

Financial Statements

The University of Texas System

General Endowment Fund

Years Ended August 31, 2005 and 2004

The University of Texas System General Endowment Fund

Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 fiscal year ended August 31, 2005. 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 an internal UT System mutual fund for the pooled 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 or conditions.

Financial Highlights

- The Fund's fiduciary net assets, after contributions and withdrawals, increased by \$719.2 million from \$4,207.6 million to \$4,926.8 million or approximately 17.1% for the year ended August 31, 2005, compared to an increase of \$622.8 million or approximately 17.4% for the year ended August 31, 2004. The change in net fiduciary net assets from year to year is mainly attributable to the following:
 1. The PHF and LTF redeemed and purchased Fund units resulting in a net reduction in contributions of \$71.9 million for the year ended August 31, 2005, compared to a net increase in contributions for the year ended August 31, 2004 of \$73.4 million.
 2. The Fund posted a net investment return of 18.82% for the fiscal year ended August 31, 2005. Investments in commodities, limited partnerships and global equities were the leading contributors to the 2005 return. For the fiscal year ended August 31, 2004, the commodities and domestic and global equity asset classes were the leading performers contributing to a net investment return of 14.73%.
 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 standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required under GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

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

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets 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 that comprise it. 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 Assets (in millions):

Assets	2005	2004	2003
Investments, at Fair Value	\$ 5,002.9	\$ 4,207.6	\$ 3,671.9
Other Assets	656.2	469.1	202.9
Total Assets	5,659.1	4,676.7	3,874.8
Total Liabilities	732.3	469.1	290.0
Net Assets Held in Trust	\$ 4,926.8	\$ 4,207.6	\$ 3,584.8

Statements of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets 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.

The net increase in fair value of investments of the Fund was \$689.8 million during the year ended August 31, 2005 compared to the net increase in fair value of investments of \$467.9 million for the year ended August 31, 2004. Expenses totaled \$23.1 million, \$10.7 million, and \$9.5 million, respectively, for the years ended August 31, 2005, 2004, and 2003.

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The net increase in fiduciary net assets totaled \$719.2 million for the fiscal year ended August 31, 2005 compared to a net increase in net assets totaling \$622.8 million for the fiscal year ended August 31, 2004.

The following summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	2005	2004	2003
Investment Income	\$ 814.2	\$ 560.2	\$ 423.5
Less Investment Expenses	(23.1)	(10.7)	(5.8)
Net Investment Income	791.1	549.5	417.7
Participant Contributions	139.2	308.9	110.1
Total Additions	930.3	858.4	527.8
Participant Withdrawals	211.1	235.6	236.2
Total Deductions	211.1	235.6	236.2
Change in Fiduciary Net Assets	719.2	622.8	291.6
Net Assets Held in Trust, Beginning of Period	4,207.6	3,584.8	3,293.2
Net Assets Held in Trust, End of Period	\$ 4,926.8	\$ 4,207.6	\$ 3,584.8

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.

Report of Independent Auditors

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

We have audited the accompanying financial statements of the The University of Texas General Endowment Fund (the “Fund”) as of and for the years ended August 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only The University of Texas General Endowment Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2005 and 2004 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of The University of Texas General Endowment Fund as of August 31, 2005 and 2004, and the changes in the fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of The University of Texas General Endowment Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of August 31, 2005 and 2004 and for the years then ended have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole. The University of Texas General Endowment Fund financial statements for the years ended August 31, 2002 and 2001, which are not presented with the accompanying financial statements, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on the financial statements. Their report on the 2002 and 2001 supplemental schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the years ended August 31, 2002 and 2001, taken as a whole.

Ernst & Young LLP

October 21, 2005

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Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(Dollars in thousands, except per unit amounts)

Assets	2005	2004
Investments, at Fair Value		
Equity Securities	\$ 963,605	\$ 724,672
Preferred Stock	2,808	5,173
Purchased Options	10,867	-
Debt Securities	880,521	659,617
Convertible Securities	4,022	3,860
Investment Funds	2,619,756	2,292,046
Cash and Cash Equivalents	521,304	522,195
Total Investments	<u>5,002,883</u>	<u>4,207,563</u>
Collateral for Securities Loaned, at Fair Value	494,069	334,005
Deposit with Broker for Derivative Contracts	30,429	41,143
Unrealized Gains on Foreign Currency Exchange Contracts	5,591	938
Receivables		
Investment Securities Sold	109,587	84,982
Accrued Income	8,600	6,261
Other	7,976	1,844
Total Receivables	<u>126,163</u>	<u>93,087</u>
Total Assets	<u>5,659,135</u>	<u>4,676,736</u>
Liabilities		
Payable to Participants	1,547	16,005
Payable Upon Return of Securities Loaned	494,069	334,005
Written Options, at Fair Value	19,152	45
Unrealized Losses on Foreign Currency Exchange Contracts	4,525	656
Payables		
Investment Securities Purchased	197,646	112,561
Other	15,399	5,820
Total Liabilities	<u>732,338</u>	<u>469,092</u>
Net Assets Held in Trust	<u>\$ 4,926,797</u>	<u>\$ 4,207,644</u>
Number of Units:		
Permanent Health Fund (PHF)	6,628,710	6,923,785
The University of Texas System Long Term Fund (LTF)	<u>28,652,350</u>	<u>28,857,142</u>
Total	<u>35,281,060</u>	<u>35,780,927</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 139.644</u>	<u>\$ 117.595</u>

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

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Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2005 and 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 689,817	\$ 467,899
Interest	54,685	27,024
Dividends	41,765	42,969
Income Distributions from Limited Partnerships	14,740	19,576
Securities Lending Income	12,527	1,807
Other	648	939
Total Investment Income	<u>814,182</u>	<u>560,214</u>
Less Investment Expenses		
Investment Management and Consulting Fees	10,436	8,461
Securities Lending Fees	11,157	1,192
Custodial Fees and Expenses	884	646
Legal Fees	317	189
Analytical and Risk Measurement Fees	276	169
Other Expenses	54	58
Total Investment Expenses	<u>23,124</u>	<u>10,715</u>
Net Investment Income	791,058	549,499
Participant Contributions	139,205	308,928
Total Additions	<u>930,263</u>	<u>858,427</u>
Deductions		
Participant Withdrawals	211,110	235,548
Total Deductions	<u>211,110</u>	<u>235,548</u>
Change in Fiduciary Net Assets	719,153	622,879
Net Assets Held in Trust, Beginning of Period	4,207,644	3,584,765
Net Assets Held in Trust, End of Period	<u>\$ 4,926,797</u>	<u>\$ 4,207,644</u>

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

THE UNIVERSITY OF TEXAS SYSTEM

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Notes to 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 (Board of Regents). The Fund is organized as a mutual 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 Board of Regents. 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 Board of Regents.

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 Fund is subject to the pronouncements of 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 may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Significant Accounting Policies

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

Fixed income securities held directly by the Fund are valued based upon prices supplied by Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Limited partnerships and other equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the last available reporting period. In the rare case no ascertainable value is available, the limited partnership is valued at cost.

