

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

*Years Ended August 31, 2015 and 2014*

# The University of Texas System General Endowment Fund

## Financial Statements

Years Ended August 31, 2015 and 2014

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The University of Texas System General Endowment Fund (the "Fund") which comprise the statements of fiduciary net position as of August 31, 2015 and 2014, 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 audit 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 University of Texas System General Endowment Fund as of August 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 or 2014, or the changes in their fiduciary net positions for the years then ended.

As discussed in Note 2, the financial statements include investments valued at \$6,235,651,368 (73.5% of total assets) and \$6,035,938,660 (69.9% of total assets) as of August 31, 2015 and 2014, 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**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

## Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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 30, 2015

## 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, 2015 and 2014. 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, decreased by \$88.0 million from \$8,325.0 million to \$8,237.0 million or approximately 1.1% for the year ended August 31, 2015, compared to an increase of \$929.5 million or approximately 12.6% for the year ended August 31, 2014. 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 1.08%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2015. Investments in private investments, developed country equities and hedge funds were the biggest contributors to the 2015 return. Investments in developed country equities, emerging markets equities and real estate were the biggest contributors to the net investment gain of 14.73% for August 31, 2014.
2. The PHF and LTF redeemed and purchased Fund units resulting in net distributions of \$178.4 million for the year ended August 31, 2015, compared to net distributions for the year ended August 31, 2014 of \$158.8 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):

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Investments, at Fair Value	\$ 8,273.2	\$ 8,374.1	\$ 7,536.2
Other Assets	216.0	260.0	206.4
<b>Total Assets</b>	<b>8,489.2</b>	<b>8,634.1</b>	<b>7,742.6</b>
<b>Total Liabilities</b>	<b>252.2</b>	<b>309.1</b>	<b>347.1</b>
<b>Net Position Held in Trust</b>	<b>\$ 8,237.0</b>	<b>\$ 8,325.0</b>	<b>\$ 7,395.5</b>

**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 \$33.4 million during the year ended August 31, 2015 compared to the net increase in investments of \$1,006.8 million for the year ended August 31, 2014. Expenses totaled \$25.5 million, \$21.0 million, and \$19.7 million, respectively, for the years ended August 31, 2015, 2014, and 2013.

The net decrease in fiduciary net position totaled \$88.0 million for the year ended August 31, 2015 compared to a net increase in fiduciary net position totaling \$929.5 million for the year ended August 31, 2014.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Investment Income	\$ 115.9	\$ 1,109.3	\$ 657.0
Less Investment Expenses	25.5	21.0	19.7
Net Investment Income	90.4	1,088.3	637.3
Participant Contributions	230.3	225.3	165.7
Total Additions	320.7	1,313.6	803.0
Participant Withdrawals	408.7	384.1	512.1
Total Deductions	408.7	384.1	512.1
Change in Fiduciary Net Position	(88.0)	929.5	290.9
Net Position Held in Trust, Beginning of Year	8,325.0	7,395.5	7,104.6
Net Position Held in Trust, End of Year	\$ 8,237.0	\$ 8,325.0	\$ 7,395.5

**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](http://www.utimco.org).



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**Statements of Fiduciary Net Position**

*August 31, 2015 and 2014*

*(Dollars in thousands, except per unit amounts)*

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Investments, at Fair Value:		
Equity Securities	\$ 1,004,949	\$ 1,222,086
Preferred Stock	17,493	28,353
Purchased Options	13,003	616
Debt Securities	436,040	468,999
Investment Funds	6,244,791	6,095,420
Physical Commodities	160,736	185,906
Cash and Cash Equivalents	396,169	372,716
Total Investments	<u>8,273,181</u>	<u>8,374,096</u>
Collateral for Securities Loaned, at Fair Value	150,353	222,442
Deposits with Brokers for Derivative Contracts	6,168	3,306
Futures Contracts, at Fair Value	5,108	2,242
Swaps, at Fair Value	13,926	6,298
Unrealized Gains on Foreign Currency Exchange Contracts	6,699	5,885
Receivables:		
Investment Securities Sold	28,031	12,872
Accrued Income	5,341	6,847
Other	430	145
Total Receivables	<u>33,802</u>	<u>19,864</u>
<b>Total Assets</b>	<u>8,489,237</u>	<u>8,634,133</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	150,353	222,442
Payable to Brokers for Collateral Held	8,076	5,656
Payable to Participants	6,256	9,922
Unrealized Losses on Foreign Currency Exchange Contracts	4,307	2,262
Future Contracts, at Fair Value	16,324	4,758
Swaps, at Fair Value	15,511	6,126
Options Written, at Fair Value	7,637	195
Payables:		
Investment Securities Purchased	38,633	52,982
Other	5,148	4,749
Total Payables	<u>43,781</u>	<u>57,731</u>
<b>Total Liabilities</b>	<u>252,245</u>	<u>309,092</u>
<b>Net Position Held in Trust</b>	<u>\$ 8,236,992</u>	<u>\$ 8,325,041</u>
<b>Number of Units:</b>		
Permanent Health Fund (PHF)	4,197,109	4,391,601
The University of Texas System Long Term Fund (LTF)	<u>27,950,695</u>	<u>28,448,211</u>
<b>Total</b>	<u>32,147,804</u>	<u>32,839,812</u>
<b>Net Position Held in Trust Per Unit</b>	<u>\$ 256.223</u>	<u>\$ 253.505</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, 2015 and 2014*

*(in thousands)*

	<u>2015</u>	<u>2014</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Investments	\$ 33,386	\$ 1,006,827
Interest	14,757	16,830
Dividends	26,988	30,250
Income Distributions from Private Investment Funds	39,062	53,819
Securities Lending Income	1,030	678
Other Income	652	888
Total Investment Income	<u>115,875</u>	<u>1,109,292</u>
Less Investment Expenses:		
Investment Management Fees	22,931	18,802
Custodial Fees and Expenses	1,935	1,511
Accounting Fees	227	167
Analytical and Risk Measurement Fees	158	186
Background Check Fees	80	78
Consulting Fees	70	93
Legal Fees	67	88
Foreign Tax Consulting and Filing Fees	38	46
Other Expenses	1	5
Total Investment Expenses	<u>25,507</u>	<u>20,976</u>
Net Investment Income	90,368	1,088,316
Participant Contributions	230,277	225,328
<b>Total Additions</b>	<u>320,645</u>	<u>1,313,644</u>
<b>Deductions</b>		
Participant Withdrawals	<u>408,694</u>	<u>384,134</u>
<b>Change in Fiduciary Net Position</b>	(88,049)	929,510
Net Position Held in Trust, Beginning of Year	8,325,041	7,395,531
<b>Net Position Held in Trust, End of Year</b>	<u>\$ 8,236,992</u>	<u>\$ 8,325,041</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 30, 2015, 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 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.)*

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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 distributions 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 considers it to be the best approximation of fair value. As of August 31, 2015 and 2014, investments in private investment funds in the amount of \$2,661,252,924 and \$2,348,879,382, respectively, 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, 2015 and 2014, investments in these funds in the amount of \$3,574,398,444 and \$3,687,059,278, 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 \$6,235,651,368 (73.5% of total assets) and \$6,035,938,660 (69.9% of total assets) as of August 31, 2015 and 2014, 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, 2015 and 2014, interest and dividend withholding in the amounts of \$1,996,978 and \$1,821,716, respectively, 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.)*

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(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 materially from these estimates.

(J) ***Derivative Instruments*** -- Derivatives 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 the 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 various 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.

***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

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*Notes to Financial Statements (cont.)*

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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, certain commodity or equity sector returns, market events, and currency fluctuations. 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 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

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## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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. 72 (Statement 72), *Fair Value Measurement and Application*, effective 2016, clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. Management is evaluating the effect that Statement 72 will have on the Fund's financial statements.

(M) ***Reclassification*** -- Certain items in the 2014 financial statements and related notes have been reclassified to conform with the 2015 classification.

