

Financial Statements
and Independent Auditors' Report
The University of Texas System
Intermediate Term Fund

Years Ended August 31, 2013 and 2012

The University of Texas System Intermediate Term Fund

Financial Statements

Years Ended August 31, 2013 and 2012

Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis (Unaudited)	4
Audited Financial Statements	
Statements of Fiduciary Net Position	7
Statements of Changes in Fiduciary Net Position.....	8
Notes to Financial Statements	9
Supplemental Schedules	41

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

As discussed in Note 2, the financial statements include investments valued at \$2,692,219,473 (46.1% of total assets) and \$2,255,960,412 (43.4% of total assets) as of August 31, 2013 and August 31, 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Deloitte & Touche LLP

October 31, 2013

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

Our discussion and analysis of The University of Texas System Intermediate Term Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2013 and 2012. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund, created February 1, 2006, is an internal University of Texas System (UT System) pooled investment fund for the investment of operating funds and other intermediate and long-term funds held by the UT System institutions and UT System Administration. The Fund was created to improve the efficiency of operating funds management and to improve investment returns on UT System operating reserves. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

The Fund's net fiduciary position, after contributions, withdrawals, and distributions increased by \$626.7 million from \$4,893.0 million to \$5,519.7 million or by approximately 12.8% for the year ended August 31, 2013. The change in net fiduciary position from year to year is mainly attributable to the following:

1. Net participant contributions to the Fund were \$535.3 million for the year ended August 31, 2013, compared to \$237.3 million for the year ended August 31, 2012.
2. The Fund posted a net investment gain of 5.03%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2013. Investments in developed country equities, credit-related fixed income and real estate were the biggest contributors to the 2013 return. Investments in credit-related fixed income, developed country equities and real estate were the biggest contributors to the net investment gain of 2.87% for August 31, 2012.
3. The Fund's distribution rate was 3.0% per year, or 0.25% per month, for the year ended August 31, 2013 and 2012. Distributions from the Fund were \$157.9 million for the year ended August 31, 2013 compared to the \$142.3 million distributed for the year ended August 31, 2012.

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND

Use of Financial Statements and Notes

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

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

Statements of Fiduciary Net Position

The statements of fiduciary net position present assets, liabilities, and the net position of the Fund as of the end of the 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 Policy Portfolio. The Policy Portfolio is the index or benchmark for the intermediate term funds that UTIMCO manages. The return of the 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 preserve the purchasing power of Fund assets by earning a compound annualized return over rolling three year-periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index plus 3%. In doing so, UTIMCO increases the operating resources available to the UT System institutions which invest in the Fund.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Investments, at Fair Value	\$ 5,568.7	\$ 4,923.5	\$ 4,584.0
Other Assets	273.8	280.3	324.4
Total Assets	<u>5,842.5</u>	<u>5,203.8</u>	<u>4,908.4</u>
Total Liabilities	322.8	310.8	246.8
Net Position Held in Trust	<u>\$ 5,519.7</u>	<u>\$ 4,893.0</u>	<u>\$ 4,661.6</u>

Statements of Changes in Fiduciary Net Position

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

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

The net increase in investments of the Fund was \$197.4 million during the year ended August 31, 2013 compared to the net increase in investments of \$77.2 million for the year ended August 31, 2012. Investment expenses totaled \$19.0 million, \$13.9 million and \$16.8 million respectively, for the years ended August 31, 2013, 2012 and 2011.

Distributions to participants totaled \$157.9 million, \$142.3 million and \$138.8 million, respectively, for the years ended August 31, 2013, 2012 and 2011. Cash distributions are paid monthly based on a 3% annual distribution rate.

The following summarizes the statements of changes in fiduciary net position (in millions) for the years ended August 31, 2013, 2012 and 2011:

	2013	2012	2011
Investment Income	\$ 268.4	\$ 150.4	\$ 501.8
Less Investment Expenses	19.0	13.9	16.8
Net Investment Income	<u>249.4</u>	<u>136.5</u>	<u>485.0</u>
Participant Contributions	693.7	419.8	328.2
Total Additions	<u>943.1</u>	<u>556.3</u>	<u>813.2</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	158.4	182.5	168.5
Participant Distributions	157.9	142.3	138.8
Total Deductions	<u>316.4</u>	<u>324.9</u>	<u>307.4</u>
Change in Fiduciary Net Position	626.7	231.4	505.8
Net Position Held in Trust, Beginning of Period	4,893.0	4,661.6	4,155.8
Net Position Held in Trust, End of Period	<u>\$ 5,519.7</u>	<u>\$ 4,893.0</u>	<u>\$ 4,661.6</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.

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Statements of Fiduciary Net Position

August 31, 2013 and 2012

(Dollars in thousands, except for per unit amounts)

Assets	2013	2012
Investments, at Fair Value:		
Equity Securities	\$ 710,263	\$ 532,033
Preferred Stock	13,602	15,083
Debt Securities	1,435,446	1,506,547
Convertible Securities	110	139
Investment Funds	2,717,161	2,283,966
Physical Commodities	213,809	234,745
Purchased Options	7,733	10,312
Cash and Cash Equivalents	470,584	340,678
Total Investments	<u>5,568,708</u>	<u>4,923,503</u>
Collateral for Securities Loaned, at Fair Value	204,351	130,073
Deposits with Brokers for Derivative Contracts	22,156	32,711
Futures Contracts, at Fair Value	1,187	1,122
Swaps, at Fair Value	452	1,750
Unrealized Gains on Foreign Currency Exchange Contracts	9,310	5,682
Receivables:		
Investment Securities Sold	20,380	90,674
Accrued Income	15,893	18,150
Other	51	102
Total Receivables	<u>36,324</u>	<u>108,926</u>
Total Assets	<u>5,842,488</u>	<u>5,203,767</u>
 Liabilities		
Payable upon Return of Securities Loaned	204,351	130,073
Payable to Brokers for Collateral Held	8,327	7,465
Options Written, at Fair Value	989	4,075
Futures Contracts, at Fair Value	737	1,653
Swaps, at Fair Value	396	1,124
Unrealized Losses on Foreign Currency Exchange Contracts	11,398	9,964
Payables:		
Investment Securities Purchased	78,522	140,668
Distributions Payable	13,891	12,101
Other	4,214	3,651
Total Payables	<u>96,627</u>	<u>156,420</u>
Total Liabilities	<u>322,825</u>	<u>310,774</u>
 Net Position Held in Trust (49,122,232 Units and 44,391,686 Units, respectively)	 <u>\$ 5,519,663</u>	 <u>\$ 4,892,993</u>
Net Position Held in Trust Per Unit	<u>\$ 112.366</u>	<u>\$ 110.223</u>

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

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Statements of Changes in Fiduciary Net Position

Years Ended August 31, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
Additions		
Investment Income:		
Net Increase in Investments	\$ 197,408	\$ 77,190
Interest	55,450	59,326
Dividends	15,061	13,412
Securities Lending Income	377	381
Other Income	63	79
Total Investment Income	<u>268,359</u>	<u>150,388</u>
Less Investment Expenses:		
Investment Management Fees	13,468	9,276
UTIMCO Management Fee	4,068	3,230
Custodial Fees and Expenses	1,260	1,264
Accounting Fees	110	86
Analytical and Risk Measurement Fees	136	130
Consulting Fees	83	88
Legal Fees	49	39
Foreign Tax Consulting and Filing Fees	16	25
Background Check Fees	16	24
Other Expenses	1	17
Securities Lending Fees	(153)	(306)
Total Investment Expenses	<u>19,054</u>	<u>13,873</u>
Net Investment Income	249,305	136,515
Participant Contributions	<u>693,732</u>	<u>419,815</u>
Total Additions	943,037	556,330
Deductions		
Administrative Expenses:		
UT System Oversight Fee	59	78
Participant Withdrawals	158,451	182,498
Participant Distributions	<u>157,857</u>	<u>142,338</u>
Total Deductions	<u>316,367</u>	<u>324,914</u>
Change in Fiduciary Net Position	626,670	231,416
Net Position Held in Trust, Beginning of Year	<u>4,892,993</u>	<u>4,661,577</u>
Net Position Held in Trust, End of Year	<u>\$ 5,519,663</u>	<u>\$ 4,892,993</u>

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

Note 1 – Organization and Basis of Presentation

The University of Texas System Intermediate Term Fund (Fund) is a pooled fund established for the collective investment of operating funds and other short and intermediate term funds held by the 15 University of Texas System (UT System) institutions and UT System Administration. The Fund was established February 1, 2006, by the Board of Regents of UT System (UT Board). Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the Fund are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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 of the Fund may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

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

Note 2 – Significant Accounting Policies

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

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

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

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

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate, and natural resources investment funds and certain other private placements are fair valued by management based on net asset value information provided by the investment managers as well as consideration of any other information provided by the investment managers or other sources.

