u>	<u>920.9</u>
Participant Contributions	165.7	193.3	432.3
Total Additions	<u>803.0</u>	<u>416.5</u>	<u>1,353.2</u>
Participant Withdrawals	512.1	361.1	339.4
Total Deductions	<u>512.1</u>	<u>361.1</u>	<u>339.4</u>
Change in Fiduciary Net Position	290.9	55.4	1,013.8
Net Position Held in Trust, Beginning of Year	7,104.6	7,049.2	6,035.4
Net Position Held in Trust, End of Year	<u>\$ 7,395.5</u>	<u>\$ 7,104.6</u>	<u>\$ 7,049.2</u>

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

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Statements of Fiduciary Net Position

August 31, 2013 and 2012

(Dollars in thousands, except per unit amounts)

Assets	2013	2012
Investments, at Fair Value:		
Equity Securities	\$ 1,069,464	\$ 852,535
Preferred Stock	25,429	26,255
Purchased Options	15,361	19,873
Debt Securities	398,948	556,588
Convertible Securities	223	309
Investment Funds	5,374,433	4,987,743
Physical Commodities	198,707	327,869
Cash and Cash Equivalents	453,608	344,371
Total Investments	<u>7,536,173</u>	<u>7,115,543</u>
Collateral for Securities Loaned, at Fair Value	139,400	135,636
Deposits with Brokers for Derivative Contracts	35,822	43,349
Futures Contracts, at Fair Value	2,154	1,485
Swaps, at Fair Value	414	2,367
Unrealized Gains on Foreign Currency Exchange Contracts	5,979	4,029
Receivables:		
Investment Securities Sold	16,426	44,717
Accrued Income	6,162	7,910
Other	89	152
Total Receivables	<u>22,677</u>	<u>52,779</u>
Total Assets	<u>7,742,619</u>	<u>7,355,188</u>
Liabilities		
Payable Upon Return of Securities Loaned	139,400	135,636
Payable to Brokers for Collateral Held	14,203	12,480
Payable to Participants	142,297	11,874
Unrealized Losses on Foreign Currency Exchange Contracts	7,329	6,685
Future Contracts, at Fair Value	2,259	2,183
Swaps, at Fair Value	367	1,751
Options Written, at Fair Value	331	6,827
Payables:		
Investment Securities Purchased	34,572	67,970
Other	6,330	5,178
Total Payables	<u>40,902</u>	<u>73,148</u>
Total Liabilities	<u>347,088</u>	<u>250,584</u>
Net Position Held in Trust	<u>\$ 7,395,531</u>	<u>\$ 7,104,604</u>
Number of Units:		
Permanent Health Fund (PHF)	4,593,854	4,816,184
The University of Texas System Long Term Fund (LTF)	<u>28,879,947</u>	<u>30,233,803</u>
Total	<u>33,473,801</u>	<u>35,049,987</u>
Net Position Held in Trust Per Unit	<u>\$ 220.935</u>	<u>\$ 202.699</u>

*The accompanying notes are an integral
part of these financial statements.*

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Statements of Changes in Fiduciary Net Position

Years Ended August 31, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
Additions		
Investment Income:		
Net Increase in Investments	\$ 576,486	\$ 171,404
Interest	19,409	25,288
Dividends	23,865	21,879
Income Distributions from Private Investment Funds	35,683	15,607
Securities Lending Income	312	336
Other Income	828	956
Total Investment Income	<u>656,583</u>	<u>235,470</u>
Less Investment Expenses:		
Investment Management Fees	17,497	10,694
Custodial Fees and Expenses	1,363	1,373
Legal Fees	214	273
Analytical and Risk Measurement Fees	198	189
Consulting Fees	113	121
Accounting Fees	144	109
Background Check Fees	102	88
Foreign Tax Consulting and Filing Fees	24	40
Securities Lending Fees	(343)	(570)
Other Expenses	3	23
Total Investment Expenses	<u>19,315</u>	<u>12,340</u>
Net Investment Income	637,268	223,130
Participant Contributions	165,758	193,291
Total Additions	<u>803,026</u>	<u>416,421</u>
Deductions		
Participant Withdrawals	<u>512,099</u>	<u>361,065</u>
Change in Fiduciary Net Position	290,927	55,356
Net Position Held in Trust, Beginning of Year	<u>7,104,604</u>	<u>7,049,248</u>
Net Position Held in Trust, End of Year	<u>\$ 7,395,531</u>	<u>\$ 7,104,604</u>

*The accompanying notes are an integral
part of these financial statements.*

Note 1 – Organization and Basis of Presentation

The University of Texas System General Endowment Fund (Fund), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (UT Board). The Fund is organized as a pooled investment fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The PHF and LTF initially purchased units of the Fund on March 1, 2001, in exchange for the contribution of their investment assets. The Fund provides for greater diversification of investments than would be possible if each account were managed separately.

Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the Fund are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The annual combined financial statements of UT System are prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements of the Fund may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Management has evaluated subsequent events through October 31, 2013, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

Note 2 – Significant Accounting Policies

(A) ***Security Valuation*** -- Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the Fund are fair valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security and publicly traded mutual fund fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Physical commodities, specifically gold, are fair valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold.

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Notes to Financial Statements (cont.)

Private investment funds, which consist of non-regulated investment funds, are fair valued by management. The fair values of these investments are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the last available reporting date as well as consideration of any other information which has been provided by the investment manager or other sources. In rare cases the private market funds are valued at cost, but only when management determines that it is the best approximation of fair value. As of August 31, 2013 and 2012, investments in private investment funds in the amount of \$2,037,434,208 and \$1,910,386,766 have been estimated by management.

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate and natural resources investment funds, and certain other private placements are fair valued by management based on net asset value information provided by the investment managers as well as other relevant factors as indicated above. As of August 31, 2013 and 2012, investments in these funds in the amount of \$3,283,138,220 and \$3,022,707,788, respectively, have been estimated by management.

The statements of fiduciary net position include investments in private investment funds, hedge funds and other private placements as described above fair valued in the aggregate at \$5,320,572,428 (68.7% of total assets) and \$4,933,094,554 (67.1% of total assets) as of August 31, 2013 and 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values.

(B) ***Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities are fair valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The Fund does not isolate that portion of the results of the change in fiduciary net position resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held on the statements of changes in fiduciary net position. Such fluctuations are included with the net increase in investments.

(C) ***Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2013 and 2012, interest and dividend withholding in the amounts of \$1,659,961 and \$1,530,688 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

(D) ***Security Transactions*** -- Security transactions are recorded on a trade date basis. Gains and losses on securities sold are determined on the basis of average cost.

(E) ***Distributions to Participants*** -- The Fund, for accounting purposes, allocates its net investment income and realized gain or loss to the PHF and LTF monthly, based on their ownership of Fund units at month end. The allocated investment income and realized gain amounts increase the cost basis of the units of the Fund, and any allocated realized losses reduce the cost basis of the units of the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are issued.

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Notes to Financial Statements (cont.)

(F) ***Fund Valuation*** -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net position by the number of units outstanding on the valuation date.

(G) ***Purchases and Redemption of Units*** -- Unit purchases occur on the first business day of each fiscal quarter. Unit redemptions occur on the last business day of each fiscal quarter. The value of participating units, upon admission to the Fund, is based upon the market value of net position as of the quarterly valuation date. Redemptions from the Fund will also be made at the market value price per unit at the quarterly valuation date at the time of the redemption. There are no transaction costs incurred by participants for the purchase or redemption of units.

(H) ***Participants' Net Position*** -- All participants in the Fund have a proportionate interest in the Fund's net position.

(I) ***Use of Estimates*** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(J) ***Derivative Instruments*** -- Derivative securities are financial instruments whose fair value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The Fund from time to time uses various derivative instruments, as allowed under UT Board approved derivative investment policy guidelines. Futures contracts and foreign exchange contracts are fair valued at closing market prices on valuation date. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Derivative instruments included under these policies include futures, forwards, swaps and all forms of options. Derivative instruments in the Fund are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the Fund's market (systematic) exposure without trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks, or
- facilitate transition trading.