### **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

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*Notes to Financial Statements (cont.)*

the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. 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, 2015 and 2014:

Investment Type	August 31,		Rating
	2015	2014	
U.S. Government Guaranteed	\$ 66,943,862	\$ 75,727,815	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	10,851,086	2,966,999	AA
U.S. Agency Asset Backed	8,117,306	12,401,208	AA
Total U.S. Government Non-Guaranteed	18,968,392	15,368,207	
Total U.S. Government	85,912,254	91,096,022	
Corporate Obligations:			
Domestic	6,297,654	3,685,055	AAA
Domestic	3,589,375	3,844,400	AA
Domestic	37,303,215	22,545,982	A
Domestic	20,525,568	17,000,680	BAA/BBB
Domestic	2,767,114	2,100,108	BA/BB
Domestic	270,309	1,021,057	B
Domestic	1,868,805	2,381,180	CAA/CCC
Domestic	290,477	172,211	CA/CC
Domestic	233,514	340,724	C
Domestic	219,060	258,440	D
Domestic	305,537	537,240	Not Rated
Foreign	9,346,741	11,330,194	AAA
Foreign	18,555,200	9,161,328	AA
Foreign	12,692,656	12,102,828	A
Foreign	16,205,646	13,837,929	BAA/BBB
Foreign	2,338,570	1,763,251	BA/BB
Foreign	2,702,766	2,596,365	B
Foreign	705,227	142,751	CAA/CCC
Foreign	60,261	192,010	Not Rated
Total Corporate Obligations	136,277,695	105,013,733	
Foreign Government and Provincial Obligations	32,244,698	38,294,034	AAA
Foreign Government and Provincial Obligations	45,658,347	67,149,165	AA
Foreign Government and Provincial Obligations	63,898,792	62,057,140	A
Foreign Government and Provincial Obligations	61,943,686	90,624,889	BAA/BBB
Foreign Government and Provincial Obligations	8,293,278	11,375,965	BA/BB
Foreign Government and Provincial Obligations	160,326	1,473,729	Not Rated
Total Foreign Government and Provincial Obligations	212,199,127	270,974,922	
Other Debt Securities	151,482	169,254	AAA
Other Debt Securities	193,779	240,008	AA
Other Debt Securities	1,306,016	1,505,019	A
Total Other Debt Securities	1,651,277	1,914,281	
Total Debt Securities	\$ 436,040,353	\$ 468,998,958	
Other Investment Funds - Debt	\$ 9,123,379	\$ 9,730,664	BA/BB
Cash and Cash Equivalents - Money Market Funds	\$ 288,994,306	\$ 332,602,783	AAA
Cash and Cash Equivalents	107,174,239	40,112,811	Not Rated
Total Cash and Cash Equivalents	\$ 396,168,545	\$ 372,715,594	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 999,877	\$ 2,638,609	AA
Cash	(2,908,154)	(4,988,676)	Not Rated
<b>Total Net Deposit with Brokers for Derivative Contracts</b>	\$ (1,908,277)	\$ (2,350,067)	



**(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, 2015 and 2014, 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, 2015 and 2014:

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*Notes to Financial Statements (cont.)*

Investment Type	August 31,			
	2015		2014	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 57,329,970	11.99	\$ 73,184,676	8.06
U.S. Treasury Bills	-	-	181,711	0.02
U.S. Treasury Inflation Protected	6,026,878	8.23	1,182,564	10.25
U.S. Agency Asset Backed	3,587,014	3.81	1,178,864	2.70
Total U.S. Government Guaranteed	<u>66,943,862</u>	11.21	<u>75,727,815</u>	7.99
U.S. Government Non-Guaranteed:				
U.S. Agency	10,851,086	1.01	2,966,999	3.17
U.S. Agency Asset Backed	8,117,306	2.09	12,401,208	2.75
Total U.S. Government Non-Guaranteed	<u>18,968,392</u>	1.47	<u>15,368,207</u>	2.83
Total U.S. Government	<u>85,912,254</u>	9.06	<u>91,096,022</u>	7.12
Corporate Obligations:				
Domestic	73,670,628	5.77	53,887,077	5.67
Foreign	62,607,067	4.56	51,126,656	4.40
Total Corporate Obligations	<u>136,277,695</u>	5.21	<u>105,013,733</u>	5.05
Foreign Government and Provincial Obligations	<u>212,199,127</u>	6.90	<u>270,974,922</u>	6.45
Other Debt Securities	<u>1,651,277</u>	11.21	<u>1,914,281</u>	11.94
Total Debt Securities	<u>436,040,353</u>	6.81	<u>468,998,958</u>	6.29
Other Investment Funds - Debt	<u>9,123,379</u>	7.00	<u>9,730,664</u>	7.70
Cash and Cash Equivalents	<u>396,168,545</u>	0.11	<u>372,715,594</u>	0.07
Total	<u>\$ 841,332,277</u>	3.66	<u>\$ 851,445,216</u>	3.59
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 999,877	0.22	\$ 1,996,594	0.20
U.S. Treasury Inflation Protected	-	-	642,015	8.24
Total U.S. Government Guaranteed	<u>999,877</u>	0.22	<u>2,638,609</u>	2.16
Cash	<u>(2,908,154)</u>	-	<u>(4,988,676)</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ (1,908,277)</u>	-	<u>\$ (2,350,067)</u>	-

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, 2015, these options had a notional value of \$2,923,000,000 and a fair value of \$9,630. As of August 31, 2014, these options had a notional value of \$2,923,000,000 and a fair value of \$396,797. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$16,652,832 as of August 31, 2015 and 2014, respectively. The Fund also purchased puts 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, 2015, these puts had a notional value of \$324,259,454 with a fair value of \$17,965 and a loss limited to \$3,478,401 which represents the premiums paid. As of August 31, 2014, these puts had a notional value of \$324,259,454 with a fair value of \$175,158 and a loss limited to \$2,416,484 which represents the premiums paid. It is estimated that these options would not change the 2015 duration of total debt securities of 6.81 or the total duration of 3.66. It is estimated that these options would adjust the 2014 duration of total debt

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*Notes to Financial Statements (cont.)*

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securities of 6.29 downward by approximately 0.06, and the total duration of 3.59 downward by approximately 0.06. 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, 2015 and 2014, 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 \$20,806,035 and \$19,495,073 as of August 31, 2015 and 2014, 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 \$6,244,054 and to \$5,659,494 as of August 31, 2015 and 2014, 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 \$1,150,680 and \$1,981,007, as of August 31, 2015 and 2014, 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, 2015 and 2014:

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*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2015	2014
<b>Domestic Common Stock:</b>		
Indian Rupee	\$ 1,962	\$ 28,822
Taiwan Dollar	7,036	16,220
Total Domestic Common Stock	8,998	45,042
<b>Foreign Common Stock:</b>		
Australian Dollar	8,602,404	9,670,957
Brazilian Real	36,215,087	48,298,053
Canadian Dollar	13,190,646	22,111,090
Chilean Peso	290,498	926,971
Chinese Yuan Renminbi	105,341,737	114,446,780
Colombian Peso	102,538	354,962
Czech Koruna	998,695	535,888
Danish Krone	2,820,176	4,162,833
Egyptian Pound	1,555,900	1,207,341
Euro	25,547,044	45,248,448
Hong Kong Dollar	79,144,498	88,791,532
Hungarian Forint	75,551	161,952
Indian Rupee	23,499,780	20,400,977
Indonesian Rupiah	6,204,903	10,417,360
Japanese Yen	114,537,597	135,792,700
Malaysian Ringgit	5,481,033	8,118,519
Mexican Peso	28,258,142	27,809,371
Norwegian Krone	150,773	-
Philippine Peso	5,281,887	8,731,524
Polish Zloty	2,039,194	2,453,898
Qatari Riyal	1,776,779	131,642
Singapore Dollar	8,801,406	10,669,631
South African Rand	9,928,568	11,588,452
South Korean Won	85,124,364	75,315,054
Swedish Krona	1,598,971	6,296,252
Swiss Franc	3,165,163	5,887,795
Taiwan Dollar	20,377,167	22,579,848
Thai Baht	10,434,172	7,206,818
Turkish Lira	6,090,976	4,361,025
UK Pound	47,781,519	64,016,563
United Arab Emirates Dirham	1,157,721	685,430
Vietnamese Dong	4,141,375	2,217,920
Total Foreign Common Stock	659,716,264	760,597,586
<b>Other - Equity Securities:</b>		
Brazilian Real	-	64
Canadian Dollar	-	7,003
Hong Kong Dollar	-	100,415
Indonesian Rupiah	-	46
South African Rand	80	-
South Korean Won	-	3,179
Taiwan Dollar	595	131
Thai Baht	1,072	3,105
Total Other - Equity Securities	1,747	113,943
<b>Foreign Preferred Stock:</b>		
Brazilian Real	11,232,932	21,399,954
Chilean Peso	7,496	-
Colombian Peso	22,185	87,846
South African Rand	11,475	11,353
South Korean Won	4,921,303	3,099,307
Total Foreign Preferred Stock	16,195,391	24,598,460
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	20,610,634	25,323,498
Brazilian Real	18,235,379	28,855,861

