

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

*Years Ended August 31, 2015 and 2014*

# The University of Texas System Intermediate Term Fund

## Financial Statements

Years Ended August 31, 2015 and 2014

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of The University of Texas System Intermediate Term Fund (the "Fund") which comprise the statements of fiduciary net position as of August 31, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of The University of Texas System Intermediate Term Fund as of August 31, 2015 and 2014, and the changes in its fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Fund are intended only to present the fiduciary net position of the Fund as of August 31, 2015 and 2014, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the fiduciary net position of UTIMCO or The University of Texas System, as of August 31, 2015 or 2014, or the changes in their fiduciary net positions for the years then ended.

As discussed in Note 2, the financial statements include investments valued at \$3,882,957,401 (51.9% of total assets) and \$3,610,823,529 (50.0% of total assets) as of August 31, 2015 and 2014, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners.

Our opinion is not modified with respect to these matters.

## **Other Matters**

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

## Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Fund's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

October 30, 2015

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

Our discussion and analysis of The University of Texas System Intermediate Term Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2015 and 2014. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund, 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 \$371.6 million from \$6,664.9 million to \$7,036.5 million or by approximately 5.6% for the year ended August 31, 2015, compared to an increase of \$1,145.2 million or approximately 20.7% for the year ended August 31, 2014. The change in net fiduciary position from year to year is mainly attributable to the following:

1. Net participant contributions to the Fund were \$821.0 million for the year ended August 31, 2015, compared to \$720.7 million for the year ended August 31, 2014.
2. The Fund posted a net investment loss of 3.28%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2015. Investments in developed country equities and hedge funds were the biggest contributors to the 2015 return. Investments in emerging markets equities, real estate and developed country equities were the biggest contributors to the net investment gain of 10.45% for August 31, 2014.
3. The Fund's distribution rate was 3.0% per year, or 0.25% per month, for the years ended August 31, 2015 and 2014. Distributions from the Fund were \$210.0 million for the year ended August 31, 2015 compared to the \$185.9 million distributed for the year ended August 31, 2014.

# THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND

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## Use of Financial Statements and Notes

The Fund's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Fund's activities are accounted for as a fiduciary fund, therefore two financial statements are 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>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 7,058.8	\$ 6,810.7	\$ 5,568.7
Other Assets	427.6	407.8	273.8
<b>Total Assets</b>	<u>7,486.4</u>	<u>7,218.5</u>	<u>5,842.5</u>
<b>Total Liabilities</b>	449.9	553.6	322.8
<b>Net Position Held in Trust</b>	<u>\$ 7,036.5</u>	<u>\$ 6,664.9</u>	<u>\$ 5,519.7</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.

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The net decrease in investments of the Fund was \$295.1 million during the year ended August 31, 2015 compared to the net increase in investments of \$550.0 million for the year ended August 31, 2014. Investment expenses totaled \$22.9 million, \$20.4 million and \$19.2 million respectively, for the years ended August 31, 2015, 2014 and 2013.

Distributions to participants totaled \$210.0 million, \$185.9 million and \$157.9 million, respectively, for the years ended August 31, 2015, 2014 and 2013. 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, 2015, 2014 and 2013:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Investment (Loss) Income	\$ (216.4)	\$ 630.9	\$ 268.6
Less Investment Expenses	22.9	20.4	19.2
Net Investment (Loss) Income	<u>(239.3)</u>	<u>610.5</u>	<u>249.4</u>
Participant Contributions	1,448.1	2,111.1	693.7
Total Additions	<u>1,208.8</u>	<u>2,721.6</u>	<u>943.1</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	627.1	1,390.4	158.4
Participant Distributions	210.0	185.9	157.9
Total Deductions	<u>837.2</u>	<u>1,576.4</u>	<u>316.4</u>
Change in Fiduciary Net Position	371.6	1,145.2	626.7
Net Position Held in Trust, Beginning of Period	6,664.9	5,519.7	4,893.0
Net Position Held in Trust, End of Period	<u>\$ 7,036.5</u>	<u>\$ 6,664.9</u>	<u>\$ 5,519.7</u>

**Contacting UTIMCO**

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



**THE UNIVERSITY OF TEXAS SYSTEM  
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**Statements of Fiduciary Net Position**

*August 31, 2015 and 2014*

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

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Investments, at Fair Value:		
Equity Securities	\$ 633,414	\$ 745,821
Preferred Stock	9,558	14,806
Debt Securities	1,887,086	1,735,738
Investment Funds	3,882,966	3,635,432
Physical Commodities	142,088	155,430
Purchased Options	382	445
Cash and Cash Equivalents	503,310	523,055
Total Investments	<u>7,058,804</u>	<u>6,810,727</u>
Collateral for Securities Loaned, at Fair Value	218,705	317,740
Deposits with Brokers for Derivative Contracts	16,368	5,987
Futures Contracts, at Fair Value	4,023	1,728
Swaps, at Fair Value	60,379	22,964
Unrealized Gains on Foreign Currency Exchange Contracts	24,411	10,401
Receivables:		
Investment Securities Sold	86,457	28,498
Accrued Income	17,000	20,319
Other	245	80
Total Receivables	<u>103,702</u>	<u>48,897</u>
<b>Total Assets</b>	<u>7,486,392</u>	<u>7,218,444</u>
 <b>Liabilities</b>		
Payable upon Return of Securities Loaned	218,705	317,740
Payable to Brokers for Collateral Held	10,870	6,969
Options Written, at Fair Value	530	690
Futures Contracts, at Fair Value	13,012	3,748
Swaps, at Fair Value	60,703	22,295
Unrealized Losses on Foreign Currency Exchange Contracts	11,393	8,135
Payables:		
Investment Securities Purchased	113,137	174,113
Distributions Payable	18,056	16,492
Other	3,470	3,409
Total Payables	<u>134,663</u>	<u>194,014</u>
<b>Total Liabilities</b>	<u>449,876</u>	<u>553,591</u>
 <b>Net Position Held in Trust (62,232,349 Units and 55,320,366 Units, respectively)</b>	 <u><b>\$ 7,036,516</b></u>	 <u><b>\$ 6,664,853</b></u>
<b>Net Position Held in Trust Per Unit</b>	<u><b>\$ 113.068</b></u>	<u><b>\$ 120.477</b></u>

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

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**Statements of Changes in Fiduciary Net Position**

*Years Ended August 31, 2015 and 2014*

*(in thousands)*

	<u>2015</u>	<u>2014</u>
<b>Additions</b>		
Investment Income:		
Net (Decrease) Increase in Investments	\$ (295,063)	\$ 550,004
Interest	60,677	59,329
Dividends	16,959	20,622
Securities Lending Income	966	861
Other Income	48	75
Total Investment (Loss) Income	<u>(216,413)</u>	<u>630,891</u>
Less Investment Expenses:		
Investment Management Fees	16,527	14,466
UTIMCO Management Fee	4,365	4,190
Custodial Fees and Expenses	1,551	1,342
Accounting Fees	158	119
Analytical and Risk Measurement Fees	144	138
Consulting Fees	76	80
Legal Fees	24	14
Foreign Tax Consulting and Filing Fees	19	27
Background Check Fees	11	34
Other Expenses	-	3
Total Investment Expenses	<u>22,875</u>	<u>20,413</u>
Net Investment (Loss) Income	<u>(239,288)</u>	<u>610,478</u>
Participant Contributions	<u>1,448,131</u>	<u>2,111,063</u>
<b>Total Additions</b>	<u>1,208,843</u>	<u>2,721,541</u>
<b>Deductions</b>		
Administrative Expenses:		
UT System Oversight Fee	60	59
Participant Withdrawals	627,156	1,390,369
Participant Distributions	<u>209,964</u>	<u>185,923</u>
<b>Total Deductions</b>	<u>837,180</u>	<u>1,576,351</u>
Change in Fiduciary Net Position	371,663	1,145,190
Net Position Held in Trust, Beginning of Year	<u>6,664,853</u>	<u>5,519,663</u>
<b>Net Position Held in Trust, End of Year</b>	<u><b>\$ 7,036,516</b></u>	<u><b>\$ 6,664,853</b></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 30, 2015, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

## **Note 2 – Significant Accounting Policies**

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

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

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

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

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.

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## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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The statements of fiduciary net position include investments fair valued at \$3,882,957,401 (51.9% of total assets) and \$3,610,823,529 (50.0% of total assets) as of August 31, 2015 and 2014, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values, 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 (decrease) 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, 2015 and 2014, interest and dividend withholding in the amounts of \$1,625,197 and \$1,292,677, respectively, have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

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

(E) ***Distributions to Participants*** -- Cash distributions to participants are paid monthly based on a percentage rate established by the UT Board. For the years ended August 31, 2015 and 2014 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 materially from these estimates.