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Notes to Financial Statements (cont.)

Securities held by the Fund in index funds and exchange traded funds are generally valued as follows:

Stocks traded on security exchanges are valued at closing market prices on the valuation date.

Stocks traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.

Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Hedge funds and other investment funds are valued based on net asset value information provided by the investment company.

(B) ***Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities are 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 assets resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net increase in fair value of investments.

(C) ***Investment Income*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Premiums and discounts on bonds are not amortized.

(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. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(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 purchased.

(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 assets by the number of units outstanding on the valuation date.

(G) ***Purchases and Redemption of Units*** -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of

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Notes to Financial Statements (cont.)

the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

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

(I) ***Federal Income Taxes*** -- The Fund is not subject to federal income tax.

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

(K) ***Derivative Applications*** -- Derivative securities are financial instruments whose 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 applications as specified by policies established by the UTIMCO Board of Directors and by guidelines established in contracts with external investment managers. Derivative applications included under these policies and contracts include futures, forwards, swaps and all forms of options. Derivative applications 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,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks so that the Fund's risk/return profile is more closely aligned with the Fund's targeted risk/return profile, and
- facilitate transition trading.

Through the use of derivative applications, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. The primary intent of the Fund's investment in derivative securities is to hedge its risk or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market.

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. 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. 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

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Notes to Financial Statements (cont.)

written option. Options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net assets.

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included as an other receivable or other payable on the statements of fiduciary net assets. Cash flows 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.

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 valued at the close of business each day, and a gain or loss is recorded between the 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 as an other receivable or other payable on the statements of fiduciary net assets. 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 valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of fiduciary net assets. Realized and unrealized gains and losses are included in the statements of changes in fiduciary net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(L) *Cash and Cash Equivalents* -- Cash and Cash Equivalents consist of money markets, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of futures contracts held (see Note 11). Cash and cash

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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 assets.

(M) Reclassifications -- Certain items in the 2004 financial statements and related notes have been reclassified to conform with 2005 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.

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, 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 Board of Regents, 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 Board of Regents has elected the PUF 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 limits investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that are rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. 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, 2005.

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Notes to Financial Statements (cont.)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Investments, at Fair Value:		
U.S. Government Guaranteed	\$ 410,926,435	Exempt from Disclosure
U.S. Government Non-Guaranteed:		
U.S. Agency	41,600,824	AAA
U.S. Agency	6,659,997	A
U.S. Agency Asset Backed	189,909,003	AAA
Total U.S. Government Non-Guaranteed	<u>238,169,824</u>	
Total U.S. Government	<u>649,096,259</u>	
Corporate Obligations:		
Domestic	26,227,562	AAA
Domestic	6,148,398	AA
Domestic	30,974,114	A
Domestic	20,386,557	BAA/BBB
Domestic	5,955,125	BBB
Domestic	4,381,561	BAA
Domestic	5,814,983	BA/BB
Domestic	2,325,452	BB
Domestic	237,670	BA
Domestic	2,894,019	B
Domestic	299,038	CAA
Domestic	277,212	CA
		Rating
Domestic	1,530,659	Withdrawn
Commercial Paper	27,087,222	P
Foreign	7,389,342	AAA
Foreign	1,330,920	A
Foreign	429,833	BAA/BBB
Total Corporate Obligations	<u>143,689,667</u>	
Foreign Government and Provincial Obligations	55,025,083	AAA
Foreign Government and Provincial Obligations	11,543,947	AA
Foreign Government and Provincial Obligations	1,563,171	A
Foreign Government and Provincial Obligations	4,528,262	BAA/BBB
Foreign Government and Provincial Obligations	211,300	BAA
Foreign Government and Provincial Obligations	3,789,780	BA
Foreign Government and Provincial Obligations	573,976	B
Total Foreign Government and Provincial Obligations	<u>77,235,519</u>	
Other Debt Securities	4,205,197	AAA
Other Debt Securities	1,189,058	AA
Other Debt Securities	1,196,629	A
Other Debt Securities	3,908,654	BAA/BBB
Total Other Debt Securities	<u>10,499,538</u>	
Total Debt Securities	<u>\$ 880,520,983</u>	
Other Investment Funds - Debt	\$ 1,073,218	AAA
Other Investment Funds - Debt	11,808,257	BB
Total Other Investment Funds - Debt	<u>\$ 12,881,475</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 510,611,287	AAA
		Exempt from Disclosure
Cash and Cash Equivalents - Other	10,692,712	
Total Cash and Cash Equivalents	<u>\$ 521,303,999</u>	
Deposit with Broker for Derivative Contracts:		
U.S. Government Guaranteed	\$ 26,536,568	Exempt from Disclosure
Cash	3,892,797	Exempt from Disclosure
	<u>\$ 30,429,365</u>	

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Notes to Financial Statements (cont.)

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of domestic 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 represents five percent or more of total 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 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, 2005, the Fund does not have any 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 as of August 31, 2005.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
Investments in Securities:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 113,343,204	6.47
U.S. Treasury Strips	3,650,520	6.00
U.S. Treasury Bills	7,027,898	0.15
U.S. Treasury Inflation Protected	284,511,840	8.03
U.S. Agency Asset Backed	2,392,973	2.34
Total U.S. Government Guaranteed	410,926,435	7.42
U.S. Government Non-Guaranteed:		
U.S. Agency	48,260,821	4.87
U.S. Agency Asset Backed	189,909,003	3.39
Total U.S. Government Non-Guaranteed	238,169,824	3.69
Total U.S. Government	649,096,259	6.05
Corporate Obligations:		
Domestic	107,452,350	5.26
Commercial Paper	27,087,222	0.24
Foreign	9,150,095	6.17
Total Corporate Obligations	143,689,667	4.37
Foreign Government and Provincial Obligations	77,235,519	7.79
Other Debt Securities	10,499,538	11.31
Total Debt Securities	880,520,983	5.90
Other Investment Funds - Debt	12,881,475	5.97
Cash and Cash Equivalents:		
Money Market Funds	510,611,287	0.08
Other	10,692,712	-
Total Cash and Cash Equivalents	521,303,999	0.08
Total	\$ 1,414,706,457	3.76
Deposit with Brokers for Derivative Contracts:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 110,176	0.41
U.S. Treasury Bills	25,280,888	0.21
U.S. Treasury Inflation Protected	1,145,504	1.33
Total U.S. Government Guaranteed	26,536,568	0.26
Cash	3,892,797	-
Total Deposit with Brokers for Derivative Contracts	\$ 30,429,365	0.22

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

In accordance with the Fund's investment policy statement, 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. As of August 31, 2005, the Fund's investments include the following investments that are highly sensitive to interest rate changes.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

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. As of August 31, 2005, these securities amounted to \$50,062,056.

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. As of August 31, 2005, these securities amounted to \$97,192,500.

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. As of August 31, 2005 these securities amounted to \$11,047,555.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. As of August 31, 2005, these securities amounted to \$4,967,598.