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

The statements of fiduciary net position include investments fair valued at \$2,692,219,473 (46.1% of total assets) and \$2,255,960,412 (43.4% of total assets) as of August 31, 2013, and August 31, 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values, as described above.

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

(C) ***Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2013 and 2012, interest and dividend withholding in the amounts of \$1,179,269 and \$1,191,571 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

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

(E) ***Distributions to Participants*** -- Cash distributions to participants are paid monthly based on a percentage rate established by the UT Board. For the years ended August 31, 2013 and 2012 the annual distribution rate was 3.0%.

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

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

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

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

(J) *Derivative Instruments* -- Derivative securities are financial instruments whose fair value is derived, in whole or part, from the fair 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, and by guidelines established in contracts with external investment managers. Derivative instruments included under these policies and contracts include futures, forwards, swaps and all forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Written options and swaps are fair valued by using broker quotes, or using models with primarily externally verifiable model inputs. Derivative instruments in the Fund are used to achieve the following objectives:

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

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

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

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity and 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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

marked to market on a daily basis, and are included at fair value on the statements of fiduciary net position. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

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

Foreign Currency Contracts -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward foreign currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of fiduciary net position. Realized and unrealized gains and losses are included in the net increase in investments in the statement of changes in fiduciary net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

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

(L) *Recently Issued Accounting Standards* -- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was adopted in

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

fiscal year 2013. The adoption resulted in the renaming of net assets to net position in the two required financial statements for fiduciary funds as well as the accompanying notes and disclosures.

Note 3 – Investment Risk

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4. Risk disclosures relating to the Fund's investments in hedge funds 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 at August 31, 2013 and 2012:

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2013	2012	
Investments:			
U.S. Government Guaranteed	\$ 325,582,386	\$ 187,260,143	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	6,405,489	1,270,968	AA
U.S. Agency Asset Backed	72,597,903	120,684,374	AA
Total U.S. Government Non-Guaranteed	79,003,392	121,955,342	
Total U.S. Government	404,585,778	309,215,485	
Corporate Obligations:			
Domestic	18,617,718	22,154,167	AAA
Domestic	15,819,708	12,288,434	AA
Domestic	88,442,897	107,569,331	A
Domestic	52,710,919	92,615,141	BAA/BBB
Domestic	4,057,840	5,761,581	BA/BB
Domestic	1,067,503	6,860,317	B
Domestic	10,027,212	10,409,587	CAA/CCC
Domestic	1,357,999	2,635,685	CA/CC
Domestic	1,324,849	-	C
Domestic	130,754	884,452	D
Domestic	852,964	834,424	Not Rated
Foreign	72,043,718	88,276,577	AAA
Foreign	41,737,274	25,071,822	AA
Foreign	26,911,967	32,693,222	A
Foreign	36,660,906	36,157,906	BAA/BBB
Foreign	3,806,441	3,208,480	BA/BB
Foreign	867,199	3,414,902	B
Foreign	72,238	211,388	CAA/CCC
Foreign	-	251,892	Not Rated
Total Corporate Obligations	376,510,106	451,299,308	
Foreign Government and Provincial Obligations	125,269,476	231,548,329	AAA
Foreign Government and Provincial Obligations	185,966,034	108,375,307	AA
Foreign Government and Provincial Obligations	92,144,200	172,880,840	A
Foreign Government and Provincial Obligations	198,274,045	146,210,664	BAA/BBB
Foreign Government and Provincial Obligations	44,036,681	35,962,023	BA/BB
Foreign Government and Provincial Obligations	-	28,616,572	Not Rated
Total Foreign Government and Provincial Obligations	645,690,436	723,593,735	
Other Debt Securities	3,541,796	6,457,799	AA
Other Debt Securities	4,634,976	14,264,182	A
Other Debt Securities	-	245,904	BAA/BBB
Other Debt Securities	483,009	1,470,910	B
Total Other Debt Securities	8,659,781	22,438,795	
Total Debt Securities	\$ 1,435,446,101	\$ 1,506,547,323	
Convertible Securities	\$ 110,114	\$ 139,081	B
Cash and Cash Equivalents - Money Market Funds	\$ 422,895,871	\$ 333,349,954	AAA
Cash and Cash Equivalents	47,688,388	7,328,388	Not Rated
Total Cash and Cash Equivalents	\$ 470,584,259	\$ 340,678,342	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 4,240,923	\$ 737,904	AA
Foreign Government and Provincial Obligations	(1,151,920)	-	AA
Foreign Government and Provincial Obligations	-	7,591,041	BAA/BBB
Foreign Government and Provincial Obligations	-	7,217,407	Not Rated
Cash	10,739,928	9,700,138	Not Rated
Total Net Deposit with Brokers for Derivative Contracts	\$ 13,828,931	\$ 25,246,490	

(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 of corporate or municipal bonds that is 5% or more of the market value of the Fund's fixed income investments.

(C) Custodial Credit Risk

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

(D) Interest Rate Risk

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

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,			
	2013		2012	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 257,014,711	8.12	\$ 153,684,841	7.76
U.S. Treasury Bills	52,178,182	0.27	32,253,254	0.53
U.S. Treasury Inflation Protected	16,359,142	14.24	1,286,735	6.50
U.S. Agency Asset Backed	30,351	2.74	35,313	3.19
Total U.S. Government Guaranteed	<u>325,582,386</u>	7.17	<u>187,260,143</u>	6.50
U.S. Government Non-Guaranteed:				
U.S. Agency	6,405,489	0.52	1,270,968	3.00
U.S. Agency Asset Backed	72,597,903	3.94	120,684,374	2.99
Total U.S. Government Non-Guaranteed	<u>79,003,392</u>	3.66	<u>121,955,342</u>	2.99
Total U.S. Government	<u>404,585,778</u>	6.48	<u>309,215,485</u>	5.12
Corporate Obligations:				
Domestic	194,410,363	5.24	262,013,119	6.38
Foreign	182,099,743	5.23	189,286,189	5.46
Total Corporate Obligations	<u>376,510,106</u>	5.24	<u>451,299,308</u>	5.99
Foreign Government and Provincial Obligations	<u>645,690,436</u>	5.18	<u>723,593,735</u>	6.16
Other Debt Securities	<u>8,659,781</u>	10.35	<u>22,438,795</u>	12.80
Total Debt Securities	<u>1,435,446,101</u>	5.59	<u>1,506,547,323</u>	6.00
Convertible Securities	<u>110,114</u>	14.35	<u>139,081</u>	29.03
Cash and Cash Equivalents	<u>470,584,259</u>	0.08	<u>340,678,342</u>	0.05
Total	<u>\$ 1,906,140,474</u>	4.23	<u>\$ 1,847,364,746</u>	4.90
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 969,408	20.80	\$ 490,198	19.79
U.S. Treasury Bills	3,000,579	0.14	247,706	0.56
U.S. Treasury Inflation Protected	270,936	11.50	-	-
Total U.S. Government Guaranteed	<u>4,240,923</u>	5.59	<u>737,904</u>	13.34
Foreign Government and Provincial Obligations	<u>(1,151,920)</u>	-	<u>14,808,448</u>	5.49
Cash	<u>10,739,928</u>	-	<u>9,700,138</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 13,828,931</u>	1.72	<u>\$ 25,246,490</u>	3.61