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## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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(J) ***Derivative Instruments*** -- Derivatives 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 various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Options and swaps are fair valued by using 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 (decrease) 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 (decrease) 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 (decrease) 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, certain commodity and equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included at fair value 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 (decrease) 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.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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(L) **Recently Issued Accounting Standards** -- GASB Statement No. 72 (Statement 72), *Fair Value Measurement and Application*, effective 2016, clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. Management is evaluating the effect that Statement 72 will have on the Fund's financial statements.

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

**Note 3 – Investment Risk**

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4. Risk disclosures relating to the Fund's investments in hedge funds 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, 2015 and 2014:

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**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

Investment Type	August 31,		Rating
	2015	2014	
<b>Investments:</b>			
U.S. Government Guaranteed	\$ 297,933,502	\$ 291,636,779	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	32,375,848	8,197,247	AA
U.S. Agency Asset Backed	36,114,696	45,766,025	AA
Total U.S. Government Non-Guaranteed	68,490,544	53,963,272	
Total U.S. Government	366,424,046	345,600,051	
Corporate Obligations:			
Domestic	27,742,660	14,890,353	AAA
Domestic	21,178,445	21,786,691	AA
Domestic	162,184,079	91,613,863	A
Domestic	95,354,550	66,323,174	BAA/BBB
Domestic	4,208,068	935,704	BA/BB
Domestic	1,113,889	1,898,539	B
Domestic	6,963,190	9,025,896	CAA/CCC
Domestic	1,344,209	1,424,804	CA/CC
Domestic	1,038,777	1,312,180	C
Domestic	708,444	661,760	D
Domestic	376,335	689,543	Not Rated
Foreign	42,426,106	46,921,954	AAA
Foreign	77,151,087	39,842,638	AA
Foreign	59,095,831	47,705,254	A
Foreign	68,259,167	43,862,188	BAA/BBB
Foreign	8,582,648	3,530,596	BA/BB
Foreign	12,022,336	9,867,675	B
Foreign	2,375,889	70,796	CAA/CCC
Foreign	267,029	718,403	Not Rated
Total Corporate Obligations	592,392,739	403,082,011	
Foreign Government and Provincial Obligations	140,991,573	144,277,087	AAA
Foreign Government and Provincial Obligations	194,854,556	235,991,296	AA
Foreign Government and Provincial Obligations	287,161,218	229,641,458	A
Foreign Government and Provincial Obligations	259,108,479	316,264,713	BAA/BBB
Foreign Government and Provincial Obligations	37,682,549	47,374,584	BA/BB
Foreign Government and Provincial Obligations	81,018	5,513,952	Not Rated
Total Foreign Government and Provincial Obligations	919,879,393	979,063,090	
Other Debt Securities	673,396	661,241	AAA
Other Debt Securities	1,920,622	1,971,845	AA
Other Debt Securities	5,795,955	5,359,916	A
Total Other Debt Securities	8,389,973	7,993,002	
Total Debt Securities	\$ 1,887,086,151	\$ 1,735,738,154	
Cash and Cash Equivalents - Money Market Funds	\$ 434,882,134	\$ 465,455,166	AAA
Cash and Cash Equivalents - Money Market Funds	-	695,708	Not Rated
Cash and Cash Equivalents	68,427,981	56,903,292	Not Rated
Total Cash and Cash Equivalents	\$ 503,310,115	\$ 523,054,166	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 4,518,031	\$ 4,202,139	AA
Cash	979,042	(5,184,076)	Not Rated
<b>Total Net Deposit with Brokers for Derivative Contracts</b>	\$ 5,497,073	\$ (981,937)	

**(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, 2015 and 2014, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration by investment type at August 31, 2015 and 2014:

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

*Notes to Financial Statements (cont.)*

Investment Type	August 31,			
	2015		2014	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 258,001,870	12.21	\$ 286,207,202	8.10
U.S. Treasury Bills	-	-	222,089	0.11
U.S. Treasury Inflation Protected	27,848,782	8.10	4,452,578	9.37
U.S. Agency Asset Backed	12,082,850	4.03	754,910	2.13
Total U.S. Government Guaranteed	<u>297,933,502</u>	11.50	<u>291,636,779</u>	8.09
U.S. Government Non-Guaranteed:				
U.S. Agency	32,375,848	0.31	8,197,247	0.35
U.S. Agency Asset Backed	36,114,696	2.66	45,766,025	2.98
Total U.S. Government Non-Guaranteed	<u>68,490,544</u>	1.55	<u>53,963,272</u>	2.58
Total U.S. Government	<u>366,424,046</u>	9.64	<u>345,600,051</u>	7.23
Corporate Obligations:				
Domestic	322,212,646	5.83	210,562,507	5.75
Foreign	270,180,093	4.43	192,519,504	4.35
Total Corporate Obligations	<u>592,392,739</u>	5.19	<u>403,082,011</u>	5.08
Foreign Government and Provincial Obligations	<u>919,879,393</u>	6.97	<u>979,063,090</u>	6.71
Other Debt Securities	<u>8,389,973</u>	10.82	<u>7,993,002</u>	11.41
Total Debt Securities	<u>1,887,086,151</u>	6.95	<u>1,735,738,154</u>	6.46
Cash and Cash Equivalents	<u>503,310,115</u>	0.09	<u>523,054,166</u>	0.07
Total	<u>\$ 2,390,396,266</u>	5.50	<u>\$ 2,258,792,320</u>	4.98
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 4,518,031	5.27	\$ 1,282,977	9.10
U.S. Treasury Bills	-	-	2,052,514	0.20
U.S. Treasury Inflation Protected	-	-	866,648	9.09
Total U.S. Government Guaranteed	<u>4,518,031</u>	5.27	<u>4,202,139</u>	4.75
Cash	<u>979,042</u>	-	<u>(5,184,076)</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 5,497,073</u>	4.33	<u>\$ (981,937)</u>	-

The Fund has purchased options on ten year constant maturity swaps, with expirations ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2015 these options had a notional value of \$1,957,000,000 and a fair value of \$6,424. As of August 31, 2014 these options had a notional value of \$1,957,000,000 and a fair value of \$264,924. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$11,145,910 as of August 31, 2015 and 2014, respectively. The Fund also purchased puts on the Japanese Yen with expirations ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2015, the puts had a notional value of \$108,701,050 with a fair value of \$6,023 and a loss limited to \$1,166,060 which represents the premiums paid. As of August 31, 2014, the puts had a notional value of \$108,701,050 with a fair value of \$58,718 and a loss limited to \$810,074 which represents the premiums paid. It is estimated that these options would not change the 2015 duration of total debt securities of 6.95, and the total duration of 5.50. It is estimated that these options would adjust the 2014 duration of total debt securities of 6.46 downward by approximately 0.01, and the total duration of 4.98 downward by

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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approximately 0.01. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of its portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

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

The Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2015 and 2014, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$93,047,062 and \$77,073,294 as of August 31, 2015 and 2014, respectively.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$28,268,014 and \$19,059,338 as of August 31, 2015 and 2014, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$7,438,896 and \$8,739,374 as of August 31, 2015 and 2014, respectively.

### (F) *Foreign Currency Risk*

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

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2015 and 2014:

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

*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Domestic Common Stock:</b>		
Indian Rupee	\$ 979	\$ 12,437
Taiwan Dollar	3,510	6,999
Total Domestic Common Stock	4,489	19,436
<b>Foreign Common Stock:</b>		
Australian Dollar	7,431,571	8,580,169
Brazilian Real	18,592,193	24,051,068
Canadian Dollar	10,287,464	17,007,909
Chilean Peso	144,758	399,995
Chinese Yuan Renminbi	52,425,856	56,958,104
Colombian Peso	51,155	153,169
Czech Koruna	505,431	259,934
Danish Krone	1,560,407	2,065,005
Egyptian Pound	785,330	603,363
Euro	17,099,904	26,789,225
Hong Kong Dollar	49,178,617	54,314,653
Hungarian Forint	37,566	69,884
Indian Rupee	11,738,614	9,745,669
Indonesian Rupiah	3,147,651	5,001,167
Japanese Yen	68,056,060	74,935,632
Malaysian Ringgit	2,720,786	3,827,035
Mexican Peso	13,943,920	13,502,766
Norwegian Krone	146,843	-
Philippine Peso	2,642,655	4,283,208
Polish Zloty	1,010,711	1,110,653
Qatari Riyal	879,733	65,112
Singapore Dollar	5,588,186	6,768,559
South African Rand	4,959,624	5,412,097
South Korean Won	42,330,756	36,634,461
Swedish Krona	1,293,874	3,785,393
Swiss Franc	1,835,898	3,180,549
Taiwan Dollar	10,154,224	10,472,708
Thai Baht	5,576,350	3,808,384
Turkish Lira	3,030,844	2,082,724
UK Pound	35,884,044	43,161,755
United Arab Emirates Dirham	586,232	347,070
Vietnamese Dong	2,050,746	1,098,549
Total Foreign Common Stock	375,678,003	420,475,969
<b>Other - Equity Securities:</b>		
Brazilian Real	-	31
Canadian Dollar	-	5,386
Hong Kong Dollar	-	97,789
Indonesian Rupiah	-	20
South African Rand	40	-
South Korean Won	-	1,553
Taiwan Dollar	295	57
Thai Baht	534	1,340
Total Other - Equity Securities	869	106,176
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	5,596,764	10,593,886
Chilean Peso	3,740	-
Colombian Peso	11,068	37,906
South African Rand	5,678	5,615