(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. The Fund's investment policy statement limits investments in non-U.S. denominated bonds to 50% of the Fund's total fixed income exposure. The following table summarizes the Fund's exposure to non-U.S. dollar investments as of August 31, 2005.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Type</u>	<u>Fair Value</u>
Foreign Common Stock:		Purchased Options:	
Australian Dollar	\$ 10,124,785	Canadian Dollar	\$ 676,961
Canadian Dollar	36,684,222	Euro	<u>36,207</u>
Swiss Franc	7,802,018	Total Purchased Options	<u>713,168</u>
Danish Krone	2,446,779	Limited Partnerships:	
Euro	61,022,142	Euro	49,292,741
UK Pound	21,563,653	UK Pound	<u>4,367,073</u>
Hong Kong Dollar	3,920,523	Total Limited Partnerships	<u>53,659,814</u>
Japanese Yen	104,257,087	Cash and Cash Equivalents:	
South Korean Won	1,609,388	Australian Dollar	63,237
Norwegian Krone	9,780,475	Canadian Dollar	3,422,722
Swedish Krona	4,338,954	Swiss Franc	43,231
Singapore Dollar	<u>5,665,952</u>	Danish Krone	23,105
Total Foreign Common Stock	<u>269,215,978</u>	Euro	1,425,974
Foreign Government and Provincial Obligations:		UK Pound	(36,249)
Australian Dollar	445,031	Hong Kong Dollar	11,058
Canadian Dollar	432,652	Japanese Yen	12,035,227
Danish Krone	508,675	Norwegian Krone	5,225
Euro	57,153,201	New Zealand Dollar	8,229
New Zealand Dollar	810,244	Polish Zloty	89,959
UK Pound	5,420,008	Swedish Krona	4,885
Polish Zloty	<u>1,563,171</u>	Singapore Dollar	29,906
Total Foreign Government and Provincial Obligations	<u>66,332,982</u>	Taiwan Dollar	<u>332</u>
Corporate Obligations:		Total Cash and Cash Equivalents	<u>17,126,841</u>
Euro	7,644,464		
UK Pound	<u>752,506</u>	Total	<u>\$ 415,445,753</u>
Total Corporate Obligations	<u>8,396,970</u>		

Note 4 – Securities Lending

The Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income and related expenses are included in investment expenses. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2005 and 2004:

<u>Securities on Loan</u>	<u>2005 Value</u>	<u>2004 Value</u>	<u>Type of Collateral</u>	<u>2005 Value of Collateral</u>	<u>2004 Value of Collateral</u>
U.S. Government	\$365,710,122	\$182,642,422	Cash	\$369,426,991	\$185,304,995
Foreign					
Government	18,437,869	2,499,918	Cash	19,305,472	2,647,227
Corporate Bonds	4,949,974	6,344,451	Cash	5,084,750	6,490,800
Common Stock	96,373,309	134,881,538	Cash	100,251,659	139,561,726
Total	<u>\$485,471,274</u>	<u>\$326,368,329</u>	Total	<u>\$494,068,872</u>	<u>\$334,004,748</u>
U.S. Government	\$ 7,564,102	\$ 1,659,095	Non-Cash	\$ 7,824,389	\$ 1,925,822
Common Stock	<u>736,292</u>	<u>211,905</u>	Non-Cash	<u>761,628</u>	<u>217,545</u>
Total	<u>\$ 8,300,394</u>	<u>\$ 1,871,000</u>	Total	<u>\$ 8,586,017</u>	<u>\$ 2,143,367</u>

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

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 Permanent University Fund, and other Board of Regent 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 percent. 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, 2005 is shown in the following table.

<u>Description</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity In Days</u>
Repurchase Agreements	\$ 232,820,580	No Rating	1
Commercial Paper	200,108,779	P	36
Floating Rate Notes	4,522,477	AAA	
Floating Rate Notes	50,608,154	AA	
Total Floating Rate Notes	<u>55,130,631</u>		37
Certificates of Deposit	7,441,140	P	50
Asset Backed Securities	282,026	AAA	168
Other Receivables/Payables	(1,714,284)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 494,068,872</u>		20

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 a 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 assets. 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, 2005, 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.

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

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 year ended August 31, 2005.

Note 5 – Hedge Funds

Hedge fund investments are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable. The fair values of the hedge fund investments consist of the following:

	August 31,	
	2005	2004
Equity		
Long/Short - Global Equity	\$ 332,625,362	\$ 273,422,037
Long/Short - U.S.	45,804,355	24,233,471
Long/Short - Emerging Markets	57,332,230	28,308,696
Long/Short - Developed Asia	19,358,244	16,243,839
Long/Short - Technology and Life Sciences	17,529,023	15,946,459
Long/Short - International	13,769,372	-
	<u>486,418,586</u>	<u>358,154,502</u>
Absolute Return		
Multistrategy - Global Event Oriented and Arbitrage	455,378,668	403,356,212
Long/Short - Global Market Neutral	90,938,245	68,029,196
Fund of Funds	73,100,344	66,884,750
Multistrategy - Global Market Neutral	46,580,840	27,203,633
Multistrategy - European Event Oriented and Arbitrage	13,513,301	-
Multistrategy - Japan Event Oriented	16,374,912	7,499,888
Multistrategy - Global Special Situations	10,702,230	-
Global Long/Short Credit	3,525,550	-
	<u>710,114,090</u>	<u>572,973,679</u>
	<u>\$1,196,532,676</u>	<u>\$ 931,128,181</u>

Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities and can be directional biased to the equity market. Equity hedge fund investments are made through private placement agreements.

Absolute return hedge fund investments include arbitrage and event oriented strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event oriented strategies attempt to exploit discreet events or anticipated events such as bankruptcies, mergers, takeovers, spinoffs and recapitalizations in equity and debt securities. Absolute return hedge funds investments are also made through private placement agreements. Market risk is generally hedged.

The fund of funds invests in other hedge funds including merger arbitrage and special situation fund, and other relative value hedge funds and equity return strategies.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 6 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The Russell 3000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Active International Equity Fund B attempts to match or outperform the returns of any of the National or Regional Divisions of the MSCI EAFE Index or MSCI Canada Index by investing in collective funds in whatever proportion among National or Regional Divisions recommended by the Active International Equity Strategy.

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index. The fund is a commingled 'superfund' comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Russell 2000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P 400 Mid-Cap Index.

When deemed appropriate, a portion of the index funds may invest in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

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

The Active International Equity Fund B is majority owned by the Fund and the Permanent University Fund. The market values of the Fund's interests in these index funds are shown in the following table.

