

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

*Years Ended August 31, 2010 and 2009*

# The University of Texas System General Endowment Fund

## Financial Statements

Years Ended August 31, 2010 and 2009

### Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	3
Audited Financial Statements	
Statements of Fiduciary Net Assets .....	6
Statements of Changes in Fiduciary Net Assets .....	7
Notes to Financial Statements .....	8
Supplemental Schedules .....	39

## 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, 2010 and August 31, 2009, 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, 2010 or August 31, 2009, 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 \$3,897,006,233 (64.6% of net assets) and \$3,288,870,727 (61.4% of net assets) as of August 31, 2010 and August 31, 2009, 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, 2010 and August 31, 2009, 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's 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, 2010, August 31, 2009, August 31, 2008, and August 31, 2007, have been subjected to the audit procedures applied by us (with 2006 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 29, 2010

## 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, 2010. 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, increased by \$676.6 million from \$5,358.8 million to \$6,035.4 million or approximately 12.6% for the year ended August 31, 2010, compared to a decrease of \$951.6 million or approximately 15.1% for the year ended August 31, 2009. The change in net fiduciary net assets from year to year is mainly attributable to the following:
  1. The Fund posted a net investment gain of 13.02%, calculated using the Modified Dietz Method as described by the CFA Institute, for the fiscal year ended August 31, 2010. Investments in private investment funds, hedge funds, real estate, natural resources, developed country and emerging markets equities, and investment grade and credit-related fixed income were positive contributors to the 2010 return. For the fiscal year ended August 31, 2009, the private investment funds, hedge funds, real estate, natural resources, and developed country and emerging markets equities were negative contributors, while investment grade and credit-related fixed income posted positive returns. These contributed to the net investment loss of 13.22%.
  2. The PHF and LTF redeemed and purchased Fund units resulting in net withdrawals of \$23.1 million for the year ended August 31, 2010, compared to net withdrawals for the year ended August 31, 2009 of \$105.9 million.
  3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The distributed net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

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

---

**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):

<b>Assets</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Investments, at Fair Value	\$ 5,997.5	\$ 5,346.8	\$ 6,479.5
Other Assets	192.7	188.8	473.8
<b>Total Assets</b>	<b>6,190.2</b>	<b>5,535.6</b>	<b>6,953.3</b>
<b>Total Liabilities</b>	<b>154.8</b>	<b>176.8</b>	<b>642.9</b>
<b>Net Assets Held in Trust</b>	<b>\$ 6,035.4</b>	<b>\$ 5,358.8</b>	<b>\$ 6,310.4</b>

**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 and investment expenses.

The net increase in investments of the Fund was \$647.6 million during the year ended August 31, 2010 compared to the net decrease in appreciation of investments of \$905.4 million for the year ended August 31, 2009. Expenses totaled \$14.3 million, \$10.5 million, and \$18.9 million, respectively, for the years ended August 31, 2010, 2009, and 2008.

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

---

The net increase in fiduciary net assets totaled \$676.6 million for the fiscal year ended August 31, 2010 compared to a net decrease in fiduciary net assets totaling \$951.6 million for the fiscal year ended August 31, 2009.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Investment Income (Loss)	\$ 714.1	\$ (835.2)	\$ (183.2)
Less Investment Expenses	(14.3)	(10.5)	(18.9)
Net Investment Income (Loss)	<u>699.8</u>	<u>(845.7)</u>	<u>(202.1)</u>
Participant Contributions	285.3	184.8	358.6
Total Additions	<u>985.1</u>	<u>(660.9)</u>	<u>156.5</u>
Participant Withdrawals	308.5	290.7	279.2
Total Deductions	<u>308.5</u>	<u>290.7</u>	<u>279.2</u>
Change in Fiduciary Net Assets	676.6	(951.6)	(122.7)
Net Assets Held in Trust, Beginning of Year	5,358.8	6,310.4	6,433.1
Net Assets Held in Trust, End of Year	<u>\$ 6,035.4</u>	<u>\$ 5,358.8</u>	<u>\$ 6,310.4</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](http://www.utimco.org).

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

**Statements of Fiduciary Net Assets**

*August 31, 2010 and 2009*

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

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Investments, at Fair Value:		
Equity Securities	\$ 797,622	\$ 584,174
Preferred Stock	26,617	8,712
Purchased Options	5,492	12,322
Debt Securities	549,478	486,002
Convertible Securities	23	-
Investment Funds	4,049,289	3,817,927
Cash and Cash Equivalents	569,000	437,691
Total Investments	<u>5,997,521</u>	<u>5,346,828</u>
Collateral for Securities Loaned, at Fair Value	114,399	108,742
Deposits with Brokers for Derivative Contracts	45,074	41,356
Futures Contracts, at Fair Value	5,540	9
Swaps, at Fair Value	1,179	1,942
Unrealized Gains on Foreign Currency Exchange Contracts	2,253	1,860
Receivables:		
Investment Securities Sold	15,542	27,830
Accrued Income	7,994	6,470
Other	762	541
Total Receivables	<u>24,298</u>	<u>34,841</u>
<b>Total Assets</b>	<u>6,190,264</u>	<u>5,535,578</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	114,399	108,742
Payable to Brokers for Collateral Held	6,210	9,847
Payable to Participants	6,689	4,344
Unrealized Losses on Foreign Currency Exchange Contracts	1,725	1,445
Future Contracts, at Fair Value	55	1,096
Swaps, at Fair Value	1,111	1,129
Options Written, at Fair Value	492	115
Payables:		
Investment Securities Purchased	14,175	43,458
Other	9,984	6,615
Total Payables	<u>24,159</u>	<u>50,073</u>
<b>Total Liabilities</b>	<u>154,840</u>	<u>176,791</u>
<b>Net Assets Held in Trust</b>	<u>\$ 6,035,424</u>	<u>\$ 5,358,787</u>
<b>Number of Units:</b>		
Permanent Health Fund (PHF)	5,294,171	5,563,857
The University of Texas System Long Term Fund (LTF)	<u>30,006,442</u>	<u>29,846,702</u>
<b>Total</b>	<u>35,300,613</u>	<u>35,410,559</u>
<b>Net Asset Value Held in Trust Per Unit</b>	<u>\$ 170.972</u>	<u>\$ 151.333</u>