Through the use of derivative instruments, the complex risks that are bound together in traditional investments can be separated and managed independently. The primary intent of the Fund's investment in derivative instruments is to manage and implement investment strategies more effectively and at a lower cost than would be possible in the cash market. All of the Fund's derivative instruments are considered investment derivatives, and therefore do not qualify for hedge accounting; all changes in fair value are included in the net increase in investments in the statements of changes in fiduciary net position.

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Notes to Financial Statements (cont.)

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments and are included in the net increase in investments in the statement of changes in fiduciary net position. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss and are included in the net increase in investments in the statements of changes in fiduciary net position. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. Written options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net position.

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity or equity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included at fair value in the statements of fiduciary net position. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

Futures Contracts -- The Fund enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the Fund's agent in acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are fair valued at the close of business each day, and a gain or loss is recorded between the fair value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts, and is included on the statements of fiduciary net position. The Fund executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

Foreign Currency Contracts -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a

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Notes to Financial Statements (cont.)

forward foreign currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of fiduciary net position. Realized and unrealized gains and losses are included in the net increase in investments in the statements of changes in fiduciary net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

(K) ***Cash and Cash Equivalents*** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statement of fiduciary net position.

(L) ***Recently Issued Accounting Standards*** -- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was adopted in fiscal year 2013. The adoption resulted in the renaming of net assets to net position in the two required financial statements for fiduciary funds as well as the accompanying notes and disclosures.

Note 3 – Investment Risk

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4. Risk disclosures relating to the Fund's investments in hedge funds, private investments, and public market funds are discussed in Note 5.

(A) ***Credit Risk***

Article VII, Section 11b of the Texas Constitution authorizes the UT Board, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the UT Board, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the Fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the UT Board has elected the prudent investor standard to govern its management of the Fund.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S.

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Notes to Financial Statements (cont.)

government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2013 and 2012:

Investment Type	August 31,		Rating
	2013	2012	
U.S. Government Guaranteed	\$ 83,201,367	\$ 61,171,975	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	3,892,371	1,982,472	AA
U.S. Agency Asset Backed	20,032,776	40,355,484	AA
Total U.S. Government Non-Guaranteed	23,925,147	42,337,956	
Total U.S. Government	107,126,514	103,509,931	
Corporate Obligations:			
Domestic	4,504,978	8,170,025	AAA
Domestic	3,932,789	3,345,231	AA
Domestic	22,785,047	34,342,402	A
Domestic	15,361,121	34,374,421	BAA/BBB
Domestic	3,771,312	5,824,159	BA/BB
Domestic	1,566,892	4,124,695	B
Domestic	2,566,862	3,330,853	CAA/CCC
Domestic	527,279	1,337,563	CA/CC
Domestic	538,863	-	C
Domestic	125,930	427,627	D
Domestic	635,737	622,364	Not Rated
Foreign	16,223,541	24,317,789	AAA
Foreign	10,460,876	8,731,669	AA
Foreign	7,537,983	10,127,679	A
Foreign	10,926,939	12,671,046	BAA/BBB
Foreign	2,535,661	2,379,188	BA/BB
Foreign	-	774,607	B
Foreign	146,002	469,787	CAA/CCC
Foreign	-	143,938	Not Rated
Total Corporate Obligations	104,147,812	155,515,043	
Foreign Government and Provincial Obligations	37,924,032	82,885,566	AAA
Foreign Government and Provincial Obligations	54,707,399	34,896,593	AA
Foreign Government and Provincial Obligations	25,965,521	54,838,821	A
Foreign Government and Provincial Obligations	56,032,889	66,850,269	BAA/BBB
Foreign Government and Provincial Obligations	11,425,210	11,991,021	BA/BB
Foreign Government and Provincial Obligations	-	39,501,274	Not Rated
Total Foreign Government and Provincial Obligations	186,055,051	290,963,544	
Other Debt Securities	-	455,514	AAA
Other Debt Securities	487,230	1,076,200	AA
Other Debt Securities	848,203	3,912,348	A
Other Debt Securities	-	123,052	BAA/BBB
Other Debt Securities	283,605	1,032,618	B
Total Other Debt Securities	1,619,038	6,599,732	
Total Debt Securities	\$ 398,948,415	\$ 556,588,250	
Convertible Securities	\$ 222,554	\$ 309,093	B
Other Investment Funds - Debt	\$ 8,207,821	\$ 8,056,640	BA/BB
Cash and Cash Equivalents - Money Market Funds	\$ 423,916,573	\$ 332,849,447	AAA
Cash and Cash Equivalents	29,691,557	11,521,459	Not Rated
Total Cash and Cash Equivalents	\$ 453,608,130	\$ 344,370,906	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 15,084,432	\$ 358,639	AA
Foreign Government and Provincial Obligations	(357,367)	-	AA
Foreign Government and Provincial Obligations	-	10,473,029	BAA/BBB
Foreign Government and Provincial Obligations	-	9,957,541	Not Rated
Cash	6,891,861	10,079,891	Not Rated
Total Net Deposit with Brokers for Derivative Contracts	\$ 21,618,926	\$ 30,869,100	

(B) ***Concentrations of Credit Risk***

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. The Fund does not hold any direct investments in any one issuer that is 5% percent or more of the market value of the Fund's fixed income investments.

(C) ***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2013 and 2012, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration by investment type at August 31, 2013 and 2012:

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

Investment Type	August 31,			
	2013		2012	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 69,535,702	8.01	\$ 47,881,284	7.96
U.S. Treasury Bills	6,807,623	0.46	12,158,005	0.53
U.S. Treasury Inflation Protected	5,317,221	14.22	480,799	7.15
U.S. Agency Asset Backed	1,540,821	2.98	651,887	4.18
Total U.S. Government Guaranteed	<u>83,201,367</u>	7.70	<u>61,171,975</u>	6.44
U.S. Government Non-Guaranteed:				
U.S. Agency	3,892,371	2.10	1,982,472	7.06
U.S. Agency Asset Backed	20,032,776	3.34	40,355,484	2.65
Total U.S. Government Non-Guaranteed	<u>23,925,147</u>	3.14	<u>42,337,956</u>	2.85
Total U.S. Government	<u>107,126,514</u>	6.68	<u>103,509,931</u>	4.97
Corporate Obligations:				
Domestic	56,316,810	5.30	95,899,340	6.37
Foreign	47,831,002	5.53	59,615,703	5.37
Total Corporate Obligations	<u>104,147,812</u>	5.40	<u>155,515,043</u>	5.98
Foreign Government and Provincial Obligations	<u>186,055,051</u>	5.07	<u>290,963,544</u>	6.44
Other Debt Securities	<u>1,619,038</u>	9.75	<u>6,599,732</u>	12.77
Total Debt Securities	<u>398,948,415</u>	5.61	<u>556,588,250</u>	6.12
Convertible Securities	<u>222,554</u>	14.35	<u>309,093</u>	29.03
Other Investment Funds - Debt	<u>8,207,821</u>	7.00	<u>8,056,640</u>	6.90
Cash and Cash Equivalents	<u>453,608,130</u>	0.08	<u>344,370,906</u>	0.06
Total	<u>\$ 860,986,920</u>	2.71	<u>\$ 909,324,889</u>	3.84
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 15,260,063	0.36	\$ 93,867	0.67
U.S. Treasury Bonds and Notes	(175,631)	-	264,772	18.28
Total U.S. Government Guaranteed	<u>15,084,432</u>	0.36	<u>358,639</u>	13.67
Foreign Government and Provincial Obligations	<u>(357,367)</u>	-	<u>20,430,570</u>	5.49
Cash	<u>6,891,861</u>	-	<u>10,079,891</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 21,618,926</u>	0.25	<u>\$ 30,869,100</u>	3.79

The Fund has purchased options on ten year constant maturity swaps, with expirations ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2013, these options had a notional value of \$3,358,000,000 and a fair value of \$6,605,540. As of August 31, 2012, these options had a notional value of \$3,358,000,000 and a fair value of \$4,752,462. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$18,856,833 as of August 31, 2013 and 2012. The Fund also purchased both puts and swaptions on the Japanese Yen, with expirations ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2013, these puts and swaptions had a notional value of \$1,807,426,486 with a fair value of \$8,519,532 and a loss limited to \$13,990,451 which represents the premiums paid. As of August 31, 2012, these puts and swaptions

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

had a notional value of \$2,029,119,640 with a fair value of \$1,848,862 and a loss limited to \$17,260,335 which represents the premiums paid. It is estimated that these options would adjust the 2013 duration of total debt securities of 5.61 downward by approximately 0.87, and the total duration of 2.71 downward by approximately 0.67. It is estimated that these options would adjust the 2012 duration of total debt securities of 6.12 downward by approximately 0.47, and the total duration of 3.84 downward by approximately 0.48. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of its portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes*

The Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2013 and 2012, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$22,125,551 and \$33,681,192 as of August 31, 2013 and 2012, respectively.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$10,123,694 and to \$24,719,723 as of August 31, 2013 and 2012, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$2,361,492 and \$3,248,930, as of August 31, 2013 and 2012, respectively.