	August 31,	
	2005	2004
Russell 3000 Alpha Tilts Fund B	\$ 104,898,653	\$ 83,013,608
Active International Equity Fund B	103,098,490	84,262,819
EAFE Equity Index Fund B	84,053,770	178,747,438
Russell 2000 Alpha Tilts Fund B	68,518,288	61,557,741
Equity Index Fund B Lendable	63,571,680	90,651,897
Emerging Markets Structured Tiered Fund B	29,692,702	40,723,864
Mid-Cap Index Fund B Lendable	6,400,036	5,112,979
	<u>\$ 460,233,619</u>	<u>\$ 544,070,346</u>

Note 7 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges. The fair values of the limited partnerships consist of the following:

	August 31,	
	2005	2004
U.S. Private Equity	\$ 210,055,735	\$ 180,898,416
Venture Capital	97,962,549	73,912,861
Non-U.S. Private Equity	70,820,029	57,810,513
Opportunistic	83,033,034	58,786,631
Mezzanine	16,840,151	20,678,016
Direct Investments	8,002,741	7,835,401
Oil and Gas	6,466,445	6,977,011
	<u>\$ 493,180,684</u>	<u>\$ 406,898,849</u>

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

Venture capital consists of interests in private equity partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

Direct investments represent the Fund's direct interests in private companies.

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

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Note 8 – Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of \$422,388,756 as of August 31, 2005.

Note 9 – Written Options

During the year, the Fund wrote call options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures. Transactions in call options written during the year ended August 31, 2005 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2004	75	\$ 40,735
Options Written	794,139	3,040,599
Options Expired	(957)	(332,818)
Options Exercised	(75)	(40,735)
Call Options Outstanding at August 31, 2005	<u>793,182</u>	<u>\$ 2,707,781</u>

As of August 31, 2005, an amount of \$16,824,170 is included on the statement of fiduciary net assets as options written, at fair value. The Fund recognized losses of \$13,784,662 on call options written for the year ended August 31, 2005.

During the year ended August 31, 2004, the Fund wrote call options on Treasury and domestic equity index futures. Transactions in call options written during the year ended August 31, 2004, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2003	-	\$ -
Options Written	63,627	1,659,133
Options Expired	(349)	(358,389)
Options Exercised	(63,203)	(1,260,009)
Call Options Outstanding at August 31, 2004	<u>75</u>	<u>\$ 40,735</u>

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

As of August 31, 2004 the Fund had 75 written call options outstanding on ten year U.S. Treasury Note futures contracts with an expiration date of December 31, 2004. An amount of \$45,703 is included on the statement of fiduciary net assets as of August 31, 2004 for these outstanding contracts. The Fund recognized losses in the amount of \$63,790 on call options written for the year ended August 31, 2004.

The Fund also wrote put options on Treasury note and domestic and international equity index futures during the year ended August 31, 2005. Transactions in put options written during the year ended August 31, 2005, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2004	-	\$ -
Options Written	752,351	845,288
Options Expired	(89,596)	(547,632)
Options Exercised	(390)	(111,930)
Put Options Outstanding at August 31, 2005	<u>662,365</u>	<u>\$ 185,726</u>

As of August 31, 2005, an amount of \$2,327,984 is included on the statement of fiduciary net assets as written options at fair value. The Fund recognized gains in the amount of \$1,595,143 on put options written for the year ended August 31, 2005.

Note 10 – Swaps

During the fiscal year ended August 31, 2005, the Fund entered into interest rate, credit default and commodity swap contracts. The following discloses the notional amount, the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2005:

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

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2005	
				Assets	Liabilities
Interest Rate					
Australian					
	6.000%	\$ 4,800,000	6/15/2015	\$ -	\$ 131,074
	6.000%	8,400,000	8/15/2010	142,210	-
	6.000%	5,900,000	6/15/2015	-	160,492
	6.000%	10,300,000	6/15/2015	174,376	-
UK Pound					
	5.000%	900,000	6/18/2034	92,067	-
	5.000%	500,000	6/15/2008	10,391	-
	5.000%	1,000,000	6/15/2008	20,782	-
	5.000%	2,000,000	9/15/2010	94,387	-
	5.000%	5,400,000	9/15/2010	254,846	-
	5.000%	200,000	9/15/2015	-	15,545
	5.000%	1,300,000	9/15/2015	-	101,044
	5.000%	10,100,000	9/15/2010	476,657	-
	5.000%	100,000	9/15/2015	-	7,773
	5.000%	200,000	9/15/2010	9,439	-
	5.000%	4,300,000	9/15/2010	202,933	-
	5.000%	1,000,000	6/18/2034	-	103,077
Canadian					
	5.500%	2,100,000	12/16/2014	-	68,777
	6.000%	700,000	12/16/2019	15,380	-
	5.500%	2,000,000	12/16/2014	-	65,298
	4.500%	300,000	6/15/2025	-	188
Euro					
	6.000%	3,600,000	3/15/2032	594,854	-
	4.000%	800,000	6/17/2010	58,474	-
	4.000%	1,600,000	6/17/2010	116,966	-
	5.000%	1,100,000	6/16/2014	199,438	-
	4.000%	3,190,000	6/17/2010	-	233,164
	5.000%	300,000	6/17/2015	56,528	-
	4.000%	19,550,000	6/16/2014	-	1,694,416
	4.500%	400,000	6/17/2015	-	54,647
	4.500%	800,000	6/17/2015	-	109,294
	4.500%	700,000	6/17/2015	-	95,632
	4.500%	5,700,000	6/17/2015	-	778,716
	4.000%	2,100,000	12/15/2014	-	167,138
	4.000%	200,000	12/15/2014	-	15,918
Japanese Yen					
	0.800%	400,000,000	3/30/2012	24,626	-
	2.000%	545,000,000	12/20/2013	-	323,317
	2.000%	270,000,000	6/15/2012	-	170,101
	1.000%	400,000,000	3/20/2009	25,476	-

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

<u>Currency</u>	<u>Coupon</u>	<u>Notional Value</u>	<u>Maturity Date</u>	<u>Fair Value at August 31, 2005</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate					
U.S. Dollar					
	3.000%	\$ 35,700,000	6/15/2006	\$ -	\$ 289,378
	3.000%	5,000,000	6/15/2006	-	40,529
	5.500%	1,000,000	12/16/2014	33,214	-
	5.500%	2,300,000	12/16/2014	76,393	-
	5.000%	19,600,000	12/15/2015	-	809,072
	5.000%	7,600,000	12/15/2015	-	313,722
	5.000%	2,400,000	12/15/2015	-	99,070
	5.000%	4,300,000	12/15/2015	-	177,500
	5.000%	5,200,000	12/15/2015	-	214,652
	5.000%	700,000	12/15/2015	-	28,895
	5.000%	2,500,000	12/15/2015	-	103,198
	5.000%	1,400,000	12/15/2015	-	57,791
	5.000%	300,000	12/15/2015	-	12,384
	6.000%	200,000	12/15/2025	-	8,328
	4.000%	1,200,000	12/15/2010	17,088	-
	4.000%	1,500,000	12/15/2010	21,360	-
	4.000%	11,500,000	12/15/2010	163,763	-
	4.000%	1,600,000	12/15/2010	22,784	-
	4.000%	12,400,000	12/15/2010	162,178	-
	4.000%	2,500,000	12/15/2007	12,114	-
	4.000%	200,000	12/15/2007	-	969
	4.000%	100,000	12/15/2007	-	485
	5.000%	16,100,000	12/15/2012	-	581,863
	5.000%	400,000	12/15/2012	-	14,456
	4.000%	20,300,000	12/15/2007	98,365	-
	4.000%	3,900,000	12/15/2010	55,537	-
				<u>3,232,626</u>	<u>7,047,903</u>
Credit Default					
U.S. Dollar					
	3.500%	1,000,000	6/20/2006	<u>16,268</u>	<u>-</u>
Commodity					
U.S. Dollar					
	TBill + 36.5 Basis Points	24,990,395	9/23/2005	944,637	-
	TBill + 45 Basis Points	60,400,000	9/23/2005	<u>2,283,120</u>	<u>-</u>
				<u>3,227,757</u>	<u>-</u>
Total				<u>\$ 6,476,651</u>	<u>\$ 7,047,903</u>