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



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

**Statements of Changes in Fiduciary Net Assets**

*Years Ended August 31, 2010 and 2009*

*(in thousands)*

	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Investment Income:		
Net Increase (Decrease) in Investments	\$ 647,596	\$ (905,392)
Interest	30,700	33,683
Dividends	21,906	26,080
Income Distributions from Private Investment Funds	12,658	8,275
Securities Lending Income	444	1,161
Other	803	966
Total Investment Income (Loss)	<u>714,107</u>	<u>(835,227)</u>
Less Investment Expenses:		
Investment Management Fees	12,533	8,337
Custodial Fees and Expenses	785	755
Legal Fees	327	143
Analytical and Risk Measurement Fees	211	229
Accounting Fees	210	222
Consulting Fees	145	170
Securities Lending Fees	30	572
Other Expenses	42	9
Total Investment Expenses	<u>14,283</u>	<u>10,437</u>
Net Investment Income (Loss)	699,824	(845,664)
Participant Contributions	285,326	184,808
<b>Total Additions</b>	<u>985,150</u>	<u>(660,856)</u>
<b>Deductions</b>		
Participant Withdrawals	<u>308,513</u>	<u>290,733</u>
<b>Change in Fiduciary Net Assets</b>	676,637	(951,589)
Net Assets Held in Trust, Beginning of Period	5,358,787	6,310,376
<b>Net Assets Held in Trust, End of Period</b>	<u>\$ 6,035,424</u>	<u>\$ 5,358,787</u>

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

## Note 1 – Organization and Basis of Presentation

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

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

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the Fund are prepared in accordance with the requirements 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 fair values are based on the New York Stock Exchange composite closing prices, if available. If not available, the fair 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

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

*Notes to Financial Statements (cont.)*

---

sources. 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, 2010 and 2009, investments in private investment funds in the amount of \$1,368,709,681 and \$1,238,919,599 have been estimated by management.

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate and natural resources investment funds, and certain other private placements are fair valued by management based on net asset value information provided by the investment manager as well as other relevant factors as indicated above. As of August 31, 2010 and 2009, investments in these funds in the amount of \$2,528,296,552 and \$2,049,951,128, 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 \$3,897,006,233 (64.6% of net assets) and \$3,288,870,727 (61.4% of net assets) as of August 31, 2010, and August 31, 2009, 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 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 (decrease) in investments.

(C) ***Investment Income*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2010 and 2009, interest and dividend withholding in the amounts of \$910,098 and \$546,954 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses

THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

---

recognized between accrual and payment dates on dividend and interest transactions. Interest expense amounts paid on certain derivative settlements are netted against interest income in the statements of changes in fiduciary net assets.

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

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

(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. 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:

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

*Notes to Financial Statements (cont.)*

---

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

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

*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. Written 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

THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

---

acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts, and is included 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, 2010 and 2009, 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) *Reclassifications* -- Certain items in the 2009 financial statements and related notes have been reclassified to conform with the 2010 classification.

**Note 3 – Investment Risk**

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

*(A) Credit Risk*

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to 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, 2010 and 2009:

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

Investment Type	August 31,		Rating
	2010	2009	
<b>Investments:</b>			
U.S. Government Guaranteed	\$ 63,055,226	\$ 62,706,250	Exempt from Disclosure
U.S. Government Non-Guaranteed:			
U.S. Agency	2,000,125	557,724	AAA
U.S. Agency Asset Backed	61,272,354	76,513,253	AAA
Total U.S. Government Non-Guaranteed	63,272,479	77,070,977	
Total U.S. Government	126,327,705	139,777,227	
Corporate Obligations:			
Domestic	20,816,447	45,037,915	AAA
Domestic	11,036,065	13,927,604	AA
Domestic	59,951,534	52,235,665	A
Domestic	58,045,997	35,709,171	BAA/BBB
Domestic	15,045,620	7,963,332	BA/BB
Domestic	6,440,910	7,222,041	B
Domestic	13,125,456	28,629,933	CAA/CCC
Domestic	4,130,959	-	CA/CC
Domestic	-	7,862,618	CC
Domestic	535,313	6,979,779	C
Domestic	93,681	803,189	D
Domestic	436,842	364,673	No Rating
Foreign	54,868,705	27,072,928	AAA
Foreign	16,340,001	10,515,344	AA
Foreign	10,544,651	6,946,188	A
Foreign	10,398,098	9,051,746	BAA/BBB
Foreign	1,029,152	347,282	BA/BB
Foreign	454,441	737,555	B
Foreign	-	294,000	CAA/CCC
Foreign	1,729,568	434,909	No Rating
Total Corporate Obligations	285,023,440	262,135,872	
Foreign Government and Provincial Obligations	69,773,078	51,193,686	AAA
Foreign Government and Provincial Obligations	27,461,602	8,995,069	AA
Foreign Government and Provincial Obligations	22,314,993	10,585,610	A
Foreign Government and Provincial Obligations	10,199,849	3,707,305	BAA/BBB
Foreign Government and Provincial Obligations	3,995,266	6,070,748	BA/BB
Foreign Government and Provincial Obligations	-	876,847	No Rating
Total Foreign Government and Provincial Obligations	133,744,788	81,429,265	
Other Debt Securities	536,993	1,271,560	AA
Other Debt Securities	2,724,656	297,953	A
Other Debt Securities	1,120,432	1,090,206	BAA/BBB
Total Other Debt Securities	4,382,081	2,659,719	
Total Debt Securities	\$ 549,478,014	\$ 486,002,083	
Other Investment Funds - Debt	\$ -	\$ 1,667,455	AAA
Other Investment Funds - Debt	59,804,461	101,186,098	AA
Other Investment Funds - Debt	6,127,671	4,497,828	BA/BB
Other Investment Funds - Debt	-	30,175,477	B
Total Other Investment Funds - Debt	\$ 65,932,132	\$ 137,526,858	
Cash and Cash Equivalents - Money Market Funds	\$ 566,557,046	\$ 437,691,361	AAA
Cash and Cash Equivalents - Money Market Funds	2,409	-	A
Cash and Cash Equivalents	2,440,341	-	No Rating
Total Cash and Cash Equivalents	\$ 568,999,796	\$ 437,691,361	
<b>Net Deposit with (from) Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 10,373,514	\$ 16,609,148	Exempt from Disclosure
Cash	28,490,747	14,899,650	Exempt from Disclosure
Total Net Deposit with (from) Brokers for Derivative Contracts	\$ 38,864,261	\$ 31,508,798	



**(B) Concentrations of Credit Risk**

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

**(C) Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the 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, 2010 and 2009, 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, 2010 and 2009:

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

*Notes to Financial Statements (cont.)*

Investment Type	August 31,			
	2010		2009	
	Value	Modified Duration	Value	Modified Duration
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 52,021,996	10.39	\$ 28,812,392	10.67
U.S. Treasury Strips	2,813,094	0.94	2,896,753	2.00
U.S. Treasury Bills	7,397,984	0.13	3,196,145	0.47
U.S. Treasury Inflation Protected	-	-	3,183,471	3.55
U.S. Agency Asset Backed	822,152	6.41	24,617,489	1.76
Total U.S. Government Guaranteed	<u>63,055,226</u>	8.71	<u>62,706,250</u>	5.89
U.S. Government Non-Guaranteed:				
U.S. Agency	2,000,125	9.22	557,724	13.77
U.S. Agency Asset Backed	61,272,354	2.28	76,513,253	3.35
Total U.S. Government Non-Guaranteed	<u>63,272,479</u>	2.50	<u>77,070,977</u>	3.42
Total U.S. Government	<u>126,327,705</u>	5.60	<u>139,777,227</u>	4.53
Corporate Obligations:				
Domestic	189,658,824	5.28	206,735,920	4.80
Foreign	95,364,616	4.31	55,399,952	4.79
Total Corporate Obligations	<u>285,023,440</u>	4.96	<u>262,135,872</u>	4.80
Foreign Government and Provincial Obligations	<u>133,744,788</u>	6.44	<u>81,429,265</u>	6.60
Other Debt Securities	<u>4,382,081</u>	11.96	<u>2,659,719</u>	10.18
Total Debt Securities	<u>549,478,014</u>	5.52	<u>486,002,083</u>	5.05
Other Investment Funds - Debt	<u>65,932,132</u>	6.14	<u>137,526,858</u>	5.69
Cash and Cash Equivalents:				
Money Market Funds	<u>568,999,796</u>	0.08	<u>437,691,361</u>	0.08
Total	<u>\$ 1,184,409,942</u>	2.94	<u>\$ 1,061,220,302</u>	3.08
<b>Net Deposit with (from) Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 9,967,144	0.27	\$ 16,609,148	0.75
U.S. Treasury Bonds and Notes	406,370	17.18	-	-
Total U.S. Government Guaranteed	<u>10,373,514</u>	0.93	<u>16,609,148</u>	0.75
Cash	<u>28,490,747</u>	-	<u>14,899,650</u>	-
Total Net Deposit with (from) Brokers for Derivative Contracts	<u>\$ 38,864,261</u>	0.25	<u>\$ 31,508,798</u>	0.40

The Fund has purchased options on ten year constant maturity swaps, with expiries ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2010 and 2009, these options had a notional value of \$1,160,000,000 and a fair value of \$4,011,866 and \$9,873,606, respectively. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$6,207,813 as of August 31, 2010 and 2009. It is estimated that these options would adjust the 2010 duration of total debt securities of 5.52 downward by approximately 0.26, and the total duration of 2.94 downward by approximately 0.22. It is estimated that these options would adjust the 2009 duration of total debt securities of 5.05 downward by approximately 0.62, and the total duration of 3.08 downward by approximately 0.41. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of their portfolio in a cost efficient manner. It is estimated by management that

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

*Notes to Financial Statements (cont.)*

---

these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

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

The Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2010 and 2009, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$135,109,035 and \$140,846,108 as of August 31, 2010 and 2009, 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 \$21,575,973 and \$56,994,953 as of August 31, 2010 and 2009, 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 \$15,533,900 and \$21,901,924, as of August 31, 2010 and 2009, respectively.

***(F) Foreign Currency Risk***

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

During the year ended 2009, one of the Fund's external managers employed an investment strategy in which they hedged 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. During the year ended August 31, 2010 they changed their strategy to hedge their investments against the Euro dollar. In the following table the negative amounts shown for the Canadian Dollar, Czech Koruna, Danish Krone, Euro, Hong Kong Dollar, Norwegian Kroner, Swiss Franc, and the UK Pound in the cash and cash equivalents section reflect these strategies. The negative amounts offset long positions presented in the domestic and foreign common stock section.

The classification of 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 UNIVERSITY OF TEXAS SYSTEM**  
**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

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, 2010 and 2009:

Investment Type	August 31,	
	2010	2009
<b>Domestic Common Stock:</b>		
Canadian Dollar	\$ -	\$ 100,177
Total Domestic Common Stock	-	100,177
<b>Foreign Preferred Stock:</b>		
Brazilian Real	18,421,790	5,640,499
Euro	488,864	-
Total Foreign Preferred Stock	18,910,654	5,640,499
<b>Foreign Common Stock:</b>		
Australian Dollar	15,393,370	12,312,865
Brazilian Real	26,187,078	2,733,457
Canadian Dollar	18,105,406	9,236,427
Chilean Peso	1,534,443	-
Czech Koruna	1,493,472	348,261
Danish Krone	589,947	1,095,337
Egyptian Pound	1,909,476	1,841,704
Euro	61,850,875	60,995,757
Hong Kong Dollar	81,669,612	49,699,827
Hungarian Forint	1,187,881	1,073,493
Indian Rupee	5,773,168	-
Indonesian Rupian	7,392,549	2,341,562
Israeli Shekel	50,534	235,657
Japanese Yen	24,539,072	26,026,352
Korean Won	40,804,601	11,637,413
Malaysian Ringgit	12,000,198	2,986,892
Mexican Peso	8,068,074	2,839,059
Moroccan Dirham	273,349	270,263
Norwegian Kroner	1,278,021	372,863
Pakistani Rupee	650,775	664,034
Peruvian Nuevos Soles	30,075	-
Philippine Peso	1,166,299	755,043
Polish Zloty	4,691,388	914,372
Singapore Dollar	7,211,531	6,235,674
South African Rand	17,856,232	5,132,143
Swedish Krona	4,735,272	709,644
Swiss Franc	12,969,499	14,251,236
Taiwan Dollar	14,407,028	-
Thai Baht	10,058,687	4,517,795
Turkish Lira	7,456,618	2,115,921
UK Pound	48,315,544	29,892,805
Total Foreign Common Stock	439,650,074	251,235,856
<b>Other - Equity Securities</b>		
Canadian Dollar	-	55
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	9,447,354	9,705,653
Brazilian Real	4,301,502	3,821,320
Canadian Dollar	12,853,732	6,228,712
Euro	24,622,655	23,641,969
Hong Kong Dollar	317,280	-
Hungarian Forint	2,177,983	-
Indonesian Rupian	3,995,266	2,249,428
Japanese Yen	16,793,184	3,880,257
Korean Won	5,345,331	-
Malaysian Ringgit	5,934,401	4,858,706
Mexican Peso	3,720,365	3,707,305
New Zealand Dollar	4,160,918	3,648,552
Norwegian Kroner	2,413,091	2,612,946
Polish Zloty	7,132,979	3,990,862
Singapore Dollar	1,129,107	-
South African Rand	3,371,537	1,454,579
Swedish Krona	5,005,878	5,252,307
UK Pound	20,114,764	5,841,761
Total Foreign Government and Provincial Obligations	132,837,327	80,894,357