The Fund has purchased options on ten year constant maturity swaps, with expirations ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2013 these options had a notional value of \$2,251,000,000 and a fair value of \$4,419,925. As of August 31, 2012 these options had a notional value of \$2,251,000,000 and a fair value of \$3,180,467. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$12,635,510 as of August 31, 2013 and 2012. The Fund also purchased both puts and swaptions on the Japanese Yen with expirations ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2013 the puts and swaptions had a notional value of \$574,577,619 with a fair value of \$2,786,972 and a loss limited to \$4,448,332 which represents the premiums paid. As of August 31, 2012 the puts and swaptions had a notional value of \$644,858,582 with a fair value of \$619,115 and a loss limited to \$5,569,862 which

represents the premiums paid. It is estimated that these options would adjust the 2013 duration of total debt securities of 5.59 downward by approximately 0.13, and the total duration of 4.23 downward by approximately 0.14. It is estimated that these options would adjust the 2012 duration of total debt securities of 6.00 downward by approximately 0.10, and the total duration of 4.90 downward by approximately 0.11. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of its portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

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

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

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$76,098,501 and \$98,876,472 as of August 31, 2013 and 2012, respectively.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$38,511,971 and \$71,163,119 as of August 31, 2013 and 2012, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$7,714,156 and \$10,686,913 as of August 31, 2013 and 2012, respectively.

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

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

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Domestic Common Stock:		
Indian Rupee	\$ 13,579	\$ -
Foreign Common Stock:		
Australian Dollar	13,627,009	11,834,760
Brazilian Real	21,068,777	28,290,187
Canadian Dollar	14,477,554	11,506,994
Chilean Peso	657,201	893,852
Chinese Yuan Renminbi	39,383,847	-
Colombian Peso	126,443	-
Czech Koruna	507,297	456,449
Danish Krone	1,055,804	948,129
Egyptian Pound	481,197	348,895
Euro	25,891,448	20,658,831
Hong Kong Dollar	57,520,148	54,242,974
Hungarian Forint	198,351	360,227
Indian Rupee	5,349,092	5,622,389
Indonesian Rupiah	3,767,976	4,772,672
Japanese Yen	82,246,624	14,870,893
Malaysian Ringgit	5,743,596	6,826,959
Mexican Peso	4,648,680	5,186,138
Moroccan Dirham	115,794	139,490
Norwegian Kroner	1,488,255	371,712
Pakistani Rupee	293,855	246,938
Philippine Peso	4,620,988	3,711,313
Peruvian Nuevo Sol	1,022	1,673
Polish Zloty	1,744,707	2,181,904
Singapore Dollar	7,536,221	6,584,363
South African Rand	6,679,445	7,566,450
South Korean Won	20,298,419	20,432,409
Swedish Krona	5,571,515	4,347,764
Swiss Franc	3,997,922	2,995,865
Taiwan Dollar	13,765,269	12,715,969
Thai Baht	5,110,517	7,100,863
Turkish Lira	3,060,824	3,937,402
UK Pound	43,916,657	38,464,207
United Arab Emirates Dirham	790,580	310,569
Total Foreign Common Stock	395,743,034	277,929,240
Other - Equity Securities:		
Chilean Peso	9	257
Hong Kong Dollar	2,293	-
Indian Rupee	65	-
Taiwan Dollar	46	-
Thai Baht	-	26,951
UK Pound	-	12
Total Other - Equity Securities	2,413	27,220
Foreign Preferred Stocks:		
Brazilian Real	9,972,081	10,399,971
Colombian Peso	6,806	-
South Korean Won	-	210,164
Total Foreign Preferred Stock	9,978,887	10,610,135
Foreign Government and Provincial Obligations:		
Australian Dollar	62,214,477	60,575,527
Brazilian Real	25,877,137	73,557,843
Canadian Dollar	15,715,275	17,216,469

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Foreign Government and Provincial Obligations (continued):		
Colombian Peso	\$ 3,456,528	\$ 3,859,503
Euro	177,930,598	187,898,600
Hong Kong Dollar	210,652	187,479
Hungarian Forint	15,319,488	15,662,317
Japanese Yen	48,698,303	84,263,073
Malaysian Ringgit	3,877,045	16,605,981
Mexican Peso	81,419,517	54,079,559
New Zealand Dollar	47,916,308	46,026,319
Polish Zloty	29,493,846	41,389,083
Singapore Dollar	1,199,416	880,756
South African Rand	20,894,861	21,198,082
South Korean Won	17,149,055	17,499,895
Swedish Krona	758,766	-
Turkish Lira	9,903,184	-
UK Pound	56,456,949	83,471,729
Total Foreign Government and Provincial Obligations	618,491,405	724,372,215
Corporate Obligations:		
Australian Dollar	30,109,745	26,744,937
Canadian Dollar	1,785,786	2,165,472
Euro	37,777,229	82,896,054
Japanese Yen	2,625,469	3,549,329
New Zealand Dollar	1,924,052	1,970,465
Swedish Krona	1,599,172	-
UK Pound	31,137,219	26,912,936
Total Corporate Obligations	106,958,672	144,239,193
Investment Funds-Emerging Markets:		
Brazilian Real	4,307,027	2,143,661
Canadian Dollar	140,072	341,848
Euro	-	1,284,127
Hong Kong Dollar	375,699	408,357
Swedish Krona	212,349	251,201
Taiwan Dollar	113,040	24,170
UK Pound	15,651,594	16,511,026
Total Investment Funds-Emerging Market	20,799,781	20,964,390
Investment Funds-Natural Resources:		
UK Pound	772,328	974,874
Purchased Options:		
Australian Dollar	-	1,114,961
Brazilian Real	-	166,464
Euro	-	3,048
Japanese Yen	2,786,972	619,115
South Korean Won	-	5,184,357
Total Purchased Options	2,786,972	7,087,945
Cash and Cash Equivalents:		
Australian Dollar	391,187	407,175
Brazilian Real	2,144,168	(54,571)
Canadian Dollar	93,954	38,763
Chilean Peso	1,748	4,083
Chinese Yuan Renminbi	2,696,682	-
Colombian Peso	1,086	-
Czech Koruna	2,877	12,831

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2013	2012
Cash and Cash Equivalents (continued):		
Danish Krone	\$ 43	\$ 14,806
Egyptian Pound	-	250
Euro	30,801,107	542,648
Hong Kong Dollar	584,543	323,008
Hungarian Forint	617	1,742
Indian Rupee	36,689	110,871
Indonesian Rupiah	228,404	16,387
Israeli Shekel	-	1,571
Japanese Yen	923,319	234,167
Malaysian Ringgit	46,624	63,992
Mexican Peso	86,928	15,942
Moroccan Dirham	5,497	2,051
New Zealand Dollar	286,285	1,598
Norwegian Kroner	168	235
Pakistani Rupee	19	16
Peruvian Nuevo Sol	122	144
Philippine Peso	10,372	3,015
Polish Zloty	18,474	33,271
Singapore Dollar	323	123,724
South African Rand	12,237	28,475
South Korean Won	62,696	139,930
Swedish Krona	838	4,733
Swiss Franc	802	465
Taiwan Dollar	109,853	385,505
Thai Baht	125,858	16,453
Turkish Lira	5,628	37,002
UK Pound	9,548,832	301,758
Total Cash and Cash Equivalents	<u>48,227,980</u>	<u>2,812,040</u>
Written Options:		
Australian Dollar	-	(568,831)
Euro	(19,814)	-
South Korean Won	-	(2,523,186)
Total Written Options	<u>(19,814)</u>	<u>(3,092,017)</u>
Swaps:		
Australian Dollar	-	41,550
Euro	8,913	(2,121)
Japanese Yen	37,524	21,328
Mexican Peso	15,497	773,649
UK Pound	6,405	(203,796)
Total Swaps	<u>68,339</u>	<u>630,610</u>
Futures:		
Australian Dollar	167	(87,080)
Brazilian Real	-	(496,390)
Canadian Dollar	(3,068)	(8,126)
Euro	85,122	12,905
Japanese Yen	10,878	17,842
UK Pound	25,638	6,550
Total Futures	<u>118,737</u>	<u>(554,299)</u>
Total	<u>\$ 1,203,942,313</u>	<u>\$ 1,186,001,546</u>