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

The following discloses the notional amount, the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2004:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2004	
				Assets	Liabilities
Interest Rate					
UK Pound					
	5.000%	\$ 2,600,000	3/20/2013	\$ 20,469	\$ -
	5.250%	1,900,000	9/17/2018	-	11,296
	5.000%	8,100,000	3/15/2032	-	275,753
Euro					
	6.000%	10,300,000	3/15/2032	407,494	-
	4.000%	10,500,000	3/15/2007	252,747	-
	4.000%	17,100,000	3/15/2007	411,617	-
	6.000%	3,100,000	3/20/2018	75,126	-
	5.750%	1,200,000	9/17/2018	15,957	-
	4.000%	1,600,000	6/17/2010	17,501	-
	5.000%	1,100,000	6/16/2014	96,065	-
	4.000%	2,550,000	6/16/2014	28,016	-
	4.000%	17,000,000	6/16/2014	186,775	-
	4.000%	5,290,000	6/17/2010	-	57,861
Japanese Yen					
	0.800%	400,000,000	3/30/2012	126,413	-
	2.000%	545,000,000	12/20/2013	-	173,737
	2.000%	270,000,000	6/15/2012	-	89,776
Swedish Krona					
	4.500%	25,700,000	6/17/2008	30,877	-
	4.500%	20,800,000	6/17/2008	24,990	-
	4.500%	20,700,000	6/17/2008	24,870	-
U.S. Dollar					
	6.000%	9,400,000	12/18/2033	71,245	-
	4.000%	18,700,000	12/15/2009	-	30,900
	5.000%	20,500,000	12/15/2014	-	473,919
	5.000%	2,100,000	12/15/2014	-	48,548
	5.000%	400,000	12/15/2014	-	9,247
	5.000%	300,000	12/15/2014	-	6,935
	4.000%	1,200,000	12/15/2009	-	1,983
	6.000%	4,000,000	12/15/2024	-	358,702
	6.000%	5,000,000	12/18/2033	37,896	-
				<u>1,828,058</u>	<u>1,538,657</u>
Total Return					
U.S. Dollar					
	-	400,000	11/1/2004	8,940	-
	-	300,000	9/30/2004	7,176	-
				<u>16,116</u>	<u>-</u>
Commodity					
U.S. Dollar					
	TBill + 45 Basis Points	53,600,000	9/30/2004	-	-
	TBill + 45 Basis Points	18,200,000	9/30/2004	-	-
	TBill + 45 Basis Points	-	8/31/2004	-	338,291
	TBill + 45 Basis Points	-	8/31/2004	-	1,095,170
				<u>-</u>	<u>1,433,461</u>
Total				<u>\$ 1,844,174</u>	<u>\$ 2,972,118</u>

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

Note 11 – Futures Contracts

During the years ended August 31, 2005 and 2004, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The Fund had \$30,429,365 and \$41,143,075 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2005 and 2004, respectively. Short futures were used by internal managers and may be used by a limited number of external managers of the Fund to hedge the Fund's interest rate or country risk associated with security positions. The amount of net realized gains on the futures contracts was \$47,597,850 and \$31,442,236 for the years ended August 31, 2005 and 2004, respectively.

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2005 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2005		Carrying and Fair Value at August 31, 2005		
			Long	Short	Assets	Liabilities	
Domestic Fixed Income							
U.S. 5 Year Treasury Notes	314	Dec-05	\$ 34,029,750	\$ -	\$ 97,187	\$ -	
U.S. 10 Year Treasury Notes	33	Sep-05	-	3,726,422	3,609	-	
U.S. 10 Year Treasury Notes	87	Dec-05	-	9,750,797	-	43,500	
U.S. Treasury Bond	78	Sep-05	9,233,250	-	53,625	-	
U.S. Treasury Bond	7	Dec-05	826,219	-	4,813	-	
			<u>44,089,219</u>	<u>13,477,219</u>	<u>159,234</u>	<u>43,500</u>	
Domestic Equity							
Dow Jones Index	116	Sep-05	12,182,320	-	100,920	-	
Russell 2000 Index Mini	4,178	Sep-05	-	278,756,160	-	5,556,740	
S&P 500 Index	676	Sep-05	206,416,600	-	2,162,558	-	
S&P 500 Index	660	Dec-05	202,587,000	-	2,112,695	-	
S&P 500 Emini	16	Sep-05	-	977,200	-	-	
S&P Midcap 400 Index Mini	30	Sep-05	2,140,500	-	36,300	-	
S&P Midcap 400 Index Mini	404	Sep-05	-	28,825,400	-	488,840	
			<u>423,326,420</u>	<u>308,558,760</u>	<u>4,412,473</u>	<u>6,045,580</u>	
Commodities							
Goldman Sachs Commodities	1,542	Sep-05	178,910,550	-	-	1,117,950	
Foreign Fixed Income							
90 Day Euro Dollar	59	Mar-06	14,143,038	-	22,863	-	
90 Day Euro Dollar	116	Dec-05	27,816,800	-	37,700	-	
Euro-Bund	217	Sep-05	33,079,460	-	127,801	-	
Euro-Bund	137	Dec-05	20,609,629	-	80,684	-	
Japan 10 Year Bond	21	Sep-05	26,382,510	-	25,640	-	
Japan 10 Year Bond	5	Dec-05	6,267,150	-	6,105	-	
			<u>128,298,587</u>	<u>-</u>	<u>300,793</u>	<u>-</u>	
Foreign Equity							
Amsterdam Index	49	Sep-05	4,698,076	-	-	-	
DJ Euro Stoxx 50	1,075	Sep-05	43,232,302	-	364,833	-	
FTSE 100 Index	791	Sep-05	75,329,479	-	449,107	-	
FTSE/JSE TOP 40	395	Sep-05	8,522,672	-	58,419	-	
Hang Seng Index	25	Sep-05	2,395,733	-	-	811	
IBEX Index	34	Sep-05	-	4,194,244	-	-	
MSCI Singapore Index	123	Sep-05	3,937,577	-	-	7,341	
MSCI Taiwan Index	396	Sep-05	9,939,600	-	-	-	
S&P/MIB Index	23	Sep-05	-	4,741,533	-	-	
S&P/TSE 60 Index	44	Sep-05	-	4,447,033	-	-	
SPI 200 Index	91	Sep-05	-	7,585,657	-	-	
Topix Index	191	Sep-05	21,835,200	-	-	23,168	
			<u>169,890,639</u>	<u>20,968,467</u>	<u>872,359</u>	<u>31,320</u>	
Total			<u>\$ 944,515,415</u>	<u>\$ 343,004,446</u>	<u>\$ 5,744,859</u>	<u>\$ 7,238,350</u>	