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2010	2009
<b>Corporate Obligations:</b>		
Australian Dollar	\$ 14,722,289	\$ 9,218,349
Brazilian Real	1,296,216	-
Canadian Dollar	2,619,752	2,884,439
Danish Krone	359,267	178,076
Euro	44,049,108	18,488,273
Hong Kong Dollar	433,352	434,909
Japanese Yen	1,671,685	735,525
UK Pound	3,831,894	2,319,575
Total Corporate Obligations	<u>68,983,563</u>	<u>34,259,146</u>
<b>Convertible Securities:</b>		
Swiss Franc	23,484	-
<b>Purchased Options:</b>		
Euro	-	455,740
Indian Rupee	-	743,210
Swiss Franc	-	726,168
Total Purchased Options	<u>-</u>	<u>1,925,118</u>
<b>Private Investment Funds:</b>		
Canadian Dollar	2,751,793	874,581
Euro	91,678,382	108,164,349
UK Pound	-	699,437
Total Private Investment Funds	<u>94,430,175</u>	<u>109,738,367</u>
<b>Investment Funds - Emerging Markets:</b>		
Brazilian Real	688,940	-
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	339,669	343,855
Brazilian Real	490,186	67,214
Canadian Dollar	(175,668)	236,618
Chilean Peso	850	-
Czech Koruna	(154,207)	704
Danish Krone	2,912	(1,094,837)
Egyptian Pound	29,760	-
Euro	21,002,513	(41,912,232)
Hong Kong Dollar	(5,136,450)	(1,915,866)
Hungarian Forint	88	47,781
Indian Rupee	34	-
Indonesian Rupian	71,016	11,655
Israeli Shekel	1,343	11,506
Japanese Yen	448,861	400,589
Korean Won	48,979	9,737
Malaysian Ringgit	24,251	11,500
Mexican Peso	70,733	3,964
Moroccan Dirham	9,184	14,077
New Zealand Dollar	30	85,745
Norwegian Kroner	(522,513)	192
Peruvian Nuevos Soles	38	-
Philippine Peso	34,519	3,495
Polish Zloty	1,711	37,150
Singapore Dollar	365	365
South African Rand	48,125	2,129
Swedish Krona	75,527	7,961
Swiss Franc	(8,000,950)	(15,240,041)
Taiwan Dollar	441,612	332
Thai Baht	22,060	2,204
Turkish Lira	4	61,365
UK Pound	(348,356)	(3,762,471)
Total Cash and Cash Equivalents	<u>8,826,226</u>	<u>(62,565,309)</u>
<b>Written Options:</b>		
Euro	(19,860)	-
UK Pound	(211)	-
Total Written Options	<u>(20,071)</u>	<u>-</u>

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31, 2010	August 31, 2009
<b>Swaps:</b>		
Australian Dollar	\$ 36,110	\$ (133,368)
Brazilian Real	23,935	-
Canadian Dollar	13,810	-
Euro	24,260	618,466
Japanese Yen	259,586	67,038
Swedish Krona	-	96,534
UK Pound	57,421	175,470
Total Swaps	415,122	824,140
<b>Futures:</b>		
Euro	655,944	(2,146)
Japanese Yen	-	(342,808)
UK Pound	8,120	2,596
Total Futures	664,064	(342,358)
Total	\$ 765,409,558	\$ 421,710,048

(G) **Counterparty (Credit) Risk**

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

The Fund had gross counterparty exposure as of August 31, 2010 and 2009 for options, swaps, and foreign currency exchange contracts as shown in the following tables.

**Options**

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 1,161,416,719	\$ 27,885,758	\$ 5,437,246	\$ 350,354	
54,851	6,708,380	54,851	142,037	AA
\$ 1,161,471,570	\$ 34,594,138	\$ 5,492,097	\$ 492,391	

**Swaps**

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 22,973,979	\$ 34,912,304	\$ 839,454	\$ 855,465	
27,132,093	22,882,713	339,939	255,967	AA
\$ 50,106,072	\$ 57,795,017	\$ 1,179,393	\$ 1,111,432	

**Foreign Currency Exchange Contracts**

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 67,945,116	\$ 44,127,913	\$ 1,505,591	\$ 843,730	
33,838,781	36,283,773	747,654	880,860	AA
\$ 101,783,897	\$ 80,411,686	\$ 2,253,245	\$ 1,724,590	

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

*Notes to Financial Statements (cont.)*

<b>Options</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<b>Counterparty Rating</b>
<b>Notional</b>	<b>Notional</b>	<b>Fair Value as of August 31, 2009</b>	<b>Fair Value as of August 31, 2009</b>	
\$ 1,170,585,575	\$ 26,600,000	\$ 12,322,198	\$ 110,969	A
-	1,300,000	-	3,875	AA
<u>\$ 1,170,585,575</u>	<u>\$ 27,900,000</u>	<u>\$ 12,322,198</u>	<u>\$ 114,844</u>	

  

<b>Swaps</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<b>Counterparty Rating</b>
<b>Notional</b>	<b>Notional</b>	<b>Fair Value as of August 31, 2009</b>	<b>Fair Value as of August 31, 2009</b>	
\$ 102,598,630	\$ 69,617,800	\$ 1,923,011	\$ 1,028,383	A
200,000	1,500,000	19,196	101,107	AA
<u>\$ 102,798,630</u>	<u>\$ 71,117,800</u>	<u>\$ 1,942,207</u>	<u>\$ 1,129,490</u>	

  

<b>Foreign Currency Exchange Contracts</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<b>Counterparty Rating</b>
<b>Notional</b>	<b>Notional</b>	<b>Fair Value as of August 31, 2009</b>	<b>Fair Value as of August 31, 2009</b>	
\$ 81,395,881	\$ 61,738,567	\$ 1,758,626	\$ 1,072,709	A
11,111,516	17,661,221	101,710	372,281	AA
<u>\$ 92,507,397</u>	<u>\$ 79,399,788</u>	<u>\$ 1,860,336</u>	<u>\$ 1,444,990</u>	

As of August 31, 2010 and 2009, the Fund also had investments in futures contracts. Futures contracts expose the Fund to minimal counterparty credit risk since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

Counterparty risk for swaps, options and foreign currency exchange contracts is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties for net assets is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2010 and 2009, the Fund held \$6,210,000 and \$9,847,033 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$19,297,878 and \$279,410, respectively, as collateral related to derivative instruments other than futures.

