

Financial Statements
and Independent Auditors' Report
The University of Texas System
General Endowment Fund
Years Ended August 31, 2009 and 2008

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2009 and 2008

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Independent Auditors' Report

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

We have audited the accompanying Statements of Fiduciary Net Assets of The University of Texas System General Endowment Fund (the "Fund"), as of August 31, 2009 and August 31, 2008, and the related Statements of Changes in Fiduciary Net Assets for the years then ended. These financial statements are the responsibility of The University of Texas Investment Management Company ("UTIMCO" or "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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the 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, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Fund are intended only to present the financial position of the Fund and do not purport to, and do not, present the financial positions of UTIMCO or The University of Texas System as of August 31, 2009 or August 31, 2008, and the changes in their financial positions for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2, the financial statements include investments valued at \$2,833,325,069 (52.9% of net assets) and \$3,248,857,104 (51.5% of net assets) as of August 31, 2009 and August 31, 2008, 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.

In our opinion, the financial statements present fairly, in all, material respects, the financial position of the Fund as of August 31, 2009 and August 31, 2008, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management' discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statement of the Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management. The supplemental schedules as of and for the years ended August 31, 2009 and August 31, 2008, have been subjected to the audit procedures applied by us (with 2006, 2005, and 2004 being subject to audit procedures by other auditors) in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

October 30, 2009

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, 2009. 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 or conditions.

Financial Highlights

- The Fund's fiduciary net assets, after contributions and withdrawals, decreased by \$951.6 million from \$6,310.4 million to \$5,358.8 million or approximately 15.1% for the year ended August 31, 2009, compared to a decrease of \$122.7 million or approximately 1.9% for the year ended August 31, 2008. 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 decrease in contributions of \$105.9 million for the year ended August 31, 2009, compared to a net increase in contributions for the year ended August 31, 2008 of \$79.3 million.
 2. The Fund posted a net investment loss of 13.22%, calculated using the Modified Dietz Method as described by the CFA Institute, for the fiscal year ended August 31, 2009. Investments in private investment funds, hedge funds, real estate, natural resources, and developed country and emerging markets equities were negative contributors to the 2009 return, while investment grade and credit-related fixed income posted positive returns. For the fiscal year ended August 31, 2008, the private investment funds, hedge funds, natural resources, and investment grade fixed income were positive contributors, while real estate and developed and emerging market equities posted negative returns. These contributed to the net investment loss of 3.10%.
 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. 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	2009	2008	2007
Investments, at Fair Value	\$ 5,346.8	\$ 6,479.5	\$ 6,620.6
Other Assets	188.8	473.8	706.7
Total Assets	5,535.6	6,953.3	7,327.3
Total Liabilities	176.8	642.9	894.2
Net Assets Held in Trust	\$ 5,358.8	\$ 6,310.4	\$ 6,433.1

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 decrease in appreciation of investments of the Fund was \$905.4 million during the year ended August 31, 2009 compared to the net decrease in appreciation of investments of \$302.6 million for the year ended August 31, 2008. Expenses totaled \$10.5 million, \$18.9 million, and \$38.1 million, respectively, for the years ended August 31, 2009, 2008, and 2007.

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The net decrease in fiduciary net assets totaled \$951.6 million for the fiscal year ended August 31, 2009 compared to a net decrease in fiduciary net assets totaling \$122.7 million for the fiscal year ended August 31, 2008.

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

	2009	2008	2007
Investment Income (Loss)	\$ (835.2)	\$ (183.2)	\$ 928.5
Less Investment Expenses	(10.5)	(18.9)	(38.1)
Net Investment Income (Loss)	<u>(845.7)</u>	<u>(202.1)</u>	<u>890.4</u>
Participant Contributions	184.8	358.6	360.7
Total Additions	<u>(660.9)</u>	<u>156.5</u>	<u>1,251.1</u>
Participant Withdrawals	290.7	279.2	245.8
Total Deductions	<u>290.7</u>	<u>279.2</u>	<u>245.8</u>
Change in Fiduciary Net Assets	(951.6)	(122.7)	1,005.3
Net Assets Held in Trust, Beginning of Year	6,310.4	6,433.1	5,427.8
Net Assets Held in Trust, End of Year	<u>\$ 5,358.8</u>	<u>\$ 6,310.4</u>	<u>\$ 6,433.1</u>

Contacting UTIMCO

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

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Statements of Fiduciary Net Assets

August 31, 2009 and 2008

(Dollars in thousands, except per unit amounts)

Assets	2009	2008
Investments, at Fair Value:		
Equity Securities	\$ 584,174	\$ 659,536
Preferred Stock	8,712	2,624
Purchased Options	12,322	1,819
Debt Securities	486,002	711,451
Convertible Securities	-	80
Investment Funds	3,817,927	4,634,715
Cash and Cash Equivalents	437,691	469,277
Total Investments	5,346,828	6,479,502
Collateral for Securities Loaned, at Fair Value	108,742	305,734
Deposit with Brokers for Derivative Contracts	41,356	34,690
Swaps, at Fair Value	1,942	72,104
Unrealized Gains on Foreign Currency Exchange Contracts	1,860	2,884
Receivables:		
Investment Securities Sold	27,830	48,592
Accrued Income	6,470	9,813
Other	541	-
Total Receivables	34,841	58,405
Total Assets	5,535,569	6,953,319
Liabilities		
Payable Upon Return of Securities Loaned	108,742	305,734
Payable to Brokers for Collateral Held	9,847	-
Payable to Participants	4,344	4,253
Unrealized Losses on Foreign Currency Exchange Contracts	1,445	7,801
Swaps, at Fair Value	1,129	79,463
Options Written, at Fair Value	115	2,529
Payables:		
Investment Securities Purchased	43,458	233,944
Other	7,702	9,219
Total Payables	51,160	243,163
Total Liabilities	176,782	642,943
Net Assets Held in Trust	\$ 5,358,787	\$ 6,310,376
Number of Units:		
Permanent Health Fund (PHF)	5,563,857	5,883,848
The University of Texas System Long Term Fund (LTF)	29,846,702	30,326,861
Total	35,410,559	36,210,709
Net Asset Value Held in Trust Per Unit	\$ 151.333	\$ 174.268

*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, 2009 and 2008

(in thousands)

	<u>2009</u>	<u>2008</u>
Additions		
Investment Income:		
Net Decrease in Investments	\$ (905,392)	\$ (302,581)
Interest	33,683	61,844
Dividends	26,080	35,291
Income Distributions from Private Market Investment Funds	8,275	8,912
Securities Lending Income	1,161	11,520
Other	966	1,853
Total Investment Loss	<u>(835,227)</u>	<u>(183,161)</u>
Less Investment Expenses:		
Investment Management	8,337	7,439
Custodial Fees and Expenses	755	750
Securities Lending Fees	572	9,486
Analytical and Risk Measurement Fees	229	259
Accounting Fees	222	251
Consulting Fees	170	224
Legal Fees	143	453
Other Expenses	9	14
Total Investment Expenses	<u>10,437</u>	<u>18,876</u>
Net Investment Loss	(845,664)	(202,037)
Participant Contributions	184,808	358,587
Total Additions	<u>(660,856)</u>	<u>156,550</u>
Deductions		
Participant Withdrawals	290,733	279,245
Change in Fiduciary Net Assets	(951,589)	(122,695)
Net Assets Held in Trust, Beginning of Period	6,310,376	6,433,071
Net Assets Held in Trust, End of Period	<u>\$ 5,358,787</u>	<u>\$ 6,310,376</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 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 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 valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security 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).

Private investment funds and certain other equity securities are fair valued by management. The fair values of these investments are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the last available reporting date as well as consideration of any other information which has been provided by the investment manager or other

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source. In rare cases the private market funds are valued at cost, but only when management determines that it is the best approximation of value. As of August 31, 2009 and 2008, investments in private investment funds in the amount of \$1,238,919,599 and \$1,191,293,080 have been estimated by management.

