

Financial Statements

and Independent Auditors' Report

The University of Texas System

Intermediate Term Fund

Years Ended August 31, 2020 and 2019

The University of Texas System Intermediate Term Fund

Financial Statements

Years Ended August 31, 2020 and 2019

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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/Texas A&M 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 net position as of August 31, 2020 and 2019, and the related statements of changes in 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/Texas A&M 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 net position of The University of Texas System Intermediate Term Fund as of August 31, 2020 and 2019, and the changes in its 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 net position of the Fund as of August 31, 2020 and 2019, and the changes in its 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 consolidated net position of The University of Texas System, as of August 31, 2020 or 2019, or the changes in its consolidated net position for the years then ended.

Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 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 Schedule

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of the Fund's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such schedule has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedule 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 schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 30, 2020

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, 2020 and 2019. This discussion was prepared by The University of Texas/Texas A&M 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 a Master 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 position, after contributions, withdrawals, and distributions increased by \$4.0 million from \$9,206.9 million to \$9,210.9 million or by approximately 0.04% for the year ended August 31, 2020, compared to a decrease of \$728.2 million or approximately 7.3% for the year ended August 31, 2019. The change in net position from year to year is mainly attributable to the following:

1. Net participant withdrawals from the Fund were \$501.4 million for the year ended August 31, 2020, compared to net withdrawals of \$916.9 million for the year ended August 31, 2019.
2. The Fund posted a net investment return of 8.85%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2020. Investments in public equities, including global developed public equity and emerging markets public equity were the biggest contributors to the 2020 return. For the year ended August 31, 2019, the Fund posted a net investment return of 5.28%. Investments in gold, investment grade fixed income, and stable value hedge funds were the biggest contributors for August 31, 2019.
3. The Fund's distribution rate was 3.0% per year, or 0.25% per month, for the years ended August 31, 2020 and 2019. Distributions from the Fund were \$269.5 million for the year ended August 31, 2020 compared to the \$281.7 million distributed for the year ended August 31, 2019.

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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 an investment trust fund, therefore two financial statements are typically required under GASB: the statement of net position and the statement of changes in net position.

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

Statements of Net Position

The statements of 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 net position (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Investments, at Fair Value	\$ 9,540.3	\$ 9,432.8	\$ 10,206.0
Other Assets	681.4	562.2	530.7
Total Assets	<u>10,221.7</u>	<u>9,995.0</u>	<u>10,736.7</u>
Total Liabilities	1,010.8	788.1	801.6
Net Position Restricted for Participants	<u>\$ 9,210.9</u>	<u>\$ 9,206.9</u>	<u>\$ 9,935.1</u>

Statements of Changes in Net Position

Changes in net position as presented on the statements of changes in 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 increase in fair value of investments of the Fund was \$708.6 million during the year ended August 31, 2020 compared to the net increase in fair value of investments of \$379.6 million for the year ended August 31, 2019. Investment expenses totaled \$31.7 million, \$29.9 million and \$39.6 million respectively, for the years ended August 31, 2020, 2019 and 2018.

Distributions to participants totaled \$269.5 million, \$281.7 million and \$292.9 million, respectively, for the years ended August 31, 2020, 2019 and 2018. Cash distributions are paid monthly based on a 3% annual distribution rate.

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

	2020	2019	2018
Investment Income	\$ 806.7	\$ 500.4	\$ 327.1
Less Investment Expenses	31.7	29.9	39.6
Net Investment Income	<u>775.0</u>	<u>470.5</u>	<u>287.5</u>
Participant Contributions	493.4	519.3	1,323.4
Total Additions	<u>1,268.4</u>	<u>989.8</u>	<u>1,610.9</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	994.8	1,436.2	457.9
Participant Distributions	269.5	281.7	292.9
Total Deductions	<u>1,264.4</u>	<u>1,718.0</u>	<u>750.9</u>
Change in Net Position	4.0	(728.2)	860.0
Net Position Restricted for Participants, Beginning of Year	9,206.9	9,935.1	9,075.1
Net Position Restricted for Participants, End of Year	<u>\$ 9,210.9</u>	<u>\$ 9,206.9</u>	<u>\$ 9,935.1</u>