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

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Foreign Government and Provincial Obligations (continued):</b>		
Canadian Dollar	\$ 4,824,941	\$ 1,990,655
Colombian Peso	1,772,797	1,660,418
Euro	48,673,632	74,758,675
Hungarian Forint	4,460,022	4,946,785
Indonesian Rupiah	4,567,441	4,197,167
Japanese Yen	23,141,121	6,194,645
Malaysian Ringgit	7,754,663	7,980,237
Mexican Peso	25,544,667	34,543,010
New Zealand Dollar	14,743,885	17,886,335
Norwegian Krone	5,060,114	6,469,872
Polish Zloty	5,308,464	12,076,501
Singapore Dollar	2,317,127	1,675,630
South African Rand	8,155,529	9,182,488
South Korean Won	2,617,615	8,070,405
Swedish Krona	164,056	4,203,459
Thai Baht	-	1,745,856
UK Pound	7,538,365	13,140,730
Total Foreign Government and Provincial Obligations	205,490,452	264,902,227
<b>Corporate Obligations:</b>		
Australian Dollar	4,659,515	7,726,381
Danish Krone	1,521,553	195,596
Euro	11,602,745	14,051,829
Indian Rupee	254	-
Mexican Peso	-	235,150
Swedish Krona	358,635	439,421
UK Pound	6,992,503	4,734,437
Total Corporate Obligations	25,135,205	27,382,814
<b>Purchased Options:</b>		
Euro	14,022	-
Japanese Yen	17,965	175,158
Total Purchased Options	31,987	175,158
<b>Private Investment Funds:</b>		
Australian Dollar	7,836,889	6,847,846
Canadian Dollar	60,461,811	63,131,044
Euro	88,865,791	107,227,220
UK Pound	24,787,430	18,083,146
Total Private Investment Funds	181,951,921	195,289,256
<b>Investment Funds - Emerging Markets:</b>		
Brazilian Real	6,568,099	8,425,221
Hong Kong Dollar	-	915,053
Swedish Krona	-	552,731
UK Pound	-	32,653,016
Total Investment Funds - Emerging Markets	6,568,099	42,546,021
<b>Investment Funds - Natural Resources:</b>		
UK Pound	-	798,492
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	161,710	343,740
Brazilian Real	872,630	1,237,225
Canadian Dollar	14,771	41,932
Chilean Peso	349	10,855
Chinese Yuan Renminbi	67,831,647	10,062,934
Colombian Peso	147,441	57,805
Czech Koruna	3,454	589
Danish Krone	275	405
Egyptian Pound	2,626	15,678
Euro	477,356	977,782

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*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash and Cash Equivalents (continued):</b>		
Hong Kong Dollar	\$ 73,514	\$ 918,682
Hungarian Forint	15	12
Indian Rupee	51,589	85,820
Indonesian Rupiah	40,653	5,226
Israeli Shekel	28,466	244
Japanese Yen	4,187,224	2,676,787
Malaysian Ringgit	20,221	69,212
Mexican Peso	293,258	1,583,546
New Zealand Dollar	294	367
Norwegian Krone	570	261
Peruvian Nuevo Sol	1,478	1,681
Philippine Peso	59,251	5,676
Polish Zloty	30,845	31,571
Qatari Riyal	11,066	-
Singapore Dollar	20	297
South African Rand	275,024	7,511
South Korean Won	1,275,334	240,130
Swedish Krona	4,153	440
Swiss Franc	720	420
Taiwan Dollar	113,493	215,181
Thai Baht	8,999	6,429
Turkish Lira	11,465	11,857
UK Pound	137,687	210,791
Vietnamese Dong	63,995	46,018
Total Cash and Cash Equivalents	<u>76,201,593</u>	<u>18,867,104</u>
<b>Written Options:</b>		
Australian Dollar	-	(3,597)
Brazilian Real	(8,006)	(60,311)
Chinese Yuan Renminbi	(5,324)	-
Euro	(82,683)	742
Japanese Yen	-	(77,561)
Mexican Peso	(826)	(188)
Total Written Options	<u>(96,839)</u>	<u>(140,915)</u>
<b>Swaps:</b>		
Brazilian Real	(18,316)	35,714
Euro	12,857,533	5,294,950
Japanese Yen	(78,911)	241,521
Mexican Peso	5,736	49,604
Swedish Krona	(7,487)	-
Swiss Franc	932,320	-
UK Pound	(13,348)	(51,174)
Total Swaps	<u>13,677,527</u>	<u>5,570,615</u>
<b>Futures:</b>		
Australian Dollar	-	(907)
Canadian Dollar	1,015	(5,070)
Euro	(10,061)	(32,108)
UK Pound	(231)	(1,263)
Total Futures	<u>(9,277)</u>	<u>(39,348)</u>
Total	<u>\$ 1,184,873,068</u>	<u>\$ 1,340,706,455</u>

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

*Notes to Financial Statements (cont.)*

**(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, 2015 for options, swaps, and foreign currency exchange contracts as shown in the following table:

<b>Options</b>						
<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, 2015</u>	<u>Fair Value as of August 31, 2015</u>			<u>Counterparty Rating</u>
\$ 2,110,753,503	\$ 1,273,451,195	\$ 12,712,872	\$ 7,502,821			A
<b>Swaps</b>						
<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, 2015</u>	<u>Fair Value as of August 31, 2015</u>			<u>Counterparty Rating</u>
\$ 14,949,989	\$ 36,955,621	\$ 13,483,354	\$ 14,890,649			A
<b>Foreign Currency Exchange Contracts</b>						
<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, 2015</u>	<u>Fair Value as of August 31, 2015</u>			<u>Counterparty Rating</u>
\$ 254,358,579	\$ 152,564,229	\$ 6,699,063	\$ 4,300,902			A
-	365,633	-	5,630			AA
\$ 254,358,579	\$ 152,929,862	\$ 6,699,063	\$ 4,306,532			

The Fund had gross counterparty exposure as of August 31, 2014 for options, swaps, and foreign currency exchange contracts as shown in the following table:

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*Notes to Financial Statements (cont.)*

**Options**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	
\$ 3,253,490,422	\$ 19,933,190	\$ 615,230	\$ 196,853	

**Swaps**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	
\$ 46,356,133	\$ 15,561,945	\$ 5,841,830	\$ 5,650,310	

**Foreign Currency Exchange Contracts**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	
\$ 389,197,539	\$ 165,600,542	\$ 5,822,006	\$ 2,250,247	
7,145,873	994,882	63,064	12,169	AA
<u>\$ 396,343,412</u>	<u>\$ 166,595,424</u>	<u>\$ 5,885,070</u>	<u>\$ 2,262,416</u>	

As of August 31, 2015 and 2014, the Fund also had investments in futures contracts, options on future contracts and exchange-cleared swaps. Futures contracts, options on future contracts and 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. 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, 2015 and 2014, the Fund held \$6,803,154 and \$5,655,704 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$3,472,000 and \$1,074,143, 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 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



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

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, 2015 and 2014:

<b>Securities on Loan</b>	<b>2015 Fair Value</b>	<b>2014 Fair Value</b>	<b>Type of Collateral</b>	<b>2015 Fair Value of Collateral</b>	<b>2014 Fair Value of Collateral</b>
U.S. Government	\$ 14,439,533	\$ 35,372,320	Cash	\$ 14,734,139	\$ 36,090,973
Foreign					
Government	2,871,882	9,057,499	Cash	3,015,521	9,583,224
Corporate Bonds	10,136,709	8,353,342	Cash	10,401,989	8,555,172
Common Stock	117,388,383	161,904,003	Cash	122,201,588	168,212,421
<b>Total</b>	<b>\$ 144,836,507</b>	<b>\$ 214,687,164</b>	<b>Total</b>	<b>\$ 150,353,237</b>	<b>\$ 222,441,790</b>
U.S. Government	\$ 20,022,997	\$ 13,746,393	Non-Cash	\$ 20,436,952	\$ 14,027,635
Corporate Bonds	298,903	-	Non-Cash	305,053	-
Common Stock	9,733,210	164,625	Non-Cash	10,116,661	176,402
<b>Total</b>	<b>\$ 30,055,110</b>	<b>\$ 13,911,018</b>	<b>Total</b>	<b>\$ 30,858,666</b>	<b>\$ 14,204,037</b>

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 University of Texas System 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 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, 2015 and 2014, is shown in the following table:

<b>Description</b>	<b>August 31, 2015</b>			<b>August 31, 2014</b>		
	<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>
		No Rating			No Rating	
Repurchase Agreements	\$ 86,900,081	Available	1	\$ 55,548,756	Available	2
Commercial Paper	11,303,251	P	18	108,943,978	P	59
Floating Rate Notes	26,989,246	AA		34,307,229	AA	
Floating Rate Notes	25,161,532	A		16,114,781	A	
Total Floating Rate Notes	52,150,778		29	50,422,010		41
Certificates of Deposit	-	-	-	7,537,579	P	71
Other Receivables/Payables	(873)	Not Rated	-	(10,533)	Not Rated	-
Total Collateral Pool Investment	\$ 150,353,237		12	\$ 222,441,790		41

## THE UNIVERSITY OF TEXAS SYSTEM

### GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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.

As of August 31, 2015 and 2014, 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, 2015 and 2014.