Hedge funds, developed country equity, emerging markets equity and fixed income investment funds and certain other investment funds are fair valued by management based on net asset value information provided by the investment manager as well as other relevant factors as indicated above. As of August 31, 2009 and 2008, investments in hedge funds in the amount of \$1,594,405,470 and \$2,057,564,024, respectively, have been estimated by management.

The statements of fiduciary net assets include investments in private investment funds and hedge funds as described above valued in the aggregate at \$2,833,325,069 (52.9% of net assets) and \$3,248,857,104 (51.5% of net assets) as of August 31, 2009, and August 31, 2008, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values.

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

Long and short stock positions traded on security exchanges are valued at closing market prices on the valuation date.

Long and short stock positions 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.

Investments in registered U.S. mutual funds are being valued at their respective net asset value per share amounts.

(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 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. For the years ended August 31, 2009 and 2008, interest and dividend withholding in the amounts of \$546,954 and \$579,802 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. Interest

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expense amounts paid on certain derivative settlements are netted against interest income in the statements of changes in fiduciary net assets. 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.

(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*** -- 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 assets held 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 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 interest in the Fund's net assets.

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

(J) ***Derivative Instruments*** -- Derivative securities are financial instruments whose 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 are valued at closing market prices on valuation date. Written options and swaps are valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Derivative instruments included under these policies include futures, forwards, swaps and all forms of options. Derivative instruments in the Fund are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the Fund's market (systematic) exposure without trading the underlying market securities through purchases or short sales, or both, of appropriate derivatives,

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- construct portfolios with risk and return characteristics that could not be created with 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 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 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 or equity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included at fair value in the statements of fiduciary net assets. 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 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.

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

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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.

(K) ***Securities Sold Short*** -- The Fund may sell securities it does not own in anticipation of a decline in the fair value of that security, or as a means to adjust the duration of certain fixed income portfolios. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale and provide collateral for its obligation to deliver the security upon conclusion of the sale. The Fund must pay dividends or interest on the securities sold short. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the market value reflected in the statement of fiduciary net assets. As of August 31, 2009 and 2008, the Fund had no securities sold short.

(L) ***Cash and Cash Equivalents*** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of derivative positions held (see Note 6, 7, and 8). 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 assets.

(M) ***Recently Issued Accounting Standards*** -- In June 2008, the GASB issued GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB No. 53 is intended to improve the reporting information about derivative instruments in financial statements. This statement specifically requires that most derivative instruments be measured at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting, and is effective for periods beginning after June 15, 2009. Management is currently assessing the impact of the implementation of GASB No. 53 on the Fund's financial statements.

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). During the year ended August 31, 2008, the Fund’s investment policy was amended to remove requirements and limitations regarding investment ratings. The amendments became effective March 1, 2008. Prior to the amendments, the policy limited investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that were rated investment grade, Baa3 or better by Moody’s Investor Services, BBB- or better, by Standard & Poor’s Corporation, or BBB- or better, by Fitch Investors Service at the time of acquisition. This requirement did not apply to investment managers that were 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, 2009 and 2008:

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Investment Type	August 31,		Rating
	2009	2008	
U.S. Government Guaranteed	\$ 62,706,250	\$ 161,289,408	Exempt from Disclosure
U.S. Government Non-Guaranteed:			
U.S. Agency	557,724	-	AAA
U.S. Agency Asset Backed	76,513,253	150,350,051	AAA
Total U.S. Government Non-Guaranteed	77,070,977	150,350,051	
Total U.S. Government	139,777,227	311,639,459	
Corporate Obligations:			
Domestic	45,037,915	61,464,771	AAA
Domestic	13,927,604	26,403,529	AA
Domestic	52,235,665	59,214,437	A
Domestic	35,709,171	31,174,237	BAA/BBB
Domestic	7,963,332	1,062,029	BA/BB
Domestic	7,222,041	1,829,306	B
Domestic	28,629,933	298,770	CAA/CCC
Domestic	7,862,618	-	CC
Domestic	6,979,779	-	C
Domestic	803,189	-	D
Domestic	364,673	-	No Rating
Domestic	-	616,590	P
Commercial Paper	-	8,935,861	P
Certificates of Deposit	-	2,100,000	A
Foreign	27,072,928	20,863,344	AAA
Foreign	10,515,344	14,634,219	AA
Foreign	6,946,188	13,479,662	A
Foreign	9,051,746	12,048,907	BAA/BBB
Foreign	347,282	-	BA/BB
Foreign	737,555	-	B
Foreign	294,000	-	CAA/CCC
Foreign	434,909	431,895	No Rating
Total Corporate Obligations	262,135,872	254,557,557	
Foreign Government and Provincial Obligations	51,193,686	66,502,986	AAA
Foreign Government and Provincial Obligations	8,995,069	30,179,870	AA
Foreign Government and Provincial Obligations	10,585,610	28,533,668	A
Foreign Government and Provincial Obligations	3,707,305	6,231,493	BAA/BBB
Foreign Government and Provincial Obligations	6,070,748	6,366,721	BA/BB
Foreign Government and Provincial Obligations	876,847	-	No Rating
Total Foreign Government and Provincial Obligations	81,429,265	137,814,738	
Other Debt Securities	-	597,604	AAA
Other Debt Securities	1,271,560	1,419,537	AA
Other Debt Securities	297,953	1,102,396	A
Other Debt Securities	1,090,206	1,767,818	BAA/BBB
Other Debt Securities	-	2,551,754	No Rating
Total Other Debt Securities	2,659,719	7,439,109	
Total Debt Securities	\$ 486,002,083	\$ 711,450,863	
Other Investment Funds - Debt	\$ 1,667,455	\$ -	AAA
Other Investment Funds - Debt	101,186,098	107,308,358	AA
Other Investment Funds - Debt	4,497,828	7,413,633	BA/BB
Other Investment Funds - Debt	30,175,477	815,385	B
Total Other Investment Funds - Debt	\$ 137,526,858	\$ 115,537,376	
Cash and Cash Equivalents - Money Market Funds	\$ 437,691,361	\$ 469,277,233	AAA
Net Deposit with (from) Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 16,609,148	\$ 19,976,605	Exempt from Disclosure
Cash	14,899,650	14,713,081	Exempt from Disclosure
Total Net Deposit with (from) Brokers for Derivative Contracts	\$ 31,508,798	\$ 34,689,686	

(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 is 5% percent or more of the market value of the Fund's domestic 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 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, 2009 and 2008, 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 value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its 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, 2009 and 2008:

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

Investment Type	August 31,			
	2009		2008	
	Value	Modified Duration	Value	Modified Duration
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 28,812,392	10.67	\$ 26,305,759	5.35
U.S. Treasury Strips	2,896,753	2.00	2,888,576	3.00
U.S. Treasury Bills	3,196,145	0.47	3,339,500	0.05
U.S. Treasury Inflation Protected	3,183,471	3.55	105,005,846	8.82
U.S. Agency Asset Backed	24,617,489	1.76	23,749,727	3.85
Total U.S. Government Guaranteed	<u>62,706,250</u>	5.89	<u>161,289,408</u>	7.24
U.S. Government Non-Guaranteed:				
U.S. Agency	557,724	13.77	-	-
U.S. Agency Asset Backed	76,513,253	3.35	150,350,051	5.92
Total U.S. Government Non-Guaranteed	<u>77,070,977</u>	3.42	<u>150,350,051</u>	5.92
Total U.S. Government	<u>139,777,227</u>	4.53	<u>311,639,459</u>	6.60
Corporate Obligations:				
Domestic	206,735,920	4.80	182,063,669	5.14
Commercial Paper	-	-	8,935,861	0.11
Certificates of Deposit	-	-	2,100,000	0.70
Foreign	55,399,952	4.79	61,458,027	5.03
Total Corporate Obligations	<u>262,135,872</u>	4.80	<u>254,557,557</u>	4.90
Foreign Government and Provincial Obligations	<u>81,429,265</u>	6.60	<u>137,814,738</u>	7.36
Other Debt Securities	<u>2,659,719</u>	10.18	<u>7,439,109</u>	6.95
Total Debt Securities	<u>486,002,083</u>	5.05	<u>711,450,863</u>	6.14
Other Investment Funds - Debt	<u>137,526,858</u>	5.69	<u>115,537,376</u>	5.70
Cash and Cash Equivalents:				
Money Market Funds	<u>437,691,361</u>	0.08	<u>469,277,233</u>	0.08
Total	<u>\$ 1,061,220,302</u>	3.08	<u>\$ 1,296,265,472</u>	3.91
Net Deposit with (from) Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	16,609,148	0.75	\$ 19,976,605	0.14
Cash	<u>14,899,650</u>	-	<u>14,713,081</u>	-
Total Net Deposit with (from) Brokers for Derivative Contracts	<u>\$ 31,508,798</u>	0.40	<u>\$ 34,689,686</u>	0.08

(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, 2009 and 2008, 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. These securities amounted to \$140,846,108 and \$95,353,913 as of August 31, 2009 and 2008, 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 \$56,994,953 and \$128,960,813 as of August 31, 2009 and 2008, 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 \$21,901,924 and \$17,065,875, as of August 31, 2009 and 2008, respectively.