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

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2004 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2004		Carrying and Fair Value at August 31, 2004	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 5 Year Treasury Notes	24	Sep-04	\$ -	\$ 2,700,750	\$ -	\$ 17,250
U.S. 5 Year Treasury Notes	60	Dec-04	6,640,312	-	19,688	-
U.S. 10 Year Treasury Notes	154	Sep-04	17,474,188	-	57,750	-
U.S. 10 Year Treasury Notes	314	Dec-04	<u>35,266,125</u>	<u>-</u>	<u>131,108</u>	<u>-</u>
			<u>59,380,625</u>	<u>2,700,750</u>	<u>208,546</u>	<u>17,250</u>
Domestic Equity						
Dow Jones Index	1,332	Sep-04	135,504,360	-	680,890	-
NASDAQ 100 Index	353	Sep-04	48,343,350	-	108,891	-
Russell 2000 Index Mini	232	Sep-04	12,715,920	-	100,920	-
Russell 2000 Index Mini	4,413	Sep-04	-	241,876,530	-	1,976,653
S&P 500 Index	851	Sep-04	234,897,275	-	1,103,018	-
S&P 500 Index	97	Sep-04	-	26,774,425	-	123,675
S&P 500 Index Mini	97	Sep-04	-	5,354,885	-	-
S&P Midcap 400 Index Mini	904	Sep-04	-	<u>52,196,960</u>	-	<u>413,116</u>
			<u>431,460,905</u>	<u>326,202,800</u>	<u>1,993,719</u>	<u>2,513,444</u>
Commodities						
Goldman Sachs Commodities	1,767	Sep-04	<u>130,669,650</u>	<u>-</u>	<u>132,525</u>	<u>-</u>
Foreign Fixed Income						
10 Year Swap Note	79	Sep-04	-	11,055,402	-	-
90 Day Euro Dollar	30	Jun-05	21,658,150	-	14,462	-
Euro-Bund	846	Sep-04	64,807,841	-	196,992	-
Euro-Bund	38	Dec-04	5,321,483	-	18,814	-
Japan 10 Year Bond	20	Sep-04	25,085,420	-	89,673	-
Japan 10 Year Bond	6	Dec-04	<u>7,468,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>124,341,118</u>	<u>11,055,402</u>	<u>319,941</u>	<u>-</u>
Foreign Equity						
All Shares Index	1,767	Sep-04	-	27,268,543	-	91,040
Amsterdam Index	102	Sep-04	8,041,324	-	-	-
CAC 40 Index	127	Sep-04	5,567,927	-	-	-
DAX Index	20	Sep-04	2,306,032	-	-	-
DJ Euro Stoxx 50	228	Sep-04	-	7,425,969	-	182,420
DJ Euro Stoxx 50	666	Sep-04	21,691,647	-	-	-
FTSE 100 Index	916	Sep-04	73,724,281	-	-	324,286
Hang Seng Index	15	Sep-04	1,232,508	-	-	-
Hang Seng Index	184	Sep-04	-	15,118,764	-	29
IBEX Index	15	Sep-04	-	1,437,487	-	-
MSCI Taiwan Index	1,070	Sep-04	-	26,150,800	117,700	-
Nikkei 225 Index	159	Sep-04	16,081,825	-	-	116,051
OMX Index	144	Sep-04	-	1,315,355	-	-
S&P/MIB Index	9	Sep-04	1,483,097	-	-	-
S&P/TSE 60 Index	371	Sep-04	26,203,142	-	214,431	-
SPI 200 Index	138	Sep-04	-	8,638,827	-	-
Topix Index	370	Sep-04	<u>38,097,405</u>	<u>-</u>	<u>-</u>	<u>207,285</u>
			<u>194,429,188</u>	<u>87,355,745</u>	<u>332,131</u>	<u>921,111</u>
Total			<u>\$ 940,281,486</u>	<u>\$ 427,314,697</u>	<u>\$ 2,986,862</u>	<u>\$ 3,451,805</u>

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

Note 12 – Foreign Currency Exchange Contracts

The tables below summarize by currency the contractual amounts of the Fund’s foreign currency exchange contracts at August 31, 2005 and 2004. Foreign currency amounts are translated at exchange rates as of August 31, 2005 and 2004. 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.

Currency	Net Buy		Net Sell		Unrealized Gains on Foreign Currency Exchange Contracts	Unrealized Losses on Foreign Currency Exchange Contracts
	August 31, 2005	August 31, 2005	August 31, 2005	August 31, 2005	August 31, 2005	August 31, 2005
Australian Dollar	\$ 11,241,773		\$ –		\$ 72,978	\$ 102,864
Canadian Dollar	–		23,732,307		81,342	332,138
Chilean Peso	111,304		–		2,000	–
Chinese Yuan Renminbi	12,789,467		–		204	194,111
Czech Koruna	1,187,246		–		24,505	3,025
Euro	–		21,244,159		1,946,523	513,153
Hong Kong Dollar	2,506,473		–		143	599
Hungarian Forint	555,182		–		25,750	9,867
Indonesian Rupian	245,708		–		17,708	–
Japanese Yen	72,666,052		–		422,677	1,612,192
Mexican New Peso	4,482,342		–		101,162	15,319
New Taiwan Dollar	11,379,386		–		16,260	390,498
New Zealand Dollar	–		1,591,028		19,089	30,727
Norwegian Krone	–		6,405,779		25,632	40,379
Polish Zloty	144,004		–		198,238	18,817
New Russian Rubel	109,589		–		67	1,252
Singapore Dollar	2,041,585		–		45,933	47,622
Slovak Koruna	255,405		–		29	3,073
South African Comm Rand	2,983,209		–		96,999	6,745
South Korean Won	5,783,992		–		45,879	178,385
Swedish Krona	2,318,017		–		97,340	101,185
Swiss Franc	3,916,327		–		12,360	216,336
UK Pound	87,366,371		–		2,338,351	706,883
	<u>\$ 222,083,432</u>		<u>\$ 52,973,273</u>		<u>\$ 5,591,169</u>	<u>\$ 4,525,170</u>

Currency	Net Buy		Net Sell		Unrealized Gains on Foreign Currency Exchange Contracts	Unrealized Losses on Foreign Currency Exchange Contracts
	August 31, 2004	August 31, 2004	August 31, 2004	August 31, 2004	August 31, 2004	August 31, 2004
Australian Dollar	\$ 1,259,669		\$ –		\$ 18,317	\$ 5,829
Canadian Dollar	–		5,549,731		4,077	18,931
Euro	–		7,875,492		167,859	43,566
Japanese Yen	39,958,336		–		98,727	141,418
New Zealand Dollar	–		480,388		19,716	3,478
Norwegian Krone	–		4,487,332		167,393	100,858
Singapore Dollar	–		1,018,665		12,333	7,899
Slovak Koruna	120,140		–		–	1,401
South Korean Won	1,191,697		–		16,890	–
Swedish Krona	–		1,134,243		15,703	661
Swiss Franc	–		–		6,607	18,717
UK Pound	4,585,717		–		410,511	313,058
	<u>\$ 47,115,559</u>		<u>\$ 20,545,851</u>		<u>\$ 938,133</u>	<u>\$ 655,816</u>

Note 13 – Revenue Sharing Agreements

The Fund has entered into revenue sharing agreements with certain external investment managers. These agreements specify that the Fund shall receive a certain percentage of the gross revenues received by the investment manager for a specified period of time. The percentages of revenue shared in these fee arrangements currently range from 7.5% to 25%. The Fund received \$303,351 of revenue sharing income during the fiscal year ended August 31, 2005 and \$109,778 for the fiscal year ended August 31, 2004. These amounts are included in other investment income on the Statement of Changes in Fiduciary Net Assets.