(F) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Fund's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the Fund's total fixed income and developed country equity exposures in the Fund's investment policy statement.

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2013 and 2012:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Domestic Common Stock:		
Indian Rupee	\$ 25,915	\$ -
Foreign Common Stock:		
Australian Dollar	13,933,942	17,025,178
Brazilian Real	38,642,112	47,661,281
Canadian Dollar	18,941,597	16,220,924
Chilean Peso	1,253,035	1,473,926
Chinese Yuan Renminbi	67,492,264	-
Colombian Peso	241,316	-
Czech Koruna	829,015	755,655
Danish Krone	2,047,936	2,107,776
Egyptian Pound	791,108	580,615
Euro	38,090,672	35,586,376
Hong Kong Dollar	79,793,314	82,368,592
Hungarian Forint	376,576	595,987
Indian Rupee	9,655,737	9,269,695
Indonesian Rupiah	7,230,320	8,534,131
Japanese Yen	136,791,302	22,090,484
Malaysian Ringgit	10,811,155	11,652,633
Mexican Peso	8,751,116	8,990,633
Moroccan Dirham	212,060	232,133
Norwegian Kroner	2,699,724	650,974
Pakistani Rupee	538,153	410,943
Peruvian Nuevo Sol	1,871	2,784
Philippine Peso	8,518,873	6,221,664
Polish Zloty	3,270,184	3,616,346
Singapore Dollar	9,243,181	9,653,752
South African Rand	11,690,617	12,227,679
South Korean Won	37,293,010	34,198,665
Swedish Krona	9,943,250	8,791,267
Swiss Franc	7,627,321	6,659,826
Taiwan Dollar	25,344,900	21,132,182
Thai Baht	8,878,254	11,615,431
Turkish Lira	5,599,650	6,785,041
UK Pound	61,217,620	63,207,264
United Arab Emirates Dirham	1,436,215	690,433
Total Foreign Common Stock	629,187,400	451,010,270
Other - Equity Securities:		
Chilean Peso	18	423
Hong Kong Dollar	4,376	-
Indian Rupee	124	-
Taiwan Dollar	87	-
Thai Baht	-	44,809
UK Pound	-	21
Total Other - Equity Securities	4,605	45,253
Foreign Preferred Stock:		
Brazilian Real	18,096,867	17,530,908
Colombian Peso	12,988	-
South Korean Won	-	353,784
Total Foreign Preferred Stock	18,109,855	17,884,692
Foreign Government and Provincial Obligations:		
Australian Dollar	16,506,611	19,244,069
Brazilian Real	8,053,734	89,208,317
Canadian Dollar	4,828,792	6,095,609
Colombian Peso	1,072,339	1,359,055
Euro	53,732,516	67,643,676
Hong Kong Dollar	425,755	416,652
Hungarian Forint	3,726,107	4,842,841
Japanese Yen	14,876,698	26,782,549
Malaysian Ringgit	1,202,799	5,144,044

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Foreign Government and Provincial Obligations (continued):		
Mexican Peso	\$ 22,955,449	\$ 16,986,254
New Zealand Dollar	14,248,521	14,849,761
Polish Zloty	7,910,439	13,578,763
Singapore Dollar	2,424,173	1,957,388
South African Rand	5,627,076	6,752,693
South Korean Won	4,046,466	5,429,753
Swedish Krona	202,338	-
Turkish Lira	2,349,950	-
UK Pound	16,528,302	28,554,892
Total Foreign Government and Provincial Obligations	<u>180,718,065</u>	<u>308,846,316</u>
Corporate Obligations:		
Australian Dollar	8,104,589	8,291,516
Canadian Dollar	694,472	968,931
Euro	10,320,301	24,273,045
Japanese Yen	880,097	1,315,982
New Zealand Dollar	596,910	693,864
Swedish Krona	442,409	-
UK Pound	7,646,558	7,459,889
Total Corporate Obligations	<u>28,685,336</u>	<u>43,003,227</u>
Purchased Options:		
Australian Dollar	-	2,560,631
Brazilian Real	-	280,908
Euro	-	4,634
Japanese Yen	8,519,532	1,848,862
South Korean Won	-	10,364,521
Total Purchased Options	<u>8,519,532</u>	<u>15,059,556</u>
Private Investment Funds:		
Australian Dollar	5,717,275	-
Canadian Dollar	46,622,512	13,214,692
Euro	105,720,650	109,576,437
UK Pound	16,118,370	12,359,642
Total Private Investment Funds	<u>174,178,807</u>	<u>135,150,771</u>
Investment Funds - Emerging Markets:		
Brazilian Real	7,878,068	3,576,098
Canadian Dollar	256,382	568,701
Euro	-	2,136,281
Hong Kong Dollar	687,665	679,346
Swedish Krona	388,675	417,900
Taiwan Dollar	206,903	40,209
UK Pound	28,648,042	27,467,851
Total Investment Funds - Emerging Markets	<u>38,065,735</u>	<u>34,886,386</u>
Investment Funds - Natural Resources:		
UK Pound	1,413,639	1,621,806
Cash and Cash Equivalents:		
Australian Dollar	170,113	592,479
Brazilian Real	3,758,149	829,211
Canadian Dollar	28,990	36,422
Chilean Peso	3,335	6,732
Chinese Yuan Renminbi	4,621,315	-
Colombian Peso	2,073	-
Czech Koruna	5,492	21,285
Danish Krone	174	5,192
Egyptian Pound	-	417
Euro	9,343,486	1,530,553
Hong Kong Dollar	1,073,968	528,359
Hungarian Forint	574	2,370
Indian Rupee	68,548	183,531
Indonesian Rupiah	425,549	27,239
Israeli Shekel	1	2,615

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Cash and Cash Equivalents (continued):		
Japanese Yen	\$ 1,213,255	\$ 69,432
Malaysian Ringgit	34,103	109,935
Mexican Peso	147,968	28,506
Moroccan Dirham	10,067	3,414
New Zealand Dollar	10,216	564
Norwegian Kroner	169	196
Pakistani Rupee	35	27
Peruvian Nuevo Sol	223	239
Philippine Peso	19,092	4,972
Polish Zloty	54,817	55,012
Singapore Dollar	346	204,762
South African Rand	21,933	42,696
South Korean Won	119,299	232,983
Swedish Krona	440	7,826
Swiss Franc	1,540	206
Taiwan Dollar	206,738	643,163
Thai Baht	231,262	27,314
Turkish Lira	10,307	61,519
UK Pound	3,166,806	324,812
Total Cash and Cash Equivalents	<u>24,750,383</u>	<u>5,583,983</u>
Written Options:		
Australian Dollar	-	(1,303,747)
Euro	(5,404)	-
South Korean Won	-	(5,160,801)
UK Pound	(9,556)	-
Total Written Options	<u>(14,960)</u>	<u>(6,464,548)</u>
Swaps:		
Australian Dollar	-	20,775
Euro	12,737	1,897
Japanese Yen	11,308	(916,454)
Mexican Peso	11,293	265,619
UK Pound	9,264	(98,314)
Total Swaps	<u>44,602</u>	<u>(726,477)</u>
Futures:		
Australian Dollar	8,478	(19,353)
Brazilian Real	-	(686,610)
Canadian Dollar	(1,534)	(4,063)
Euro	20,286	(263)
Japanese Yen	607	5,353
UK Pound	10,433	(5,739)
Total Futures	<u>38,270</u>	<u>(710,675)</u>
Total	<u>\$ 1,103,727,184</u>	<u>\$ 1,005,190,560</u>