#### **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, 2015 and 2014 is summarized in the following table as they are classified within the asset mix of the Fund.

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**GENERAL ENDOWMENT FUND**  
*Notes to Financial Statements (cont.)*

	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Investment Funds:</b>		
<b>Hedge Funds:</b>		
Developed Country Equity	\$ 1,840,614,315	\$ 1,791,748,797
Credit Related Fixed Income	356,531,189	375,666,760
Emerging Markets Equity	137,363,469	99,155,085
Investment Grade Fixed Income	133,004,592	176,791,381
Real Estate	622,436	37,510,761
Natural Resources	869,188	2,189,850
Total Hedge Funds	<u>2,469,005,189</u>	<u>2,483,062,634</u>
<b>Private Investments:</b>		
Developed Country Equity	1,022,604,488	906,402,869
Credit Related Fixed Income	308,499,188	329,788,474
Natural Resources	615,276,587	533,809,844
Real Estate	406,106,496	335,088,670
Emerging Markets Equity	308,766,165	243,789,525
Total Private Investments	<u>2,661,252,924</u>	<u>2,348,879,382</u>
<b>Public Markets:</b>		
<b>Developed Country Equity:</b>		
Private Placements	853,253,645	898,701,498
Other Investment Funds	-	229,115
Total Developed Country Equity	<u>853,253,645</u>	<u>898,930,613</u>
<b>Emerging Markets:</b>		
Private Placements	215,064,599	254,224,394
Other Investment Funds	16,620	47,844,506
Total Emerging Markets	<u>215,081,219</u>	<u>302,068,900</u>
<b>Fixed Income:</b>		
Publicly Traded Mutual Funds	9,123,379	9,730,664
<b>Natural Resources:</b>		
Other Investment Funds	-	1,677,218
<b>Real Estate:</b>		
Private Placements	37,075,011	51,070,752
Total Public Markets	<u>1,114,533,254</u>	<u>1,263,478,147</u>
<b>Total Investment Funds</b>	<u>\$ 6,244,791,367</u>	<u>\$ 6,095,420,163</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 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 \$360,204,563 of future funding to various hedge fund investments as of August 31, 2015 of which the Fund's pro-rata portion is \$80,991,276.

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

THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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ending August 31, 2015 and 2014, 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 \$6,131,575,809 of future funding to various private investments as of August 31, 2015 of which the Fund's pro-rata portion is \$1,974,367,410.

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, including related derivatives, 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 \$54,244,444, of which the Fund's pro-rata portion is \$15,025,711 has been committed to certain public market funds as of August 31, 2015.

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 investment pools. 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.

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.

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

*Notes to Financial Statements (cont.)*

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, 2015, the Fund wrote call options on interest rate swaps, commodities, currencies and equities. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2015:

<b>Type</b>	<b>Underlying</b>	<b>Contracts</b>	<b>Expiration Date</b>	<b>Fair Value</b>	
				<b>at August 31, 2015</b>	
				<b>Assets</b>	<b>Liabilities</b>
<b>Interest Rate Swap</b>					
	5 year EURIBOR Rate	1,000,000	4/29/2016	\$ -	\$ 569
	30 year EURIBOR Rate	600,000	11/26/2015	-	24,860
				<u>-</u>	<u>25,429</u>
<b>Commodity</b>					
	Crude Oil Futures	51	9/17/2015	-	2,024
<b>Currency</b>					
	BRL/USD Spot Option	450,000	11/25/2015	-	7,368
	CNY/USD Spot Option	400,000	2/5/2016	-	5,324
				<u>-</u>	<u>12,692</u>
<b>Equity</b>					
	Private Investment Portfolio Company	32,200	1/7/2016	-	72,655
	Private Investment Portfolio Company	1,030,400	1/15/2016	-	2,213,596
				<u>-</u>	<u>2,286,251</u>
				<u>\$ -</u>	<u>\$ 2,326,396</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 call options for the year ending August 31, 2015 was an increase in the amount of \$3,994,126, 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 \$4,057,182 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, 2015.

The Fund also wrote put options on interest rate and credit default swaps, commodities, currencies and equities for the year ended August 31, 2015. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2015:

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

*Notes to Financial Statements (cont.)*

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2015	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	5 year EURIBOR Rate	1,000,000	4/29/2016	\$ -	\$ 32,135
	30 year EURIBOR Rate	300,000	9/11/2015	-	24,613
	3 month United States Libor	4,000,000	9/21/2015	-	4
				<u>-</u>	<u>56,752</u>
<b>Credit Default Swap</b>					
	Markit ITraxx Europe Index Series 23	1,800,000	9/16/2015	-	506
<b>Commodity</b>					
	Crude Oil Futures	2	11/17/2015	-	35,365
	Crude Oil Futures	18	11/26/2017	-	11,665
	Natural Gas Futures	66	9/25/2015	-	85,473
				<u>-</u>	<u>132,503</u>
<b>Currency</b>					
	BRL/USD Spot Option	450,000	9/23/2015	-	638
	MXN/USD Spot Option	800,000	10/8/2015	-	826
				<u>-</u>	<u>1,464</u>
<b>Equity</b>					
	Private Investment Portfolio Company	32,200	1/7/2016	-	107,366
	Private Investment Portfolio Company	1,030,400	1/15/2016	-	5,012,360
				<u>-</u>	<u>5,119,726</u>
				<u>\$ -</u>	<u>\$ 5,310,951</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, 2015 was a decrease in the amount of \$1,446,994, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized a loss in the amount of \$1,191,608 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, 2015.

For the year ended August 31, 2014, the Fund wrote call options on currencies, equities and other indices. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2014:

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

*Notes to Financial Statements (cont.)*

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
<b>Currency</b>					
	AUD/USD Spot Option	700,000	11/26/2014	\$ -	\$ 3,597
	BRL/USD Spot Option	400,000	9/9/2014	-	14
	BRL/USD Spot Option	200,000	9/11/2014	-	48
	BRL/USD Spot Option	400,000	9/25/2014	-	163
	BRL/USD Spot Option	300,000	9/26/2014	-	103
	BRL/USD Spot Option	300,000	3/11/2015	-	3,076
	BRL/USD Spot Option	700,000	5/29/2015	-	10,457
	BRL/USD Spot Option	200,000	6/2/2015	-	2,836
	BRL/USD Spot Option	700,000	6/8/2015	-	10,326
	BRL/USD Spot Option	300,000	6/10/2015	-	5,607
	BRL/USD Spot Option	500,000	6/15/2015	-	9,653
	BRL/USD Spot Option	600,000	6/21/2016	-	18,028
	MXN/USD Spot Option	700,000	9/11/2014	-	188
				<u>-</u>	<u>64,096</u>
<b>Other</b>					
	Euro-Bund Future	9	9/26/2014	-	1,092
<b>Equity</b>					
	Laredo Petroleum Inc.	2	1/17/2015	-	79
	Rosetta Resources, Inc.	3	1/17/2015	-	675
				<u>-</u>	<u>754</u>
				<u>\$ -</u>	<u>\$ 65,942</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 call options for the year ending August 31, 2014 was an increase in the amount of \$39,834, 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 \$8,401,309 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, 2014.

The Fund also wrote put options on commodities, equities, interest rate and credit default swaps, currencies and other indices for the year ended August 31, 2014. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2014:

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

*Notes to Financial Statements (cont.)*

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	3 month United States Libor	4,000,000	9/21/2015	\$ -	\$ 50,955
<b>Credit Default Swap</b>					
	Markit ITraxx Europe Index Series 21	700,000	9/17/2014	-	22
	Markit ITraxx Europe Index Series 21	1,200,000	12/14/2014	-	1,862
	Markit ITraxx Europe Index Series 21	1,500,000	12/17/2014	-	1,430
	Markit CDX North America Inv. Grade Index Series 22	1,700,000	12/17/2014	-	927
				-	4,241
<b>Other</b>					
	Euro-Bund Future	33	9/26/2014	5,148	-
<b>Commodity</b>					
	Crude Oil Futures	2	11/17/2015	-	1,403
<b>Currency</b>					
	JPY/USD Spot Option	1,400,000	2/18/2016	-	14,382
	JPY/USD Spot Option	700,000	4/21/2016	-	12,449
	JPY/USD Spot Option	500,000	5/19/2016	-	7,456
	JPY/USD Spot Option	500,000	2/18/2019	-	17,903
	JPY/USD Spot Option	700,000	2/28/2019	-	25,371
				-	77,561
<b>Equity</b>					
	Apple Inc	27	1/17/2015	-	193
				\$ 5,148	\$ 134,353

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, 2014 was an increase in the amount of \$231,076, 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 \$442,783 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, 2014.