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. These securities amounted to \$110,217 as of August 31, 2008. The Fund did not hold any of these securities as of August 31, 2009.

(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. As of August 31, 2009, 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 Fund's investment policy statement was amended during the year ended August 31, 2008, to remove limitations on investments in non-U.S. denominated bonds. The amendments became effective March 1, 2008. Prior to the amendment, the policy statement limited investments in non-U.S. denominated bonds to 50% of the Fund's total fixed income exposure.

One of the Fund's external managers employs an investment strategy in which they hedge their long non-U.S. investment positions back to the U.S. dollar by utilizing currency transactions in amounts equal to the long investment position. In the following table the negative amounts shown for the Danish Krone, Euro, Hong Kong Dollar, Swiss Franc, and the UK Pound in the cash and cash equivalents section reflect this strategy. The negative amounts offset long positions presented in the foreign common stock section.

Classification between domestic common stock and foreign common stock in the supplemental schedule, Comparison Summary of Investments, 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, 2009 and 2008:

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2009	2008
Domestic Common Stock:		
Canadian Dollar	\$ 100,177	\$ -
UK Pound	-	48,927
Total Domestic Common Stock	100,177	48,927
Foreign Preferred Stock:		
Brazilian Real	5,640,499	-
Foreign Common Stock:		
Australian Dollar	12,312,865	10,761,574
Brazilian Real	2,733,457	-
Canadian Dollar	9,236,427	30,572,363
Czech Koruna	348,261	-
Danish Krone	1,095,337	826,837
Egyptian Pound	1,841,704	-
Euro	60,995,757	35,549,065
Hong Kong Dollar	49,699,827	26,390,679
Hungarian Forint	1,073,493	-
Indonesian Rupian	2,341,562	-
Israeli Shekel	235,657	-
Japanese Yen	26,026,352	61,464,294
Korean Won	11,637,413	-
Malaysian Ringgit	2,986,892	-
Mexican Peso	2,839,059	-
Moroccan Dirham	270,263	-
Norwegian Kroner	372,863	4,353,599
Pakistani Rupee	664,034	-
Philippine Peso	755,043	605,034
Polish Zloty	914,372	-
Singapore Dollar	6,235,674	7,726,896
South African Rand	5,132,143	-
Swedish Krona	709,644	3,213,927
Swiss Franc	14,251,236	2,919,270
Thai Baht	4,517,795	936,648
Turkish Lira	2,115,921	-
UK Pound	29,892,805	41,533,569
Total Foreign Common Stock	251,235,856	226,853,755
Other - Equity Securities		
Canadian Dollar	55	36
Foreign Government and Provincial Obligations:		
Australian Dollar	9,705,653	7,440,687
Brazilian Real	3,821,320	4,140,928
Canadian Dollar	6,228,712	7,909,176
Euro	23,641,969	42,301,127
Indonesian Rupian	2,249,428	2,225,793
Japanese Yen	3,880,257	29,665,051
Malaysian Ringgit	4,858,706	6,244,390
Mexican Peso	3,707,305	4,752,392
New Zealand Dollar	3,648,552	3,899,147
Norwegian Kroner	2,612,946	-
Polish Zloty	3,990,862	7,384,746
Singapore Dollar	-	1,984,356
South African Rand	1,454,579	4,039,131
Swedish Krona	5,252,307	2,404,915
UK Pound	5,841,761	11,428,978
Total Foreign Government and Provincial Obligations	80,894,357	135,820,817
Corporate Obligations:		
Australian Dollar	9,218,349	3,492,455
Canadian Dollar	2,884,439	2,157,687
Danish Krone	178,076	3,160,123
Euro	18,488,273	23,766,801
Hong Kong Dollar	434,909	431,895
Icelandic Krona	-	1,824,375
Japanese Yen	735,525	2,647,229
UK Pound	2,319,575	505,106
Total Corporate Obligations	34,259,146	37,985,671

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2009	2008
Other Debt Securities:		
Hong Kong Dollar	-	1,238,782
Purchased Options:		
Euro	455,740	51,102
Indian Rupee	743,210	-
Swiss Franc	726,168	-
Total Purchased Options	1,925,118	51,102
Private Investment Funds:		
Canadian Dollar	874,581	-
Euro	108,164,349	130,667,766
UK Pound	699,437	948,017
Total Private Investment Funds	109,738,367	131,615,783
Cash and Cash Equivalents:		
Australian Dollar	343,855	284,647
Brazilian Real	67,214	-
Canadian Dollar	236,618	674,847
Czech Koruna	704	-
Danish Krone	(1,094,837)	150,807
Euro	(41,912,232)	899,697
Hong Kong Dollar	(1,915,866)	364,219
Hungarian Forint	47,781	-
Indonesian Rupian	11,655	-
Israeli Shekel	11,506	-
Japanese Yen	400,589	671,913
Korean Won	9,737	-
Malaysian Ringgit	11,500	-
Mexican Peso	3,964	4,026
Moroccan Dirham	14,077	-
New Zealand Dollar	85,745	52,103
Norwegian Kroner	192	7,499
Philippine Peso	3,495	-
Polish Zloty	37,150	129
Singapore Dollar	365	85,975
South African Rand	2,129	-
Swedish Krona	7,961	1,969
Swiss Franc	(15,240,041)	161,127
Taiwan Dollar	332	346
Thai Baht	2,204	-
Turkish Lira	61,365	-
UK Pound	(3,762,471)	514,283
Total Cash and Cash Equivalents	(62,565,309)	3,873,587
Total	\$ 421,228,266	\$ 537,488,460

Note 4 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income and related expenses 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

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

Notes to Financial Statements (cont.)

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, 2009 and 2008:

Securities on Loan	2009 Value	2008 Value	Type of Collateral	2009 Value of Collateral	2008 Value of Collateral
U.S. Government	\$ 7,681,551	\$ 73,819,196	Cash	\$ 7,834,628	\$ 75,506,964
Foreign Government	325,199	3,691,710	Cash	335,633	3,914,112
Corporate Bonds	775,698	63,578	Cash	797,000	64,800
Common Stock	96,352,997	217,451,984	Cash	99,774,714	226,248,264
Total	\$105,135,445	\$295,026,468	Total	\$108,741,975	\$305,734,140
U.S. Government	\$ -	\$ 1,831,569	Non-Cash	\$ -	\$ 1,903,522
Common Stock	-	475,747	Non-Cash	-	494,436
Total	\$ -	\$ 2,307,316	Total	\$ -	\$ 2,397,958

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, the Intermediate Term Fund 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, 2009 and 2008, is shown in the following table:

Description	August 31,					
	2009			2008		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
		No Rating			No Rating	
Repurchase Agreements	\$ 72,114,726	Available	1	\$ 138,766,254	Available	2
Commercial Paper	19,199,322	P	44	128,950,575	P	23
Floating Rate Notes	1,992,067	AAA		7,767,105	AAA	
Floating Rate Notes	7,037,576	AA		23,222,107	AA	
Total Floating Rate Notes	9,029,643		21	30,989,212		9
Fixed Rate Notes	-		-	2,577,922	AAA	13
Certificates of Deposit	8,543,666	P	68	6,957,696	P	36
Other Receivables/Payables	(145,382)	Not Rated	-	(2,507,519)	Not Rated	-
Total Collateral Pool Investment	\$ 108,741,975		16	\$ 305,734,140		13

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

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

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 assets. Pool investments are valued at amortized cost which 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, 2009 and 2008, 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, 2009 and 2008.