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

(G) Counterparty (Credit) Risk

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

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

Options	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
	Notional	Notional	Fair Value as of August 31, 2013	Fair Value as of August 31, 2013	
	\$ 2,828,577,619	\$ 73,405,520	\$ 7,672,948	\$ 967,775	

Swaps	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
	Notional	Notional	Fair Value as of August 31, 2013	Fair Value as of August 31, 2013	
	\$ 27,272,337	\$ 13,575,113	\$ 441,438	\$ 373,043	

Foreign Currency Exchange Contracts	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
	Notional	Notional	Fair Value as of August 31, 2013	Fair Value as of August 31, 2013	
	\$ 510,417,758	\$ 540,434,617	\$ 9,306,843	\$ 11,372,393	
823,640	1,517,149	2,906	25,191	AA	
\$ 511,241,398	\$ 541,951,766	\$ 9,309,749	\$ 11,397,584		

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	
<u>\$ 3,451,070,102</u>	<u>\$ 501,087,579</u>	<u>\$ 10,101,949</u>	<u>\$ 3,980,807</u>	
Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	
\$ 51,698,950	\$ 86,339,442	\$ 1,803,985	\$ 945,691	
13,394,566	300,000	15,193	4,246	AA
<u>\$ 65,093,516</u>	<u>\$ 86,639,442</u>	<u>\$ 1,819,178</u>	<u>\$ 949,937</u>	
Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2012</u>	<u>Fair Value as of August 31, 2012</u>	
\$ 410,316,617	\$ 559,202,129	\$ 5,403,411	\$ 9,546,874	
19,384,003	17,229,903	279,031	417,305	AA
<u>\$ 429,700,620</u>	<u>\$ 576,432,032</u>	<u>\$ 5,682,442</u>	<u>\$ 9,964,179</u>	

As of August 31, 2013 and 2012, the Fund also had investments in futures contracts, options on future contracts and exchange-cleared swaps. Futures contracts, options on future contracts and exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default, and therefore they are not presented in the table above.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2013 and 2012, the Fund held \$8,196,920 and \$7,465,000 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$4,610,715 and \$15,974,265, respectively as collateral related to derivative instruments other than futures.

Note 4 – Securities Lending

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

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned and the fair value of collateral held are as follows at August 31, 2013 and 2012:

Securities on Loan	2013 Fair Value	2012 Fair Value	Type of Collateral	2013 Fair Value of Collateral	2012 Fair Value of Collateral
U.S. Government	\$ 98,593,159	\$ 39,033,408	Cash	\$ 100,707,280	\$ 39,835,732
Foreign					
Government	4,053,772	755,774	Cash	4,375,950	802,725
Corporate Bonds	24,911,653	20,907,883	Cash	25,570,964	21,468,093
Common Stock	70,753,610	64,899,881	Cash	73,696,393	67,966,235
Total	\$ 198,312,194	\$ 125,596,946	Total	\$ 204,350,587	\$ 130,072,785
U.S. Government	\$ 145,610,135	\$ 89,661,244	Non-Cash	\$ 148,860,158	\$ 91,514,032
Foreign					
Government	1,485,172	-	Non-Cash	1,518,321	-
Corporate Bonds	110,339	-	Non-Cash	112,802	-
Common Stock	33,787	7,089	Non-Cash	34,541	7,235
Total	\$ 147,239,433	\$ 89,668,333	Total	\$ 150,525,822	\$ 91,521,267

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 General Endowment Fund (GEF), 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 is shown in the following table:

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Description	August 31,					
	2013			2012		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 94,007,023	No Rating Available	3	\$ 63,661,628	No Rating Available	4
Treasuries	-	AA	-	1,808,564	AA	169
Agencies	-	P	-	3,549,733	P	36
Commercial Paper	43,537,428	P	56	28,022,245	P	57
Floating Rate Notes	1,453,461	AAA	-	-	AAA	-
Floating Rate Notes	40,995,777	AA	-	15,572,361	AA	-
Floating Rate Notes	13,445,549	A	-	4,356,183	A	-
Total Floating Rate Notes	<u>55,894,787</u>		38	<u>19,928,544</u>		40
Interest Bearing Notes	2,304,298	P	286	-		-
Certificates of Deposit	8,592,848	P	75	12,207,271	P	68
Time Deposits	-	P	-	904,455	P	24
Other Receivables/Payables	14,203	Not Rated	-	(9,655)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 204,350,587</u>		30	<u>\$ 130,072,785</u>		30

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

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

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

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

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 5 – Investment Funds

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

	August 31,	
	2013	2012
Investment Funds:		
Hedge Funds:		
Developed Country Equity	\$ 1,410,545,480	\$ 1,138,609,290
Credit Related Fixed Income	362,379,802	304,630,635
Investment Grade Fixed Income	210,384,187	171,507,090
Emerging Market Equity	136,411,701	155,108,538
Real Estate	37,004,655	33,868,524
Natural Resources	2,955,732	4,002,894
Total Hedge Funds	<u>2,159,681,557</u>	<u>1,807,726,971</u>
Public Markets:		
Developed Country Equity:		
Private Placements	<u>368,821,916</u>	<u>270,859,060</u>
Emerging Markets:		
Private Placements	107,553,374	113,840,094
Other Investment Funds	23,668,938	26,159,342
Total Emerging Markets	<u>131,222,312</u>	<u>139,999,436</u>
Natural Resources:		
Private Placements	56,162,626	63,534,287
Other Investment Funds	1,272,982	1,846,680
Total Natural Resources	<u>57,435,608</u>	<u>65,380,967</u>
Total Public Markets	<u>557,479,836</u>	<u>476,239,463</u>
Total Investment Funds	<u>\$ 2,717,161,393</u>	<u>\$ 2,283,966,434</u>

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$217,890,087 of future funding to various hedge fund investments as of August 31, 2013 of which the Fund's pro-rata portion is \$53,470,227.

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

UTIMCO is the manager of the limited liability companies. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future funding in the amount of \$13,800,000, of which the Fund's pro-rata portion is \$1,803,172, have been committed to certain public market funds as of August 31, 2013.

In some instances it may be necessary for the Fund to provide funding for certain managers in advance of the effective investment date to facilitate trading in the international market by the investment manager. As of August 31, 2013, there were no fundings in advance of the effective investment date. As of August 31, 2012, \$25,000,000, of which the Fund's pro-rata share was \$4,360,000, had been funded to a manager for investment on the first business day of September 2012. This amount is included in the investment funds fair value on the statements of fiduciary net position.

The Fund, in conjunction with the PUF and the GEF, 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 GEF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts. The net assets and the income, expenses, realized and unrealized gains and losses of these pools have been allocated based on the proportional unit ownership of the Fund, the PUF and the GEF, and the Fund's pro-rata share has been consolidated into the statements of fiduciary net position, the statements of changes in fiduciary net position, and the accompanying note disclosures.