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

*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Foreign Preferred Stocks (continued):</b>		
South Korean Won	\$ 2,439,695	\$ 1,534,371
Total Foreign Preferred Stock	8,056,945	12,171,778
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	93,773,436	100,151,463
Brazilian Real	64,143,875	81,456,718
Canadian Dollar	21,050,589	7,515,245
Colombian Peso	7,883,119	6,425,429
Euro	207,270,226	270,500,076
Hungarian Forint	19,840,245	18,959,529
Indonesian Rupiah	20,318,098	16,163,909
Japanese Yen	102,070,791	23,876,560
Malaysian Ringgit	34,487,598	30,462,933
Mexican Peso	116,911,524	121,461,743
New Zealand Dollar	66,203,753	67,947,762
Norwegian Krone	22,503,798	24,734,510
Polish Zloty	23,561,342	46,278,641
Singapore Dollar	6,151,679	831,017
South African Rand	36,209,250	35,233,571
South Korean Won	11,642,690	30,758,862
Swedish Krona	615,211	15,728,931
Thai Baht	-	6,532,112
UK Pound	33,993,374	47,600,734
Total Foreign Government and Provincial Obligations	888,630,598	952,619,745
<b>Corporate Obligations:</b>		
Australian Dollar	18,498,438	26,609,559
Danish Krone	3,499,572	-
Euro	45,701,398	49,402,760
Indian Rupee	127	-
Mexican Peso	-	940,599
Swedish Krona	1,297,052	1,589,092
UK Pound	34,982,811	16,131,553
Total Corporate Obligations	103,979,398	94,673,563
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	3,239,899	4,155,976
Hong Kong Dollar	-	452,623
Swedish Krona	-	273,404
UK Pound	-	16,151,519
Total Investment Funds-Emerging Market	3,239,899	21,033,522
<b>Investment Funds-Natural Resources:</b>		
UK Pound	-	394,967
<b>Purchased Options:</b>		
Euro	56,963	-
Japanese Yen	6,023	58,718
Total Purchased Options	62,986	58,718
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	397,623	1,826,087
Brazilian Real	1,872,252	723,115
Canadian Dollar	36,637	134,843
Chilean Peso	174	4,684
Chinese Yuan Renminbi	33,758,039	5,008,141
Colombian Peso	620,467	24,943
Czech Koruna	1,723	254
Danish Krone	337	1

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

*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash and Cash Equivalents (continued):</b>		
Egyptian Pound	\$ 1,299	\$ 7,754
Euro	2,320,479	(113,029)
Hong Kong Dollar	36,483	504,981
Hungarian Forint	253	293
Indian Rupee	25,589	39,852
Indonesian Rupiah	20,186	2,276
Israeli Shekel	169	874
Japanese Yen	2,315,751	1,915,037
Malaysian Ringgit	10,064	143,708
Mexican Peso	281,893	1,756,415
New Zealand Dollar	623	1,009
Norwegian Krone	108,307	141
Peruvian Nuevo Sol	731	831
Philippine Peso	29,429	2,611
Polish Zloty	1,120	68,698
Qatari Riyal	5,483	-
Singapore Dollar	369	289
South African Rand	1,065,347	3,454
South Korean Won	632,418	117,926
Swedish Krona	16,646	707
Swiss Franc	904	534
Taiwan Dollar	56,269	101,459
Thai Baht	4,476	2,774
Turkish Lira	5,744	5,545
UK Pound	329,027	319,126
Vietnamese Dong	31,679	22,787
Total Cash and Cash Equivalents	<u>43,987,990</u>	<u>12,628,120</u>
<b>Written Options:</b>		
Australian Dollar	-	(13,890)
Brazilian Real	(35,586)	(221,309)
Chinese Yuan Renminbi	(26,618)	-
Euro	(357,232)	5,870
Japanese Yen	-	(299,358)
Mexican Peso	(4,130)	(635)
Total Written Options	<u>(423,566)</u>	<u>(529,322)</u>
<b>Swaps:</b>		
Brazilian Real	(117,627)	128,028
Euro	55,745,745	20,101,455
Japanese Yen	(332,869)	777,761
Mexican Peso	38,210	147,752
Swedish Krona	(32,608)	-
Swiss Franc	4,039,484	-
UK Pound	(38,291)	(186,704)
Total Swaps	<u>59,302,044</u>	<u>20,968,292</u>
<b>Futures:</b>		
Australian Dollar	(619)	(8,846)
Canadian Dollar	3,269	(17,645)
Euro	(93,745)	(106,878)
UK Pound	(1,061)	(4,282)
Total Futures	<u>(92,156)</u>	<u>(137,651)</u>
Total	<u>\$ 1,482,427,499</u>	<u>\$ 1,534,483,313</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, 2015 for options, swaps, and foreign currency exchange contracts as shown in the following table:

**Options**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
Notional	Notional	Fair Value as of August 31, 2015	Fair Value as of August 31, 2015	Counterparty Rating
\$ 1,287,984,300	\$ 838,878,700	\$ 154,031	\$ 424,237	A

**Swaps**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
Notional	Notional	Fair Value as of August 31, 2015	Fair Value as of August 31, 2015	Counterparty Rating
\$ 61,657,513	\$ 90,880,677	\$ 57,978,297	\$ 57,919,701	A

**Foreign Currency Exchange Contracts**

<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
Notional	Notional	Fair Value as of August 31, 2015	Fair Value as of August 31, 2015	Counterparty Rating
\$ 702,473,733	\$ 441,752,024	\$ 24,411,115	\$ 11,367,861	A
-	1,626,507	-	25,043	AA
\$ 702,473,733	\$ 443,378,531	\$ 24,411,115	\$ 11,392,904	

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

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

*Notes to Financial Statements (cont.)*

<b>Options</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$ 2,072,727,510	\$ 71,090,310	\$ 444,786	\$ 706,875	A
<b>Swaps</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$ 81,651,552	\$ 32,998,762	\$ 21,332,322	\$ 20,531,194	A
<b>Foreign Currency Exchange Contracts</b>				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$ 717,838,213	\$ 589,929,082	\$ 10,182,987	\$ 8,092,578	A
18,528,191	2,681,036	218,165	42,786	AA
\$ 736,366,404	\$ 592,610,118	\$ 10,401,152	\$ 8,135,364	

As of August 31, 2015 and 2014, the Fund also had investments in futures contracts, options on future contracts and exchange-cleared swaps. Futures contracts, options on future contracts and exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore they are not presented in the table above.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2015 and 2014, the Fund held \$10,870,434 and \$6,968,794 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$14,683,507 and \$4,239,020, respectively as collateral related to derivative instruments other than futures.

**Note 4 – Securities Lending**

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



THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned and the fair value of collateral held are as follows at August 31, 2015 and 2014:

Securities on Loan	2015 Fair Value	2014 Fair Value	Type of Collateral	2015 Fair Value of Collateral	2014 Fair Value of Collateral
U.S. Government	\$ 73,661,904	\$ 135,308,254	Cash	\$ 75,164,875	\$ 138,056,422
Foreign					
Government	10,344,787	34,241,650	Cash	10,875,196	36,164,944
Corporate Bonds	45,733,777	28,157,365	Cash	46,935,332	28,878,935
Common Stock	82,555,932	110,605,962	Cash	85,729,924	114,639,550
<b>Total</b>	<b>\$ 212,296,400</b>	<b>\$ 308,313,231</b>	<b>Total</b>	<b>\$ 218,705,327</b>	<b>\$ 317,739,851</b>
U.S. Government	\$ 90,145,341	\$ 45,145,614	Non-Cash	\$ 92,012,532	\$ 46,066,815
Corporate Bonds	685,209	-	Non-Cash	699,593	-
Common Stock	7,241,346	46,732	Non-Cash	7,502,048	51,679
<b>Total</b>	<b>\$ 98,071,896</b>	<b>\$ 45,192,346</b>	<b>Total</b>	<b>\$ 100,214,173</b>	<b>\$ 46,118,494</b>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, The University of Texas System 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 at August 31, 2015 and 2014 is shown in the following table:

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Description	August 31,			August 31,		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
		No Rating			No Rating	
Repurchase Agreements	\$ 126,405,729	Available	1	\$ 79,346,841	Available	2
Commercial Paper	16,441,823	P	18	155,617,536	P	59
Floating Rate Notes	39,258,828	AA		49,005,063	AA	
Floating Rate Notes	36,600,216	A		23,018,643	A	
Total Floating Rate Notes	<u>75,859,044</u>		29	<u>72,023,706</u>		41
Certificates of Deposit	-	-	-	10,766,813	P	71
Other Receivables/Payables	(1,269)	Not Rated	-	(15,045)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 218,705,327</u>		12	<u>\$ 317,739,851</u>		41

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

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

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

As of August 31, 2015 and 2014, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2015 and 2014.