**Note 4 – Securities Lending**

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income and related expenses are included in investment expenses. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2010 and 2009:

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

*Notes to Financial Statements (cont.)*

<b>Securities on Loan</b>	<b>2010 Value</b>	<b>2009 Value</b>	<b>Type of Collateral</b>	<b>2010 Value of Collateral</b>	<b>2009 Value of Collateral</b>
U.S. Government	\$ 6,603,421	\$ 7,681,551	Cash	\$ 6,736,715	\$ 7,834,628
Foreign					
Government	5,166,079	325,199	Cash	5,426,268	335,633
Corporate Bonds	8,825,206	775,698	Cash	9,032,434	797,000
Common Stock	89,823,891	96,352,997	Cash	93,203,834	99,774,714
<b>Total</b>	<b>\$ 110,418,597</b>	<b>\$ 105,135,445</b>	<b>Total</b>	<b>\$ 114,399,251</b>	<b>\$ 108,741,975</b>
Common Stock	\$ 1,485,041	\$ -	Non-Cash	\$ 1,516,488	\$ -

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, the Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund 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, 2010 and 2009, is shown in the following table:

<b>Description</b>	<b>August 31,</b>					
	<b>2010</b>			<b>2009</b>		
<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>	
Repurchase Agreements	\$ 82,226,281	No Rating Available	1	\$ 72,114,726	No Rating Available	1
Commercial Paper	18,862,093	P	35	19,199,322	P	44
Floating Rate Notes	-	AAA		1,992,067	AAA	
Floating Rate Notes	4,191,674	AA		7,037,576	AA	
Floating Rate Notes	4,158,991	A		-	A	
Total Floating Rate Notes	8,350,665		26	9,029,643		21
Certificates of Deposit	5,665,854	P	63	8,543,666	P	68
Other Receivables/Payables	(705,642)	Not Rated	-	(145,382)	Not Rated	-
Total Collateral Pool Investment	\$ 114,399,251		12	\$ 108,741,975		16



# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

---

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

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

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

As of August 31, 2010 and 2009, 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, 2010 and 2009.

### **Note 5 – Investment Funds**

Investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds, externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds at August 31, 2010 and 2009 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.)*

	<b>August 31,</b>	
	<b>2010</b>	<b>2009</b>
Investment Funds:		
Hedge Funds:		
Developed Country	\$ 1,053,568,949	\$ 959,137,578
Credit Related Fixed Income	482,023,087	403,222,586
Emerging Markets Equity	151,307,422	131,097,446
Investment Grade Fixed Income	115,985,308	76,281,305
Real Estate	38,681,453	16,693,744
Natural Resources	6,486,781	7,972,811
Total Hedge Funds	<u>1,848,053,000</u>	<u>1,594,405,470</u>
Private Investments:		
Developed Country	633,259,214	621,216,168
Credit Related Fixed Income	443,064,946	413,856,615
Natural Resources	126,528,648	93,894,600
Emerging Markets Equity	112,927,103	79,813,661
Real Estate	52,929,770	30,138,555
Total Private Investments	<u>1,368,709,681</u>	<u>1,238,919,599</u>
Public Markets:		
Developed Country Equity:		
Private Placements	382,735,961	210,318,338
Index Funds	20,410,482	111,881,587
Exchange Traded Funds	2,218,256	29,228,480
Total Developed Country Equity	<u>405,364,699</u>	<u>351,428,405</u>
Emerging Markets:		
Private Placements	230,615,151	245,227,320
Index Funds	32,334,049	97,988,378
Exchange Traded Funds	23,324,246	117,156,669
Total Emerging Markets	<u>286,273,446</u>	<u>460,372,367</u>
Real Estate:		
Index Funds	8,063,631	35,274,070
Total Real Estate	<u>8,063,631</u>	<u>35,274,070</u>
Fixed Income:		
Index Funds	59,804,461	131,361,575
Publicly Traded Mutual Funds	6,127,671	6,165,283
Total Fixed Income	<u>65,932,132</u>	<u>137,526,858</u>
Natural Resources:		
Private Placements	66,892,440	-
Total Natural Resources	<u>66,892,440</u>	<u>-</u>
Total Investment Funds	<u>\$ 4,049,289,029</u>	<u>\$ 3,817,926,769</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

THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

---

utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of one 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 \$27,579,189 of future funding to various hedge fund investments as of August 31, 2010 of which the Fund's pro-rata portion is \$7,810,426.

The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund financial statements and related note disclosures for the periods ending August 31, 2010 and 2009, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. The private investment pools have committed \$2,453,783,015 of future funding to various private investments as of August 31, 2010 of which the Fund's pro-rata portion is \$894,157,302.

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.

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

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

- *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.
- *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.

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

*Notes to Financial Statements (cont.)*

- *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**

For the year ended August 31, 2010, the Fund wrote call options on Treasury note and Euro Bund futures, domestic and international equities, interest rate swaps and various currencies. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2010:

	Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Calls</b>						
	<b>Interest Rate Swap</b>					
		United States 3 month Libor	5,700,000	10/29/10	\$ -	\$ 376,496
	<b>Credit Default Swap</b>					
		British Petroleum	1,100,000	12/15/10	-	1,653
	<b>Currency</b>					
		U.S. Dollar vs. Euro	3,000	9/9/10	-	167
		U.S. Dollar vs. Euro	9,000	9/22/10	-	7,174
		U.S. Dollar vs. Mexican Peso	3,000	9/22/10	-	-
		U.S. Dollar vs. South Korean Won	3,000	9/7/10	-	-
		U.S. Dollar vs. U.K. Pound	3,000	9/15/10	-	211
					-	7,552
	<b>Equity</b>					
		MetroPCS Communications	80	11/20/10	-	6,000
					<u>\$ -</u>	<u>\$ 391,701</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2010 was a decrease in the amount of \$322,121, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$514,392 on call options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

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

*Notes to Financial Statements (cont.)*

The Fund also wrote put options on Treasury note and Euro Bund futures, domestic and international equities, interest rate swaps and various currencies for the year ended August 31, 2010. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2010:

	Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Puts</b>						
	<b>Interest Rate Swap</b>					
		United States 3 month Libor	5,700,000	10/29/10	\$ -	\$ 61
		United States 3 month Libor	3,700,000	12/1/10	-	99
		United States 3 month Libor	11,200,000	6/18/12	-	73,993
		United States 3 month Libor	1,700,000	7/10/12	-	299
					<u>-</u>	<u>74,452</u>
	<b>Credit Default Swap</b>					
		British Petroleum	1,100,000	12/15/10	-	4,451
	<b>Currency</b>					
		U.S. Dollar vs. Euro	11,000	9/9/10	-	12,519
	<b>Equity</b>					
		Devon Energy	14	10/16/10	-	2,128
		Papa John's International	33	10/16/10	-	1,485
		Walmart	14	9/18/10	-	5,656
					<u>-</u>	<u>9,269</u>
					<u>\$ -</u>	<u>\$ 100,691</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2010 was an increase in the amount of \$120,262, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$725,886 on put options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

For the year ended August 31, 2009, the Fund wrote call options on Treasury note futures, commodities, domestic and international equities, interest rate swaps, equity indexes and exchange traded funds. The Fund recognized losses of \$3,070,731 on call options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2009. There were no written call options outstanding as of August 31, 2009.

The Fund also wrote put options on Treasury note futures, commodities, domestic and international equities, interest rate swaps, equity indexes and exchange traded funds for the year ended August 31, 2009. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2009:

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

*Notes to Financial Statements (cont.)*

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2009</u>	
				<u>Assets</u>	<u>Liabilities</u>
<b>Interest Rate Swap</b>					
	United States 3 month Libor	20,900,000	11/23/09	\$ -	\$ 82,681
	United States 3 month Libor	1,800,000	12/15/09	-	1,347
	United States 3 month Libor	5,200,000	8/31/10	-	30,816
				<u>\$ -</u>	<u>\$ 114,844</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2009 was an increase in the amount of \$94,336, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$3,359,291 on put options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2009.

**Note 7 – Swaps**

During the fiscal year ended August 31, 2010, the Fund entered into interest rate, credit default, commodities and equity swap contracts. The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2010:

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

*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Interest Rate</b>						
<b>Australian Dollar</b>						
		6.000%	700,000	12/15/2020	\$ 36,110	\$ -
<b>Brazilian Real</b>						
		11.29%	7,500,000	1/2/2012	-	-
<b>Canadian Dollar</b>						
		2.500%	2,500,000	6/18/2013	13,810	-
<b>Japanese Yen</b>						
		1.500%	560,000,000	12/15/2020	259,586	-
<b>U.S. Dollar</b>						
		3.500%	5,400,000	9/2/2020	-	497,440
					<u>309,506</u>	<u>497,440</u>
<b>Credit Default</b>						
<b>U.S. Dollar</b>						
		0.210%	200,000	6/20/2011	-	56
		0.230%	200,000	3/20/2012	227	-
		0.290%	200,000	3/20/2011	-	262
		0.510%	200,000	6/20/2011	408	-
		0.590%	1,000,000	9/20/2014	26,547	-
		0.590%	1,000,000	9/20/2016	9,493	-
		0.700%	800,000	12/20/2018	22,129	-
		0.750%	1,000,000	9/20/2017	7,887	-
		0.770%	200,000	3/20/2012	368	-
		0.940%	200,000	6/20/2018	13,378	-
		1.000%	4,300,000	6/20/2015	78,041	-
		1.135%	500,000	9/20/2013	318	-
		1.160%	2,000,000	3/20/2013	-	570
		1.290%	200,000	6/20/2011	-	534
		1.380%	1,000,000	3/20/2017	-	43,314
		1.450%	1,000,000	6/20/2013	-	13,158
		1.540%	100,000	6/20/2018	-	2,126
		1.743%	200,000	6/20/2013	-	5,046
		1.780%	200,000	6/20/2013	-	5,268
		1.820%	200,000	6/20/2013	-	5,505
		1.920%	1,000,000	3/20/2017	70,223	-
		2.930%	300,000	6/20/2015	-	18,867
		3.460%	400,000	6/20/2017	-	45,633
					<u>229,019</u>	<u>140,339</u>
<b>Commodity</b>						
<b>U.S. Dollar</b>						
		Sugar #11	553,000	9/14/2010	103,320	-
					<u>103,320</u>	<u>-</u>

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

*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Equity</b>						
<b>UK Pound</b>						
		Rio Tinto PLC	351,681	9/10/2012	57,422	-
<b>Euro</b>						
		Ryanair Holdings	495,859	9/10/2012	30,307	-
		Telefonica	306,268	9/10/2012	-	5,712
		Ryanair Holdings	14,657	8/4/2020	-	335
<b>U.S. Dollar</b>						
		Alerian MLP Basket	18,736,581	11/26/2010	-	202,657
		State Bank of India	530,464	12/1/2010	-	14,664
		MSCI Australia	22,282,713	5/16/2011	-	240,149
		MSCI Canada	27,132,093	5/16/2011	339,939	-
		Bank of Baroda	399,399	9/10/2012	46,676	-
		Union Bank of India	174,274	9/10/2012	7,339	-
		United Spirits Ltd.	335,769	9/10/2012	24,581	-
		Union Bank of India	248,271	11/11/2019	-	10,137
		Bank of Baroda	426,996	12/11/2019	7,350	-
<b>Brazilian Real</b>						
		Eletronbras	200,472	9/10/2012	23,935	-
					<u>537,549</u>	<u>473,654</u>
<b>Total</b>					<u><b>\$ 1,179,394</b></u>	<u><b>\$ 1,111,433</b></u>

The change in fair value of open swap positions for the year ending August 31, 2010 was an increase in the amount of \$122,077, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets.



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

*Notes to Financial Statements (cont.)*

The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2009:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
				Assets	Liabilities
<b>Interest Rate</b>					
<b>Australian Dollar</b>					
	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	-
<b>UK Pound</b>					
	3.500%	700,000	3/17/2015	-	12,699
	4.500%	4,200,000	3/17/2020	188,169	-
<b>Euro</b>					
	3.000%	9,600,000	9/15/2011	85,037	-
<b>Japanese Yen</b>					
	1.000%	1,090,000,000	12/16/2014	67,038	-
<b>U.S. Dollar</b>					
	3.000%	2,900,000	12/16/2011	74,424	-
<b>Swedish Krona</b>					
	4.500%	8,000,000	3/18/2014	96,534	-
				<u>523,991</u>	<u>158,856</u>
<b>Credit Default</b>					
<b>Euro</b>					
	2.350%	100,000	3/20/2014	-	8,101
<b>U.S. Dollar</b>					
	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

**THE UNIVERSITY OF TEXAS SYSTEM**

**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
					Assets	Liabilities
<b>Credit Default (Continued)</b>						
<b>U.S. Dollar (Continued)</b>						
		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>
<b>Inflation</b>						
<b>Euro</b>						
		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>
<b>Equity</b>						
<b>Euro</b>						
		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>
<b>Total</b>					<b>\$ 1,942,207</b>	<b>\$ 1,129,490</b>

The change in fair value of open swap positions for the year ending August 31, 2009 was an increase in the amount of \$794,237, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets.