**Note 7 – Swaps**

During the years ended August 31, 2015 and 2014, the Fund entered into interest rate, credit default, inflation, commodities, currency, volatility 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, 2015:



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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2015	
				Assets	Liabilities
<b>Interest Rate</b>					
<b>Brazilian Real</b>	11.320%	1,500,000	1/4/2016	\$ -	\$ 2,933
	12.230%	1,300,000	1/4/2021	-	15,383
<b>British Pound</b>	1.500%	900,000	9/16/2017	-	12,799
	1.500%	700,000	9/16/2020	-	4,721
	1.750%	2,500,000	9/16/2018	-	21,493
	2.000%	500,000	9/16/2025	-	880
	2.000%	300,000	9/16/2045	17,575	-
	2.250%	200,000	3/16/2046	-	3,826
<b>Euro</b>	0.150%	2,800,000	9/16/2017	3,349	-
	0.750%	300,000	9/16/2025	10,708	-
	1.500%	1,500,000	3/16/2046	52,754	-
	2.307%	200,000	10/21/2044	-	12,304
<b>Japanese Yen</b>	0.150%	1,220,000,000	3/22/2018	2,762	-
	0.250%	100,000,000	9/18/2015	-	465
	0.500%	600,000,000	9/17/2021	-	71,310
	1.250%	40,000,000	6/17/2035	5,231	-
	1.500%	80,000,000	12/20/2044	-	15,129
<b>Mexican Peso</b>	4.300%	13,500,000	9/1/2016	2,415	-
	5.610%	17,600,000	7/7/2021	-	5,673
	5.615%	16,700,000	6/2/2020	9,143	-
	5.640%	1,000,000	6/4/2021	-	149
<b>Swedish Krona</b>	1.013%	900,000	1/23/2025	-	1,863
	1.023%	700,000	1/23/2025	-	1,370
	1.033%	800,000	1/23/2025	-	1,474
	1.036%	900,000	1/23/2025	-	1,621
	1.080%	400,000	1/26/2025	-	591
	1.085%	400,000	1/26/2025	-	568
<b>U.S. Dollar</b>	1.300%	32,700,000	5/6/2017	-	96,820
	1.500%	11,000,000	12/16/2017	-	92,483
	2.250%	16,700,000	12/16/2022	-	195,313
	2.300%	1,100,000	1/13/2023	-	13,985
	2.500%	3,600,000	12/16/2025	-	53,111
	2.500%	400,000	12/16/2035	-	11,346
	2.750%	1,000,000	12/16/2045	-	847
				103,937	638,457
<b>Credit Default</b>					
<b>Euro</b>	1.000%	400,000	12/20/2019	-	15,965
	1.000%	18,800,000	6/20/2020	312,931	-
<b>USD</b>	0.250%	1,900,000	3/20/2020	-	795
	0.250%	100,000	6/20/2020	-	128
	0.750%	1,000,000	9/20/2017	-	14,836
	1.000%	300,000	3/20/2017	-	692
	1.000%	900,000	3/20/2019	-	60,271
	1.000%	2,500,000	6/20/2020	25,811	-
	1.000%	250,000	9/20/2022	9,154	-
				347,896	92,687
<b>Inflation</b>					
<b>British Pound</b>	3.310%	100,000	5/15/2030	2,383	-
	3.311%	100,000	5/15/2030	2,411	-
	3.313%	50,000	5/15/2030	1,226	-
	3.535%	100,000	5/15/2045	3,111	-
	3.543%	100,000	5/15/2045	3,665	-
				12,796	-

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*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2015	
					Assets	Liabilities
<b>Commodity</b>						
<b>U.S. Dollar</b>		Gold	235,108	1/29/2016	\$ -	\$ 27,890
		Platinum	254,422	10/30/2015	-	51,945
		S&P GSCI Grains	1,572,384	3/30/2016	-	58,029
		S&P GSCI Grains	887,006	1/29/2016	-	32,731
		S&P GSCI Grains	1,153,445	2/26/2016	-	42,568
		S&P GSCI Industrial Metals	180,590	2/26/2016	-	3,528
		S&P GSCI Industrial Metals	230,364	3/30/2016	-	4,499
		Uranium Physical Spot Price	524,253	12/18/2015	11,595	-
		Uranium Physical Spot Price	266,390	9/25/2015	-	13,327
		Uranium Physical Spot Price	176,446	1/29/2016	8,368	-
		Uranium Physical Spot Price	2,027,332	2/26/2016	-	3,967
					<u>19,963</u>	<u>238,484</u>
<b>Currency</b>						
<b>Euro</b>			9,600,000	12/16/2020	10,874,226	-
			1,440,000	12/16/2025	1,631,834	-
<b>Swiss Franc</b>			900,000	12/16/2017	932,691	-
<b>U.S. Dollar</b>			956,628	12/16/2017	-	956,628
			10,614,540	12/16/2020	-	10,614,541
			1,581,870	12/16/2025	-	1,581,870
					<u>13,438,751</u>	<u>13,153,039</u>
<b>Volatility</b>						
<b>Swiss Franc/Euro</b>		8.350%	2,000	8/16/2016	-	63
		8.450%	1,000	8/16/2016	-	2,661
		8.650%	1,000	8/16/2016	283	-
		8.700%	1,000	8/16/2016	274	-
<b>Swiss Franc/USD</b>		10.250%	1,000	8/16/2016	730	-
		10.450%	1,000	8/16/2016	569	-
		10.550%	2,000	8/16/2016	834	-
		10.900%	1,000	8/16/2016	-	337
					<u>2,690</u>	<u>3,061</u>
<b>Equity</b>						
<b>U.S. Dollar</b>		MSCI Taiwan Index	11,574,449	1/13/2016	-	1,385,062
<b>Total</b>					<u>\$ 13,926,033</u>	<u>\$ 15,510,790</u>

The change in fair value of open swap positions for the year ending August 31, 2015 was a decrease in the amount of \$1,574,471, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized losses in the amount of \$3,025,927 on swaps which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2015.

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, 2014:

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*Notes to Financial Statements (cont.)*

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2014	
				Assets	Liabilities
<b>Interest Rate</b>					
<b>Brazilian Real</b>	10.910%	13,500,000	1/2/2017	\$ 34,582	\$ -
	11.000%	8,100,000	1/4/2021	1,154	22
<b>British Pound</b>	1.750%	12,700,000	12/17/2016	-	51,174
<b>Euro</b>	2.000%	1,500,000	9/17/2024	-	175,134
	2.750%	200,000	9/17/2044	-	64,869
<b>Japanese Yen</b>	0.250%	100,000,000	9/18/2015	-	1,008
	1.500%	520,000,000	6/19/2033	198,579	-
<b>Mexican Peso</b>	5.610%	46,900,000	7/7/2021	17,036	-
	5.630%	4,300,000	7/7/2021	1,889	-
	5.640%	1,000,000	6/4/2021	581	-
	6.600%	9,700,000	5/21/2029	12,798	-
	6.985%	1,000,000	5/19/2034	2,863	-
	7.380%	2,000,000	2/9/2029	14,437	-
<b>U.S. Dollar</b>	0.750%	3,900,000	12/17/2016	14,264	-
	1.000%	500,000	12/17/2016	-	661
	1.250%	19,300,000	6/17/2017	47,623	-
	2.500%	5,100,000	6/18/2021	-	152,362
	3.000%	3,200,000	6/20/2023	-	23,061
	3.000%	200,000	12/17/2024	-	7,264
	3.500%	100,000	12/17/2044	7,841	-
	4.500%	400,000	6/19/2024	20,580	-
			<u>374,227</u>	<u>475,555</u>	
<b>Credit Default</b>					
<b>Euro</b>	1.000%	200,000	3/20/2019	2,974	-
	1.000%	300,000	6/20/2019	-	953
	1.000%	100,000	3/20/2021	-	453
<b>Japanese Yen</b>	1.000%	230,000,000	6/20/2019	43,950	-
<b>U.S. Dollar</b>	0.590%	1,000,000	9/20/2014	-	1,531
	0.750%	1,000,000	9/20/2017	-	20,498
	1.000%	200,000	6/20/2015	1,741	-
	1.000%	1,400,000	6/20/2018	42,479	-
	1.000%	2,300,000	3/20/2019	8,190	5,388
	1.000%	6,700,000	6/20/2019	143,827	-
	1.000%	600,000	9/20/2019	4,491	-
	1.380%	1,000,000	3/20/2017	-	27,842
2.930%	300,000	6/20/2015	-	8,697	
			<u>247,652</u>	<u>65,362</u>	