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

	<b>August 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Investment Funds:</b>		
<b>Hedge Funds:</b>		
Developed Country Equity	\$ 2,439,748,241	\$ 2,158,491,777
Credit Related Fixed Income	472,583,446	452,565,552
Investment Grade Fixed Income	176,298,093	212,979,646
Emerging Market Equity	182,075,802	119,450,056
Real Estate	825,041	45,188,780
Natural Resources	1,151,217	2,638,337
Total Hedge Funds	<u>3,272,681,840</u>	<u>2,991,314,148</u>
<b>Public Markets:</b>		
<b>Developed Country Equity:</b>		
Private Placements	465,609,601	445,075,393
Other Investment Funds	-	113,330
Total Developed Country Equity	<u>465,609,601</u>	<u>445,188,723</u>
<b>Emerging Markets:</b>		
Private Placements	108,589,324	124,738,480
Other Investment Funds	8,370	23,665,853
Total Emerging Markets	<u>108,597,694</u>	<u>148,404,333</u>
<b>Real Estate:</b>		
Private Placements	<u>36,076,636</u>	<u>49,695,508</u>
<b>Natural Resources:</b>		
Other Investment Funds	-	829,620
Total Public Markets	<u>610,283,931</u>	<u>644,118,184</u>
<b>Total Investment Funds</b>	<u>\$ 3,882,965,771</u>	<u>\$ 3,635,432,332</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 \$360,204,563 of future funding to various hedge fund investments as of August 31, 2015 of which the Fund's pro-rata portion is \$107,354,647.

Public market funds are invested in exchange traded funds, index funds, and private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These funds are characterized as public

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

*Notes to Financial Statements (cont.)*

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market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the Fund. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. Certain of these investments are held through limited liability companies of which UTIMCO is the manager of the limited liability companies. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future funding in the amount of \$54,244,444, of which the Fund's pro-rata portion is \$7,409,791, have been committed to certain public market funds as of August 31, 2015.

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

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2015	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	5 year EURIBOR Rate	4,800,000	4/29/2016	\$ -	\$ 2,731
	30 year EURIBOR Rate	2,600,000	11/26/2015	-	107,728
				<u>-</u>	<u>110,459</u>
<b>Commodity</b>					
	Crude Oil Futures	40	9/17/2015	-	1,592
<b>Currency</b>					
	BRL/USD Spot Option	2,000,000	11/25/2015	-	32,748
	CNY/USD Spot Option	2,000,000	2/5/2016	-	26,618
				<u>-</u>	<u>59,366</u>
				<u>\$ -</u>	<u>\$ 171,417</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2015 was an increase in the amount of \$69,923, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$215,590 on call options written which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2015.

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

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2015	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	5 year EURIBOR Rate	4,800,000	4/29/2016	\$ -	\$ 154,250
	30 year EURIBOR Rate	1,100,000	9/11/2015	-	90,247
	3 month United States Libor	12,200,000	9/21/2015	-	11
				<u>-</u>	<u>244,508</u>
<b>Credit Default Swap</b>					
	Markit ITraxx Europe Index Series 21	8,100,000	9/16/2015	-	2,276
<b>Other</b>					
	US CPI Urban Consumer Not Seasonally Adj.	700,000	9/29/2020	-	660
<b>Commodity</b>					
	Crude Oil Futures	1	11/17/2015	-	27,814
	Crude Oil Futures	14	11/26/2017	-	9,176
	Natural Gas Futures	52	9/25/2015	-	67,232
				<u>-</u>	<u>104,222</u>
<b>Currency</b>					
	BRL/USD Spot Option	2,000,000	9/23/2015	-	2,838
	MXN/USD Spot Option	4,000,000	10/8/2015	-	4,130
				<u>-</u>	<u>6,968</u>
				<u>\$ -</u>	<u>\$ 358,634</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2015 was a decrease in the amount of \$17,947, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$851,897 on put options written which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2015.

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
<b>Currency</b>					
	AUD/USD Spot Option	2,700,000	11/26/2014	\$ -	\$ 13,890
	BRL/USD Spot Option	1,400,000	9/9/2014	-	48
	BRL/USD Spot Option	400,000	9/11/2014	-	96
	BRL/USD Spot Option	1,300,000	9/25/2014	-	530
	BRL/USD Spot Option	1,200,000	9/26/2014	-	412
	BRL/USD Spot Option	1,200,000	3/11/2015	-	12,304
	BRL/USD Spot Option	2,400,000	5/29/2015	-	35,640
	BRL/USD Spot Option	1,000,000	6/2/2015	-	14,182
	BRL/USD Spot Option	2,300,000	6/8/2015	-	33,682
	BRL/USD Spot Option	1,100,000	6/10/2015	-	20,560
	BRL/USD Spot Option	1,800,000	6/15/2015	-	34,751
	BRL/USD Spot Option	2,300,000	6/21/2016	-	69,104
	MXN/USD Spot Option	2,400,000	9/11/2014	-	635
				<u>-</u>	<u>235,834</u>
<b>Other</b>					
	Euro-Bund Future	31	9/26/2014	-	3,861
<b>Equity</b>					
	Laredo Petroleum Inc.	1	1/17/2015	-	39
	Rosetta Resources, Inc.	2	1/17/2015	-	335
				<u>-</u>	<u>374</u>
				<u>\$ -</u>	<u>\$ 240,069</u>

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2014 was an increase in the amount of \$138,595, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$1,042,351 on call options written which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2014.

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

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	3 Month United States Libor	12,200,000	9/21/2015	\$ -	\$ 155,413
<b>Credit Default Swap</b>					
	Markit ITraxx Europe Index Series 21	2,500,000	9/17/2014	-	77
	Markit ITraxx Europe Index Series 21	4,600,000	12/14/2014	-	7,139
	Markit ITraxx Europe Index Series 21	5,400,000	12/17/2014	-	5,150
	Markit CDX North America Inv. Grade Index Series 22	6,500,000	12/17/2014	-	3,532
				-	15,898
<b>Other</b>					
	US CPI Urban Consumer Not Seasonally Adj.	700,000	9/29/2020	-	372
	Euro-Bund Future	117	9/26/2014	22,097	-
				22,097	372
<b>Commodity</b>					
	Crude Oil Futures	1	11/17/2015	-	1,080
<b>Currency</b>					
	JPY/USD Spot Option	5,000,000	2/18/2016	-	51,365
	JPY/USD Spot Option	1,900,000	4/21/2016	-	33,600
	JPY/USD Spot Option	1,800,000	5/19/2016	-	26,842
	JPY/USD Spot Option	2,100,000	2/18/2019	-	75,195
	JPY/USD Spot Option	3,100,000	2/28/2019	-	112,356
				-	299,358
<b>Equity</b>					
	Apple Inc	14	1/17/2015	-	96
				\$ 22,097	\$ 472,217

The fair value is included on the statements of fiduciary net position as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2014 was an increase in the amount of \$657,927, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$1,493,918 on put options written which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2014.