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

- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the Fund's investment funds may impose lockup 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 and public market funds are also subject to the investment risks discussed in Note 3. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

Note 6 – Written Options

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Commodity					
	Aluminum Futures	4	12/4/2013	\$ -	\$ 14
	Copper Futures	2	12/3/2014	-	6,789
				-	6,803
Interest Rate Swap					
	6 month Euribor	6,600,000	3/12/2014	-	6,014
				\$ -	\$ 12,817

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2013 was an increase in the amount of \$42,628, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$1,053,023 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2013.

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Interest Rate Swap					
	3 month United States Libor	4,000,000	9/3/2013	\$ -	\$ 72,642
	3 month United States Libor	3,300,000	9/30/2013	-	51,531
	3 month United States Libor	35,000,000	10/18/2013	-	253,761
	6 month Euribor	6,600,000	3/12/2014	-	13,800
	3 month United States Libor	12,200,000	9/21/2015	-	567,948
				-	959,682
Other					
	US CPI Urban Consumer Not Seasonally Adj.	700,000	9/29/2020	-	858
	US CPI Urban Consumer Not Seasonally Adj.	800,000	10/13/2020	-	1,221
				-	2,079
Commodity					
	Crude Oil Futures	1	11/17/2015	-	4,432
Equity					
	Apple Inc	2	1/17/2015	-	9,517
				\$ -	\$ 975,710

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2013 was a decrease in the amount of \$501,711, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$2,942,258 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2013.

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value</u>	
				<u>at August 31, 2012</u>	
				<u>Assets</u>	<u>Liabilities</u>
Commodity					
	Corn Futures	1	11/23/2012	\$ -	\$ 751
Interest Rate Swap					
	United States 3 month Libor	2,800,000	10/11/2012	-	12,001
	United States 3 month Libor	5,300,000	11/14/2012	-	54,386
	United States 3 month Libor	24,000,000	3/18/2013	-	829,475
				<u>-</u>	<u>895,862</u>
				<u>\$ -</u>	<u>\$ 896,613</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2012 was a decrease in the amount of \$632,156, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized losses in the amount of \$109,791 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2012.

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

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2012	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	2,800,000	10/11/2012	\$ -	\$ 34
	United States 3 month Libor	5,300,000	11/14/2012	-	304
	United States 3 month Libor	24,000,000	3/18/2013	-	44,538
				<u>-</u>	<u>44,876</u>
Commodity					
	Brent Crude Futures	1	11/12/2012	-	8,034
	Copper Futures	2	12/5/2012	-	1,768
	Corn Futures	10	11/23/2012	-	171
	Corn Futures	6	11/23/2013	-	13,671
	Crude Oil Futures	1	11/13/2012	-	255
	Crude Oil Futures	1	11/17/2015	-	8,306
	Natural Gas Futures	5	12/26/2012	-	6,200
				<u>-</u>	<u>38,405</u>
Equity					
	Australia S&P/ASX 200 Index	31,871	9/20/2012	-	11,095
	Australia S&P/ASX 200 Index	14,539	8/15/2013	-	557,736
	Korean KOSPI 200 Index	743,988,083	6/13/2013	-	753,045
	Korean KOSPI 200 Index	493,203,234	8/8/2013	-	1,770,141
				<u>-</u>	<u>3,092,017</u>
Other					
	CPI Urban Consumer Not Seasonally Adj.	700,000	9/29/2020	-	882
	CPI Urban Consumer Not Seasonally Adj.	800,000	10/13/2020	-	1,860
				<u>-</u>	<u>2,742</u>
				<u>\$ -</u>	<u>\$ 3,178,040</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2012 was an increase in the amount of \$7,306,925, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$24,214,807 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2012.

Note 7 – Swaps

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

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2013	
					Assets	Liabilities
Interest Rate						
Euro		0.750%	2,600,000	3/19/2015	\$ 3,966	\$ -
British Pound		1.000%	5,600,000	6/18/2015	6,405	-
Japanese Yen		1.500%	60,000,000	6/19/2033	-	18,215
Mexican Peso		5.000%	14,000,000	6/11/2018	-	40,777
		5.000%	200,000	9/6/2019	-	1,023
		5.750%	3,600,000	2/22/2023	-	23,589
		6.590%	15,100,000	12/8/2015	43,212	-
		6.750%	11,000,000	6/8/2016	37,674	-
U.S. Dollar		2.650%	200,000	7/31/2023	-	4,534
					<u>91,257</u>	<u>88,138</u>
Credit Default						
Euro		1.000%	200,000	6/20/2017	4,947	-
Japanese Yen		1.000%	1,250,000,000	6/20/2018	55,739	-
U.S. Dollar		0.510%	800,000	3/20/2018	-	12,382
		0.990%	200,000	9/20/2015	-	3,615
		1.000%	1,600,000	9/20/2016	38,973	-
		1.000%	400,000	12/20/2016	3,368	-
		1.000%	7,800,000	6/20/2018	83,216	141,865
		1.060%	680,000	3/20/2018	-	934
		1.530%	100,000	9/20/2016	-	3,095
					<u>186,243</u>	<u>161,891</u>
Commodity						
U.S. Dollar	S&P GSCI Industrial Metals		164,445	12/31/2013	2,823	-
	Nuexco Uranium Ore		39,511	2/28/2014	-	8,401
	Nuexco Uranium Ore		39,351	3/31/2014	-	8,241
	Nuexco Uranium Ore		163,778	4/28/2014	-	24,002
	S&P GSCI Grains		1,690,207	8/29/2014	-	9,050
					<u>2,823</u>	<u>49,694</u>
Equity						
U.S. Dollar	MSCI Taiwan Index		5,629,135	1/11/2014	-	96,070
	MSCI Korea Index		5,249,412	5/29/2014	171,486	-
					<u>171,486</u>	<u>96,070</u>
Total					<u>\$ 451,809</u>	<u>\$ 395,793</u>

The change in fair value of open swap positions for the year ending August 31, 2013 was a decrease in the amount of \$515,225, which is included in the net increase in investments on the statement of changes in fiduciary net position.

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2012	
				Assets	Liabilities
Interest Rate					
Australian Dollar					
	5.000%	400,000	6/15/2022	\$ 41,550	\$ -
British Pound					
	1.250%	10,400,000	9/21/2014	-	160,546
	2.500%	1,200,000	9/21/2013	-	43,250
Japanese Yen					
	0.250%	1,090,000,000	6/20/2014	15,772	-
	0.300%	1,820,000,000	12/19/2014	361	-
	0.350%	420,000,000	6/20/2014	-	4,487
	1.000%	90,000,000	3/21/2023	9,682	-
Mexican Peso					
	5.500%	14,000,000	9/13/2017	15,034	-
	6.750%	119,700,000	6/8/2016	548,454	-
	6.590%	15,100,000	12/8/2015	56,320	-
	6.960%	22,600,000	7/27/2020	153,841	-
U.S. Dollar					
	2.250%	500,000	6/20/2022	-	30,293
				841,014	238,576
Credit Default					
Euro					
	0.250%	3,400,000	6/20/2016	-	5,438
	1.000%	200,000	6/20/2017	3,317	-
U.S. Dollar					
	0.250%	4,100,000	12/20/2016	-	38,616
	0.250%	3,300,000	6/20/2017	-	113,649
	0.510%	800,000	3/20/2018	-	13,943
	0.990%	200,000	9/20/2015	-	4,433
	1.000%	1,700,000	9/20/2012	3,860	-
	1.000%	7,100,000	6/20/2015	172,905	-
	1.000%	11,900,000	12/20/2015	22,186	-
	1.000%	4,700,000	3/20/2016	99,197	-
	1.000%	5,300,000	6/20/2016	99,815	-
	1.000%	2,800,000	9/20/2016	64,629	-
	1.000%	600,000	12/20/2016	29,076	-
	1.000%	3,000,000	6/20/2017	-	464,230
	1.000%	100,000	9/20/2017	-	14,946
	1.000%	1,600,000	12/20/2020	-	91,644
	1.060%	680,000	3/20/2018	54,896	-
	1.450%	1,000,000	6/20/2013	-	12,701
	1.530%	100,000	9/20/2016	121	-
	1.540%	100,000	6/20/2018	1,071	-
	1.600%	900,000	3/20/2021	4,099	-
	1.630%	800,000	3/20/2021	5,340	-
	1.780%	300,000	6/20/2013	-	4,246
	1.970%	700,000	3/20/2021	18,552	-
	2.150%	900,000	3/20/2021	35,210	-
	2.950%	1,700,000	12/20/2020	86,235	-
	5.000%	700,000	9/20/2015	102,249	-
				802,758	763,846