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*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2014	
					Assets	Liabilities
<b>Commodity</b>						
	<b>U.S. Dollar</b>	Gold	237,423	1/30/2015	\$ 3,709	\$ -
		Platinum	293,861	10/31/2014	-	1,722
		S&P GSCI Grains	1,379,432	2/27/2015	-	-
		S&P GSCI Grains	1,880,452	3/31/2015	-	14,392
		S&P GSCI Grains	1,060,792	7/31/2015	-	8,119
		S&P GSCI Industrial Metals	256,353	2/27/2015	1,978	-
		S&P GSCI Industrial Metals	327,007	3/31/2015	2,524	-
		Uranium Physical Spot Price	190,443	11/21/2014	-	24,994
		Uranium Physical Spot Price	33,153	12/19/2014	-	19
		Uranium Physical Spot Price	16,602	1/30/2015	-	42
					<u>8,211</u>	<u>49,288</u>
<b>Currency</b>						
	<b>Euro</b>		4,200,000	12/17/2019	5,533,385	-
	<b>U.S. Dollar</b>		5,535,638	12/17/2019	-	5,535,638
					<u>5,533,385</u>	<u>5,535,638</u>
<b>Equity</b>						
	<b>U.S. Dollar</b>	MSCI Taiwan Index	11,964,027	1/13/2015	69,702	-
		MSCI Korea Index	11,291,045	5/29/2015	65,107	-
					<u>134,809</u>	<u>-</u>
<b>Total</b>					<b>\$ 6,298,284</b>	<b>\$ 6,125,843</b>

The change in fair value of open swap positions for the year ending August 31, 2014 was an increase in the amount of \$221,878, 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 \$4,770,252 on swaps which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2014.

**Note 8 – Futures Contracts**

During the years ended August 31, 2015 and 2014, the Fund's asset classes that used futures include domestic and foreign debt and commodities. The change in fair value of open futures contracts for the years ending August 31, 2015 and 2014, were increases in the amounts of \$18,656,592 and \$9,556,594, respectively, which are included in the net increase in investments on the statement of changes in fiduciary net position. The Fund had \$1,422,878 and \$2,231,493 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2015 and 2014, 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 \$73,195,977 for the year ended August 31, 2015. The amount of net realized gains on futures contracts was \$3,258,258 for the year ended August 31, 2014.

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, 2015 and 2014, 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 \$29,872,367 and \$12,072,264, respectively, as of August 31, 2015 and 2014.

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*Notes to Financial Statements (cont.)*

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During the years ended August 31, 2015 and 2014, 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, 2015 and 2014.

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2015 for futures contracts:

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*Notes to Financial Statements (cont.)*

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2015		Carrying and Fair Value at August 31, 2015	
			Long	Short	Assets	Liabilities
<b>Commodities</b>						
Aluminum Hg	-	Sep-15	\$ 1,833,661	\$ 1,833,661	\$ 114,927	\$ -
Aluminum Hg	137	Dec-15	6,054,905	538,240	-	1,322,813
Aluminum Hg	143	Dec-16	-	5,986,728	249,042	-
Brent Crude Oil	436	Oct-15	23,614,537	-	666,885	-
Brent Crude Oil	79	Dec-15	4,442,606	-	-	342,125
Brent Crude Oil	78	Dec-16	4,772,814	-	89,664	-
Brent Crude Oil	55	Dec-17	-	3,566,743	167,654	-
Brent Crude Oil	62	Dec-18	-	4,133,478	-	187,977
Cattle Feeder	43	Oct-15	-	4,294,147	216,451	-
Cocoa	66	Dec-15	-	2,053,386	-	1,886
Coffee 'C'	54	Dec-15	2,526,015	-	-	331,642
Copper	-	Sep-15	12,723,340	12,723,340	-	2,880,650
Copper	117	Dec-15	15,030,171	-	-	108,082
Corn	420	Dec-15	7,869,009	-	-	400,586
Corn	132	Dec-16	2,636,884	-	-	244,577
Crude Oil	314	Oct-15	15,453,850	-	1,856,046	-
Crude Oil	14	Dec-15	691,054	-	-	547,084
Crude Oil	18	Dec-16	1,031,986	-	-	71,517
Gas Oil	103	Oct-15	5,031,382	-	80,642	-
Gasoline RBOB	43	Oct-15	2,684,451	-	311,313	-
Gasoline RBOB	30	Dec-15	-	1,806,271	-	38,849
Gold 100 Oz	293	Dec-15	33,129,017	-	283,590	28,200
Gold 100 Oz	8	Feb-16	-	960,597	-	20,589
Henry Hub LD1	28	Jan-17	225,128	-	-	66,520
Henry Hub LD1	28	Feb-17	226,747	-	-	67,535
Henry Hub LD1	28	Mar-17	224,787	-	-	72,246
Henry Hub LD1	30	Apr-17	222,093	-	-	93,956
Henry Hub LD1	30	May-17	221,423	-	-	94,626
Henry Hub LD1	30	Jun-17	221,360	-	-	91,960
Henry Hub LD1	30	Jul-17	221,851	-	-	88,836
Henry Hub LD1	30	Aug-17	222,656	-	-	88,031
Henry Hub LD1	30	Sep-17	221,924	-	-	88,763
Henry Hub LD1	30	Oct-17	221,936	-	-	86,117
Henry Hub LD1	29	Nov-17	223,567	-	-	78,829
Henry Hub LD1	28	Dec-17	226,434	-	-	65,120
Henry Hub LD1	7	Jan-18	56,992	-	-	16,701
Henry Hub LD1	7	Feb-18	58,889	-	-	17,644
Henry Hub LD1	7	Mar-18	57,849	-	-	18,685
Henry Hub LD1	7	Apr-18	54,328	-	-	25,004
Henry Hub LD1	7	May-18	54,292	-	-	25,040
Henry Hub LD1	7	Jun-18	54,904	-	-	24,429
Henry Hub LD1	7	Jul-18	55,569	-	-	23,764
Henry Hub LD1	7	Aug-18	55,802	-	-	23,530
Henry Hub LD1	7	Sep-18	55,623	-	-	23,710
Henry Hub LD1	7	Oct-18	56,036	-	-	23,296
Henry Hub LD1	7	Nov-18	55,439	-	-	21,094
Henry Hub LD1	7	Dec-18	56,023	-	-	17,669
Lead	-	Sep-15	1,410,275	1,410,275	-	191,150
Lead	24	Dec-15	1,035,682	-	690	-
Lean Hogs	31	Dec-15	777,861	-	31,052	-
Live Cattle	57	Oct-15	-	3,265,767	119,273	-
Live Cattle	39	Feb-16	-	2,251,558	100,915	-
Live Cattle	36	Apr-16	-	2,065,965	-	11,865
Natural Gas	316	Oct-15	8,480,690	-	-	503,845
Natural Gas	649	Jan-16	19,558,354	-	-	2,730,875
Nickel	-	Sep-15	1,624,173	1,624,173	-	66,986
Nickel	158	Dec-15	9,536,649	-	-	1,149,060
NY Harb ULSD	37	Oct-15	2,642,619	-	205,922	-
Palladium	118	Dec-15	7,130,388	-	481,758	-