**Note 7 – Swaps**

During the years ended August 31, 2015 and 2014, the Fund entered into interest rate, credit default, inflation, commodity, currency, volatility and equity swap contracts. The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2015:



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

*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2015	
					Assets	Liabilities
<b>Interest Rate</b>						
<b>Brazilian Real</b>		11.320%	6,900,000	1/4/2016	\$ -	\$ 13,490
		12.230%	8,800,000	1/4/2021	-	104,137
<b>British Pound</b>		1.500%	4,100,000	9/16/2017	-	58,312
		1.500%	400,000	3/16/2018	-	3,134
		1.500%	4,600,000	9/16/2020	-	31,021
		1.750%	12,100,000	9/16/2018	-	104,029
		2.000%	2,100,000	9/16/2025	-	3,695
		2.000%	2,200,000	9/16/2045	128,880	-
		2.250%	900,000	3/16/2046	-	17,216
<b>Euro</b>		0.150%	14,400,000	9/16/2017	17,223	-
		0.750%	6,600,000	9/16/2025	235,576	-
		1.500%	6,100,000	3/16/2046	214,529	-
		2.307%	700,000	10/21/2044	-	43,063
<b>Japanese Yen</b>		0.150%	5,450,000,000	3/22/2018	12,340	-
		0.500%	2,520,000,000	9/17/2021	-	299,504
		1.250%	200,000,000	6/17/2035	26,157	-
		1.500%	380,000,000	12/20/2044	-	71,862
<b>Mexican Peso</b>		4.300%	56,800,000	9/1/2016	10,162	-
		5.560%	2,800,000	11/11/2021	-	2,307
		5.610%	200,000	7/7/2021	-	64
		5.615%	58,500,000	6/2/2020	32,029	-
		5.620%	11,000,000	11/9/2021	-	6,760
		5.630%	8,500,000	10/11/2021	-	4,167
		5.640%	4,000,000	6/4/2021	-	595
		6.000%	50,300,000	7/18/2022	9,912	-
<b>Swedish Krona</b>		1.013%	3,900,000	1/23/2025	-	8,074
		1.023%	3,200,000	1/23/2025	-	6,261
		1.033%	3,300,000	1/23/2025	-	6,082
		1.036%	3,800,000	1/23/2025	-	6,842
		1.080%	1,700,000	1/26/2025	-	2,510
		1.085%	2,000,000	1/26/2025	-	2,839
<b>U.S. Dollar</b>		1.300%	113,300,000	5/6/2017	-	335,466
		1.500%	66,700,000	12/16/2017	-	560,783
		2.250%	77,300,000	12/16/2022	-	906,303
		2.300%	5,000,000	1/13/2023	-	63,569
		2.500%	16,000,000	12/16/2025	-	237,432
		2.750%	1,900,000	12/16/2045	-	1,608
				<u>686,808</u>	<u>2,901,125</u>	
<b>Credit Default</b>						
<b>Euro</b>		1.000%	800,000	12/20/2019	-	31,929
		1.000%	900,000	3/20/2020	-	22,176
		1.000%	92,300,000	6/20/2020	1,540,409	-
		1.000%	800,000	3/20/2025	-	18,852
<b>U.S. Dollar</b>		0.250%	8,400,000	3/20/2020	-	3,515
		0.250%	800,000	6/20/2020	-	1,021
		0.510%	800,000	3/20/2018	-	8,780
		0.990%	200,000	9/20/2015	-	103
		1.000%	2,100,000	3/20/2017	-	4,847
		1.000%	2,600,000	3/20/2019	-	174,118
		1.000%	1,700,000	9/20/2019	3,909	79,469
		1.000%	16,800,000	6/20/2020	173,447	-
		1.060%	680,000	3/20/2018	-	13,939
		1.530%	100,000	9/20/2016	-	1,841
				<u>1,717,765</u>	<u>360,590</u>	

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

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2015	
					Assets	Liabilities
<b>Inflation</b>						
	<b>British Pound</b>	3.310%	300,000	5/15/2030	\$ 7,150	\$ -
		3.311%	300,000	5/15/2030	7,232	-
		3.313%	200,000	5/15/2030	4,904	-
		3.493%	100,000	5/15/2045	191	-
		3.495%	100,000	5/15/2045	361	-
		3.503%	100,000	5/15/2045	875	-
		3.535%	400,000	5/15/2045	12,444	-
		3.537%	300,000	5/15/2045	9,749	-
		3.543%	200,000	5/15/2045	7,330	-
					<u>50,236</u>	<u>-</u>
<b>Commodity</b>						
	<b>U.S. Dollar</b>	Gold	184,914	1/29/2016	-	21,936
		Platinum	200,106	10/30/2015	-	40,855
		S&P GSCI Grains	697,638	1/29/2016	-	25,743
		S&P GSCI Grains	907,195	2/26/2016	-	33,480
		S&P GSCI Grains	1,236,695	3/30/2016	-	45,641
		S&P GSCI Industrial Metals	142,036	2/26/2016	-	2,775
		S&P GSCI Industrial Metals	181,183	3/30/2016	-	3,538
		Uranium Physical Spot Price	412,329	12/18/2015	9,119	-
		Uranium Physical Spot Price	209,519	9/25/2015	-	10,482
		Uranium Physical Spot Price	138,776	1/29/2016	6,582	-
		Uranium Physical Spot Price	1,594,768	2/26/2016	-	3,120
					<u>15,701</u>	<u>187,570</u>
<b>Currency</b>						
	<b>Euro</b>		39,400,000	12/16/2020	44,629,637	-
			8,140,000	12/16/2025	9,224,391	-
	<b>Swiss Franc</b>		3,900,000	12/16/2017	4,041,661	-
	<b>U.S. Dollar</b>		4,158,165	12/16/2017	-	4,158,165
			43,544,520	12/16/2020	-	43,544,520
			8,927,690	12/16/2025	-	8,927,690
					<u>57,895,689</u>	<u>56,630,375</u>
<b>Volatility</b>						
	<b>Swiss Franc/Euro</b>	8.350%	9,000	8/16/2016	-	282
		8.450%	5,000	8/16/2016	-	13,307
		8.650%	5,000	8/16/2016	1,413	-
		8.700%	4,000	8/16/2016	1,094	-
	<b>Swiss Franc/USD</b>	10.250%	5,000	8/16/2016	3,655	-
		10.450%	5,000	8/16/2016	2,844	-
		10.550%	9,000	8/16/2016	3,755	-
		10.900%	4,000	8/16/2016	-	1,349
					<u>12,761</u>	<u>14,938</u>
<b>Equity</b>						
	<b>U.S. Dollar</b>	MSCI Taiwan Index	5,085,856	1/13/2016	-	608,601
<b>Total</b>					<u>\$ 60,378,960</u>	<u>\$ 60,703,199</u>

The change in fair value of open swap positions for the year ending August 31, 2015 was a decrease in the amount of \$290,641, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized losses in the amount of \$1,278,677 on swaps which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2015.

The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2014:

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INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2014	
					Assets	Liabilities
<b>Interest Rate</b>						
<b>Brazilian Real</b>		10.910%	48,800,000	1/2/2017	\$ 125,008	\$ -
		11.000%	21,200,000	1/4/2021	3,042	22
<b>British Pound</b>		1.750%	33,600,000	12/17/2016	-	135,388
		3.500%	200,000	9/17/2044	-	51,316
<b>Euro</b>		2.000%	1,000,000	9/17/2024	-	116,757
		2.750%	900,000	9/17/2044	-	291,910
<b>Japanese Yen</b>		1.500%	1,860,000,000	6/19/2033	777,761	-
<b>Mexican Peso</b>		5.610%	82,900,000	7/7/2021	28,088	-
		5.640%	4,000,000	6/4/2021	2,323	-
		6.600%	14,700,000	5/21/2029	19,189	-
		6.985%	5,000,000	5/19/2034	14,313	-
		7.140%	4,500,000	4/26/2034	18,874	-
		7.380%	9,000,000	2/9/2029	64,965	-
<b>U.S. Dollar</b>		0.750%	13,000,000	12/17/2016	47,546	-
		1.000%	3,300,000	12/17/2016	-	4,360
		1.250%	3,900,000	3/18/2017	-	7,889
		1.250%	67,000,000	6/17/2017	165,326	-
		2.500%	34,600,000	6/18/2021	-	1,033,673
		3.000%	11,500,000	6/20/2023	-	82,876
		3.000%	1,100,000	12/17/2024	-	39,953
		3.500%	200,000	12/17/2044	15,683	-
	4.500%	1,500,000	6/19/2024	77,173	-	
				<u>1,359,291</u>	<u>1,764,144</u>	
<b>Credit Default</b>						
<b>Euro</b>		0.250%	1,100,000	12/20/2014	1,630	-
		1.000%	600,000	3/20/2019	8,923	-
		1.000%	4,400,000	6/20/2019	85,818	4,129
		1.000%	300,000	3/20/2021	-	1,359
<b>U.S. Dollar</b>		0.510%	800,000	3/20/2018	-	12,162
		0.990%	200,000	9/20/2015	-	2,396
		1.000%	700,000	6/20/2015	6,094	-
		1.000%	4,900,000	6/20/2018	148,678	-
		1.000%	4,700,000	3/20/2019	15,586	16,165
		1.000%	20,100,000	6/20/2019	442,256	-
		1.000%	4,900,000	9/20/2019	106,583	10,181
		1.060%	680,000	3/20/2018	-	14,155
		1.530%	100,000	9/20/2016	-	2,998
	5.000%	1,500,000	6/20/2019	305,685	-	
				<u>1,121,253</u>	<u>63,545</u>	
<b>Commodity</b>						
<b>U.S. Dollar</b>	Gold		182,753	1/30/2015	2,856	-
	Platinum		226,195	10/31/2014	-	1,326
	S&P GSCI Grains		1,061,798	2/27/2015	-	-
	S&P GSCI Grains		1,447,451	3/31/2015	-	11,077
	S&P GSCI Grains		816,529	7/31/2015	-	6,249
	S&P GSCI Industrial Metals		197,324	2/27/2015	1,522	-
	S&P GSCI Industrial Metals		251,709	3/31/2015	1,942	-
	Uranium Physical Spot Price		146,591	11/21/2014	-	19,239
	Uranium Physical Spot Price		25,519	12/19/2014	-	15
	Uranium Physical Spot Price		12,779	1/30/2015	-	33
				<u>6,320</u>	<u>37,939</u>	
<b>Currency</b>						
<b>Euro</b>			15,500,000	12/17/2019	20,419,239	-
<b>U.S. Dollar</b>			20,429,688	12/17/2019	-	20,429,688
				<u>20,419,239</u>	<u>20,429,688</u>	
<b>Equity</b>						
<b>U.S. Dollar</b>	MSCI Taiwan Index		5,257,037	1/13/2015	30,627	-
	MSCI Korea Index		4,790,337	5/29/2015	27,622	-
				<u>58,249</u>	<u>-</u>	
<b>Total</b>				<u>\$ 22,964,352</u>	<u>\$ 22,295,316</u>	