**Note 8 – Futures Contracts**

During the years ended August 31, 2010 and 2009, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the year ending August 31, 2010 was an increase in the amount of \$5,485,638 which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The change in fair value of open futures contracts for the year ending August 31, 2009 was a decrease in the amount of \$1,087,081 which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund had \$25,776,383 and \$41,076,422 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2010 and 2009, respectively. Short futures may be used by internal managers and a limited number of external managers of the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized gains on the futures contracts was \$39,582,912 for the year ended August 31, 2010. The amount of net realized losses on the futures contracts was \$81,291,873 for the year ended August 31, 2009.

**THE UNIVERSITY OF TEXAS SYSTEM**

**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

---

During the year ended August 31, 2010, one of the Fund's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2010.

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2010 for futures contracts:

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

*Notes to Financial Statements (cont.)*

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2010		Carrying and Fair Value at August 31, 2010		
			Long	Short	Assets	Liabilities	
<b>Domestic Fixed Income</b>							
U.S. 10 Year Treasury Notes	228	Dec-10	\$ 28,642,500	\$ -	\$ 78,375	\$ -	
			28,642,500	-	78,375	-	
<b>Domestic Equity</b>							
S&P 500 Index	111	Sep-10	29,090,325	-	88,800	-	
			29,090,325	-	88,800	-	
<b>Commodities</b>							
Aluminum Hg	41	Jan-11	6,465,625	4,344,900	439,615	-	
Aluminum Hg	47	Mar-11	3,691,113	1,247,700	225,900	-	
Brent Crude Oil	7	Dec-10	529,060	-	-	-	
Coffee 'C'	22	Dec-10	1,472,212	-	-	-	
Coffee 'C'	12	Mar-11	803,250	-	-	-	
Coffee 'C'	9	May-11	598,219	-	-	-	
Copper	79	Dec-10	6,655,750	-	-	-	
Corn	106	Dec-10	2,328,025	-	-	-	
Corn	86	Mar-11	1,944,675	-	-	-	
Corn	102	Jul-11	2,368,950	-	-	-	
Cotton No. 2	21	Dec-10	905,100	-	-	-	
Cotton No. 2	28	Mar-11	1,186,360	-	-	-	
Crude Oil	5	Dec-10	375,500	-	-	-	
Crude Oil	69	Dec-11	5,591,760	-	-	-	
Crude Oil	59	Jun-12	4,858,650	-	-	-	
Gasoline RBOB	28	Oct-10	2,184,302	-	-	-	
Gasoline RBOB	7	Dec-10	550,574	-	-	-	
Gold 100 Oz	1,552	Dec-10	194,046,560	-	1,643,912	-	
Heating Oil	33	Jun-11	2,915,728	-	-	-	
Lean Hogs	72	Dec-10	2,110,320	-	-	-	
Live Cattle	10	Oct-10	389,100	-	-	-	
Live Cattle	81	Jun-11	3,191,400	-	-	-	
Natural Gas	39	Jan-11	1,815,060	-	-	-	
Natural Gas	8	Jan-12	442,320	-	-	-	
Natural Gas	101	Apr-12	5,123,730	-	-	-	
Nickel	-	Feb-11	1,119,042	1,119,042	120,720	-	
Nickel	13	Jun-11	1,740,312	124,308	-	42,636	
Nickel	6	Nov-11	737,280	-	-	-	
Silver	32	Dec-10	3,109,120	-	-	-	
Soybean	31	Nov-10	1,565,500	-	-	-	
Soybean	76	Jan-11	3,873,150	-	-	-	
Soybean	29	May-11	1,489,150	-	-	-	
Soybean Oil	41	Oct-10	975,636	-	-	-	
Soybean Oil	62	Dec-10	1,489,860	-	-	-	
Soybean Oil	8	May-11	196,032	-	-	-	
Sugar #11 World	60	Mar-11	1,298,304	-	-	-	
Sugar #11 World	27	Jul-11	522,547	-	-	-	
Wheat	111	Dec-10	3,805,913	-	-	-	
Wheat	39	Jul-11	1,358,663	-	-	-	
Zinc	-	Sep-10	5,916,000	5,916,000	2,266,888	-	
Zinc	40	Aug-11	2,544,000	424,000	-	-	
			284,283,852	13,175,950	4,697,035	42,636	
<b>Foreign Fixed Income</b>							
90 Day Euro Dollar	456	Mar-11	-	113,458,500	660,776	-	
Euro-Bobl	11	Sep-10	1,714,143	-	7,374	-	
Euro-Bund	40	Sep-10	6,834,152	-	-	12,206	
UK Long Gilt	8	Dec-10	1,540,097	-	8,120	-	
			10,088,392	113,458,500	676,270	12,206	
<b>Total</b>			<b>\$ 352,105,069</b>	<b>\$ 126,634,450</b>	<b>\$ 5,540,480</b>	<b>\$ 54,842</b>	

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

*Notes to Financial Statements (cont.)*

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

<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>
<b>Domestic Fixed Income</b>						
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>
<b>Domestic Equity</b>						
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>
<b>Commodities</b>						
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>
<b>Foreign Fixed Income</b>						
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>
<b>Foreign Equity</b>						
TOPIX Index	341	Sep-09	35,362,692	-	-	342,808
			<u>35,362,692</u>	<u>-</u>	<u>-</u>	<u>342,808</u>
<b>Total</b>			<u>\$ 286,989,543</u>	<u>\$ -</u>	<u>\$ 8,623</u>	<u>\$ 1,095,704</u>