(G) Counterparty (Credit) Risk

The derivative instruments utilized by the Fund contain varying degrees of off-balance sheet risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statements of fiduciary net position. The Fund manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The Fund had gross counterparty exposure as of August 31, 2013 for options, swaps, and foreign currency exchange contracts as shown in the following table:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$ 5,166,426,486	\$ 19,329,790	\$ 15,280,422	\$ 296,079	A
Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$ 15,274,720	\$ 18,749,702	\$ 396,551	\$ 351,155	A
Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$ 192,997,975	\$ 262,313,776	\$ 5,966,670	\$ 7,307,590	A
4,856,842	5,142,640	11,940	21,110	AA
\$ 197,854,817	\$ 267,456,416	\$ 5,978,610	\$ 7,328,700	

The Fund had gross counterparty exposure as of August 31, 2012 for options, swaps, and foreign currency exchange contracts as shown in the following table:

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	<u>Counterparty Rating</u>
\$ 6,472,448,416	\$ 937,096,979	\$ 19,531,109	\$ 6,749,760	A
Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	<u>Counterparty Rating</u>
\$ 91,917,017	\$ 135,291,364	\$ 1,489,890	\$ 741,918	A
3,451,346	918,485	902,894	918,021	AA
\$ 95,368,363	\$ 136,209,849	\$ 2,392,784	\$ 1,659,939	
Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	<u>Counterparty Rating</u>
\$ 174,813,295	\$ 311,221,194	\$ 3,937,000	\$ 6,582,217	A
5,805,162	4,718,193	92,166	102,278	AA
\$ 180,618,457	\$ 315,939,387	\$ 4,029,166	\$ 6,684,495	

As of August 31, 2013 and 2012, the Fund also had investments in futures contracts, options on future contracts and exchange-cleared swaps. Futures contracts, options on future contracts and

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default, and therefore they are not presented in the table above.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2013 and 2012, the Fund held \$14,027,367 and \$12,480,000 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$824,994 and \$20,848,983, respectively, as collateral related to derivative instruments other than futures.

Note 4 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income, and related expenses, net of rebates paid to borrowers, are included in investment expenses in the statement of changes in fiduciary net position. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned and the fair value of collateral held are as follows at August 31, 2013 and 2012:

<u>Securities on Loan</u>	<u>2013 Fair Value</u>	<u>2012 Fair Value</u>	<u>Type of Collateral</u>	<u>2013 Fair Value of Collateral</u>	<u>2012 Fair Value of Collateral</u>
U.S. Government	\$ 16,815,520	\$ 14,417,440	Cash	\$ 17,190,005	\$ 14,714,106
Foreign					
Government	814,811	2,883,401	Cash	892,935	3,020,985
Corporate Bonds	6,694,326	6,657,144	Cash	6,905,030	6,841,209
Common Stock	109,756,266	105,623,295	Cash	114,412,286	111,060,163
Total	<u>\$ 134,080,923</u>	<u>\$ 129,581,280</u>	Total	<u>\$ 139,400,256</u>	<u>\$ 135,636,463</u>
U.S. Government	\$ 34,916,988	\$ 27,163,524	Non-Cash	\$ 35,696,337	\$ 27,724,842
Corporate Bonds	223,010	-	Non-Cash	227,987	-
Common Stock	62,944	-	Non-Cash	64,349	-
Total	<u>\$ 35,202,942</u>	<u>\$ 27,163,524</u>	Total	<u>\$ 35,988,673</u>	<u>\$ 27,724,842</u>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, the Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund

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Notes to Financial Statements (cont.)

and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower would come from the Fund and the securities lending agent in the same proportion as the split of income.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2013 and 2012, is shown in the following table:

Description	August 31,					
	2013			2012		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Average Maturity In
		No Rating			No Rating	
Repurchase Agreements	\$ 64,128,042	Available	3	\$ 66,384,663	Available	4
Treasuries	-	AA	-	1,885,923	AA	169
Agencies	-	P	-	3,701,567	P	36
Commercial Paper	29,699,590	P	56	29,220,857	P	57
Floating Rate Notes	991,497	AAA		-	AAA	
Floating Rate Notes	27,965,772	AA		16,238,447	AA	
Floating Rate Notes	9,172,046	A		4,542,512	A	
Total Floating Rate Notes	<u>38,129,315</u>		38	<u>20,780,959</u>		40
Interest Bearing Notes	1,571,905	P	286	-	P	-
Certificates of Deposit	5,861,716	P	75	12,729,420	P	68
Time Deposits	-	P		943,142	P	24
Other Receivables/Payables	9,688	Not Rated	-	(10,068)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 139,400,256</u>		30	<u>\$ 135,636,463</u>		30

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the Fund, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the Fund or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or the counterparties' trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of fiduciary net position. Pool investments are valued at cost which because of the nature of these investments is indicative of fair value. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, the Fund has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the Fund from any loss due to borrower default.

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Notes to Financial Statements (cont.)

As of August 31, 2013 and 2012, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2013 and 2012.

Note 5 – Investment Funds

Investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds, externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds at August 31, 2013 and 2012 is summarized in the following table as they are classified within the asset mix of the Fund.

	<u>August 31,</u>	
	<u>2013</u>	<u>2012</u>
Investment Funds:		
Hedge Funds:		
Developed Country Equity	\$ 1,477,892,343	\$ 1,349,460,567
Credit Related Fixed Income	379,683,898	361,041,946
Emerging Markets Equity	142,908,659	183,832,282
Investment Grade Fixed Income	220,445,837	203,268,216
Real Estate	38,771,399	40,140,277
Natural Resources	3,096,803	4,743,785
Total Hedge Funds	<u>2,262,798,939</u>	<u>2,142,487,073</u>
Private Investments:		
Developed Country Equity	852,445,271	873,671,757
Credit Related Fixed Income	363,260,324	459,874,966
Natural Resources	363,033,361	227,978,272
Real Estate	255,705,210	169,688,930
Emerging Markets Equity	202,990,042	179,172,841
Total Private Investments	<u>2,037,434,208</u>	<u>1,910,386,766</u>
Public Markets:		
Developed Country Equity:		
Private Placements	<u>746,609,542</u>	<u>599,498,078</u>
Emerging Markets:		
Private Placements	197,729,503	192,446,615
Other Investment Funds	<u>43,322,663</u>	<u>43,520,054</u>
Total Emerging Markets	<u>241,052,166</u>	<u>235,966,669</u>
Fixed Income:		
Publicly Traded Mutual Funds	<u>8,207,821</u>	<u>8,056,640</u>
Natural Resources:		
Private Placements	76,000,236	88,276,022
Other Investment Funds	<u>2,330,013</u>	<u>3,072,149</u>
Total Natural Resources	<u>78,330,249</u>	<u>91,348,171</u>
Total Public Markets	<u>1,074,199,778</u>	<u>934,869,558</u>
Total Investment Funds	<u>\$ 5,374,432,925</u>	<u>\$ 4,987,743,397</u>

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These

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Notes to Financial Statements (cont.)

investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$217,890,087, of future funding to various hedge fund investments as of August 31, 2013 of which the Fund's pro-rata portion is \$56,019,541.

The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures for the years ending August 31, 2013 and 2012, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager of the limited liability companies. The private investment pools have committed \$3,781,271,249 of future funding to various private investments as of August 31, 2013 of which the Fund's pro-rata portion is \$1,293,194,767.

Public market funds are invested in exchange traded funds, index funds, and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the Fund. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. Certain of these investments are held through limited liability companies of which UTIMCO is the manager of the limited liability companies. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future funding in the amount of \$13,800,000, of which the Fund's pro-rata portion is \$3,375,394, has been committed to certain public market funds as of August 31, 2013.

In some instances it may be necessary for the Fund to provide funding for certain managers in advance of the effective investment date to facilitate trading in the international market by the investment manager. As of August 31, 2013, there were no fundings in advance of the effective investment date. As of August 31, 2012, \$25,000,000, of which the Fund's pro-rata share was \$7,230,000, had been funded to a manager for investment on the first business day of September 2012. This amount is included in the investment funds fair value on the statements of fiduciary net position.