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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The change in fair value of open swap positions for the year ending August 31, 2014 was an increase in the amount of \$624,060, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund recognized gains in the amount of \$2,044,025 on swaps which are included in the net (decrease) increase in investments on the statement of changes in fiduciary net position for the year ended August 31, 2014.

### **Note 8 – Futures Contracts**

During the years ended August 31, 2015 and 2014, the asset classes that used futures included commodities and domestic and foreign debt. The change in fair value of open futures contracts for the years ending August 31, 2015 and 2014 were an increase in the amount of \$14,582,495 and \$7,306,454 respectively, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position. The Fund had \$1,684,000 and \$1,747,837 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2015 and 2014, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized losses on futures contracts, which is included in the net (decrease) increase in investments on the statement of changes in fiduciary net position, was \$55,681,382 for the year ended August 31, 2015. The amount of net realized losses on futures contracts was \$998,573 for the year ended August 31, 2014.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The carrying and fair value, for August 31, 2015, 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 \$23,571,475 and \$9,326,618 as of August 31, 2015 and 2014, respectively.

During the years ended August 31, 2015 and 2014, 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 in the following tables with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2015 and 2014.

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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2015		Carrying and Fair Value at August 31, 2015		
			Long	Short	Assets	Liabilities	
<b>Commodities</b>							
Aluminum Hg	-	Sep-15	\$ 1,442,420	\$ 1,442,420	\$ 90,405	\$ -	
Aluminum Hg	108	Dec-15	4,762,655	423,331	-	1,040,505	
Aluminum Hg	113	Dec-16	-	4,709,175	195,891	-	
Brent Crude Oil	343	Oct-15	18,574,914	-	524,568	-	
Brent Crude Oil	63	Dec-15	3,494,521	-	-	269,117	
Brent Crude Oil	61	Dec-16	3,754,268	-	70,522	-	
Brent Crude Oil	43	Dec-17	-	2,805,542	131,874	-	
Brent Crude Oil	48	Dec-18	-	3,251,327	-	147,860	
Cattle Feeder	34	Oct-15	-	3,377,922	170,268	-	
Cocoa	52	Dec-15	-	1,615,263	-	1,483	
Coffee 'C'	43	Dec-15	1,986,870	-	-	260,857	
Copper	-	Sep-15	10,007,906	10,007,906	-	2,265,858	
Copper	92	Dec-15	11,822,445	-	-	85,015	
Corn	330	Dec-15	6,189,672	-	-	315,094	
Corn	104	Dec-16	2,074,161	-	-	192,383	
Crude Oil	247	Oct-15	12,155,721	-	1,459,932	-	
Crude Oil	11	Dec-15	543,607	-	-	430,355	
Crude Oil	15	Dec-16	811,795	-	-	56,257	
Gas Oil	81	Oct-15	3,957,796	-	63,435	-	
Gasoline RBOB	34	Oct-15	2,111,345	-	244,851	-	
Gasoline RBOB	23	Dec-15	-	1,420,784	-	30,558	
Gold 100 Oz	82	Dec-15	9,311,526	-	223,066	-	
Gold 100 Oz	7	Feb-16	-	755,591	-	16,195	
Henry Hub LD1	22	Jan-17	177,093	-	-	52,327	
Henry Hub LD1	22	Feb-17	178,366	-	-	53,126	
Henry Hub LD1	22	Mar-17	176,825	-	-	56,831	
Henry Hub LD1	23	Apr-17	174,706	-	-	73,909	
Henry Hub LD1	23	May-17	174,178	-	-	74,436	
Henry Hub LD1	23	Jun-17	174,129	-	-	72,339	
Henry Hub LD1	23	Jul-17	174,515	-	-	69,881	
Henry Hub LD1	23	Aug-17	175,148	-	-	69,248	
Henry Hub LD1	23	Sep-17	174,572	-	-	69,824	
Henry Hub LD1	23	Oct-17	174,582	-	-	67,742	
Henry Hub LD1	22	Nov-17	175,865	-	-	62,010	
Henry Hub LD1	22	Dec-17	178,120	-	-	51,226	
Henry Hub LD1	5	Jan-18	44,831	-	-	13,137	
Henry Hub LD1	5	Feb-18	46,323	-	-	13,879	
Henry Hub LD1	5	Mar-18	45,505	-	-	14,698	
Henry Hub LD1	6	Apr-18	42,736	-	-	19,669	
Henry Hub LD1	6	May-18	42,707	-	-	19,697	
Henry Hub LD1	6	Jun-18	43,188	-	-	19,216	
Henry Hub LD1	6	Jul-18	43,712	-	-	18,693	
Henry Hub LD1	6	Aug-18	43,895	-	-	18,509	
Henry Hub LD1	6	Sep-18	43,754	-	-	18,651	
Henry Hub LD1	6	Oct-18	44,079	-	-	18,325	
Henry Hub LD1	5	Nov-18	43,609	-	-	16,593	
Henry Hub LD1	5	Dec-18	44,069	-	-	13,899	
Lead	-	Sep-15	1,109,323	1,109,323	-	150,362	
Lead	19	Dec-15	814,703	-	543	-	
Lean Hogs	24	Dec-15	611,795	-	24,423	-	
Live Cattle	45	Oct-15	-	2,568,963	93,824	-	
Live Cattle	31	Feb-16	-	1,771,152	79,383	-	
Live Cattle	28	Apr-16	-	1,625,158	-	9,333	
Natural Gas	248	Oct-15	6,670,845	-	-	396,321	
Natural Gas	510	Jan-16	15,384,605	-	-	2,148,132	
Nickel	-	Sep-15	1,277,549	1,277,549	-	52,690	
Nickel	124	Dec-15	7,501,456	-	-	903,842	
NY Harb ULSD	29	Oct-15	2,078,445	-	161,959	-	
Palladium	93	Dec-15	5,608,861	-	378,957	-	
Platinum	210	Oct-15	10,594,907	-	-	644,928	

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

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2015		Carrying and Fair Value at August 31, 2015		
			Long	Short	Assets	Liabilities	
<b>Commodities (continued)</b>							
Silver	76	Dec-15	\$ 5,524,885	\$ -	\$ -	\$ 87,721	
Soybean	86	Nov-15	3,836,903	-	-	422,959	
Soybean	28	Mar-16	-	1,272,929	48,091	-	
Soybean Oil	172	Dec-15	2,910,530	-	-	386,902	
Sugar #11 World	421	Oct-15	5,035,757	-	-	714,163	
Wheat	197	Dec-15	3,808,356	989,557	47,438	37,088	
Wheat	3	Mar-16	-	64,373	4,012	-	
Zinc	-	Sep-15	2,784,891	2,784,891	-	463,828	
Zinc	102	Dec-15	4,624,235	-	-	276,547	
			<u>175,816,175</u>	<u>43,273,156</u>	<u>4,013,442</u>	<u>12,784,218</u>	
<b>Domestic Fixed Income</b>							
US Ultra Bond	22	Dec-15	3,484,938	-	-	13,063	
US 5yr Treasury Note	104	Dec-15	12,421,500	-	-	13,000	
US 10yr Treasury Note	742	Dec-15	94,280,375	-	-	104,347	
			<u>110,186,813</u>	<u>-</u>	<u>-</u>	<u>130,410</u>	
<b>Foreign Fixed Income</b>							
90 Day Bank Accept	57	Sep-15	42,539,008	-	-	2,142	
90 Day Eurodollar	5	Jun-16	-	4,960,250	187	-	
90 Day Eurodollar	29	Sep-16	-	28,712,900	1,088	-	
90 Day Eurodollar	33	Dec-16	-	32,607,300	1,650	-	
90 Day Eurodollar	23	Mar-17	-	22,687,200	1,438	-	
Australian 10yr Bond	14	Sep-15	-	1,114,671	-	619	
Canada 10yr Bond	36	Dec-15	-	3,826,471	5,411	-	
Euro-Bobl	92	Dec-15	13,215,625	-	-	20,813	
Euro-Btp	35	Dec-15	5,235,928	-	-	2,028	
Euro-Bund	31	Dec-15	5,321,479	-	-	24,896	
Euro Buxl 30yr bond	3	Sep-15	509,536	-	-	5,984	
Euro-Oat	76	Sep-15	12,578,688	-	-	40,024	
UK Long Gilt	23	Dec-15	4,145,479	-	-	1,061	
			<u>83,545,743</u>	<u>93,908,792</u>	<u>9,774</u>	<u>97,567</u>	
<b>Total</b>			<u>\$ 369,548,731</u>	<u>\$ 137,181,948</u>	<u>\$ 4,023,216</u>	<u>\$ 13,012,195</u>	