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2012	
					Assets	Liabilities
Commodity						
U.S. Dollar						
		Uranium	210,358	4/30/2013	\$ -	\$ 14,650
		S&P GSCI Grains	2,273,394	2/28/2013	-	28,963
					<u>-</u>	<u>43,613</u>
Equity						
U.S. Dollar						
		MSCI Korea Index	3,850,514	5/29/2013	106,580	-
		U.S. Real Estate Index	57,084,589	8/20/2013	-	45,949
		Taiwan TAIEX Index	2,694,240	9/19/2012	-	31,839
					<u>106,580</u>	<u>77,788</u>
Total					<u>\$ 1,750,352</u>	<u>\$ 1,123,823</u>

The change in fair value of open swap positions for the year ending August 31, 2012 was a decrease in the amount of \$210,074, which is included in the net increase in investments on the statement of changes in fiduciary net position.

Note 8 – Futures Contracts

During the years ended August 31, 2013 and 2012, the asset classes that used futures included domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the years ending August 31, 2013 and 2012 were an increase in the amount of \$1,597,567 and \$553,166 respectively, which is included in the net increase in investments on the statement of changes in fiduciary net position. The Fund had \$17,415,136 and \$16,737,225 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2013 and 2012, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized losses on futures contracts, which is included in the net increase in investments on the statement of changes in fiduciary net position, was \$9,766,294 for the year ended August 31, 2013. The amount of net realized losses on futures contracts was \$9,056,172 for the year ended August 31, 2012.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The carrying and fair value, for August 31, 2013, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$1,148,151 and \$1,084,234 as of August 31, 2013 and 2012, respectively.

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

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2013		Carrying and Fair Value at August 31, 2013		
			Long	Short	Assets	Liabilities	
Commodities							
Aluminum Hg	2	Sep-13	\$ 4,094,928	\$ 3,995,893	\$ 97,703	\$ 10,460	
Aluminum Hg	94	Dec-13	8,387,101	4,113,578	-	354,224	
Brent Crude Oil	12	Oct-13	1,365,138	-	94,435	-	
Brent Crude Oil	13	Dec-13	1,442,870	-	-	-	
Brent Crude Oil	38	Dec-14	3,861,340	-	-	814	
Coffee 'C'	47	Dec-13	2,029,017	-	-	56,557	
Copper	4	Sep-13	826,896	179,760	-	31,453	
Copper	69	Dec-13	5,829,228	252,303	13,076	-	
Copper	1	Dec-14	-	145,634	13,983	-	
Corn	199	Dec-13	4,265,700	533,120	79,165	-	
Corn	20	Dec-14	512,866	-	24,909	-	
Cotton No. 2	41	Dec-13	1,705,533	-	-	380	
Cotton No. 2	4	Mar-14	165,480	-	-	-	
Crude Oil	15	Dec-13	1,604,339	-	87,109	-	
Crude Oil	6	Jun-14	596,298	-	44,835	-	
Crude Oil	19	Dec-14	1,774,600	-	-	-	
Crude Oil	83	Dec-15	7,222,660	-	-	-	
Gas Oil	2	Sep-13	196,757	-	11,045	-	
Gasoline RBOB	23	Dec-13	2,782,058	-	16,418	-	
Gasoline RBOB	6	Jan-14	707,818	-	-	-	
Gold 100 Oz	69	Dec-13	9,686,105	-	181,770	-	
Heating Oil	4	Oct-13	507,977	-	-	3,618	
Heating Oil	11	Dec-13	1,444,859	-	-	-	
Heating Oil	6	Jan-14	786,316	-	-	-	
Heating Oil	8	Jun-14	1,011,427	-	-	-	
Lean Hogs	4	Oct-13	140,200	-	-	-	
Lean Hogs	35	Dec-13	1,177,235	-	4,709	-	
Lean Hogs	19	Apr-14	653,600	-	-	-	
Live Cattle	50	Oct-13	2,516,908	-	474	-	
Live Cattle	6	Dec-13	314,678	-	41	-	
Live Cattle	2	Feb-14	105,320	-	-	-	
Natural Gas	39	Oct-13	1,145,920	261,394	28,486	-	
Natural Gas	181	Nov-13	6,445,317	202,009	90,401	1,195	
Natural Gas	125	Jan-14	4,920,673	-	-	10,705	
Natural Gas	9	Mar-14	332,000	-	3,138	-	
Natural Gas	5	Apr-14	202,200	-	-	16,155	
Natural Gas	1	Jun-14	47,270	-	-	3,708	
Natural Gas	4	Jan-15	164,689	-	-	4,313	
Nickel	9	Sep-13	2,335,642	1,566,132	-	130,884	
Nickel	21	Dec-13	1,726,310	-	-	10,795	
Palladium	1	Dec-13	88,142	-	-	2,509	
Platinum	11	Oct-13	852,279	-	30,900	-	
Silver	28	Dec-13	3,348,199	-	26,964	-	
Soybean	19	Nov-13	814,500	468,350	-	34,179	
Soybean	11	Jan-14	742,343	-	46,538	-	
Soybean	15	Mar-14	1,000,688	-	-	-	
Soybean	48	Nov-14	2,911,800	-	-	-	
Soybean Meal	59	Dec-13	2,505,448	-	42,921	-	
Soybean Meal	6	Mar-14	248,100	-	-	-	
Soybean Oil	11	Oct-13	299,832	-	-	4,091	
Soybean Oil	80	Dec-13	2,125,920	-	-	-	

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2013		Carrying and Fair Value at August 31, 2013	
			Long	Short	Assets	Liabilities
Commodities (continued)						
Sugar #11 World	178	Oct-13	\$ 3,266,231	\$ -	\$ -	\$ 25,253
Sugar #11 World	28	Mar-14	529,357	-	-	-
Wheat	113	Dec-13	3,707,461	53,091	1,789	199
Wheat	18	Jul-14	236,998	378,739	2,177	-
Zinc	9	Sep-13	2,553,865	2,125,546	54,366	-
Zinc	44	Dec-13	2,105,125	-	-	-
			<u>112,371,561</u>	<u>14,275,549</u>	<u>997,352</u>	<u>701,492</u>
Domestic Fixed Income						
US Treasury Bond	195	Dec-13	-	25,721,719	-	-
US 10yr Treasury Note	150	Dec-13	18,642,187	-	-	14,063
			<u>18,642,187</u>	<u>25,721,719</u>	<u>-</u>	<u>14,063</u>
Foreign Fixed Income						
3 Month Euro Euribor	46	Dec-14	15,072,158	-	3,034	-
3 Month Euro Euribor	31	Sep-15	10,123,090	-	3,067	-
3 Month Euro Euribor	29	Dec-15	9,456,126	-	2,865	-
90 Day Sterling Libor	33	Sep-14	6,331,191	-	1	-
90 Day Sterling Libor	148	Dec-14	28,368,676	-	2,879	-
90 Day Sterling Libor	276	Mar-15	52,845,043	-	8,054	-
90 Day Sterling Libor	81	Jun-15	15,486,944	-	3,152	-
90 Day Sterling Libor	326	Sep-15	62,223,008	-	19,014	-
90 Day Sterling Libor	67	Dec-15	12,762,254	-	5,208	-
Australian 10yr Bond	4	Sep-13	417,884	-	167	-
Canada 10yr Bond	12	Dec-13	-	1,465,163	-	3,068
Euro-Btp	20	Sep-13	-	2,945,489	-	2,108
Euro-Bobl	7	Sep-13	-	1,154,421	-	1,477
Euro-Bund	162	Sep-13	30,046,833	-	79,741	-
Japan 10yr Bond	3	Sep-13	4,413,698	-	10,878	-
UK Long Gilt	114	Dec-13	-	19,292,318	-	15,071
			<u>247,546,905</u>	<u>24,857,391</u>	<u>138,060</u>	<u>21,724</u>
Foreign Equity						
MSCI Emerging Market	133	Sep-13	6,100,045	-	51,205	-
Interest Rate Swap						
10yr Primary Fixed	5	Sep-13	-	467,813	78	-
Total			<u>\$ 384,660,698</u>	<u>\$ 65,322,472</u>	<u>\$ 1,186,695</u>	<u>\$ 737,279</u>