The Fund, in conjunction with the PUF and the ITF, invests in certain long-only public markets managers in separate investment pools created in the name of the UT Board. The Fund, the PUF and the ITF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts. The net assets and the income, expenses, and realized gains and losses of these pools have been allocated based on the proportional unit ownership of the Fund, the PUF and the ITF, and the Fund's pro-rata share has been consolidated into the statements of fiduciary net position, the statements of changes in fiduciary net position, and the accompanying note disclosures.

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Notes to Financial Statements (cont.)

Hedge funds, private investments, and public market funds include investments in private placement vehicles that are subject to risk which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the Fund's investment funds may impose lock-up periods which would cause the Fund to incur penalties to redeem its units or prevent the Fund from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* -- As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

Investments in hedge funds, private investments, and public market funds are also subject to the investment risks discussed in Note 3. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

Note 6 – Written Options

For the year ended August 31, 2013, the Fund wrote call options on commodities and interest rate swaps. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2013:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Commodity					
	Aluminum Futures	5	12/4/2013	\$ -	\$ 18
	Copper Futures	3	12/3/2014	-	9,188
				-	9,206
Interest Rate Swap					
	6 month Euribor	1,800,000	3/12/2014	-	1,640
				\$ -	\$ 10,846

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2013 was an increase in the amount of \$50,818, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$521,795 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2013.

The Fund also wrote put options on commodities, equities and interest rate swaps for the year ended August 31, 2013. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2013:

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Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Interest Rate Swap					
	3 month United States Libor	1,000,000	9/3/2013	\$ -	\$ 18,222
	3 month United States Libor	1,800,000	9/30/2013	-	28,108
	3 month United States Libor	6,700,000	10/18/2013	-	48,577
	6 month British Libor	700,000	10/25/2013	-	9,556
	6 month Euribor	1,800,000	3/12/2014	-	3,764
	3 month United States Libor	4,000,000	9/21/2015	-	186,212
				-	294,439
Commodity					
	Crude Oil Futures	2	11/17/2015	-	5,998
Equity					
	Apple Inc	4	1/17/2015	-	19,235
				\$ -	\$ 319,672

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2013 was a decrease in the amount of \$131,829, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$6,430,585 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2013.

For the year ended August 31, 2012, the Fund wrote call options on commodities and interest rate swaps. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2012:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2012	
				Assets	Liabilities
Commodity					
	Corn Futures	2	11/23/2012	\$ -	\$ 1,044
Interest Rate Swap					
	United States 3 month Libor	1,200,000	10/11/2012	-	5,143
	United States 3 month Libor	2,200,000	11/14/2012	-	22,575
	United States 3 month Libor	7,700,000	3/18/2013	-	265,725
				-	293,443
				\$ -	\$ 294,487

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2012 was a decrease in the amount of \$208,972, which is included in the net increase in investments on the statement of

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Notes to Financial Statements (cont.)

changes in fiduciary net position. The Fund recognized gains in the amount of \$48,113 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2012.

The Fund also wrote put options on commodities, equities and other indices and interest rate swaps for the year ended August 31, 2012. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2012:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2012	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	1,200,000	10/11/2012	\$ -	\$ 15
	United States 3 month Libor	2,200,000	11/14/2012	-	126
	United States 3 month Libor	7,700,000	3/18/2013	-	14,329
				<u>-</u>	<u>14,470</u>
Commodity					
	Brent Crude Futures	1	11/12/2012	-	11,171
	Copper Futures	2	12/5/2012	-	2,458
	Corn Futures	14	11/23/2012	-	237
	Corn Futures	9	11/23/2013	-	19,007
	Crude Oil Futures	1	11/13/2012	-	355
	Crude Oil Futures	2	11/17/2015	-	11,548
	Natural Gas Futures	7	12/26/2012	-	8,621
				<u>-</u>	<u>53,397</u>
Equity					
	Australia S&P/ASX 200 Index	78,450	9/20/2012	-	27,311
	Australia S&P/ASX 200 Index	33,274	8/15/2013	-	1,276,436
	Korean KOSPI 200 Index	1,096,403,490	6/13/2013	-	1,109,750
	Korean KOSPI 200 Index	1,128,718,418	8/8/2013	-	4,051,051
				<u>-</u>	<u>6,464,548</u>
				<u>\$ -</u>	<u>\$ 6,532,415</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2012 was an increase in the amount of \$15,833,679, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$55,070,575 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2012.

Note 7 – Swaps

During the years ended August 31, 2013 and 2012, the Fund entered into interest rate, credit default, commodities, currency and equity swap contracts. The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2013:

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Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2013	
					Assets	Liabilities
Interest Rate						
Euro		0.750%	700,000	3/19/2015	\$ 1,068	\$ -
		2.000%	300,000	9/18/2023	6,722	-
British Pound		1.000%	8,100,000	6/18/2015	9,264	-
Japanese Yen		0.250%	100,000,000	9/18/2015	294	-
Mexican Peso		5.000%	1,100,000	6/11/2018	-	3,204
		5.750%	1,000,000	2/22/2023	-	6,553
		6.590%	5,800,000	12/8/2015	16,598	-
		6.750%	1,300,000	6/8/2016	4,452	-
U.S. Dollar		2.650%	700,000	7/31/2023	-	15,869
					<u>38,398</u>	<u>25,626</u>
Credit Default						
Euro		1.000%	200,000	6/20/2017	4,947	-
Japanese Yen		1.000%	247,000,000	6/20/2018	11,014	-
U.S. Dollar		0.590%	1,000,000	9/20/2014	-	6,150
		0.590%	1,000,000	9/20/2016	-	12,844
		0.700%	800,000	12/20/2018	-	210
		0.750%	1,000,000	9/20/2017	-	17,579
		1.000%	700,000	9/20/2016	17,051	-
		1.000%	1,400,000	6/20/2018	23,776	-
		1.380%	1,000,000	3/20/2017	-	34,281
		1.920%	1,000,000	3/20/2017	-	19,027
	2.930%	300,000	6/20/2015	-	15,497	
					<u>56,788</u>	<u>105,588</u>
Commodity						
U.S. Dollar	S&P GSCI Industrial Metals		222,522	12/31/2013	3,820	-
	Nuexco Uranium Ore		53,466	2/28/2014	-	11,368
	Nuexco Uranium Ore		53,248	3/31/2014	-	11,151
	Nuexco Uranium Ore		221,620	4/28/2014	-	32,478
	S&P GSCI Grains		2,287,140	8/29/2014	-	12,247
					<u>3,820</u>	<u>67,244</u>
Equity						
U.S. Dollar	MSCI Taiwan Index		9,876,947	1/11/2014	-	168,566
	MSCI Korea Index		9,639,299	5/29/2014	314,893	-
					<u>314,893</u>	<u>168,566</u>
Total					<u>\$ 413,899</u>	<u>\$ 367,024</u>

The change in fair value of open swap positions for the year ending August 31, 2013 was a decrease in the amount of \$265,418, which is included in the net increase in investments on the statement of changes in fiduciary net position.

The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2012:

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Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2012	
				Assets	Liabilities
Interest Rate					
Australian Dollar					
	5.000%	200,000	6/15/2022	\$ 20,775	\$ -
British Pound					
	1.250%	3,100,000	9/21/2014	-	47,855
	2.500%	1,400,000	9/21/2013	-	50,459
Japanese Yen					
	0.250%	200,000,000	6/20/2014	2,894	-
	0.300%	850,000,000	12/19/2014	169	-
	0.350%	140,000,000	6/20/2014	-	1,496
Mexican Peso					
	5.500%	16,000,000	9/13/2017	17,182	-
	6.750%	49,500,000	6/8/2016	226,804	-
	6.590%	5,800,000	12/8/2015	21,633	-
U.S. Dollar					
	1.250%	400,000	6/20/2016	-	11,111
				<u>289,457</u>	<u>110,921</u>
Credit Default					
Euro					
	0.250%	600,000	3/20/2016	-	300
	0.250%	700,000	6/20/2016	-	1,120
	1.000%	200,000	6/20/2017	3,317	-
U.S. Dollar					
	0.250%	1,500,000	12/20/2016	-	14,128
	0.250%	1,200,000	6/20/2017	-	43,691
	0.590%	1,000,000	9/20/2014	-	8,358
	0.590%	1,000,000	9/20/2016	-	8,705
	0.700%	800,000	12/20/2018	10,425	-
	0.750%	1,000,000	9/20/2017	-	14,271
	1.000%	1,400,000	12/20/2012	5,904	-
	1.000%	1,900,000	6/20/2015	46,270	-
	1.000%	3,800,000	12/20/2015	15,554	-
	1.000%	1,600,000	3/20/2016	33,062	-
	1.000%	3,600,000	6/20/2016	70,483	-
	1.000%	1,100,000	9/20/2016	25,390	-
	1.000%	600,000	6/20/2017	-	94,748
	1.000%	200,000	12/20/2020	-	11,455
	1.135%	500,000	9/20/2013	-	3,071
	1.160%	2,000,000	3/20/2013	-	13,382
	1.350%	200,000	6/20/2016	-	1,238
	1.380%	1,000,000	3/20/2017	-	40,162
	1.400%	400,000	3/20/2021	1,566	-
	1.450%	1,000,000	6/20/2013	-	12,701
	1.540%	100,000	6/20/2018	1,071	-
	1.920%	1,000,000	3/20/2017	32,259	-
	2.880%	600,000	12/20/2020	27,816	-
	2.920%	400,000	3/20/2021	19,424	-
	2.930%	300,000	6/20/2015	-	19,784
				<u>292,541</u>	<u>287,114</u>