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

THE UNIVERSITY OF TEXAS SYSTEM

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2014		Carrying and Fair Value at August 31, 2014	
			Long	Short	Assets	Liabilities
<b>Commodities</b>						
Aluminum Hg	-	Sep-14	\$ 6,579,396	\$ 6,579,396	\$ 300,621	\$ -
Aluminum Hg	131	Dec-14	7,736,605	853,694	55,647	-
Brent Crude Oil	91	Oct-14	9,382,039	-	-	226,793
Brent Crude Oil	26	Dec-14	2,663,758	-	-	62,879
Cattle Feeder	8	Oct-14	-	901,663	-	12,374
Coffee 'C'	22	Dec-14	1,653,731	-	255,595	-
Copper	-	Sep-14	3,443,296	3,443,296	-	58,682
Copper	20	Dec-14	3,647,921	212,500	19,528	-
Corn	165	Dec-14	3,005,404	-	-	533,739
Corn	33	Mar-15	-	632,470	6,530	-
Cotton No. 2	11	Dec-14	358,019	-	-	58,038
Crude Oil	68	Oct-14	6,543,514	-	-	68,322
Crude Oil	61	Dec-14	5,745,618	-	-	177,456
Crude Oil	10	Dec-15	892,510	-	-	3,953
Gas Oil	59	Sep-14	5,071,891	-	-	121,722
Gasoline RBOB	18	Oct-14	1,967,413	-	39,970	-
Gold 100 Oz	109	Dec-14	13,978,124	-	-	132,804
Heating Oil	12	Dec-14	1,469,223	-	16,985	-
Henry Hub LD1	20	Jan-17	218,315	-	8,659	-
Henry Hub LD1	20	Feb-17	217,233	-	7,576	-
Henry Hub LD1	20	Mar-17	216,340	-	4,509	-
Henry Hub LD1	21	Apr-17	214,811	-	-	9,965
Henry Hub LD1	21	May-17	215,497	-	-	9,279
Henry Hub LD1	21	Jun-17	215,254	-	-	7,366
Henry Hub LD1	21	Jul-17	217,292	-	-	5,328
Henry Hub LD1	21	Aug-17	218,076	-	-	4,544
Henry Hub LD1	21	Sep-17	217,814	-	-	4,805
Henry Hub LD1	21	Oct-17	219,173	-	-	3,447
Henry Hub LD1	20	Nov-17	214,479	-	518	25
Henry Hub LD1	19	Dec-17	216,211	-	8,711	-
Henry Hub LD1	5	Jan-18	60,259	-	2,026	-
Henry Hub LD1	5	Feb-18	62,275	-	1,797	-
Henry Hub LD1	5	Mar-18	61,426	-	948	-
Henry Hub LD1	6	Apr-18	59,112	-	-	3,578
Henry Hub LD1	6	May-18	59,297	-	-	3,393
Henry Hub LD1	6	Jun-18	59,751	-	-	2,939
Henry Hub LD1	6	Jul-18	60,263	-	-	2,427
Henry Hub LD1	6	Aug-18	60,462	-	-	2,228
Henry Hub LD1	6	Sep-18	60,433	-	-	2,257
Henry Hub LD1	6	Oct-18	60,817	-	-	1,873
Henry Hub LD1	5	Nov-18	59,809	-	-	669
Henry Hub LD1	5	Dec-18	59,837	-	1,604	-
Lead	-	Sep-14	2,254,821	2,254,821	64,997	-
Lead	40	Dec-14	2,266,432	-	-	13,588
Live Cattle	20	Oct-14	1,192,370	-	37,694	-
Live Cattle	59	Dec-14	3,636,756	-	-	77,259
Natural Gas	188	Jan-15	8,025,685	-	70,231	51,635
Natural Gas	187	Feb-15	7,931,476	-	215,237	-
Natural Gas	21	Mar-15	863,212	-	940	-
Natural Gas	70	Apr-15	2,742,954	-	11,757	8,270
Natural Gas	87	Jun-15	3,384,108	-	10,440	-
Nickel	-	Sep-14	6,775,887	6,775,887	-	28,742
Nickel	71	Dec-14	7,974,595	-	-	28,478
Palladium	54	Dec-14	4,873,175	-	138,641	-
Platinum	121	Oct-14	8,616,309	-	-	300,192
Silver	18	Dec-14	1,760,346	-	-	4,787
Soybean	62	Nov-14	3,159,592	-	-	289,259
Soybean	22	Jan-15	-	1,173,437	11,542	-
Soybean Meal	63	Dec-14	1,017,779	1,188,595	53,959	53,645
Soybean Oil	92	Dec-14	1,772,870	-	-	330,683

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2014		Carrying and Fair Value at August 31, 2014		
			Long	Short	Assets	Liabilities	
<b>Commodities (continued)</b>							
Sugar #11 World	362	Oct-14	\$ 6,274,206	\$ -	\$ -	\$ 884,283	
Wheat	44	Dec-14	1,278,350	125,796	34,799	-	
Wheat	36	Jul-15	-	1,064,137	10,018	-	
Zinc	-	Sep-14	6,901,087	6,901,087	301,388	-	
Zinc	117	Dec-14	6,932,612	-	31,254	-	
			<u>167,097,320</u>	<u>32,106,779</u>	<u>1,724,121</u>	<u>3,591,706</u>	
<b>Domestic Fixed Income</b>							
USD IRS 10yr Prime	2	Sep-14	-	213,531	94	-	
US Treasury Bond	42	Dec-14	5,883,937	-	-	7,875	
US 5yr Treasury Note	5	Dec-14	594,180	-	156	-	
US 10yr Treasury Note	163	Dec-14	20,502,344	-	-	10,187	
			<u>26,980,461</u>	<u>213,531</u>	<u>250</u>	<u>18,062</u>	
<b>Foreign Fixed Income</b>							
3 Month Euro Euribor	81	Jun-15	26,641,292	-	-	4,428	
3 Month Euro Euribor	81	Sep-15	26,638,625	-	-	4,001	
90 Day Eurodollar	-	Sep-14	-	-	-	15	
90 Day Eurodollar	48	Dec-14	11,969,400	-	600	-	
90 Day Eurodollar	50	Dec-15	-	12,375,625	-	625	
90 Day Eurodollar	68	Jun-15	16,908,200	-	1,700	-	
90 Day Eurodollar	98	Mar-15	24,413,025	-	1,225	-	
90 Day Sterling Libor	15	Sep-15	-	3,074,671	-	3,659	
Australian 10yr Bond	24	Sep-14	-	2,760,608	-	8,846	
Canada 10yr Bond	87	Dec-14	-	11,014,252	-	17,645	
Euro-Btp	100	Sep-14	17,192,094	-	-	68,444	
Euro-Bobl	1	Sep-14	-	170,222	-	-	
Euro-Bund	82	Sep-14	-	16,367,896	-	30,243	
Euro-Oat	3	Sep-14	575,116	-	237	-	
UK Long Gilt	56	Dec-14	10,559,447	-	-	623	
			<u>134,897,199</u>	<u>45,763,274</u>	<u>3,762</u>	<u>138,529</u>	
<b>Total</b>			<u>\$ 328,974,980</u>	<u>\$ 78,083,584</u>	<u>\$ 1,728,133</u>	<u>\$ 3,748,297</u>	

**Note 9 – Foreign Currency Exchange Contracts**

The following tables summarize by currency the contractual amounts of the Fund's foreign currency exchange contracts at August 31, 2015 and 2014. Foreign currency amounts are translated at exchange rates as of August 31, 2015 and 2014. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.