Note 5 – Investment Funds

Investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds at August 31, 2009 and 2008 is summarized in the following table as they are classified within the asset mix of the Fund.

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

	August 31,	
	2009	2008
Investment Funds:		
Hedge Funds:		
Developed Country	\$ 959,137,578	\$ 1,377,080,445
Credit Related Fixed Income	403,222,586	178,728,603
Emerging Markets Equity	131,097,446	295,184,756
Investment Grade Fixed Income	76,281,305	126,401,312
Real Estate	16,693,744	15,886,525
Natural Resources	7,972,811	64,282,383
Total Hedge Funds	<u>1,594,405,470</u>	<u>2,057,564,024</u>
Private Investments:		
Developed Country	621,216,168	690,184,555
Credit Related Fixed Income	413,856,615	312,775,328
Natural Resources	93,894,600	91,537,025
Emerging Markets Equity	79,813,661	71,054,204
Real Estate	30,138,555	25,741,968
Total Private Investments	<u>1,238,919,599</u>	<u>1,191,293,080</u>
Public Markets:		
Developed Country Equity:		
Private Placements	210,318,338	435,017,795
Index Funds	111,881,587	70,377,632
Exchange Traded Funds	29,228,480	84,453,253
Total Developed Country Equity	<u>351,428,405</u>	<u>589,848,680</u>
Emerging Markets:		
Private Placements	245,227,320	443,716,535
Exchange Traded Funds	117,156,669	-
Index Funds	97,988,378	165,156,737
Total Emerging Markets	<u>460,372,367</u>	<u>608,873,272</u>
Real Estate:		
Index Funds	35,274,070	41,951,857
Exchange Traded Funds	-	29,646,548
Total Real Estate	<u>35,274,070</u>	<u>71,598,405</u>
Fixed Income:		
Index Funds	131,361,575	107,308,358
Publicly Traded Mutual Funds	6,165,283	8,229,018
Total Fixed Income	<u>137,526,858</u>	<u>115,537,376</u>
Total Investment Funds	<u>\$ 3,817,926,769</u>	<u>\$ 4,634,714,837</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 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 of both domestic and international issuers. Included in emerging market equity under hedge funds is an August 31, 2009 investment in the amount of \$7,600,000 to the emerging market equity pool which was not invested in the underlying hedge fund pool investment until September 1, 2009. 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 one

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

or more years before the investment may be withdrawn from the 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 \$98,077,673 of future funding to various hedge fund investments as of August 31, 2009 of which the Fund's pro-rata portion is \$29,830,029.

Certain of the hedge fund pools' investments were held through limited liability companies (LLCs), of which UTIMCO was the sole managing member. These investments were managed by an external investment manager under management agreements between the LLCs and the external manager. These management agreements were terminated during the year ended August 31, 2009. The external manager employed a strategy utilizing leveraged commodity futures and options. As of August 31, 2008, the Fund's pro-rata share of these investments included \$15,431,368 of cash and cash equivalents, options on commodity futures with a fair value of \$6,766, net of liabilities for margin in the amount of \$380,472 related to the outstanding futures contracts.

Effective January 1, 2008, the Fund's private investments were combined with those of the PUF in investment pools created in the name of the UT Board, and are now held through unit interests in those pools. Upon creation of the pools, the Fund and PUF received units in exchange for the fair value of their respective private investments as of the date of the formation of the pool. Amounts presented in the Fund financial statements and related note disclosures for the periods ending August 31, 2009 and 2008, 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. The private investment pools have committed \$2,536,892,509 of future funding to various private investments as of August 31, 2009 of which the Fund's pro-rata portion is \$915,534,387.

Public market funds are invested in exchange traded funds, index funds, and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the Fund. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. 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.

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:

- *Non-regulation risk* -- Some of the Fund's general partners and investment managers are not registered with the Securities and Exchange Commission or other domestic or international regulators, and therefore are not subject to regulatory controls.

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GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

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

Investments in hedge funds, private investments, and public market funds are also subject to the investment risks discussed in Note 3, including custodial credit risk and foreign currency risk. 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

During the year, the Fund wrote call options on Treasury note futures, commodity, domestic and international equities equity indexes and exchange traded funds. Transactions in call options written during the year ended August 31, 2009 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2008	18,105	\$ 2,817,630
Options Written	347,102,824	2,714,340
Options Expired	(1,709,790)	(489,029)
Options terminated in closing purchase transactions	(345,411,139)	(5,042,941)
Call Options Outstanding at August 31, 2009	<u>-</u>	<u>\$ -</u>

As of August 31, 2009, no call options written, at fair value are included in options written, at fair value on the statements of fiduciary net assets. The Fund recognized losses of \$3,070,731 on call options written for the year ended August 31, 2009.

During the year ended August 31, 2008, 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, 2008 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2007	273,640	\$ 2,028,667
Options Written	114,492	4,465,333
Options Expired	(301,877)	(1,177,061)
Options terminated in closing purchase transactions	(68,150)	(2,499,309)
Call Options Outstanding at August 31, 2008	<u>18,105</u>	<u>\$ 2,817,630</u>

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Notes to Financial Statements (cont.)

As of August 31, 2008, an amount of \$2,428,630 is included on the statements of fiduciary net assets as options written, at fair value. The Fund recognized losses in the amount of \$5,310,238 on call options written for the year ended August 31, 2008.

During the year ended August 31, 2009, the Fund wrote put options on Treasury note futures, commodity, domestic and international equities equity indexes and exchange traded funds. Transactions in put options written during the year ended August 31, 2009, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2008	13,034	\$ 362,460
Options Written	92,955,184	3,494,008
Options Expired	(3,020,630)	(481,942)
Options terminated in closing purchase transactions	<u>(62,047,588)</u>	<u>(3,165,346)</u>
Put Options Outstanding at August 31, 2009	<u>27,900,000</u>	<u>\$ 209,180</u>

As of August 31, 2009, an amount of \$114,844 is included on the statements of fiduciary net assets as written options at fair value. The Fund recognized gains in the amount of \$3,359,291 on put options written for the year ended August 31, 2009.

The Fund also wrote put options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures during the year ended August 31, 2008. Transactions in put options written during the year ended August 31, 2008, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2007	135,449	\$ 64,274
Options Written	136,448	2,910,248
Options Expired	(219,109)	(1,009,454)
Options terminated in closing purchase transactions	<u>(39,754)</u>	<u>(1,602,608)</u>
Put Options Outstanding at August 31, 2008	<u>13,034</u>	<u>\$ 362,460</u>

As of August 31, 2008, an amount of \$100,234 is included on the statements of fiduciary net assets as written options at fair value. The Fund recognized gains in the amount of \$1,579,448 on put options written for the year ended August 31, 2008.