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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, 2015</u>		<u>Carrying and Fair Value at August 31, 2015</u>		
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>	
<b>Commodities (continued)</b>							
Platinum	266	Oct-15	\$ 13,469,251	\$ -	\$ -	\$ 819,894	
Silver	96	Dec-15	7,024,039	-	-	111,524	
Soybean	110	Nov-15	4,877,703	-	-	537,692	
Soybean	37	Mar-16	-	1,618,222	61,137	-	
Soybean Oil	218	Dec-15	3,700,335	-	-	491,870	
Sugar #11 World	534	Oct-15	6,402,104	-	-	907,935	
Wheat	250	Dec-15	4,841,612	1,258,122	60,312	47,151	
Wheat	3	Mar-16	-	81,846	5,103	-	
Zinc	-	Sep-15	3,540,467	3,540,467	-	589,670	
Zinc	130	Dec-15	5,878,848	-	-	351,578	
			<u>244,808,384</u>	<u>55,012,986</u>	<u>5,102,376</u>	<u>16,280,777</u>	
<b>Domestic Fixed Income</b>							
US Ultra Bond	3	Dec-15	475,219	-	-	1,781	
US 5yr Treasury Note	24	Dec-15	2,866,500	-	-	3,000	
US 10yr Treasury Note	169	Dec-15	21,473,562	-	-	23,766	
			<u>24,815,281</u>	<u>-</u>	<u>-</u>	<u>28,547</u>	
<b>Foreign Fixed Income</b>							
90 Day Bank Accept	13	Sep-15	2,425,470	-	-	488	
90 Day Eurodollar	2	Sep-16	-	495,050	75	-	
90 Day Eurodollar	5	Dec-16	-	1,235,125	250	-	
90 Day Eurodollar	2	Mar-17	-	493,200	125	-	
Canada 10yr Bond	10	Dec-15	-	1,062,909	1,503	-	
Euro-Bobl	18	Dec-15	2,585,666	-	-	4,073	
Euro-Btp	9	Dec-15	1,346,382	-	-	622	
Euro-Bund	5	Dec-15	-	858,303	4,001	-	
Euro Buxl 30yr bond	1	Sep-15	169,845	-	-	1,994	
Euro-Oat	14	Sep-15	2,317,127	-	-	7,373	
UK Long Gilt	5	Dec-15	901,191	-	-	231	
			<u>9,745,681</u>	<u>4,144,587</u>	<u>5,954</u>	<u>14,781</u>	
<b>Total</b>			<u>\$ 279,369,346</u>	<u>\$ 59,157,573</u>	<u>\$ 5,108,330</u>	<u>\$ 16,324,105</u>	

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2014 for futures contracts:

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2014		Carrying and Fair Value at August 31, 2014	
			Long	Short	Assets	Liabilities
<b>Commodities</b>						
Aluminum Hg	-	Sep-14	\$ 8,547,617	\$ 8,547,617	\$ 390,552	\$ -
Aluminum Hg	170	Dec-14	10,051,004	1,109,077	72,294	-
Brent Crude Oil	118	Oct-14	12,188,665	-	-	294,638
Brent Crude Oil	33	Dec-14	3,460,619	-	-	81,689
Cattle Feeder	11	Oct-14	-	1,171,395	-	16,075
Coffee 'C'	28	Dec-14	2,148,441	-	332,055	-
Copper	-	Sep-14	4,473,351	4,473,351	-	76,236
Copper	26	Dec-14	4,739,191	276,069	25,370	-
Corn	214	Dec-14	3,904,468	-	-	693,406
Corn	44	Mar-15	-	821,673	8,483	-
Cotton No. 2	14	Dec-14	465,120	-	-	75,399
Crude Oil	88	Oct-14	8,501,000	-	-	88,760
Crude Oil	79	Dec-14	7,464,414	-	-	230,542
Crude Oil	13	Dec-15	1,159,503	-	-	5,136
Gas Oil	76	Sep-14	6,589,143	-	-	158,135
Gasoline RBOB	23	Oct-14	2,555,961	-	51,926	-
Gold 100 Oz	303	Dec-14	39,015,544	-	-	221,132
Heating Oil	16	Dec-14	1,908,739	-	22,066	-
Henry Hub LD1	26	Jan-17	283,625	-	11,250	-
Henry Hub LD1	26	Feb-17	282,218	-	9,843	-
Henry Hub LD1	26	Mar-17	281,058	-	5,858	-
Henry Hub LD1	28	Apr-17	279,071	-	-	12,946
Henry Hub LD1	28	May-17	279,962	-	-	12,055
Henry Hub LD1	28	Jun-17	279,647	-	-	9,569
Henry Hub LD1	28	Jul-17	282,294	-	-	6,922
Henry Hub LD1	28	Aug-17	283,313	-	-	5,903
Henry Hub LD1	28	Sep-17	282,973	-	-	6,243
Henry Hub LD1	28	Oct-17	284,739	-	-	4,478
Henry Hub LD1	27	Nov-17	278,640	-	672	33
Henry Hub LD1	26	Dec-17	280,890	-	11,317	-
Henry Hub LD1	7	Jan-18	78,285	-	2,632	-
Henry Hub LD1	7	Feb-18	80,905	-	2,335	-
Henry Hub LD1	7	Mar-18	79,801	-	1,231	-
Henry Hub LD1	8	Apr-18	76,796	-	-	4,648
Henry Hub LD1	8	May-18	77,036	-	-	4,408
Henry Hub LD1	8	Jun-18	77,626	-	-	3,818
Henry Hub LD1	8	Jul-18	78,291	-	-	3,153
Henry Hub LD1	8	Aug-18	78,549	-	-	2,895
Henry Hub LD1	8	Sep-18	78,512	-	-	2,932
Henry Hub LD1	8	Oct-18	79,010	-	-	2,434
Henry Hub LD1	7	Nov-18	77,701	-	-	869
Henry Hub LD1	7	Dec-18	77,737	-	2,084	-
Lead	-	Sep-14	2,929,348	2,929,348	84,441	-
Lead	52	Dec-14	2,944,432	-	-	17,653
Live Cattle	26	Oct-14	1,549,066	-	48,970	-
Live Cattle	77	Dec-14	4,724,689	-	-	100,372
Natural Gas	244	Jan-15	10,426,561	-	91,240	67,081
Natural Gas	243	Feb-15	10,304,166	-	279,625	-
Natural Gas	27	Mar-15	1,121,442	-	1,221	-
Natural Gas	92	Apr-15	3,563,506	-	15,274	10,744
Natural Gas	113	Jun-15	4,396,461	-	13,563	-
Nickel	-	Sep-14	8,802,887	8,802,887	-	37,341
Nickel	92	Dec-14	10,360,186	-	-	36,998
Palladium	70	Dec-14	6,330,981	-	180,115	-



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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2014		Carrying and Fair Value at August 31, 2014	
			Long	Short	Assets	Liabilities
<b>Commodities (continued)</b>						
Platinum	157	Oct-14	\$ 11,193,869	\$ -	\$ -	\$ 389,994
Silver	23	Dec-14	2,286,951	-	-	6,218
Soybean	80	Nov-14	4,104,782	-	-	375,790
Soybean	29	Jan-15	-	1,524,469	14,995	-
Soybean Meal	82	Dec-14	1,322,246	1,544,162	70,101	69,693
Soybean Oil	119	Dec-14	2,303,222	-	-	429,607
Sugar #11 World	470	Oct-14	8,151,127	-	-	1,148,816
Wheat	57	Dec-14	1,660,767	163,428	45,209	-
Wheat	46	Jul-15	-	1,382,473	13,015	-
Zinc	-	Sep-14	8,965,540	8,965,540	391,548	-
Zinc	153	Dec-14	9,006,496	-	40,604	-
			<u>237,940,184</u>	<u>41,711,489</u>	<u>2,239,889</u>	<u>4,714,761</u>
<b>Domestic Fixed Income</b>						
US Treasury Bond	10	Dec-14	1,400,938	-	-	1,875
US 5yr Treasury Note	28	Dec-14	3,327,406	-	875	-
US 10yr Treasury Note	24	Dec-14	3,018,750	-	-	1,500
			<u>7,747,094</u>	<u>-</u>	<u>875</u>	<u>3,375</u>
<b>Foreign Fixed Income</b>						
3 Month Euro Euribor	24	Jun-15	7,893,716	-	-	1,270
3 Month Euro Euribor	20	Sep-15	6,577,438	-	-	988
90 Day Eurodollar	11	Dec-14	2,742,988	-	137	-
90 Day Eurodollar	23	Mar-15	5,729,588	-	288	-
90 Day Eurodollar	32	Jun-15	7,956,800	-	800	-
90 Day Eurodollar	14	Dec-15	-	3,465,175	-	175
90 Day Sterling Libor	9	Sep-15	-	1,844,802	-	889
Australian 10yr Bond	1	Sep-14	-	115,025	-	907
Canada 10yr Bond	25	Dec-14	-	3,165,015	-	5,070
Euro-Bobl	1	Sep-14	-	170,222	-	-
Euro-Btp	31	Sep-14	5,329,549	-	-	20,261
Euro-Bund	26	Sep-14	-	5,189,821	-	9,589
UK Long Gilt	13	Dec-14	2,451,300	-	-	374
			<u>38,681,379</u>	<u>13,950,060</u>	<u>1,225</u>	<u>39,523</u>
<b>Total</b>			<u>\$ 284,368,657</u>	<u>\$ 55,661,549</u>	<u>\$ 2,241,989</u>	<u>\$ 4,757,659</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, 2015 and 2014. Foreign currency amounts are translated at exchange rates as of August 31, 2015 and 2014. 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.