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Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2012	
					Assets	Liabilities
Commodity						
U.S. Dollar						
		Uranium	292,466	4/30/2013	\$ -	\$ 20,368
		S&P GSCI Grains	3,160,765	2/28/2013	-	40,268
					<u>-</u>	<u>60,636</u>
Currency						
Japanese Yen						
			72,000,000	5/15/2014	-	918,021
U.S. Dollar						
			900,000	5/15/2014	900,000	-
					<u>900,000</u>	<u>918,021</u>
Equity						
U.S. Dollar						
		MSCI Europe Index	36,079,404	8/14/2013	-	213,055
		MSCI Japan Index	19,670,579	8/8/2013	376,974	-
		MSCI Korea Index	8,668,415	5/29/2013	181,868	-
		U.S. Real Estate Index	31,262,080	8/8/2013	-	53,790
		U.S. Real Estate Index	43,574,392	8/20/2013	-	35,075
		S&P 500 Index	43,214,802	8/20/2013	326,344	-
		Taiwan TAIEX Index	6,086,987	9/19/2012	-	71,933
					<u>885,186</u>	<u>373,853</u>
Total					\$ 2,367,184	\$ 1,750,545

The change in fair value of open swap positions for the year ending August 31, 2012 was an increase in the amount of \$404,141, which is included in the net increase in investments on the statement of changes in fiduciary net position.

Note 8 – Futures Contracts

During the years ended August 31, 2013 and 2012, the Fund's asset classes that used futures include foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the years ending August 31, 2013 and 2012, were an increase in the amount of \$566,543 and an increase in the amount of \$813,546, respectively, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund had \$34,821,299 and \$22,500,117 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2013 and 2012, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized losses on futures contracts, which is included in the net increase in investments on the statement of changes in fiduciary net position, was \$52,279,743 for the year ended August 31, 2013. The amount of net realized losses on futures contracts was \$11,805,578 for the year ended August 31, 2012.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The carrying and fair value, for August 31, 2013 and 2012, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$671,491 and \$1,511,578, respectively, as of August 31, 2013 and 2012.

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Notes to Financial Statements (cont.)

During the years ended August 31, 2013 and 2012, certain of the Fund's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2013 and 2012.

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2013 for futures contracts:

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2013		Carrying and Fair Value at August 31, 2013		
			Long	Short	Assets	Liabilities	
Commodities							
Aluminum Hg	3	Sep-13	\$ 5,495,909	\$ 5,361,897	\$ 131,607	\$ 14,155	
Aluminum Hg	127	Dec-13	11,347,401	5,578,869	-	477,863	
Brent Crude Oil	16	Oct-13	1,847,266	-	127,787	-	
Brent Crude Oil	18	Nov-13	1,997,820	-	-	-	
Brent Crude Oil	49	Nov-14	5,003,880	-	-	-	
Brent Crude Oil	1	Dec-14	112,177	-	-	1,101	
Coffee 'C'	63	Dec-13	2,727,269	-	-	76,532	
Copper	5	Sep-13	1,118,931	243,246	-	42,561	
Copper	94	Dec-13	7,938,959	341,409	17,694	-	
Copper	1	Dec-14	-	197,068	18,921	-	
Corn	271	Dec-13	5,808,100	721,403	107,124	-	
Corn	26	Dec-14	675,755	-	33,706	-	
Cotton No. 2	55	Dec-13	2,305,067	-	-	514	
Cotton No. 2	5	Mar-14	206,850	-	-	-	
Crude Oil	4	Nov-13	422,840	-	-	-	
Crude Oil	16	Dec-13	1,741,814	-	117,873	-	
Crude Oil	8	Jun-14	806,893	-	60,669	-	
Crude Oil	27	Nov-14	2,521,800	-	-	-	
Crude Oil	111	Nov-15	9,659,220	-	-	-	
Gas Oil	3	Sep-13	266,246	-	14,946	-	
Gasoline RBOB	27	Nov-13	3,203,210	-	-	-	
Gasoline RBOB	13	Dec-13	1,497,623	-	22,217	-	
Gold 100 Oz	876	Dec-13	122,263,724	-	245,966	1,312,080	
Heating Oil	5	Oct-13	687,379	-	-	4,896	
Heating Oil	14	Nov-13	1,838,911	-	-	-	
Heating Oil	8	Dec-13	1,048,421	-	-	-	
Heating Oil	12	May-14	1,517,141	-	-	-	
Lean Hogs	5	Oct-13	175,250	-	-	-	
Lean Hogs	48	Dec-13	1,620,716	-	6,371	-	
Lean Hogs	26	Apr-14	894,400	-	-	-	
Live Cattle	66	Oct-13	3,357,510	-	641	-	
Live Cattle	9	Dec-13	456,465	-	55	-	
Live Cattle	3	Feb-14	157,980	-	-	-	
Natural Gas	42	Sep-13	1,504,020	-	-	-	
Natural Gas	176	Oct-13	6,115,440	353,712	38,547	-	
Natural Gas	79	Nov-13	2,589,966	273,352	122,327	1,617	
Natural Gas	157	Dec-13	6,163,820	-	-	-	
Natural Gas	13	Jan-14	495,955	-	-	14,486	
Natural Gas	12	Mar-14	449,253	-	4,246	-	
Natural Gas	7	Apr-14	273,611	-	-	21,860	
Natural Gas	2	Jun-14	63,965	-	-	5,017	
Natural Gas	5	Jan-15	222,853	-	-	5,836	
Nickel	13	Sep-13	3,184,407	2,143,128	-	168,504	
Nickel	28	Dec-13	2,360,010	-	-	14,607	
Palladium	2	Dec-13	119,271	-	-	3,396	
Platinum	15	Oct-13	1,153,280	-	41,812	-	
Silver	38	Dec-13	4,516,234	-	36,487	-	
Soybean	25	Nov-13	1,086,000	633,758	-	46,250	
Soybean	15	Jan-14	1,004,517	-	62,974	-	
Soybean	20	Mar-14	1,334,250	-	-	-	
Soybean	65	Nov-14	3,943,063	-	-	-	
Soybean Meal	81	Dec-13	3,447,137	-	58,080	-	
Soybean Meal	7	Mar-14	289,450	-	-	-	