Contacting UTIMCO

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

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Statements of Net Position

August 31, 2020 and 2019

(Dollars in thousands, except for per unit amounts)

Assets	2020	2019
Investments, at Fair Value:		
Equity Securities	\$ 452,181	\$ 820,833
Preferred Stock	10,428	17,173
Debt Securities	3,191,064	2,725,495
Investment Funds	5,074,785	5,120,840
Physical Commodities	-	201,080
Purchased Options	2,407	1,548
Cash and Cash Equivalents	809,407	545,801
Total Investments	<u>9,540,272</u>	<u>9,432,770</u>
Collateral for Securities Loaned, at Fair Value	120,952	158,938
Deposits with Brokers for Derivative Contracts	25,747	15,355
Futures Contracts, at Fair Value	1,681	3,765
Swaps, at Fair Value	11,829	23,830
Unrealized Gains on Foreign Currency Exchange Contracts	30,746	23,553
Receivables:		
Investment Securities Sold	469,455	314,877
Accrued Income	20,929	21,777
Other	126	148
Total Receivables	<u>490,510</u>	<u>336,802</u>
Total Assets	<u>10,221,737</u>	<u>9,995,013</u>
Liabilities		
Payable upon Return of Securities Loaned	120,952	158,938
Payable to Brokers for Collateral Held	23,553	39,240
Options Written, at Fair Value	971	798
Futures Contracts, at Fair Value	2,022	4,307
Swaps, at Fair Value	10,325	23,391
Unrealized Losses on Foreign Currency Exchange Contracts	42,001	16,690
Payables:		
Investment Securities Purchased	778,963	514,709
Distributions Payable	22,680	23,190
Other	9,328	6,846
Total Payables	<u>810,971</u>	<u>544,745</u>
Total Liabilities	<u>1,010,795</u>	<u>788,109</u>
Net Position Restricted for Participants (71,633,026 Units and 75,646,615 Units, respectively)	<u><u>\$ 9,210,942</u></u>	<u><u>\$ 9,206,904</u></u>
Net Position Restricted for Participants Per Unit	<u><u>\$ 128.585</u></u>	<u><u>\$ 121.709</u></u>

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

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Statements of Changes in Net Position

Years Ended August 31, 2020 and 2019

(in thousands)

Additions	2020	2019
Investment Income:		
Net Increase in Fair Value of Investments	\$ 708,636	\$ 379,581
Interest	83,886	97,428
Dividends	13,739	22,622
Securities Lending Income	424	713
Total Investment Income	<u>806,685</u>	<u>500,344</u>
Less Investment Expenses:		
Investment Management Fees	19,574	17,751
UTIMCO Management Fee	10,811	10,398
Custodial Fees and Expenses	806	1,213
Accounting Fees	181	177
Analytical and Risk Measurement Fees	178	73
Consulting Fees	63	116
Foreign Tax Consulting and Filing Fees	36	25
Background Check Fees	30	51
Legal Fees	28	53
Other Expenses	9	28
Total Investment Expenses	<u>31,716</u>	<u>29,885</u>
Net Investment Income	<u>774,969</u>	<u>470,459</u>
Participant Contributions	493,384	519,299
Total Additions	<u>1,268,353</u>	<u>989,758</u>
Deductions		
Administrative Fee for UT System Oversight	74	74
Participant Withdrawals	994,784	1,436,154
Participant Distributions	269,457	281,731
Total Deductions	<u>1,264,315</u>	<u>1,717,959</u>
Change in Net Position	4,038	(728,201)
Net Position Restricted for Participants, Beginning of Year	<u>9,206,904</u>	<u>9,935,105</u>
Net Position Restricted for Participants, End of Year	<u><u>\$ 9,210,942</u></u>	<u><u>\$ 9,206,904</u></u>

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

Note 1 – Organization and Basis of Presentation

(A) The University of Texas System Intermediate Term Fund (Fund) is a pooled investment fund established for the collective investment of operating funds and other short and intermediate term funds held by the 14 University of Texas System (UT System) institutions and UT System Administration, the participants. 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/Texas A&M Investment Management Company (UTIMCO), pursuant to a Master Investment Management Services Agreement with the UT Board.