Note 14 – 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 0.01% to 0.9%. In addition to quarterly investment management fees, the Fund may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. In addition, the Fund incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

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.

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.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, and consultation fees.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

Comparison Summary of Investments, at Fair Value
August 31, 2005 and 2004
(in thousands)

	2005		2004	
	Value	% of Total	Value	% of Total
Equity Securities				
Domestic Common Stock	\$ 692,523	13.84%	\$ 521,436	12.39%
Foreign Common Stock	267,695	5.35%	201,632	4.79%
Other	3,387	0.07%	1,604	0.04%
Total Equity Securities	<u>963,605</u>	<u>19.26%</u>	<u>724,672</u>	<u>17.22%</u>
Preferred Stock				
Domestic Preferred Stock	2,808	0.06%	4,492	0.11%
Foreign Preferred Stock	–	0.00%	681	0.02%
Total Preferred Stock	<u>2,808</u>	<u>0.06%</u>	<u>5,173</u>	<u>0.13%</u>
Debt Securities				
U.S. Government Obligations	649,096	12.97%	399,821	9.50%
Corporate Obligations	143,690	2.87%	172,448	4.10%
Foreign Government and Provincial Obligations	77,236	1.54%	83,882	1.99%
Other	10,499	0.21%	3,466	0.08%
Total Debt Securities	<u>880,521</u>	<u>17.59%</u>	<u>659,617</u>	<u>15.67%</u>
Purchased Options	<u>10,867</u>	<u>0.22%</u>	<u>–</u>	<u>0.00%</u>
Convertible Securities	<u>4,022</u>	<u>0.08%</u>	<u>3,860</u>	<u>0.09%</u>
Investment Funds				
Hedge Funds	1,196,533	23.92%	931,128	22.13%
Index Funds	460,234	9.20%	544,070	12.93%
Limited Partnerships	493,181	9.86%	406,899	9.67%
Other	340,115	6.80%	214,042	5.09%
Exchange Traded Funds	129,693	2.59%	195,907	4.66%
Total Investment Funds	<u>2,619,756</u>	<u>52.37%</u>	<u>2,292,046</u>	<u>54.48%</u>
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Futures Contracts	401,342	8.02%	448,086	10.65%
Money Market Funds – Other	119,962	2.40%	74,109	1.76%
Total Cash and Cash Equivalents	<u>521,304</u>	<u>10.42%</u>	<u>522,195</u>	<u>12.41%</u>
Total Investment in Securities	<u>\$ 5,002,883</u>	<u>100.00%</u>	<u>\$ 4,207,563</u>	<u>100.00%</u>

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

Financial Highlights

Years Ended August 31, 2005, 2004, 2003, 2002, and For the Period from Inception (March 1, 2001) to August 31, 2001

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 117.595	\$ 102.539	\$ 90.932	\$ 97.811	\$ 100.000
Income from Investment Operations					
Net Investment Income	2.826	2.247	1.972	1.895	1.200
Net Realized and Unrealized Gain (Loss) on Investments	19.223	12.809	9.635	(8.774)	(3.389)
Total Income (Loss) from Investment Operations	22.049	15.056	11.607	(6.879)	(2.189)
Net Asset Value, End of Period	<u>\$ 139.644</u>	<u>\$ 117.595</u>	<u>\$ 102.539</u>	<u>\$ 90.932</u>	<u>\$ 97.811</u>

Ratios and Supplemental Data

Net Assets, End of Period (in thousands)	\$4,926,797	\$4,207,644	\$3,584,765	\$3,293,194	\$3,723,912
Ratio of Expenses to Average Net Assets	0.26%	0.24%	0.17%	0.20%	0.09%
Ratio of Net Investment Income to Average Net Assets	2.20%	2.02%	2.12%	2.00%	1.22%

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

Schedule of Investments by Industry

August 31, 2005

Industry	Percentage of		Industry	Percentage of	
	Value	Total Investments		Value	Total Investments
Agriculture Production-Crops	\$ 2,003,174	0.04%	Mineral Interests	\$ 3,386,651	0.07%
Amusement and Recreation Services	1,161,903	0.02%	Mining, Quarry Nonmetal Minerals	782,050	0.02%
Apparel and Accessory Stores	3,563,587	0.07%	Miscellaneous Manufacturing Industries	4,777,554	0.10%
Apparel and Other finished Products	2,922,892	0.06%	Miscellaneous Retail	6,051,047	0.12%
Auto Dealers, Gas Stations	4,258,332	0.09%	Mortgage/Asset Backed	29,891,435	0.60%
Auto Repair, Services, Parking	975,386	0.02%	Motion Pictures	3,083,928	0.06%
Banking and Financial Services	4,164,065	0.08%	Motor Freight Transport, Warehouse	5,438,758	0.11%
Building Construction-General Contractor	6,302,865	0.13%	Municipal	10,499,538	0.21%
Building Material, Hardware, Garden-Retail	1,922,274	0.04%	Nonclassifiable Establishment	11,912,723	0.24%
Business Services	42,975,120	0.86%	Nondepository Credit Instituion	35,753,875	0.71%
Chemicals and Allied Products	57,628,721	1.15%	Nondurable Goods-Wholesale	8,752,642	0.17%
Coal Mining	15,316,372	0.31%	Oil and Gas Extraction	61,433,025	1.23%
Commercial Paper	30,260,619	0.60%	Other Industry	17,943,492	0.36%
Communications	36,998,814	0.74%	Paper and Allied Products	1,101,496	0.02%
Construction-Special Trade	1,766,094	0.04%	Personal Services	97,782	0.00%
Depository Institutions	55,742,317	1.11%	Petroleum Refining and Related Industries	20,677,512	0.41%
Durable Goods-Wholesale	7,728,671	0.15%	Pipe Lines, Except Natural Gas	1,861,839	0.04%
Eating and Drinking Places	8,382,047	0.17%	Primary Metal Industries	18,210,653	0.36%
Educational Services	3,625,250	0.07%	Printing, Publishing and Allied	7,225,661	0.14%
Electric, Gas, Sanitary Service	26,145,926	0.52%	Purchased Options	10,866,822	0.22%
Electronics, Other Electronic Equipment, Except Computers	45,591,784	0.91%	Railroad Transportation	4,303,668	0.09%
Engineering, Research, Management and Related Services	14,752,781	0.29%	Real Estate	246,416,160	4.93%
Fabricated Metal Except Machinery and Trans Equipment	2,035,827	0.04%	Rubber and Miscellaneous Plastic Products	4,411,640	0.09%
Financial Services	553,668	0.01%	Security and Commodity Brokers	19,764,550	0.40%
Food and Kindred Products	22,151,642	0.44%	Stone, Clay, Glass, Concrete Products	4,429,881	0.09%
Food Stores	4,273,057	0.09%	Textile Mill Products	469,954	0.01%
Foreign Government and Provincial Obligations	77,235,520	1.54%	Tobacco Products	4,339,519	0.09%
Furniture and Fixtures	1,980,681	0.04%	Transit and Passenger Transportation	312,734	0.01%
General Merchandise Stores	7,816,620	0.16%	Transportation by Air	3,570,216	0.07%
Health Services	3,935,198	0.08%	Transportation Equipment	30,415,927	0.61%
Heavy Construction-Not Building Construction	5,322,072	0.11%	Transportation Services	3,341,102	0.07%
Home Furniture and Equipment Store	1,766,842	0.04%	Water Transportation	6,934,275	0.14%
Hotels, Other Lodging Places	14,549,941	0.29%	U. S. Government Obligations	633,928,113	12.67%
Industrial, Commercial Machinery, Computer Equipment	44,205,632	0.88%	Hedge Funds	1,196,532,676	23.92%
Insurance Agents, Brokers and Service	4,725,062	0.09%	Index Funds	460,233,619	9.20%
Insurance Carriers	27,195,658	0.54%	Limited Partnerships	493,180,684	9.86%
Leather and Leather Products	517,177	0.01%	Exchange Traded Funds	129,692,966	2.59%
Lumber and Wood Products, Except Furniture	219,813	0.00%	Other Investment Funds	340,116,449	6.80%
Measurement Instruments, Photography Goods, Watches	38,543,025	0.77%	Money Market Funds	521,303,999	10.41%
Metal Mining	8,220,364	0.16%	Total Investment Assets	\$ 5,002,883,408	100.00%