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2013		Carrying and Fair Value at August 31, 2013	
			Long	Short	Assets	Liabilities
Commodities (continued)						
Soybean Oil	15	Oct-13	\$ 405,723	\$ -	\$ -	\$ 5,536
Soybean Oil	108	Dec-13	2,869,992	-	-	-
Sugar #11 World	179	Sep-13	3,275,843	-	-	-
Sugar #11 World	63	Oct-13	1,150,906	-	-	34,172
Sugar #11 World	38	Feb-14	718,413	-	-	-
Wheat	152	Dec-13	5,000,023	71,841	2,420	269
Wheat	24	Jul-14	320,700	512,499	2,946	-
Zinc	12	Sep-13	3,452,659	2,873,070	72,735	-
Zinc	59	Dec-13	2,870,625	47,844	69	-
			<u>261,104,313</u>	<u>19,353,096</u>	<u>1,348,220</u>	<u>2,251,252</u>
Foreign Equities						
MSCI Emerging Market	1,988	Sep-13	91,179,620	-	765,380	-
Domestic Fixed Income						
US Treasury Bond	64	Dec-13	-	8,442,000	-	875
US 5yr Treasury Note	77	Dec-13	9,215,336	-	-	601
US 10yr Treasury Note	9	Dec-13	1,118,531	-	-	844
			<u>10,333,867</u>	<u>8,442,000</u>	<u>-</u>	<u>2,320</u>
Foreign Fixed Income						
3 Month Euro Euribor	18	Dec-14	5,897,801	-	1,186	-
3 Month Euro Euribor	16	Sep-15	5,224,820	-	1,581	-
3 Month Euro Euribor	5	Dec-15	1,630,366	-	495	-
3 Month Euro Euribor	2	Mar-16	651,125	-	231	-
90 Day Sterling Libor	11	Sep-14	2,110,397	-	-	-
90 Day Sterling Libor	23	Dec-14	4,408,646	-	447	-
90 Day Sterling Libor	36	Mar-15	6,892,832	-	1,051	-
90 Day Sterling Libor	21	Jun-15	4,015,133	-	817	-
90 Day Sterling Libor	95	Sep-15	18,132,472	-	5,541	-
90 Day Sterling Libor	17	Dec-15	3,238,184	-	1,322	-
Australian 3yr Bond	21	Sep-13	-	2,044,262	-	580
Australian 10yr Bond	15	Sep-13	1,567,064	-	9,058	-
Canada 10yr Bond	6	Dec-13	-	732,581	-	1,534
Euro-Btp	9	Sep-13	-	1,325,470	-	949
Euro-Bund	35	Sep-13	6,491,600	-	17,742	-
Japan 10yr Bond	1	Sep-13	1,471,233	-	607	-
UK Long Gilt	34	Dec-13	-	5,753,849	-	1,992
			<u>61,731,673</u>	<u>9,856,162</u>	<u>40,078</u>	<u>5,055</u>
Total			<u>\$ 424,349,473</u>	<u>\$ 37,651,258</u>	<u>\$ 2,153,678</u>	<u>\$ 2,258,627</u>

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2012 for futures contracts:

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2012		Carrying and Fair Value at August 31, 2012	
			Long	Short	Assets	Liabilities
Commodities						
Aluminum Hg	-	Sep-12	\$ 898,106	\$ 898,106	\$ -	\$ 52,188
Aluminum Hg	103	Dec-12	7,630,579	2,741,731	-	680,710
Aluminum Hg	43	Jun-13	2,102,700	-	-	-
Brent Crude Oil	13	Oct-12	1,496,469	-	-	-
Brent Crude Oil	32	Nov-12	3,635,200	-	-	-
Brent Crude Oil	27	Nov-13	2,908,980	-	-	-
Brent Crude Oil	8	Dec-13	-	887,184	-	-
Coffee 'C'	46	Dec-12	2,856,425	-	-	61,732
Copper	8	Sep-12	2,810,390	1,351,149	21,583	-
Copper	54	Dec-12	4,948,348	-	-	84,723
Copper	49	Mar-13	4,245,237	-	-	-
Corn	262	Dec-12	10,493,995	-	1,502	-
Corn	13	Jul-13	507,325	-	-	-
Cotton No. 2	34	Dec-12	1,327,246	-	-	17,624
Cotton No. 2	27	Mar-13	1,052,730	-	-	-
Crude Oil	3	Oct-12	301,317	-	126,981	-
Crude Oil	18	Dec-12	1,736,459	-	113,894	-
Crude Oil	3	Jun-13	306,189	-	25,941	-
Crude Oil	52	Nov-13	5,013,840	-	-	-
Crude Oil	4	Dec-13	383,296	-	30,269	48,067
Crude Oil	65	Nov-14	6,029,400	-	-	-
Gasoline RBOB	5	Oct-12	602,702	-	81,486	-
Gasoline RBOB	32	Nov-12	3,800,832	-	-	-
Gasoline RBOB	5	May-13	609,441	-	-	-
Gold 100 Oz	1	Oct-12	239,269	-	7,931	-
Gold 100 Oz	87	Dec-12	14,644,598	-	102,405	-
Heating Oil	6	Oct-12	834,383	-	90,864	-
Heating Oil	17	Nov-12	2,267,593	-	-	-
Heating Oil	16	Feb-13	2,103,091	-	-	-
Lead	-	Sep-12	306,799	306,799	-	17,413
Lean Hogs	86	Dec-12	2,485,195	-	-	552
Live Cattle	70	Dec-12	3,586,316	-	1,423	-
Live Cattle	23	Apr-13	1,250,280	-	-	-
Natural Gas	73	Oct-12	2,249,201	214,146	15,654	-
Natural Gas	9	Nov-12	-	269,615	-	297
Natural Gas	263	Dec-12	8,896,050	56,876	-	-
Natural Gas	6	Jan-13	209,707	-	-	93,771
Natural Gas	8	Feb-13	277,914	-	-	7,536
Natural Gas	4	Mar-13	143,280	-	5,798	-
Natural Gas	91	Dec-13	3,585,400	-	-	-
Natural Gas	2	Jan-14	78,313	-	-	897
Natural Gas	12	Mar-14	460,933	-	812	-
Nickel	-	Sep-12	2,672,712	2,672,712	-	254,616
Nickel	35	Dec-12	3,580,148	217,622	-	40,110
Platinum	14	Oct-12	1,069,458	-	72,590	-
Silver	30	Dec-12	4,710,469	-	126,351	-
Soybean	55	Nov-12	4,790,235	-	510,435	-
Soybean	38	Mar-13	3,200,075	-	-	-
Soybean	91	May-13	7,234,500	-	-	-
Soybean Oil	115	Dec-12	3,922,444	-	104,549	-
Soybean Oil	49	Mar-13	1,689,912	-	-	-
Sugar #11 World	98	Sep-12	2,171,053	-	-	-
Sugar #11 World	39	Oct-12	855,504	-	-	32,892

**THE UNIVERSITY OF TEXAS SYSTEM
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Notes to Financial Statements (cont.)

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2012</u>		<u>Carrying and Fair Value at August 31, 2012</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Commodities (continued)						
Sugar #11 World	10	Feb-13	\$ 229,712	\$ -	\$ -	\$ -
Sugar #11 World	65	Apr-13	1,492,400	-	-	-
Wheat	62	Dec-12	2,753,877	-	17,640	-
Wheat	64	Mar-13	2,878,400	-	-	-
Wheat	98	Jul-13	4,207,208	-	4,826	-
Zinc	-	Sep-12	2,184,900	2,184,900	-	30,731
Zinc	112	Dec-12	5,157,446	-	-	35,242
			<u>164,115,981</u>	<u>11,800,840</u>	<u>1,462,934</u>	<u>1,459,101</u>
Foreign Equities						
Bovespa Index	3	Oct-12	-	143,761	2,153	-
Domestic Fixed Income						
US Treasury Bond	4	Dec-12	-	605,625	-	3,750
US 10yr Treasury Note	18	Dec-12	2,406,938	-	10,406	-
			<u>2,406,938</u>	<u>605,625</u>	<u>10,406</u>	<u>3,750</u>
Foreign Fixed Income						
Australian 3yr Bond	49	Sep-12	-	5,580,823	-	19,353
Canada 10yr Bond	10	Dec-12	-	1,384,608	-	4,063
Cupom Cambial	1,546	Jan-13	81,403,471	-	-	689,182
Euro-Btp	2	Dec-12	249,276	-	-	1,361
Euro-Bund	2	Sep-12	-	363,074	1,098	-
Japan 10yr Bond	6	Sep-12	11,034,483	-	5,353	-
One-day Bank Deposit Rate	1,546	Jan-13	-	72,053,188	2,572	-
UK Long Gilt	4	Dec-12	-	768,444	-	5,739
			<u>92,687,230</u>	<u>80,150,137</u>	<u>9,023</u>	<u>719,698</u>
Total			<u>\$ 259,210,149</u>	<u>\$ 92,700,363</u>	<u>\$ 1,484,516</u>	<u>\$ 2,182,549</u>