(B) The Fund financial statements represent the standalone investment activities included within UT System's financial statements. The Fund's inflows are primarily investment income and contributions from participants. For standalone purposes, the Fund financial statements are presented as an investment trust fund reporting under 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 accounting policies of the Fund conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the requirements of the Governmental Accounting Standards Board (GASB).

The annual consolidated financial statements of UT System are prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include the investment activity of the Fund. The accompanying financial statements of the Fund may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and the UT System standalone financial statements since certain activity is eliminated in consolidation.

(C) Management has evaluated subsequent events through October 30, 2020, 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) **Fair Value Measurements** -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

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Notes to Financial Statements (cont.)

Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities, including corporate obligations and government and provincial obligations, held directly by the Fund are fair valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise they would be categorized as Level 3.

Equity securities, including common and preferred stock, 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). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international exchange, the last available price per the exchange would be utilized and the security would be categorized as Level 2.

Physical commodities, specifically gold, were fair valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold, and were categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

Hedge funds and public market investment funds 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.

(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 net position resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in the fair value of investments held on the statements of net position. Such fluctuations are included with the net increase in fair value of investments on the statements of changes in 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. 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.

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Notes to Financial Statements (cont.)

(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, 2020 and 2019, 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 restricted net position.

(I) Use of Estimates -- The preparation of financial statements in conformity with GAAP 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.

(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 the UT Board approved derivative investment policy guidelines. 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. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Purchased options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2.

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.

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Notes to Financial Statements (cont.)

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

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments and are included in the net increase in fair value of investments in the statements of changes in net position. The difference between the premium and the amount paid on effecting a closing transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing transaction, as a realized loss and are included in the net increase in fair value of investments in the statements of changes in 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 statements of 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 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 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 based on instrument and counterparty. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of 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.

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Notes to Financial Statements (cont.)

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 fair value of the futures contracts, and is included on the statements of 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 Exchange Contracts -- The Fund enters into forward foreign exchange contracts to hedge against foreign 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 foreign exchange 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 net position. Realized and unrealized gains and losses are included in the net increase in fair value of investments in the statements of changes in net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of 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 net position. Investments in public money market funds are categorized as Level 1.

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

Notes to Financial Statements (cont.)

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2020 and 2019, respectively, as categorized by the level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 158,792,160	\$ 158,792,160	\$ -	\$ -
Foreign Common Stock	291,401,245	291,396,225	5,020	-
Other Equities	1,988,180	1,988,180	-	-
Total Equity Securities	452,181,585	452,176,565	5,020	-
Preferred Stock:				
Domestic Preferred Stock	2,578,230	-	2,578,230	-
Foreign Preferred Stock	7,849,854	7,849,854	-	-
Total Preferred Stock	10,428,084	7,849,854	2,578,230	-
Debt Securities:				
U.S. Government Obligations	852,462,563	358,703,138	493,759,425	-
Foreign Government and Provincial Obligations	1,171,006,810	-	1,171,006,810	-
Corporate Obligations	1,159,048,457	-	1,159,048,457	-
Other	8,546,080	-	8,546,079	-
Total Debt Securities	3,191,063,910	358,703,138	2,832,360,771	-
Purchased Options	2,406,856	1,024,440	1,382,416	-
Cash Equivalents	773,553,702	773,553,702	-	-
Total Investments by Fair Value Level	4,429,634,137	\$ 1,593,307,699	\$ 2,836,326,437	\$ -
Cash	35,852,895			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	4,345,445,180			
Public Markets	729,340,077			
Investments Funds Fair Valued Using Practical Expedient	5,074,785,257			
Total Investments, at Fair Value	\$ 9,540,272,289			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivatives				
Foreign Exchange Contracts	\$ (11,254,888)	\$ -	\$ (11,254,888)	\$ -
Futures Contracts	(341,054)	(341,054)	-	-
Swaps	1,504,162	-	1,504,162	-
Written Options	(971,275)	-	(971,275)	-
Investment Derivatives	\$ (11,063,055)	\$ (341,054)	\$ (10,722,001)	\$ -