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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2015	Net Sell August 31, 2015	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2015	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2015
Australian Dollar	\$ -	\$ 74,029,180	\$ 4,451,978	\$ 87,651
Brazilian Real	-	31,496,324	5,405,439	1,480,696
Canadian Dollar	8,708,020	-	823,898	410,043
Chilean Peso	34,184,806	-	-	2,488,966
Chinese Yuan Renminbi	-	5,269,037	129,774	268,876
Colombian Peso	-	7,896,453	500,958	-
Danish Krone	-	2,536,810	-	60,880
Euro	46,813,280	-	1,371,313	2,317,687
Hong Kong Dollar	-	702	-	-
Indian Rupee	27,417,789	-	-	198,959
Indonesian Rupiah	-	37,444	-	129
Israeli Shekel	532,663	-	-	22,213
Japanese Yen	67,259,071	-	4,568,514	1,168,976
Malaysian Ringgit	-	5,061,989	217,332	43,560
Mexican Peso	-	25,266,165	1,180,668	781,670
New Zealand Dollar	-	77,076,956	4,350,271	132,628
Norwegian Kroner	20,157,167	-	-	439,802
Philippines Peso	-	78,321	-	101
Polish Zloty	7,003,881	-	103,071	-
Russian Ruble	263,629	-	2,623	6,981
Singapore Dollar	-	32,854,908	444,833	16,155
South African Rand	-	4,598,195	118,635	19,320
South Korean Won	-	4,388,928	278,414	272,726
Swedish Krona	19,152,213	-	145,951	4,570
Swiss Franc	2,721,025	-	44,488	-
Taiwan Dollar	19,004,563	-	5,943	567,255
Thai Baht	-	1,777,657	12,931	-
Turkish Lira	460,262	-	6,302	39,354
UK Pound	-	6,016,955	247,779	563,706
	<u>\$ 253,678,369</u>	<u>\$ 278,386,024</u>	<u>\$ 24,411,115</u>	<u>\$ 11,392,904</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2015 was an increase in the amount of \$12,942,518, which is included in the net (decrease) 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.)*

Currency	Net Buy August 31, 2014	Net Sell August 31, 2014	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2014	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2014
Australian Dollar	\$ -	\$ 82,773,229	\$ 124,435	\$ 806,836
Brazilian Real	-	53,845,006	266,916	1,602,254
Canadian Dollar	24,196,008	-	242,417	10,847
Chilean Peso	32,875,704	-	-	1,647,685
Chinese Yuan Renminbi	215,119	-	-	87,428
Colombian Peso	-	6,141,281	51,734	49,423
Czech Koruna	-	18,844,583	417,419	-
Danish Krone	1,107,521	-	-	19,614
Euro	-	123,389,529	2,115,891	67,448
Hong Kong Dollar	-	98,501	-	1
Hungarian Forint	-	6,285,433	70,058	5,768
Indian Rupee	25,181,880	-	269,124	54,391
Israeli Shekel	-	5,885,240	82,047	8,918
Japanese Yen	54,278,869	-	1,505,972	2,552,989
Malaysian Ringgit	14,114,508	-	127,348	11,426
Mexican Peso	-	30,525,012	429,395	392,751
New Zealand Dollar	-	87,369,312	1,697,763	86,829
Norwegian Kroner	291,615	-	5,902	1,923
Polish Zloty	-	19,613,546	727,902	28,112
Russian Ruble	425,142	-	88,110	79,134
Singapore Dollar	467,705	-	2,817	982
South African Rand	-	9,012,990	16,954	77,106
South Korean Won	32,692,134	-	1,051,115	5,900
Swedish Krona	-	12,539,349	207,163	29,043
Swiss Franc	-	23,721,595	510,388	26,611
Taiwan Dollar	29,031,585	-	58,824	-
Thai Baht	476,574	-	3,459	9
Turkish Lira	630,703	-	632	7,312
UK Pound	15,604,807	-	327,367	474,624
	\$ 231,589,874	\$ 480,044,606	\$ 10,401,152	\$ 8,135,364

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2014 was an increase in the amount of \$2,310,399, which is included in the net (decrease) 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 \$3,742,770,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

**Note 11 – Fees and Expenses**

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.10% to 1.50%. In addition to quarterly investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net position represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2015 and 2014, were \$16,526,679 and 14,466,012, 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, 2015 and 2014 were \$4,364,858 and \$4,190,192, 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, 2015 and 2014, were \$1,550,678 and \$1,342,383, respectively.

The Fund incurs accounting fees for external and UT System internal audit services. For the years ended August 31, 2015 and 2014, fees amounted to \$158,148 and \$118,884, 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, 2015 and 2014, were \$144,393 and \$137,501, respectively.

Consulting fees, in the amount of \$75,775 and \$79,800, respectively, for the years ending August 31, 2015 and 2014, were incurred for investment strategy and other investment planning services.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. For the years ended August 31, 2015 and 2014 the fees incurred totaled \$24,526 and \$14,398, 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 \$19,427 and \$26,918, were incurred for the years ending August 31, 2015 and 2014, respectively.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring of investment managers. Fees in the amount of \$10,953 and \$34,065, were incurred for the years ending August 31, 2015 and 2014, respectively.

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

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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, 2015 and 2014, the fees amounted to \$59,670 and \$58,500, respectively.

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

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

	2015		2014	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
<b>Equity Securities</b>				
Domestic Common Stock	\$ 224,262	3.18%	\$ 284,745	4.18%
Foreign Common Stock	409,151	5.80%	460,970	6.77%
Other Equity Securities	1	0.00%	106	0.00%
<b>Total Equity Securities</b>	<u>633,414</u>	<u>8.98%</u>	<u>745,821</u>	<u>10.95%</u>
<b>Preferred Stock</b>				
Domestic Preferred Stock	301	0.00%	840	0.01%
Foreign Preferred Stock	9,257	0.13%	13,966	0.21%
<b>Total Preferred Stock</b>	<u>9,558</u>	<u>0.13%</u>	<u>14,806</u>	<u>0.22%</u>
<b>Debt Securities</b>				
U.S. Government Obligations	366,424	5.19%	345,600	5.07%
Corporate Obligations	592,393	8.39%	403,082	5.92%
Foreign Government and Provincial Obligations	919,879	13.03%	979,063	14.38%
Other	8,390	0.12%	7,993	0.12%
<b>Total Debt Securities</b>	<u>1,887,086</u>	<u>26.73%</u>	<u>1,735,738</u>	<u>25.49%</u>
<b>Purchased Options</b>	<u>382</u>	<u>0.01%</u>	<u>445</u>	<u>0.01%</u>
<b>Investment Funds</b>				
Hedge Funds	3,272,682	46.36%	2,991,314	43.92%
Developed Country Equity	465,609	6.60%	445,189	6.54%
Emerging Markets	108,598	1.54%	148,404	2.18%
Real Estate	36,077	0.51%	49,695	0.73%
Natural Resources	-	0.00%	830	0.01%
<b>Total Investment Funds</b>	<u>3,882,966</u>	<u>55.01%</u>	<u>3,635,432</u>	<u>53.38%</u>
<b>Physical Commodities - Gold</b>	<u>142,088</u>	<u>2.01%</u>	<u>155,430</u>	<u>2.28%</u>
<b>Cash and Cash Equivalents</b>	<u>503,310</u>	<u>7.13%</u>	<u>523,055</u>	<u>7.67%</u>
<b>Total Investments</b>	<u>\$ 7,058,804</u>	<u>100.00%</u>	<u>\$ 6,810,727</u>	<u>100.00%</u>

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

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**Financial Highlights**

*Years Ended August 31,*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 120.477	\$ 112.366	\$ 110.223	\$ 110.435	\$ 102.029
Income From Investment Operations					
Net Investment Income (A)	0.935	1.136	1.115	1.353	1.413
Net Realized and Unrealized (Loss) Gain on Investments	(4.797)	10.485	4.414	1.686	10.301
Total (Loss) Income from Investment Operations	(3.862)	11.621	5.529	3.039	11.714
Less Distributions					
From Net Investment Income	0.935	1.136	1.115	1.353	1.413
From Net Realized Gain	2.612	2.374	2.271	1.898	1.895
Total Distributions	3.547	3.510	3.386	3.251	3.308
Net Position, End of Year	<u>\$ 113.068</u>	<u>\$ 120.477</u>	<u>\$ 112.366</u>	<u>\$ 110.223</u>	<u>\$ 110.435</u>
<b>Ratios and Supplemental Data</b>					
Net Position, End of Year (in thousands)	\$ 7,036,516	\$ 6,664,853	\$ 5,519,663	\$ 4,892,993	\$ 4,661,577
Distribution Ratios to Average Net Position	3.03%	3.01%	3.02%	3.00%	3.05%

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