Note 7 – Swaps

During the fiscal year ended August 31, 2009, the Fund entered into interest rate, credit default and commodity swap contracts. The following discloses the notional amount (presented in local currency), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2009:

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Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
					Assets	Liabilities
Interest Rate						
Australian Dollar						
		4.500%	8,600,000	12/15/2011	\$ -	\$ 92,348
		5.000%	7,800,000	12/15/2011	-	53,809
		6.500%	5,400,000	6/15/2012	12,789	-
UK Pound						
		3.500%	700,000	3/17/2015	-	12,699
		4.500%	4,200,000	3/17/2020	188,169	-
Euro						
		3.000%	9,600,000	9/15/2011	85,037	-
Japanese Yen						
		1.000%	1,090,000,000	12/16/2014	67,038	-
U.S. Dollar						
		3.000%	2,900,000	12/16/2011	74,424	-
Swedish Krona						
		4.500%	8,000,000	3/18/2014	96,534	-
					<u>523,991</u>	<u>158,856</u>
Credit Default						
Euro						
		2.350%	100,000	3/20/2014	-	8,101
U.S. Dollar						
		0.110%	298,510	5/25/2046	-	191,014
		0.165%	200,000	12/20/2013	19,196	-
		0.210%	200,000	6/20/2011	636	-
		0.230%	200,000	3/20/2012	1,125	-
		0.240%	200,000	3/20/2011	3,839	-
		0.290%	200,000	3/20/2011	-	379
		0.390%	200,000	6/20/2010	402	-
		0.510%	200,000	6/20/2011	1,011	-
		0.590%	1,000,000	9/20/2014	-	8,725
		0.590%	1,000,000	9/20/2016	-	15,032
		0.630%	200,000	9/20/2011	-	2,017
		0.700%	800,000	12/20/2018	-	3,712
		0.750%	1,000,000	9/20/2017	16,376	-
		0.770%	200,000	3/20/2012	-	2,416
		0.800%	488,000	12/20/2017	20,967	-
		0.940%	200,000	6/20/2018	21,759	-
		1.000%	100,000	6/20/2014	-	2,202
		1.000%	2,600,000	6/20/2019	20,584	-
		1.135%	500,000	9/20/2013	-	3,667
		1.140%	1,000,000	9/20/2018	99,795	-
		1.160%	2,000,000	3/20/2013	13,920	-
		1.290%	200,000	6/20/2011	-	957
		1.370%	200,000	6/20/2013	-	2,515
		1.380%	1,000,000	3/20/2017	-	46,021
		1.450%	1,000,000	6/20/2013	-	7,167
		1.470%	500,000	12/20/2016	23,221	-
		1.500%	1,000,000	6/20/2010	-	7,608
		1.500%	1,854,400	6/20/2018	-	11,055
		1.540%	100,000	6/20/2018	-	725

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Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
					Assets	Liabilities
Credit Default (Continued)						
U.S. Dollar (Continued)						
		1.743%	200,000	6/20/2013	\$ -	\$ 3,499
		1.780%	200,000	6/20/2013	-	3,783
		1.820%	200,000	6/20/2013	-	4,086
		1.920%	1,000,000	3/20/2017	37,523	-
		2.930%	300,000	6/20/2015	-	8,232
		2.980%	600,000	3/20/2019	-	85,022
		3.460%	400,000	6/20/2017	-	38,063
		5.000%	700,000	6/20/2011	81,696	-
					<u>362,050</u>	<u>455,998</u>
Inflation						
Euro						
		1.955%	700,000	3/28/2012	20,408	-
		2.080%	1,300,000	6/15/2012	47,499	-
					<u>67,907</u>	<u>-</u>
Equity						
Euro						
		Developed	723,188	8/4/2010	-	8,039
		Developed	48,289,633	11/5/2009	988,259	-
		Developed	43,731,317	11/23/2009	-	506,597
					<u>988,259</u>	<u>514,636</u>
Total					\$ 1,942,207	\$ 1,129,490

The following discloses the notional amount (presented in local currency), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2008:

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

Notes to Financial Statements (cont.)

Interest Rate	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Australian Dollar					
	6.403%	9,600,000	6/15/2010	\$ -	\$ 168,586
	6.421%	8,800,000	6/15/2015	315,834	-
	6.540%	2,200,000	1/15/2010	-	18,610
	7.254%	2,100,000	6/15/2013	32,108	-
	7.400%	4,600,000	9/15/2009	4,724	-
	7.403%	17,900,000	6/15/2010	-	26,093
	7.540%	19,200,000	3/15/2010	128,562	-
	7.540%	1,500,000	3/15/2012	28,188	-
	7.754%	5,800,000	6/15/2010	49,910	-
UK Pound					
	3.550%	7,400,000	12/17/2037	-	67,405
	4.254%	200,000	6/12/2036	14,964	-
	4.496%	800,000	12/15/2035	10,091	-
	4.542%	19,600,000	9/15/2017	96,488	-
	5.322%	1,100,000	9/14/2009	10,588	-
	5.399%	5,400,000	6/15/2009	61,108	-
	5.404%	700,000	9/15/2010	-	14,021
	5.415%	600,000	9/17/2013	-	11,984
	5.422%	7,500,000	9/15/2015	-	185,044
	5.508%	200,000	3/18/2039	36,340	-
	5.543%	1,000,000	9/17/2018	-	65,370
	5.550%	200,000	12/15/2036	-	57,423
Canadian Dollar					
	4.254%	4,700,000	12/20/2013	-	143,334
	4.540%	900,000	9/20/2011	-	33,503
	5.421%	700,000	6/15/2015	54,664	-
Euro					
	3.754%	15,200,000	6/18/2013	-	958,151
	4.400%	12,400,000	9/19/2009	-	316,010
	4.408%	2,500,000	12/15/2011	-	112,411
	4.411%	100,000	9/19/2012	-	4,973
	4.415%	12,400,000	9/17/2013	-	543,821
	4.435%	3,000,000	6/18/2015	130,958	-
	4.541%	12,100,000	3/18/2014	-	77,622
	4.542%	4,800,000	3/18/2016	40,590	-
	5.404%	2,500,000	9/17/2010	9,634	-
	5.506%	1,300,000	9/17/2038	-	98,434
	5.508%	3,900,000	3/18/2039	-	309,928
	6.482%	1,200,000	3/15/2032	149,277	-
	6.491%	2,200,000	6/18/2034	-	397,813
Japanese Yen					
	0.923% (A)	7,434,000,000	9/10/2009	68,640,917	-
	1.340%	1,020,000,000	12/17/2010	-	44,112
	1.541%	3,740,000,000	6/17/2013	358,334	-
	1.984%	500,000,000	9/27/2016	-	189,848
	2.430%	1,290,000,000	12/17/2017	-	382,685
	2.549%	30,000,000	6/20/2036	-	9,217
	3.498%	220,000,000	6/20/2036	-	282,971
U.S. Dollar					
	2.696% (A)	63,000,000	9/10/2009	-	63,377,388
	4.401%	9,600,000	12/17/2009	81,516	-
	4.403%	19,200,000	6/17/2010	96,478	-
	4.405%	17,600,000	12/17/2010	-	164,326
	4.416%	13,200,000	12/17/2013	-	85,684
	5.423%	4,900,000	12/17/2015	-	186,111
	5.434%	44,400,000	12/17/2018	-	1,557,863
	5.452%	6,200,000	12/17/2023	166,700	-
	5.471%	700,000	12/17/2028	-	15,836
	5.507%	14,900,000	12/17/2038	-	336,300
	5.539%	1,000,000	5/21/2009	21,360	-

(A) These items represent a single swap and, therefore, could not be settled independently.

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Notes to Financial Statements (cont.)