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2012		Carrying and Fair Value at August 31, 2012	
			Long	Short	Assets	Liabilities
Commodities						
Aluminum Hg	-	Sep-12	\$ 614,494	\$ 614,494	\$ -	\$ 35,681
Aluminum Hg	73	Dec-12	5,489,455	2,002,215	-	489,134
Aluminum Hg	33	Jun-13	1,613,700	-	-	-
Brent Crude Oil	9	Oct-12	1,076,342	-	-	-
Brent Crude Oil	24	Dec-12	2,726,400	-	-	-
Brent Crude Oil	25	Dec-13	2,047,060	638,111	-	-
Coffee 'C'	33	Dec-12	2,034,005	-	-	44,401
Copper	6	Sep-12	2,021,385	971,820	15,524	-
Copper	39	Dec-12	3,586,606	-	-	60,937
Copper	35	Mar-13	3,032,313	-	-	-
Corn	190	Dec-12	7,602,993	-	1,080	-
Corn	9	Jul-13	351,225	-	-	-
Cotton No 2	25	Sep-12	972,288	-	-	-
Cotton No 2	-	Dec-12	-	-	-	12,676
Cotton No 2	20	Mar-13	779,800	-	-	-
Crude Oil	2	Oct-12	216,724	-	91,332	-
Crude Oil	13	Dec-12	1,248,956	-	81,919	-
Crude Oil	2	Jun-13	220,228	-	18,659	-
Crude Oil	43	Dec-13	4,132,487	-	21,771	34,572
Crude Oil	45	Dec-14	4,174,200	-	-	-
Gasoline RBOB	3	Oct-12	433,496	-	58,609	-
Gasoline RBOB	22	Dec-12	2,613,072	-	-	-
Gasoline RBOB	4	Jun-13	487,553	-	-	-
Gold 100 OZ	1	Oct-12	172,095	-	5,704	-
Gold 100 OZ	62	Dec-12	10,495,250	-	73,655	-
Heating Oil	4	Oct-12	600,133	-	65,354	-
Heating Oil	13	Dec-12	1,734,041	-	-	-
Heating Oil	11	Mar-13	1,445,875	-	-	-
Lead	-	Sep-12	220,666	220,666	-	12,524
Lean Hogs	62	Dec-12	1,792,669	-	-	397
Live Cattle	16	Apr-13	869,760	-	1,023	-
Natural Gas	53	Oct-12	1,617,747	154,025	11,259	-
Natural Gas	6	Nov-12	-	193,922	-	214
Natural Gas	49	Dec-12	2,606,706	40,908	-	-
Natural Gas	196	Jan-13	6,596,273	-	-	67,445
Natural Gas	6	Feb-13	199,891	-	-	5,420
Natural Gas	3	Mar-13	103,055	-	4,170	-
Natural Gas	66	Jan-14	2,617,327	-	-	645
Natural Gas	9	Mar-14	331,528	-	584	-
Nickel	-	Sep-12	1,909,080	1,909,080	-	183,054
Nickel	25	Dec-12	2,561,709	156,526	-	28,849
Platinum	10	Oct-12	769,212	-	52,211	-
Silver	21	Dec-12	3,346,820	-	90,879	-
Soybean	40	Nov-12	3,496,348	-	367,132	-
Soybean	29	Mar-13	2,442,163	-	-	-
Soybean	63	May-13	5,008,500	-	-	-
Soybean Oil	82	Dec-12	2,816,556	-	75,197	-
Sugar #11 World	99	Oct-12	2,188,231	-	-	23,658
Sugar #11 World	42	Mar-13	1,367,878	-	-	-

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2012		Carrying and Fair Value at August 31, 2012	
			Long	Short	Assets	Liabilities
Commodities (continued)						
Sugar #11 World	47	May-13	\$ 1,079,120	\$ -	\$ -	\$ -
Wheat	38	Dec-12	1,669,386	-	12,688	-
Wheat	46	Mar-13	2,068,850	-	-	-
Wheat	71	Jul-13	3,049,549	-	3,471	-
Zinc	-	Sep-12	1,547,638	1,547,638	-	21,750
Zinc	87	Dec-12	4,025,047	-	-	25,348
			<u>118,223,885</u>	<u>8,449,405</u>	<u>1,052,221</u>	<u>1,046,705</u>
Domestic Fixed Income						
US Treasury Bond	5	Dec-12	-	757,031	-	4,688
US 5yr Treasury Note	6	Dec-12	802,312	-	25,945	-
US 10yr Treasury Note	81	Dec-12	10,097,789	-	3,469	-
			<u>10,900,101</u>	<u>757,031</u>	<u>29,414</u>	<u>4,688</u>
Foreign Fixed Income						
Australia 3 Year Bond	215	Sep-12	-	24,487,284	-	87,080
Canada 10 Year Bond	20	Dec-12	-	2,769,215	-	8,126
Cupom Cambial	1,120	Jan-13	59,002,712	-	-	499,531
Euro-Bobl	44	Sep-12	7,078,061	-	11,086	-
Euro Btp	10	Dec-12	1,246,382	-	-	6,794
Euro-Bund	2	Sep-12	363,074	-	8,613	-
Japan 10yr Bond	20	Sep-12	36,781,609	-	17,842	-
One-Day Bank Deposit Rate	1,120	Jan-13	-	52,225,457	1,865	-
UK Long Gilt	1	Dec-12	-	192,111	-	461
			<u>104,471,838</u>	<u>79,674,067</u>	<u>39,406</u>	<u>601,992</u>
Foreign Equity						
Bovespa IndexFuture	2	Oct-12	-	81,047	1,276	-
Total			<u>\$ 233,595,824</u>	<u>\$ 88,961,550</u>	<u>\$ 1,122,317</u>	<u>\$ 1,653,385</u>

Note 9 – Foreign Currency Exchange Contracts

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

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2013	Net Sell August 31, 2013	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2013	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2013
Australian Dollar	\$ -	\$ 100,371,837	\$ 2,136,538	\$ 73,901
Brazilian Real	-	9,303,565	699,448	1,245,199
Canadian Dollar	-	12,888,391	48,672	31,487
Chilean Peso	19,853,112	-	-	331,589
Chinese Yuan Renminbi	133,844	-	-	270,504
Colombian Peso	-	3,024,929	76,232	-
Danish Krone	994,859	-	2	9,660
Euro	-	53,392,308	685,934	272,492
Hong Kong Dollar	52,753	-	-	5
Indian Rupee	16,485,033	-	1	835,105
Indonesian Rupiah	-	11,361	50,986	49,078
Japanese Yen	-	6,018,661	2,008,506	1,914,005
Malaysian Ringgit	7,924,274	-	-	59,443
Mexican Peso	-	6,699,969	710,154	593,778
New Zealand Dollar	-	60,856,987	1,658,383	116,352
Norwegian Kroner	1,084,610	-	120,729	249,406
Polish Zloty	-	19,503,133	204,806	709,588
Russian Ruble	39,814	-	407,071	478,246
Singapore Dollar	2,387,514	-	13,945	10,180
South African Rand	9,814,886	-	27,171	1,917,931
South Korean Won	5,768,338	-	180,591	538,765
Swedish Krona	3,568,088	-	39,947	124,178
Swiss Franc	-	15,575,809	-	425,993
Taiwan Dollar	14,210,637	-	9,457	444,413
Thai Baht	481,287	-	-	19,847
UK Pound	8,883,225	-	231,176	676,439
	\$ 91,682,274	\$ 287,646,950	\$ 9,309,749	\$ 11,397,584

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2013 was a decrease in the amount of \$1,563,069, which is included in the net increase in investments on the statement of changes in fiduciary net position.