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

	Fair Value as of August 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 228,682,807	\$ 228,682,807	\$ -	\$ -
Foreign Common Stock	583,355,863	583,350,898	4,965	-
Other Equities	8,793,858	7,456,257	1,337,601	-
Total Equity Securities	820,832,528	819,489,962	1,342,566	-
Preferred Stock:				
Domestic Preferred Stock	1,626,517	-	1,626,517	-
Foreign Preferred Stock	15,546,870	15,546,870	-	-
Total Preferred Stock	17,173,387	15,546,870	1,626,517	-
Debt Securities:				
U.S. Government Obligations	956,227,642	513,841,643	442,385,999	-
Foreign Government and Provincial Obligations	981,526,290	-	981,526,290	-
Corporate Obligations	780,371,363	-	780,371,363	-
Other	7,369,495	-	7,369,495	-
Total Debt Securities	2,725,494,790	513,841,643	2,211,653,147	-
Purchased Options	1,547,964	402,286	1,145,678	-
Investment Funds:				
U.S. Equity	2,802,841	2,802,841	-	-
Physical Commodities - Gold	201,080,369	201,080,369	-	-
Cash Equivalents	492,341,738	492,341,738	-	-
Total Investments by Fair Value Level	4,261,273,617	\$ 2,045,505,709	\$ 2,215,767,908	\$ -
Cash	53,459,719			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	4,039,230,594			
Public Markets	1,078,806,413			
Investments Funds Fair Valued Using Practical Expedient	5,118,037,007			
Total Investments, at Fair Value	\$ 9,432,770,343			

	Fair Value as of August 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivatives				
Foreign Exchange Contracts	\$ 6,863,025	\$ -	\$ 6,863,025	\$ -
Futures Contracts	(542,021)	(542,021)	-	-
Swaps	438,751	-	438,751	-
Written Options	(798,298)	-	(798,298)	-
Investment Derivatives	\$ 5,961,457	\$ (542,021)	\$ 6,503,478	\$ -

See Note 5 for fair value categorization of collateral for securities loaned.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the Fund's ownership interest in partners' capital include externally managed funds, limited partnerships, and corporate structures, which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using a practical expedient at August 31, 2020 and 2019, is summarized in the following tables as they are included within the asset mix of the Fund.

Investment Funds:	Fair Value as of August 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	\$ 1,395,907,744	\$ -	Quarterly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,809,234,432	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	515,973,572	282,266,561	Not Applicable	Not Applicable
Total Directional	<u>3,721,115,748</u>	<u>282,266,561</u>		
Stable Value				
Redeemable Within One Year	284,031,729	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	283,957,394	-	Quarterly to Annually	45 - 100 Days
Nonredeemable	56,340,309	198,637,970	Not Applicable	Not Applicable
Total Stable Value	<u>624,329,432</u>	<u>198,637,970</u>		
Total Hedge Funds	<u>4,345,445,180</u>	<u>480,904,531</u>		
Public Markets:				
U.S. Equity				
Redeemable Within One Year	126,903,619	-	Daily to Annually	10 - 90 Days
Redeemable Beyond One Year	88,678,592	6,373,291	Annually	90 Days
Total U.S. Equity	<u>215,582,211</u>	<u>6,373,291</u>		
Non-U.S. Developed Equity				
Redeemable Within One Year	103,800,063	-	Monthly to Quarterly	6 - 30 Days
Global Developed Public Equity				
Redeemable Within One Year	235,394,591	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	11,559,718	-	Monthly	45 Days
Total Global Developed Equity	<u>246,954,309</u>	<u>-</u>		
Emerging Market Equity				
Redeemable Within One Year	137,161,205	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	20,164,957	-	Monthly to Quarterly	60 - 90 Days
Nonredeemable	5,677,332	12,485,620	Not Applicable	Not Applicable
Total Emerging Markets Equity	<u>163,003,494</u>	<u>12,485,620</u>		
Total Public Markets	<u>729,340,077</u>	<u>18,858,911</u>		
Total Investment Funds	<u>\$ 5,074,785,257</u>	<u>\$ 499,763,442</u>		