	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Interest Rate (Continued)					
Mexican Peso					
	8.334%	1,700,000	2/14/2017	\$ -	\$ 5,170
Brazilian Real					
	12.414%	1,000,000	1/4/2010	-	8,557
	12.544%	1,600,000	1/2/2012	-	21,460
				<u>70,539,333</u>	<u>70,278,064</u>
Commodity					
U.S. Dollar					
	DJAIG	46,734,104	10/5/2008	-	1,358,901
	DJAIG	14,624,202	10/28/2008	-	1,072,899
	DJAIG	39,562,585	11/26/2008	-	789,397
	DJAIG	18,562,287	1/5/2009	-	688,112
				<u>-</u>	<u>3,909,309</u>
Credit Default					
Euro					
	0.454%	1,200,000	9/20/2012	44,835	-
	0.464%	900,000	9/20/2012	24,558	-
	0.474%	1,500,000	9/20/2012	112,298	-
	0.494%	900,000	9/20/2012	14,842	-
	0.741%	1,800,000	12/20/2012	75,414	-
	0.854%	1,800,000	12/20/2016	119,501	-
	1.484%	300,000	3/20/2013	5,316	-
	1.654%	500,000	3/20/2013	12,827	-
	1.754%	3,200,000	6/20/2018	-	270,049
	2.941%	200,000	6/20/2013	-	17,119
U.S. Dollar					
	0.054%	200,000	9/20/2009	107	-
	0.073%	1,000,000	9/20/2008	22	-
	0.085%	2,300,000	12/13/2049	-	31,208
	0.115%	300,000	5/25/2046	-	98,965
	0.144%	200,000	3/20/2011	354	-
	0.164%	200,000	3/20/2011	808	-
	0.164%	300,000	12/20/2011	3,862	-
	0.164%	400,000	6/20/2012	44,038	-
	0.165%	200,000	12/20/2013	23,609	-
	0.174%	500,000	6/20/2010	82,019	-
	0.184%	200,000	3/20/2012	1,106	-
	0.214%	200,000	6/20/2011	5,425	-
	0.214%	200,000	12/20/2016	3,696	-
	0.224%	200,000	9/20/2009	63	-
	0.234%	200,000	3/20/2012	7,208	-
	0.239%	200,000	6/20/2009	1,175	-
	0.244%	200,000	3/20/2011	4,135	-
	0.294%	200,000	6/20/2011	3,666	-
	0.344%	200,000	12/20/2016	22,213	-
	0.354%	200,000	9/20/2011	846	-
	0.354%	200,000	6/20/2012	8,724	-
	0.394%	200,000	6/20/2010	1,065	-
	0.395%	200,000	9/20/2011	26,790	-
	0.435%	1,100,000	3/20/2013	4,296	-
	0.455%	200,000	6/20/2012	-	794
	0.465%	6,400,000	3/20/2013	33,453	-
	0.474%	100,000	6/20/2011	2,527	-
	0.474%	1,000,000	3/20/2013	5,447	-
	0.493%	700,000	2/20/2009	-	457
	0.514%	200,000	6/20/2011	5,146	-
	0.514%	1,000,000	6/20/2018	26,086	-
	0.524%	100,000	6/20/2012	-	642
	0.553%	1,300,000	12/20/2008	2,401	-
	0.594%	1,000,000	9/20/2014	2,281	-

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Notes to Financial Statements (cont.)

	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Credit Default (Continued)					
U.S. Dollar (Continued)					
	0.594%	1,000,000	9/20/2016	\$ 2,418	\$ -
	0.641%	6,500,000	12/20/2012	219,595	-
	0.664%	100,000	9/20/2012	-	9,497
	0.684%	300,000	12/20/2012	7,759	-
	0.708%	500,000	12/20/2012	5,743	-
	0.724%	100,000	9/20/2012	-	1,260
	0.724%	2,900,000	12/20/2012	34,840	-
	0.741%	100,000	9/20/2012	-	9,357
	0.754%	1,000,000	9/20/2017	-	28,629
	0.758%	500,000	12/20/2012	6,799	-
	0.774%	200,000	3/20/2012	-	1,741
	0.815%	1,800,000	3/20/2018	-	18,692
	0.843%	1,100,000	12/20/2017	45,907	-
	0.844%	100,000	6/20/2012	-	2,066
	0.844%	500,000	6/20/2013	12,858	-
	0.944%	1,000,000	6/20/2018	52,733	-
	0.974%	200,000	9/20/2013	-	538
	0.984%	500,000	6/20/2013	-	389
	1.044%	1,000,000	6/20/2013	15,762	-
	1.054%	800,000	3/20/2013	-	8,580
	1.124%	1,000,000	6/20/2017	69,696	-
	1.135%	500,000	9/20/2013	13,184	-
	1.144%	1,000,000	9/20/2018	68,868	-
	1.164%	2,000,000	3/20/2013	16,152	-
	1.184%	600,000	9/20/2013	556	-
	1.254%	1,000,000	3/20/2013	-	19,410
	1.294%	200,000	6/20/2011	1,807	-
	1.323%	400,000	12/20/2008	1,076	-
	1.333%	500,000	12/20/2008	1,371	-
	1.374%	600,000	6/20/2013	-	5,073
	1.384%	1,000,000	3/20/2017	-	28,806
	1.415%	500,000	9/20/2013	-	593
	1.454%	1,000,000	6/20/2013	7,370	-
	1.474%	500,000	12/20/2016	4,560	-
	1.540%	1,000,000	6/20/2010	-	29,848
	1.543%	2,700,000	6/20/2018	-	37,271
	1.544%	100,000	6/20/2018	-	2,280
	1.554%	6,400,000	6/20/2013	-	54,062
	1.664%	1,500,000	3/20/2018	22,482	-
	1.683%	500,000	4/20/2009	4,246	-
	1.713%	200,000	4/20/2009	1,732	-
	1.784%	100,000	12/20/2012	-	2,973
	1.839%	400,000	12/20/2008	336	-
	1.854%	300,000	9/20/2018	5,254	-
	1.913%	100,000	4/20/2009	1,172	-
	1.924%	1,000,000	3/20/2017	60,414	-
	2.084%	1,000,000	6/20/2018	13,530	-
	2.141%	75,000	9/20/2013	-	1,596
	2.754%	1,089,000	6/20/2012	102,628	-
	2.934%	300,000	6/20/2015	-	5,596
	3.053%	200,000	3/20/2009	-	2,426
	3.054%	100,000	9/20/2012	-	35,470
	3.153%	500,000	6/20/2009	-	9,634
	3.239%	400,000	12/20/2008	-	1,403
	3.841%	100,000	9/20/2012	-	25,439
	4.854%	100,000	9/20/2012	31,387	-
	5.239%	400,000	9/20/2008	-	3,087
	5.441%	200,000	9/20/2012	-	60,279
	5.454%	200,000	9/20/2012	-	60,052
	7.411%	100,000	9/20/2012	-	26,511
				<u>1,564,394</u>	<u>911,792</u>

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Notes to Financial Statements (cont.)

	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Inflation					
UK Pound					
	3.180%	400,000	12/19/2017	\$ -	\$ 41,419
	3.250%	300,000	12/14/2017	-	26,580
	3.440%	100,000	9/10/2027	-	16,639
Euro					
	1.940%	200,000	3/15/2012	-	7,893
	1.950%	100,000	3/30/2012	-	4,128
	1.950%	700,000	3/28/2012	-	28,479
	1.960%	100,000	4/5/2012	-	4,175
	1.980%	600,000	4/30/2012	-	25,431
	2.020%	400,000	10/15/2011	-	8,953
	2.080%	1,300,000	6/15/2012	-	48,162
	2.090%	900,000	10/15/2011	-	15,744
	2.100%	1,000,000	10/15/2010	-	8,963
	2.140%	200,000	10/15/2010	-	1,155
	2.270%	200,000	10/15/2016	-	3,164
	2.350%	200,000	10/15/2016	-	3,027
	2.350%	200,000	10/15/2016	-	3,164
				-	247,076
Equity					
U.S. Dollar					
	Developed	30,761,503	1/15/2009	-	905,499
	Developed	30,528,579	3/16/2009	-	3,211,436
				-	4,116,935
Total				\$ 72,103,727	\$ 79,463,176

Note 8 – Futures Contracts

During the years ended August 31, 2009 and 2008, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The Fund had \$41,355,831 and \$34,689,686 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2009 and 2008, 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 losses on the futures contracts was \$81,291,873 for the year ended August 31, 2009. The amount of net realized losses on the futures contracts was \$8,302,658 for the year ended August 31, 2008.