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Net Buy August 31, 2012</u>	<u>Net Sell August 31, 2012</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2012</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2012</u>
Australian Dollar	\$ -	\$ 127,254,763	\$ 686,134	\$ 1,705,349
Brazilian Real	7,244,699	-	98,302	511,898
Canadian Dollar	-	160,771	283,178	182,003
Chilean Peso	12,971,628	-	452,133	-
Chinese Yuan Renminbi	-	1,466	79,789	851,356
Colombian Peso	-	3,747,973	38,603	-
Danish Krone	1,531,216	-	15,098	-
Euro	-	89,075,552	702,037	2,690,121
Hong Kong Dollar	36,821	-	-	11
Hungarian Forint	970	-	1	-
Indian Rupee	-	18,753	842,368	283,464
Indonesian Rupiah	1,164	-	1	-
Japanese Yen	54,250,282	-	601,528	1,026,007
Malaysian Ringgit	8,484,499	-	26,058	28
Mexican Peso	7,827,588	-	103,935	172,818
New Zealand Dollar	-	66,373,065	138,053	498,095
Norwegian Kroner	521,725	-	5,573	-
Philippine Peso	4,650	-	172	-
Polish Zloty	-	9,553,980	-	95,835
Singapore Dollar	369,075	-	3,232	-
South African Rand	9,583,078	-	142,041	51,167
South Korean Won	18,383,168	-	274,593	78,354
Swedish Krona	10,046,228	-	110,645	375
Swiss Franc	-	19,229,990	21,714	595,661
Taiwan Dollar	10,793,626	-	9,970	179,878
Thailand Baht	522,610	-	5,832	-
Turkish Lira	16,454,810	-	-	313,741
UK Pound	29,333,017	-	1,041,452	728,018
	<u>\$ 188,360,854</u>	<u>\$ 315,416,313</u>	<u>\$ 5,682,442</u>	<u>\$ 9,964,179</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2012 was a decrease in the amount of \$4,281,737, which is included in the net increase in investments on the statement of changes in fiduciary net position.

Note 10 – Purchase Agreement

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.10% to 1.50%. In addition to quarterly investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net position represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2013 and 2012 were \$13,467,574 and 9,276,116, respectively.

UTIMCO assesses the Fund a management fee to cover the costs of managing the Fund and providing day to day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fees for the years ended August 31, 2013 and 2012 were \$4,067,633 and \$3,230,325, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. Fees incurred for the years ended August 31, 2013 and 2012, were \$1,260,320 and \$1,263,756, 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. For the years ended August 31, 2013 and 2012 the fees incurred totaled \$48,837 and \$38,914, respectively.

The Fund is assessed a fee to cover costs associated with UT System personnel in their effort to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the years ended August 31, 2013 and 2012, the fees amounted to \$58,560 and \$77,480, respectively.

Analytical and risk measurement fees are also incurred to maintain a sophisticated risk measurement system for the Fund. Fees incurred for the years ended August 31, 2013 and 2012, were \$136,474 and \$130,139, respectively.

The Fund incurs accounting fees for external and UT System internal audit services. For the years ended August 31, 2013 and 2012, fees in the amount of \$109,720 and \$86,318, respectively, were paid by the Fund.

Consulting fees, in the amount of \$83,461 and \$87,875, respectively, for the years ending August 31, 2013 and 2012, were incurred for investment strategy and other investment planning services.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring of investment managers. Fees in the amount of \$15,976 and \$23,958, were incurred for the years ending August 31, 2013 and 2012, respectively.

Foreign tax consulting and filing fees are incurred by the Fund for investment managers domiciled in certain foreign countries and for those that invest in securities issued in certain foreign countries. Fees in the amounts of \$15,551 and \$25,301, were incurred for the years ending August 31, 2013 and 2012, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
Supplemental Schedules

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

	2013		2012	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 258,159	4.64%	\$ 193,685	3.93%
Foreign Common Stock	451,520	8.11%	338,321	6.87%
Other Equity Securities	584	0.01%	27	0.00%
Total Equity Securities	710,263	12.76%	532,033	10.80%
Preferred Stock				
Domestic Preferred Stock	660	0.01%	531	0.01%
Foreign Preferred Stock	12,942	0.23%	14,552	0.30%
Total Preferred Stock	13,602	0.24%	15,083	0.31%
Debt Securities				
U.S. Government Obligations	404,586	7.27%	309,215	6.28%
Corporate Obligations	376,510	6.76%	451,299	9.17%
Foreign Government and Provincial Obligations	645,690	11.59%	723,594	14.70%
Other	8,660	0.16%	22,439	0.46%
Total Debt Securities	1,435,446	25.78%	1,506,547	30.61%
Purchased Options	7,733	0.14%	10,312	0.21%
Convertible Securities	110	0.00%	139	0.00%
Investment Funds				
Hedge Funds	2,159,682	38.78%	1,807,727	36.72%
Developed Country Equity	368,821	6.62%	270,859	5.50%
Emerging Markets	131,222	2.36%	139,999	2.84%
Natural Resources	57,436	1.03%	65,381	1.33%
Total Investment Funds	2,717,161	48.79%	2,283,966	46.39%
Physical Commodities - Gold	213,809	3.84%	234,745	4.77%
Cash and Cash Equivalents	470,584	8.45%	340,678	6.91%
Total Investments	\$ 5,568,708	100.00%	\$ 4,923,503	100.00%

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
Supplemental Schedules (cont.)

Financial Highlights

Years Ended August 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 110.223	\$ 110.435	\$ 102.029	\$ 94.674	\$ 104.957
Income From Investment Operations					
Net Investment Income (A)	1.115	1.353	1.413	1.532	1.774
Net Realized and Unrealized Gain (Loss) on Investments	4.414	1.686	10.301	8.810	(9.448)
Total Income (Loss) from Investment Operations	<u>5.529</u>	<u>3.039</u>	<u>11.714</u>	<u>10.342</u>	<u>(7.674)</u>
Less Distributions					
From Net Investment Income	1.115	1.353	1.413	1.532	1.774
From Net Realized Gain	2.271	1.898	1.895	1.455	0.835
Total Distributions	<u>3.386</u>	<u>3.251</u>	<u>3.308</u>	<u>2.987</u>	<u>2.609</u>
Net Position, End of Year	<u>\$ 112.366</u>	<u>\$ 110.223</u>	<u>\$ 110.435</u>	<u>\$ 102.029</u>	<u>\$ 94.674</u>
Ratios and Supplemental Data					
Net Position, End of Year (in thousands)	\$ 5,519,663	\$ 4,892,993	\$ 4,661,577	\$ 4,155,806	\$ 3,571,567
Distribution Ratios to Average Net Position	3.02%	3.00%	3.05%	3.02%	2.93%

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