**THE UNIVERSITY OF TEXAS SYSTEM**

**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

**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, 2010 and 2009. Foreign currency amounts are translated at exchange rates as of August 31, 2010 and 2009. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2010	Net Sell August 31, 2010	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2010	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2010
Australian Dollar	\$ -	\$ 10,887,276	\$ 126,150	\$ 86,813
Brazilian Real	81,845	-	328	115
Canadian Dollar	-	1,544,164	66,210	14,318
Chinese Yuan Renminbi	4,499,174	-	21,464	186,600
Danish Krone	534,903	-	16,087	-
Egyptian Pound	-	3	720	28
Euro	-	14,394,982	163,843	374,595
Hong Kong Dollar	-	119,665	116	51
Hungarian Forint	-	-	72,265	35,169
Indian Rupee	261,825	-	-	1,375
Indonesian Rupian	619,559	-	68,924	75
Japanese Yen	9,255,850	-	875,458	528,155
Malaysian Ringgit	806,852	-	25,899	1,290
Mexican Peso	139,075	-	34,088	54,562
New Zealand Dollar	1,731,292	-	60,838	4,864
Norwegian Kroner	4,546,408	-	70,887	-
Philippine Peso	-	-	40	-
Polish Zloty	50,147	-	86	-
Singapore Dollar	254,192	-	8,554	1,269
South African Rand	522,857	-	23,002	944
South Korean Won	1,652,117	-	8,182	46,554
Swedish Krona	1,994,964	-	39,314	226,523
Swiss Franc	1,976,734	-	70,550	24,094
Taiwan Dollar	671,792	-	-	10,005
Thai Baht	288,393	-	13,244	2,319
Turkish Lira	4,194,211	-	242,086	224
UK Pound	8,543,129	-	244,910	124,648
	\$ 42,625,319	\$ 26,946,090	\$ 2,253,245	\$ 1,724,590

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2010 was an increase in the amount of \$528,655, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets.

**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
Thai 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 change in fair value of open foreign currency exchange contracts for the year ending August 31, 2009 was an increase in the amount of \$451,026, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets.

**Note 10 – Purchase Agreement**

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,666,850,000 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 1.50%. In addition to

## THE UNIVERSITY OF TEXAS SYSTEM

### GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

---

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 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, 2010 and 2009, custodial fees and expenses incurred by the Fund amounted to \$784,650 and \$755,229, 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, 2010 and 2009, amounted to \$326,574 and \$142,420, 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, 2010 and 2009, the fees incurred by the Fund amounted to \$211,439 and \$229,239.

Accounting fees, in the amount of \$209,739 and \$221,816, were paid by the Fund during the years ended August 31, 2010 and 2009, respectively, for external and UT System internal audit services.

Consulting fees, in the amount of \$145,531 and \$170,138, respectively, for the years ending August 31, 2010 and 2009, 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, 2010 and 2009*  
*(in thousands)*

	2010		2009	
	Value	% of Total Investments	Value	% of Total Investments
<b>Equity Securities</b>				
Domestic Common Stock	\$ 250,246	4.17%	\$ 270,720	5.07%
Foreign Common Stock	546,274	9.11%	313,454	5.86%
Other Equity Securities	1,102	0.02%	-	0.00%
<b>Total Equity Securities</b>	<b>797,622</b>	<b>13.30%</b>	<b>584,174</b>	<b>10.93%</b>
<b>Preferred Stock</b>				
Domestic Preferred Stock	2,042	0.03%	2,125	0.04%
Foreign Preferred Stock	24,575	0.41%	6,587	0.12%
<b>Total Preferred Stock</b>	<b>26,617</b>	<b>0.44%</b>	<b>8,712</b>	<b>0.16%</b>
<b>Debt Securities</b>				
U.S. Government Obligations	126,328	2.11%	139,777	2.62%
Corporate Obligations	285,023	4.75%	262,136	4.90%
Foreign Government and Provincial Obligations	133,745	2.23%	81,429	1.52%
Other	4,382	0.07%	2,660	0.05%
<b>Total Debt Securities</b>	<b>549,478</b>	<b>9.16%</b>	<b>486,002</b>	<b>9.09%</b>
<b>Purchased Options</b>	<b>5,492</b>	<b>0.09%</b>	<b>12,322</b>	<b>0.23%</b>
<b>Convertible Securities</b>	<b>23</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Investment Funds</b>				
Hedge Funds	1,848,053	30.81%	1,594,406	29.82%
Private Investments	1,368,710	22.82%	1,238,920	23.17%
Real Estate	8,064	0.14%	35,274	0.66%
Developed Country Equity	405,365	6.76%	351,428	6.57%
Emerging Markets Equity	286,273	4.77%	460,372	8.61%
Fixed Income	65,932	1.10%	137,527	2.57%
Natural Resources	66,892	1.12%	-	0.00%
<b>Total Investment Funds</b>	<b>4,049,289</b>	<b>67.52%</b>	<b>3,817,927</b>	<b>71.40%</b>
<b>Cash and Cash Equivalents</b>				
Money Market Funds Maintained to Back Derivative Contracts	327,940	5.47%	315,188	5.90%
Money Market Funds – Other	241,060	4.02%	122,503	2.29%
<b>Total Cash and Cash Equivalents</b>	<b>569,000</b>	<b>9.49%</b>	<b>437,691</b>	<b>8.19%</b>
<b>Total Investments</b>	<b>\$ 5,997,521</b>	<b>100.00%</b>	<b>\$ 5,346,828</b>	<b>100.00%</b>

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

---

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Selected Per Unit Data</b>					
Net Asset Value, Beginning of Year	\$ 151.333	\$ 174.268	\$ 179.756	\$ 155.154	\$ 139.644
Income from Investment Operations					
Net Investment Income (A)	1.467	1.645	2.696	3.131	2.846
Net Realized and Unrealized Gain (Loss) on Investments	<u>18.172</u>	<u>(24.580)</u>	<u>(8.184)</u>	<u>21.471</u>	<u>12.664</u>
Total Income (Loss) from Investment Operations	<u>19.639</u>	<u>(22.935)</u>	<u>(5.488)</u>	<u>24.602</u>	<u>15.510</u>
Net Asset Value, End of Year	<u>\$ 170.972</u>	<u>\$ 151.333</u>	<u>\$ 174.268</u>	<u>\$ 179.756</u>	<u>\$ 155.154</u>
<b>Ratios and Supplemental Data</b>					
Net Assets, End of Year (in thousands)	\$6,035,424	\$5,358,787	\$6,310,376	\$6,433,071	\$5,427,755
Ratio of Expenses to Average Net Assets	0.25%	0.19%	0.18%	0.20%	0.33%
Ratio of Net Investment Income to Average Net Assets	0.91%	1.14%	1.49%	1.88%	1.96%

(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.