Note 9 – Foreign Currency Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund's foreign currency exchange contracts at August 31, 2013 and 2012. Foreign currency amounts are translated at exchange rates as of August 31, 2013 and 2012. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2013	Net Sell August 31, 2013	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2013	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2013
Australian Dollar	\$ -	\$ 26,448,307	\$ 548,966	\$ 15,442
Brazilian Real	-	2,601,708	163,098	205,738
Canadian Dollar	-	3,569,892	12,123	72
Chilean Peso	4,707,526	-	-	94,417
Chinese Yuan Renminbi	42,595	-	-	93,469
Colombian Peso	-	938,442	23,650	-
Danish Krone	270,389	-	4	2,640
Euro	-	30,411,059	200,015	206,590
Hong Kong Dollar	-	426,315	-	135
Indian Rupee	4,948,688	-	1	208,282
Indonesian Rupiah	-	3,288	14,086	13,545
Japanese Yen	-	86,644,082	3,767,827	662,933
Malaysian Ringgit	2,517,153	-	-	19,187
Mexican Peso	4,635,305	-	331,692	319,205
New Zealand Dollar	-	17,400,235	498,395	33,894
Norwegian Kroner	365,454	-	37,589	76,497
Polish Zloty	-	4,796,932	63,538	172,782
Russian Ruble	13,056	-	101,717	120,073
Singapore Dollar	693,808	-	4,290	3,183
South African Rand	19,699,562	-	8,017	3,271,276
South Korean Won	16,608,538	-	58,111	651,100
Swedish Krona	1,140,093	-	10,926	37,588
Swiss Franc	-	3,395,815	-	104,299
Taiwan Dollar	19,250,534	-	2,934	797,902
Thai Baht	184,259	-	2,566	11,204
UK Pound	2,800,232	-	129,065	207,247
	\$ 77,877,192	\$ 176,636,075	\$ 5,978,610	\$ 7,328,700

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2013 was a decrease in the amount of \$1,207,497, which is included in the net increase in investments on the statement of changes in fiduciary net position.

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Net Buy August 31, 2012</u>	<u>Net Sell August 31, 2012</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2012</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2012</u>
Australian Dollar	\$ -	\$ 50,548,546	\$ 450,331	\$ 1,379,162
Brazilian Real	2,294,048	-	31,634	799,018
Canadian Dollar	-	616,747	69,752	54,673
Chilean Peso	4,019,710	-	140,108	-
Chinese Yuan Renminbi	12,021	-	35,042	293,027
Colombian Peso	-	1,319,782	13,593	-
Danish Krone	613,334	-	6,048	-
Euro	-	44,353,159	333,198	776,739
Hong Kong Dollar	37,432	-	1	12
Hungarian Forint	1,599	-	2	-
Indian Rupee	-	39,726	1,691,702	564,226
Indonesian Rupiah	4,189	-	5	-
Japanese Yen	-	7,118,775	171,642	1,290,597
Malaysian Ringgit	2,993,763	-	9,300	47
Mexican Peso	11,142,920	-	39,368	288,766
New Zealand Dollar	-	21,220,166	46,617	149,276
Norwegian Kroner	158,531	-	1,693	-
Philippine Peso	4,497	-	166	-
Polish Zloty	-	3,364,264	-	33,747
Singapore Dollar	120,439	-	1,055	-
South African Rand	23,072,594	-	50,274	90,383
South Korean Won	19,314,964	-	442,667	92,332
Swedish Krona	3,397,993	-	38,450	530
Swiss Franc	-	5,935,894	6,924	184,431
Taiwan Dollar	18,119,643	-	89,733	345,557
Thai Baht	326,715	-	3,358	-
Turkish Lira	5,099,188	-	-	97,225
UK Pound	9,743,575	-	356,503	244,747
	<u>\$ 100,477,155</u>	<u>\$ 134,517,059</u>	<u>\$ 4,029,166</u>	<u>\$ 6,684,495</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2012 was a decrease in the amount of \$2,655,329, which is included in the net increase in investments on the statement of changes in fiduciary net position.

Note 10 – Purchase Agreement

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,059,210,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

each individual investment manager and currently range from 0.10% to 1.50%. In addition to quarterly investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net position represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2013 and 2012 were \$17,497,263 and 10,694,409, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. For the years ended August 31, 2013 and 2012, custodial fees and expenses incurred by the Fund amounted to \$1,362,777 and \$1,373,015, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. Fees incurred by the Fund for the years ended August 31, 2013 and 2012, amounted to \$213,742 and \$272,992, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2013 and 2012, the fees incurred by the Fund amounted to \$197,888 and \$188,702.

Accounting fees, in the amount of \$143,826 and \$109,284, were paid by the Fund during the years ended August 31, 2013 and 2012, respectively, for external and UT System internal audit services.

Consulting fees, in the amount of \$112,758 and \$120,459, respectively, for the years ending August 31, 2013 and 2012, were incurred for investment strategy and other investment planning services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring of investment managers. Fees in the amount of \$102,549 and \$88,186, were incurred for the years ending August 31, 2013 and 2012, respectively.

Foreign tax consulting and filing fees are incurred by the Fund for investment managers domiciled in certain foreign countries and for those that invest in securities issued in certain foreign countries. Fees in the amounts of \$24,019 and \$40,371, were incurred for the years ending August 31, 2013 and 2012, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

Comparison Summary of Investments
August 31, 2013 and 2012
(in thousands)

	2013		2012	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 352,469	4.68%	\$ 305,661	4.30%
Foreign Common Stock	715,923	9.50%	546,829	7.68%
Other Equity Securities	1,072	0.01%	45	0.00%
Total Equity Securities	1,069,464	14.19%	852,535	11.98%
Preferred Stock				
Domestic Preferred Stock	2,153	0.03%	1,976	0.03%
Foreign Preferred Stock	23,276	0.31%	24,279	0.34%
Total Preferred Stock	25,429	0.34%	26,255	0.37%
Debt Securities				
U.S. Government Obligations	107,126	1.42%	103,510	1.45%
Foreign Government and Provincial Obligations	186,055	2.47%	290,963	4.09%
Corporate Obligations	104,148	1.38%	155,515	2.19%
Other	1,619	0.02%	6,600	0.09%
Total Debt Securities	398,948	5.29%	556,588	7.82%
Purchased Options	15,361	0.20%	19,873	0.28%
Convertible Securities	223	0.00%	309	0.00%
Investment Funds				
Hedge Funds	2,262,799	30.03%	2,142,487	30.11%
Private Investments	2,037,434	27.03%	1,910,387	26.85%
Developed Country Equity	746,610	9.91%	599,498	8.43%
Emerging Markets Equity	241,052	3.20%	235,967	3.32%
Fixed Income	8,208	0.11%	8,056	0.11%
Natural Resources	78,330	1.04%	91,348	1.28%
Total Investment Funds	5,374,433	71.32%	4,987,743	70.10%
Physical Commodities - Gold	198,707	2.64%	327,869	4.61%
Cash and Cash Equivalents	453,608	6.02%	344,371	4.84%
Total Investments	\$ 7,536,173	100.00%	\$ 7,115,543	100.00%

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Supplemental Schedules (cont.)

Financial Highlights
Years Ended August 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 202.699	\$ 196.382	\$ 170.972	\$ 151.333	\$ 174.268
Income from Investment Operations					
Net Investment Income (A)	1.745	1.448	1.709	1.467	1.645
Net Realized and Unrealized Gain (Loss) on Investments	<u>16.491</u>	<u>4.869</u>	<u>23.701</u>	<u>18.172</u>	<u>(24.580)</u>
Total Income (Loss) from Investment Operations	<u>18.236</u>	<u>6.317</u>	<u>25.410</u>	<u>19.639</u>	<u>(22.935)</u>
Net Position, End of Year	<u><u>\$ 220.935</u></u>	<u><u>\$ 202.699</u></u>	<u><u>\$ 196.382</u></u>	<u><u>\$ 170.972</u></u>	<u><u>\$ 151.333</u></u>

(A) Net investment income is comprised of investment income (excluding the net increase in investments) and investment expenses as presented on the statements of changes in fiduciary net position.