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

<u>Currency</u>	<u>Net Buy August 31, 2015</u>	<u>Net Sell August 31, 2015</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2015</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2015</u>
Australian Dollar	\$ -	\$ 17,026,631	\$ 1,037,510	\$ 32,851
Brazilian Real	-	5,941,834	856,073	379,339
Canadian Dollar	1,857,828	-	185,989	91,749
Chilean Peso	7,684,632	-	-	559,511
Chinese Yuan Renminbi	-	1,052,080	53,021	88,017
Colombian Peso	-	1,775,796	112,658	-
Danish Krone	-	1,329,307	-	31,901
Euro	12,302,627	-	388,899	556,424
Hong Kong Dollar	-	1,348	-	-
Indian Rupee	6,158,688	-	-	44,622
Indonesian Rupiah	-	75,584	-	260
Israeli Shekel	82,284	-	-	3,431
Japanese Yen	-	68,475,109	2,434,475	332,645
Malaysian Ringgit	-	1,138,068	48,876	9,745
Mexican Peso	-	37,004	195,682	698,132
New Zealand Dollar	-	17,186,952	958,963	18,199
Norwegian Kroner	4,574,650	-	-	99,722
Philippines Peso	-	158,217	-	205
Polish Zloty	1,525,817	-	23,179	713
Russian Ruble	58,846	-	605	1,535
Singapore Dollar	-	7,385,415	99,979	3,615
South African Rand	-	1,033,112	26,677	2,859
South Korean Won	-	1,368,733	66,653	61,615
Swedish Krona	4,202,131	-	32,817	3,509
Swiss Franc	606,400	-	9,915	-
Taiwan Dollar	43,596,612	-	1,327	1,109,464
Thai Baht	-	398,931	2,905	-
Turkish Lira	128,201	-	1,755	9,989
UK Pound	-	9,533,773	161,105	166,480
	<u>\$ 82,778,716</u>	<u>\$ 133,917,894</u>	<u>\$ 6,699,063</u>	<u>\$ 4,306,532</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2015 was an increase in the amount of \$2,359,418, 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, 2014</u>	<u>Net Sell August 31, 2014</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2014</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2014</u>
Australian Dollar	\$ -	\$ 21,880,271	\$ 35,256	\$ 211,700
Brazilian Real	-	13,219,608	81,642	446,825
Canadian Dollar	6,267,959	-	63,680	3,889
Chilean Peso	8,536,599	-	-	427,842
Chinese Yuan Renminbi	69,012	-	-	38,963
Colombian Peso	-	1,586,990	13,369	12,772
Czech Koruna	-	4,893,238	108,388	-
Danish Krone	103,897	-	7,040	5,348
Euro	-	35,371,481	682,196	58,385
Hong Kong Dollar	-	100,904	-	1
Hungarian Forint	-	1,679,925	18,725	1,542
Indian Rupee	6,667,864	-	68,467	13,620
Israeli Shekel	-	1,607,753	22,423	2,436
Japanese Yen	-	87,503,227	1,977,411	673,926
Malaysian Ringgit	3,771,264	-	33,590	2,936
Mexican Peso	-	1,526,158	456,378	104,203
New Zealand Dollar	-	22,930,228	444,305	22,961
Norwegian Kroner	84,023	-	1,631	497
Polish Zloty	-	5,075,334	188,975	7,903
Russian Ruble	113,418	-	24,170	21,673
Singapore Dollar	124,454	-	749	261
South African Rand	-	2,384,371	4,703	20,514
South Korean Won	29,941,508	-	1,260,820	11,897
Swedish Krona	-	3,385,933	55,425	7,505
Swiss Franc	-	6,187,483	132,784	7,043
Taiwan Dollar	47,087,116	-	69,515	-
Thai Baht	165,634	-	1,124	21
Turkish Lira	175,675	-	173	2,052
UK Pound	1,771,950	-	132,131	155,701
	<u>\$ 104,880,373</u>	<u>\$ 209,332,904</u>	<u>\$ 5,885,070</u>	<u>\$ 2,262,416</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2014 was an increase in the amount of \$3,642,169, 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 \$3,742,770,000 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 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, 2015 and 2014 were \$22,931,316 and \$18,801,926, 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, 2015 and 2014, custodial fees and expenses incurred by the Fund amounted to \$1,934,848 and \$1,510,933, respectively.

Accounting fees, in the amount of \$227,346 and \$166,643, were paid by the Fund during the years ended August 31, 2015 and 2014, respectively, for external and UT System internal audit services.

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, 2015 and 2014, the fees incurred by the Fund amounted to \$158,144 and \$186,113, respectively.

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 \$80,155 and \$77,856 were incurred for the years ending August 31, 2015 and 2014, respectively.

Consulting fees, in the amount of \$69,827 and \$93,220, for the years ending August 31, 2015 and 2014, respectively, were incurred for investment strategy and other investment planning services.

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, 2015 and 2014, amounted to \$66,588 and \$87,930, 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 \$37,408 and \$46,052 were incurred for the years ending August 31, 2015 and 2014, respectively.

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

**Comparison Summary of Investments**  
*August 31, 2015 and 2014*  
*(in thousands)*

	2015		2014	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
<b>Equity Securities</b>				
Domestic Common Stock	\$ 293,325	3.55%	\$ 393,715	4.70%
Foreign Common Stock	711,622	8.60%	828,257	9.89%
Other Equity Securities	2	0.00%	114	0.00%
<b>Total Equity Securities</b>	<u>1,004,949</u>	<u>12.15%</u>	<u>1,222,086</u>	<u>14.59%</u>
<b>Preferred Stock</b>				
Domestic Preferred Stock	484	0.01%	668	0.01%
Foreign Preferred Stock	17,009	0.20%	27,685	0.33%
<b>Total Preferred Stock</b>	<u>17,493</u>	<u>0.21%</u>	<u>28,353</u>	<u>0.34%</u>
<b>Debt Securities</b>				
U.S. Government Obligations	85,912	1.04%	91,096	1.09%
Foreign Government and Provincial Obligations	212,199	2.56%	270,975	3.24%
Corporate Obligations	136,278	1.65%	105,014	1.25%
Other	1,651	0.02%	1,914	0.02%
<b>Total Debt Securities</b>	<u>436,040</u>	<u>5.27%</u>	<u>468,999</u>	<u>5.60%</u>
<b>Purchased Options</b>	<u>13,003</u>	<u>0.16%</u>	<u>616</u>	<u>0.01%</u>
<b>Investment Funds</b>				
Hedge Funds	2,469,005	29.84%	2,483,063	29.65%
Private Investments	2,661,253	32.17%	2,348,879	28.05%
Developed Country Equity	853,254	10.31%	898,931	10.73%
Emerging Markets Equity	215,081	2.60%	302,069	3.61%
Real Estate	37,075	0.45%	51,071	0.61%
Fixed Income	9,123	0.11%	9,730	0.12%
Natural Resources	-	0.00%	1,677	0.02%
<b>Total Investment Funds</b>	<u>6,244,791</u>	<u>75.48%</u>	<u>6,095,420</u>	<u>72.79%</u>
<b>Physical Commodities - Gold</b>	<u>160,736</u>	<u>1.94%</u>	<u>185,906</u>	<u>2.22%</u>
<b>Cash and Cash Equivalents</b>	<u>396,169</u>	<u>4.79%</u>	<u>372,716</u>	<u>4.45%</u>
<b>Total Investments</b>	<u>\$ 8,273,181</u>	<u>100.00%</u>	<u>\$ 8,374,096</u>	<u>100.00%</u>

**THE UNIVERSITY OF TEXAS SYSTEM**  
**GENERAL ENDOWMENT FUND**  
*Supplemental Schedules (cont.)*

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**Financial Highlights**  
*Years Ended August 31,*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 253.505	\$ 220.935	\$ 202.699	\$ 196.382	\$ 170.972
Income from Investment Operations					
Net Investment Income (A)	1.741	2.443	1.745	1.448	1.709
Net Realized and Unrealized Gain on Investments	<u>0.977</u>	<u>30.127</u>	<u>16.491</u>	<u>4.869</u>	<u>23.701</u>
Total Income from Investment Operations	<u>2.718</u>	<u>32.570</u>	<u>18.236</u>	<u>6.317</u>	<u>25.410</u>
Net Position, End of Year	<u>\$ 256.223</u>	<u>\$ 253.505</u>	<u>\$ 220.935</u>	<u>\$ 202.699</u>	<u>\$ 196.382</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.