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2009 for futures contracts:

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

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2009</u>		<u>Carrying and Fair Value at August 31, 2009</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Domestic Fixed Income						
U.S. 10 Year Treasury Notes	17	Dec-09	\$ 1,992,719	\$ -	\$ 6,027	\$ -
			<u>1,992,719</u>	<u>-</u>	<u>6,027</u>	<u>-</u>
Domestic Equity						
S&P 500 Index	390	Sep-09	99,420,750	-	-	750,750
			<u>99,420,750</u>	<u>-</u>	<u>-</u>	<u>750,750</u>
Commodities						
Aluminum Hg	77	Oct-09	3,630,550	-	-	-
Aluminum Hg	100	Jan-11	5,030,000	-	-	-
Brent Crude Oil	33	Oct-09	2,298,450	-	-	-
Coffee 'C'	55	Dec-09	2,522,438	-	-	-
Coffee 'C'	15	May-10	714,938	-	-	-
Copper	190	Dec-09	13,425,875	-	-	-
Copper	10	May-10	706,750	-	-	-
Corn	256	Dec-09	4,220,800	-	-	-
Corn	26	Mar-10	445,250	-	-	-
Corn	1	May-10	17,562	-	-	-
Cotton No. 2	94	Dec-09	2,807,780	-	-	-
Crude Oil	73	Dec-09	5,210,740	-	-	-
Crude Oil	82	Mar-10	6,000,760	-	-	-
Crude Oil	97	Feb-11	7,470,940	-	-	-
Gasoline RBOB	48	Oct-09	3,648,758	-	-	-
Gasoline RBOB	33	Nov-09	2,497,295	-	-	-
Gold 100 Oz	97	Dec-09	9,248,950	-	-	-
Heating Oil	52	Oct-10	4,466,280	-	-	-
Lean Hogs	97	Oct-09	1,868,220	-	-	-
Live Cattle	64	Apr-10	2,293,120	-	-	-
Live Cattle	63	Jun-10	2,163,420	-	-	-
Natural Gas	119	Nov-09	4,757,620	-	-	-
Natural Gas	30	Apr-11	1,869,000	-	-	-
Natural Gas	30	Aug-11	1,930,500	-	-	-
Nickel	31	Sep-09	3,546,090	-	-	-
Nickel	9	Feb-11	1,009,854	-	-	-
Silver	54	Dec-09	4,029,210	-	-	-
Soybean	158	Nov-09	7,738,050	-	-	-
Soybean Oil	137	Dec-09	2,926,320	-	-	-
Sugar #11 World	33	Mar-10	954,307	-	-	-
Sugar #11 World	109	May-10	2,954,336	-	-	-
Sugar #11 World	91	Jul-10	2,294,219	-	-	-
Wheat	151	Mar-10	3,912,788	-	-	-
Wheat	4	Jul-10	108,700	-	-	-
Zinc	99	Sep-10	4,739,625	-	-	-
			<u>123,459,495</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign Fixed Income						
3 Month Euro Euribor	40	Dec-10	14,050,574	-	-	2,146
90 Day Sterling Libor	64	Dec-10	12,703,313	-	2,596	-
			<u>26,753,887</u>	<u>-</u>	<u>2,596</u>	<u>2,146</u>
Foreign Equity						
TOPIX Index	341	Sep-09	35,362,692	-	-	342,808
			<u>35,362,692</u>	<u>-</u>	<u>-</u>	<u>342,808</u>
Total			<u>\$ 286,989,543</u>	<u>\$ -</u>	<u>\$ 8,623</u>	<u>\$ 1,095,704</u>

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Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2008 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2008		Carrying and Fair Value at August 31, 2008	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 10 Year Treasury Notes	37	Dec-08	\$ 4,273,500	\$ -	\$ -	\$ 2,297
U.S. Treasury Bond	68	Dec-08	7,977,250	-	-	41,438
			<u>12,250,750</u>	<u>-</u>	<u>-</u>	<u>43,735</u>
Domestic Equity						
Russell 2000 Index Mini	2,179	Sep-08	-	161,224,210	1,111,290	-
S&P 500 Index	938	Sep-08	300,769,700	-	-	3,634,750
			<u>300,769,700</u>	<u>161,224,210</u>	<u>1,111,290</u>	<u>3,634,750</u>
Commodities						
Aluminum Hg	99	Jan-09	6,787,687	-	-	-
Brent Crude Oil	41	Jun-09	4,878,180	-	-	-
Brent Crude Oil	6	Aug-09	716,640	-	-	-
Cattle Feeder	27	Jan-09	1,478,250	-	-	-
Cocoa	3	Mar-09	86,520	-	-	-
Cocoa	8	May-09	229,440	-	-	-
Coffee 'C'	16	Dec-08	874,500	-	-	-
Copper	54	Dec-08	9,302,400	-	-	-
Corn	151	Dec-08	4,416,750	-	-	-
Cotton No. 2	22	Jul-09	861,410	-	-	-
Crude Oil	9	Jun-09	1,056,870	-	-	-
Crude Oil	134	Jul-09	15,742,320	-	-	-
Gas Oil	33	May-09	3,534,300	-	-	-
Gasoline RBOB	40	Oct-08	4,795,056	-	-	-
Gold 100 Oz	43	Dec-08	3,591,360	-	-	-
Heating Oil	25	May-09	3,421,845	-	-	-
Lean Hogs	110	Oct-08	3,010,700	-	-	-
Live Cattle	152	Jun-09	6,344,480	-	-	-
Natural Gas	15	Oct-08	1,191,450	-	-	-
Natural Gas	36	Apr-09	3,066,480	-	-	-
Natural Gas	5	May-09	426,400	-	-	-
Nickel	21	Jan-09	2,553,390	-	-	-
Palladium	4	Dec-08	122,720	-	-	-
Platinum	7	Oct-08	521,430	-	-	-
Silver	12	Dec-08	822,420	-	-	-
Soybean	61	Nov-08	4,038,200	-	-	-
Soybean Meal	35	Oct-08	1,254,400	-	-	-
Sugar #11 World	71	Jul-09	1,180,077	-	-	-
Wheat	46	Dec-08	1,842,875	-	-	-
Wheat	59	Jul-09	2,526,975	-	-	-
Zinc	41	Jan-09	1,866,013	-	-	-
			<u>92,541,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign Fixed Income						
3 Month Euro Euribor	8	Dec-08	2,795,508	-	290	-
3 Month Euro Euribor	50	Mar-09	17,523,456	-	-	21
3 Month Euro Euribor	15	Jun-09	5,266,974	-	3,470	-
90 Day Bank Acceptance	3	Sep-08	-	685,321	-	35
90 Day Bank Acceptance	42	Dec-08	-	9,624,711	-	5,879
90 Day Euro Dollar	3	Sep-08	-	728,831	-	-
90 Day Euro Dollar	43	Dec-08	10,430,188	-	-	-
90 Day Euro Dollar	88	Mar-09	21,348,800	-	-	3,300
90 Day Euro Dollar	51	Jun-09	12,356,663	-	-	1,913
90 Day Euro Dollar	109	Sep-09	26,353,475	-	-	5,450
90 Day Euro Dollar	159	Dec-09	38,330,925	-	-	5,963
90 Day Euro Dollar	41	Mar-10	9,863,063	-	-	512

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

Notes to Financial Statements (cont.)

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2008</u>		<u>Carrying and Fair Value at August 31, 2008</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign Fixed Income						
Australian 3 Year Bond	100	Sep-08	\$ -	\$ 8,125,853	\$ 10,562	\$ -
Canada 10 Year Bond	5	Dec-08	-	563,570	-	93
Japan 10 Year Bond	4	Sep-08	-	5,100,024	-	10,699
Japan 10 Year Bond	1	Sep-08	1,275,006	-	2,675	-
UK Long Gilt	2	Dec-08	408,309	-	645	-
Euro-Bobl	266	Sep-08	-	42,369,206	56,317	-
Euro-Bund	9	Sep-08	-	1,512,649	-	656
Euro-Bund	3	Sep-08	504,216	-	-	11,283
Euro-Schatz	95	Sep-08	14,430,442	-	-	1,428
Euro-Schatz	1	Sep-08	-	151,899	15	-
			<u>160,887,025</u>	<u>68,862,064</u>	<u>73,974</u>	<u>47,232</u>
Foreign Equity						
FTSE 100 Index	496	Sep-08	51,100,805	-	353,273	-
TOPIX Index	481	Sep-08	55,645,750	-	1,555,794	-
			<u>106,746,555</u>	<u>-</u>	<u>1,909,067</u>	<u>-</u>
Total			<u>\$ 673,195,568</u>	<u>\$ 230,086,274</u>	<u>\$ 3,094,331</u>	<u>\$ 3,725,717</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, 2009 and 2008. Foreign currency amounts are translated at exchange rates as of August 31, 2009 and 2008. 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.)