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

Schedule of Investments by Industry

August 31, 2004

Industry	Value	Percentage	Industry	Value	Percentage
		of Total			of Total
		Investments			Investments
Agricultural Services	\$ 987,982	0.02%	Metal Mining	\$ 5,431,375	0.13%
Agriculture Production-Crops	1,954,734	0.05%	Mineral Interests	1,603,402	0.04%
Amusement and Recreation Services	4,268,184	0.10%	Miscellaneous Manufacturing Industries	3,460,673	0.08%
Apparel and Other Finished Products	5,844,490	0.14%	Miscellaneous Retail	3,717,715	0.09%
Apparel and Accessory Stores	5,291,158	0.13%	Mining, Quarry Nonmetal Minerals	950,382	0.02%
Auto Dealers, Gas Stations	2,765,746	0.07%	Mortgage/Asset Backed	19,235,588	0.46%
Auto Repair, Services, Parking	481,247	0.01%	Motion Pictures	1,561,843	0.04%
Building Construction-General Contractor	7,771,711	0.18%	Motor Freight Transport, Warehouse	7,090,603	0.17%
Building Material, Hardware, Garden-Retail	67,860	0.00%	Municipal	11,313,621	0.27%
Business Services	30,211,283	0.72%	Nonclassifiable Establishment	689,098	0.02%
Chemicals and Allied Products	36,506,242	0.87%	Nondepository Credit Institution	27,011,845	0.64%
Coal Mining	2,655,328	0.06%	Nondurable Goods-Wholesale	4,887,738	0.12%
Commercial Paper	64,245,208	1.53%	Oil and Gas Extraction	24,684,859	0.59%
Communications	26,708,490	0.63%	Other Industry	7,872,385	0.19%
Construction-Special Trade	1,402,817	0.03%	Paper and Allied Products	2,512,716	0.06%
Depository Institutions	47,325,094	1.12%	Personal Services	1,056,871	0.03%
Diversified Manufacturing	2,378,207	0.06%	Petroleum Refining and Related Industries	14,455,820	0.34%
Durable Goods-Wholesale	12,847,397	0.31%	Pipe Lines, Except Natural Gas	2,456,429	0.06%
Eating and Drinking Places	6,857,079	0.16%	Primary Metal Industries	12,826,265	0.30%
Educational Services	319,022	0.01%	Printing, Publishing and Allied Services	5,495,971	0.13%
Electronics, Other Electronic Equipment, Except Computers	32,052,584	0.76%	Railroad Transportation	4,179,198	0.10%
Electric, Gas, Sanitary Service	22,207,866	0.53%	Real Estate	12,932,356	0.31%
Engineering, Research, Management, and Related Services	9,872,162	0.23%	Rubber and Miscellaneous Plastic Products	1,786,857	0.04%
Metal Fabrication, Except Machinery and Trans Equipment	6,899,267	0.16%	Security and Commodity Brokers	7,613,334	0.18%
Food and Kindred Products	18,142,959	0.43%	Social Services	42,504	0.00%
Food Stores	4,679,277	0.11%	Stone, Clay, Glass, Concrete Products	2,220,717	0.05%
Foreign Government and Provincial Obligations	83,882,315	1.99%	Textile Mill Products	50,901	0.00%
Forestry	378,643	0.01%	Tobacco Products	2,731,021	0.06%
Furniture and Fixtures	1,322,108	0.03%	Transit and Passenger Transportation	301,781	0.01%
General Merchandise Stores	6,390,236	0.15%	Transportation By Air	6,579,893	0.16%
Health Services	4,201,435	0.10%	Transportation Equipment	14,025,996	0.33%
Heavy Construction-Not Building Construction	2,640,488	0.06%	Transportation Services	1,252,933	0.03%
Real Estate Holding	213,110,424	5.06%	Water Transportation	5,966,400	0.14%
Home Furniture and Equipment Store	2,871,557	0.07%	U. S. Government Obligations	392,443,470	9.34%
Hotels, Other Lodging Places	20,361,820	0.48%	Other - Debt Securities	3,465,467	0.08%
Industrial, Commercial Machinery, Computer Equipment	27,560,637	0.66%	Hedge Funds	931,128,180	22.13%
Insurance Agents, Brokers and Service	606,876	0.01%	Index Funds	544,070,346	12.93%
Insurance Carriers	27,516,151	0.65%	Limited Partnerships	406,898,850	9.67%
Leather and Leather Products	1,545,816	0.04%	Exchange Traded Funds	195,906,766	4.66%
Lumber and Wood Products, Except Furniture	1,766,687	0.04%	Other - Investment Funds	214,041,633	5.09%
Measurement Instruments, Photography Goods, Watches	30,515,733	0.73%	Money Market Funds	522,195,453	12.41%
			Total Investment Assets	\$ 4,207,563,575	100.00%