Currency	Net Buy August 31, 2009	Net Sell August 31, 2009	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2009	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2009
Australian Dollar	\$ -	\$ 11,410,792	\$ -	\$ 132,765
Brazilian Real	1,110,760	-	71,732	-
Bulgarian Lev	-	706,849	-	16,427
Canadian Dollar	-	1,871,623	54,481	57,926
Chilean Peso	-	2,337	1,838	2,119
Chinese Yuan Renminbi	2,354,115	-	5,072	95,757
Danish Krone	407,716	-	9,728	-
Estonia Kroon	-	1,036,239	-	27,215
Euro	10,486,274	-	217,668	279,607
Hong Kong Dollar	-	263,184	-	5
Indian Rupee	3,020	-	4	22
Japanese Yen	15,145,078	-	751,729	380,785
Malaysian Ringgit	304,512	-	4,107	17
Mexican Peso	343,720	-	33,124	-
New Zealand Dollar	-	1,054,709	-	29,108
Norwegian Kroner	521,499	-	132,676	82,752
Philippine Peso	1,742	-	-	9
Singapore Dollar	217,598	-	2,496	28
South African Rand	356,096	-	67,711	-
South Korean Won	6,526,268	-	61,295	6,915
Swedish Krona	765,625	-	261,274	69,896
Taiwan Dollar	561,972	-	1,241	1,303
Thailand Baht	257,352	-	2,464	-
Turkish Lira	959,015	-	43,209	-
UK Pound	15,005,522	-	138,487	262,334
	\$ 55,327,884	\$ 16,345,733	\$ 1,860,336	\$ 1,444,990

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

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2008	Net Sell August 31, 2008	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2008	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2008
Australian Dollar	\$ -	\$ 3,150,504	\$ 88,130	\$ 3,964
Brazilian Real	1,856,919	-	270,636	271,338
Canadian Dollar	1,328,366	-	-	9,415
Chilean Peso	156,853	-	-	14,191
Chinese Yuan Renminbi	5,217,704	-	81,708	219,646
Danish Krone	-	2,600,634	103,185	549
Euro	101,758,968	-	2,785	5,944,263
Hong Kong Dollar	-	19,814	-	8
Indian Rupee	119,632	-	1,646	105,974
Japanese Yen	15,537,333	-	761,194	167,315
Malaysian Ringgit	2,799,451	-	11,234	288,033
Mexican Peso	469,073	-	24,547	9,175
New Zealand Dollar	-	303,605	26	-
Norwegian Kroner	229,336	-	-	8,458
Philippine Peso	572,768	-	-	20,311
Polish Zloty	-	1,499,545	40,211	8,000
Russian Rouble	193,624	-	6,782	16,467
Saudi Arabia Riyal	546,049	-	-	8,951
Singapore Dollar	1,712,436	-	-	33,061
South African Rand	378,763	-	26,017	652
South Korean Won	1,952,164	-	1,801	154,143
Swedish Krona	1,207,563	-	1,277	77,198
Swiss Franc	-	4,820,350	237,442	-
Taiwan Dollar	809,873	-	16,261	65,493
Turkish Lira	1,632,709	-	50,623	-
UK Pound	-	9,440,638	1,158,228	373,773
	\$ 138,479,584	\$ 21,835,090	\$ 2,883,733	\$ 7,800,378

Note 10 – Purchase Commitment

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 \$3,666,850,000 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 0.07% to 1.0%. 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 Assets 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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice.

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, 2009 and 2008, custodial fees and expenses incurred by the Fund amounted to \$755,229 and \$749,725, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. Fees incurred by the Fund for the years ended August 31, 2009 and 2008 amounted to \$142,420 and \$453,096, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2009 and 2008, the Fund fees incurred by the Fund amounted to \$229,239 and \$258,745.

Accounting fees, in the amount of \$221,816 and \$250,687, were paid by the Fund during the years ended August 31, 2009 and 2008, respectively, for external and internal audit services.

Consulting fees, in the amount of \$170,138 and \$223,621, respectively, for the years ending August 31, 2009 and 2008 were incurred for investment strategy and other investment planning services.

The Fund incurs other expenses related to its operations primarily consisting of fees to perform background checks on potential external investment manager personnel.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

Comparison Summary of Investments
August 31, 2009 and 2008
(in thousands)

	2009		2008	
	Value	% of Total Investments	Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 270,720	5.07%	\$ 377,446	5.83%
Foreign Common Stock	313,454	5.86%	282,090	4.35%
Total Equity Securities	584,174	10.93%	659,536	10.18%
Preferred Stock				
Domestic Preferred Stock	2,125	0.04%	2,624	0.04%
Foreign Preferred Stock	6,587	0.12%	-	0.00%
Total Preferred Stock	8,712	0.16%	2,624	0.04%
Debt Securities				
U.S. Government Obligations	139,777	2.62%	311,639	4.81%
Corporate Obligations	262,136	4.90%	254,558	3.93%
Foreign Government and Provincial Obligations	81,429	1.52%	137,815	2.13%
Other	2,660	0.05%	7,439	0.11%
Total Debt Securities	486,002	9.09%	711,451	10.98%
Purchased Options	12,322	0.23%	1,819	0.03%
Convertible Securities	-	0.00%	80	0.00%
Investment Funds				
Hedge Funds	1,594,406	29.82%	2,057,564	31.75%
Private Investments	1,238,920	23.17%	1,191,293	18.39%
Real Estate	35,274	0.66%	71,598	1.11%
Developed Country Equity	351,428	6.57%	589,849	9.10%
Emerging Markets	460,372	8.61%	608,873	9.40%
Fixed Income	137,527	2.57%	115,538	1.78%
Total Investment Funds	3,817,927	71.40%	4,634,715	71.53%
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Derivative Contracts	315,188	5.90%	384,345	5.93%
Money Market Funds – Other	122,503	2.29%	84,932	1.31%
Total Cash and Cash Equivalents	437,691	8.19%	469,277	7.24%
Total Investment in Securities	<u>\$ 5,346,828</u>	<u>100.00%</u>	<u>\$ 6,479,502</u>	<u>100.00%</u>

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

Financial Highlights
Years Ended August 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Year	\$ 174.268	\$ 179.756	\$ 155.154	\$ 139.644	\$ 117.595
Income from Investment Operations					
Net Investment Income (A)	1.645	2.696	3.131	2.846	2.826
Net Realized and Unrealized Gain (Loss) on Investments	<u>(24.580)</u>	<u>(8.184)</u>	<u>21.471</u>	<u>12.664</u>	<u>19.223</u>
Total Income (Loss) from Investment Operations	<u>(22.935)</u>	<u>(5.488)</u>	<u>24.602</u>	<u>15.510</u>	<u>22.049</u>
Net Asset Value, End of Year	<u>\$ 151.333</u>	<u>\$ 174.268</u>	<u>\$ 179.756</u>	<u>\$ 155.154</u>	<u>\$ 139.644</u>
Ratios and Supplemental Data					
Net Assets, End of Year (in thousands)	\$5,358,787	\$6,310,376	\$6,433,071	\$5,427,755	\$4,926,797
Ratio of Expenses to Average Net Assets	0.19%	0.18%	0.20%	0.33%	0.26%
Ratio of Net Investment Income to Average Net Assets	1.14%	1.49%	1.88%	1.96%	2.20%

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