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	\$ 1,291,743,545	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,427,047,529	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	330,819,282	329,278,736	Not Applicable	Not Applicable
Total Directional	<u>3,049,610,356</u>	<u>329,278,736</u>		
Stable Value				
Redeemable Within One Year	555,626,628	-	Monthly to Annually	5 - 65 Days
Redeemable Beyond One Year	327,512,444	-	Quarterly to Annually	45 - 90 Days
Nonredeemable	106,481,166	76,331,134	Not Applicable	Not Applicable
Total Stable Value	<u>989,620,238</u>	<u>76,331,134</u>		
Total Hedge Funds	<u>4,039,230,594</u>	<u>405,609,870</u>		
Public Markets:				
U.S. Equity				
Redeemable Within One Year	174,495,522	-	Daily to Annually	1 - 90 Days
Redeemable Beyond One Year	138,571,826	29,831,153	Annually	1 - 90 Days
Total U.S. Equity	<u>313,067,348</u>	<u>29,831,153</u>		
Non-U.S. Developed Equity				
Redeemable Within One Year	179,612,907	-	Monthly to Quarterly	6 - 30 Days
Global Developed Public Equity				
Redeemable Within One Year	324,502,122	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	27,542,440	-	Monthly	60 Days
Total Global Developed Equity	<u>352,044,562</u>	<u>-</u>		
Emerging Market Equity				
Redeemable Within One Year	196,886,315	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	28,820,844	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	8,374,437	9,418,296	Not Applicable	Not Applicable
Total Emerging Markets Equity	<u>234,081,596</u>	<u>9,418,296</u>		
Total Public Markets	<u>1,078,806,413</u>	<u>39,249,449</u>		
Total Investment Funds	<u>\$ 5,118,037,007</u>	<u>\$ 444,859,319</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 funds 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. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, 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 \$1,316,518,693 of future funding to various hedge fund investments as of August 31, 2020 of which the Fund's pro-rata portion is \$480,904,531.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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 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 leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager. 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 fundings in the amount of \$215,703,390, of which the Fund's pro-rata portion is \$18,858,911, have been committed to certain public market funds as of August 31, 2020.

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 lock-up periods which would cause the Fund to incur penalties to redeem its units or prevent the Fund from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* -- As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

Investments in hedge funds and public market funds are also subject to the investment risks discussed in Note 4. 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 4 – 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 5. Risk disclosures relating to the Fund's investments in hedge funds and public market funds are discussed in Note 3.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

(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 or 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, 2020 and 2019:

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

Investment Type	August 31,		Rating
	2020	2019	
Investments:			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ 56,386,467	\$ -	AAA
U.S. Government Guaranteed	319,530,683	521,760,781	AA
Total U.S. Government Guaranteed	<u>375,917,150</u>	<u>521,760,781</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	113,091,604	253,487,408	AA
U.S. Agency Asset Backed	362,526,432	179,421,544	AA
U.S. Agency Asset Backed	-	475,992	A
U.S. Agency Asset Backed	927,377	-	BA/BB
U.S. Agency Asset Backed	-	1,081,917	B
Total U.S. Government Non-Guaranteed	<u>476,545,413</u>	<u>434,466,861</u>	
Total U.S. Government	<u>852,462,563</u>	<u>956,227,642</u>	
Corporate Obligations:			
Domestic	59,659,023	34,178,637	AAA
Domestic	74,059,324	47,978,521	AA
Domestic	321,672,611	246,219,546	A
Domestic	352,364,336	204,750,625	BAA/BBB
Domestic	31,688,217	13,143,072	BA/BB
Domestic	3,289,107	1,224,554	B
Domestic	5,619,680	4,161,855	CAA/CCC
Domestic	512,996	647,941	CA/CC
Domestic	38,500	52,330	D
Domestic	1,726,214	1,969,861	Not Rated
Foreign	89,054,196	68,681,216	AAA
Foreign	11,936,169	22,151,793	AA
Foreign	79,120,389	54,723,129	A
Foreign	92,313,933	68,782,782	BAA/BBB
Foreign	27,838,844	3,570,474	BA/BB
Foreign	7,753,131	4,834,817	B
Foreign	401,787	3,300,210	Not Rated
Total Corporate Obligations	<u>1,159,048,457</u>	<u>780,371,363</u>	
Foreign Government and Provincial Obligations	170,969,972	181,823,406	AAA
Foreign Government and Provincial Obligations	196,432,723	106,550,153	AA
Foreign Government and Provincial Obligations	284,212,261	201,262,085	A
Foreign Government and Provincial Obligations	291,439,182	278,194,423	BAA/BBB
Foreign Government and Provincial Obligations	65,531,707	73,963,025	BA/BB
Foreign Government and Provincial Obligations	162,420,965	139,733,198	Not Rated
Total Foreign Government and Provincial Obligations	<u>1,171,006,810</u>	<u>981,526,290</u>	
Other Debt Securities	-	451,075	AAA
Other Debt Securities	7,082,619	5,445,349	AA
Other Debt Securities	143,104	1,360,693	A
Other Debt Securities	1,320,357	112,378	BAA/BBB
Total Other Debt Securities	<u>8,546,080</u>	<u>7,369,495</u>	
Total Debt Securities	<u>\$ 3,191,063,910</u>	<u>\$ 2,725,494,790</u>	
Cash Equivalents - Money Market Funds	\$ 773,553,702	\$ 492,341,738	AAA
Cash	35,852,895	53,459,719	Not Rated
Total Cash and Cash Equivalents	<u>\$ 809,406,597</u>	<u>\$ 545,801,457</u>	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 8,543,033	\$ 3,648,556	AA
Cash	(6,349,273)	(27,533,394)	Not Rated
Total Net Deposit/(Payable to) with Brokers for Derivative Contracts	<u>\$ 2,193,760</u>	<u>\$ (23,884,838)</u>	

(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. As of August 31, 2020 and 2019, 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, 2020 and 2019, 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 UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

The following table summarizes the Fund's modified duration in years by investment type at August 31, 2020 and 2019:

Investment Type	August 31,			
	2020		2019	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ -	-	\$ 133,497,108	0.41
U.S. Treasury Bonds and Notes	296,305,394	3.81	357,830,232	10.38
U.S. Treasury Inflation Protected	62,397,744	10.87	22,514,303	11.79
U.S. Agency Asset Backed	17,214,012	3.39	7,919,138	1.70
Total U.S. Government Guaranteed	<u>375,917,150</u>	4.96	<u>521,760,781</u>	7.75
U.S. Government Non-Guaranteed:				
U.S. Agency	113,091,604	2.49	253,487,408	2.89
U.S. Agency Asset Backed	363,453,809	2.97	180,979,453	2.21
Total U.S. Government Non-Guaranteed	<u>476,545,413</u>	2.86	<u>434,466,861</u>	2.61
Total U.S. Government	<u>852,462,563</u>	3.79	<u>956,227,642</u>	5.42
Corporate Obligations:				
Domestic	850,630,008	8.68	554,326,941	5.01
Foreign	308,418,449	4.29	226,044,422	6.01
Total Corporate Obligations	<u>1,159,048,457</u>	7.51	<u>780,371,363</u>	5.30
Foreign Government and Provincial Obligations	<u>1,171,006,810</u>	7.28	<u>981,526,290</u>	4.30
Other Debt Securities	<u>8,546,080</u>	8.55	<u>7,369,495</u>	7.25
Total Debt Securities	<u>3,191,063,910</u>	6.43	<u>2,725,494,790</u>	4.99
Cash and Cash Equivalents	<u>809,406,597</u>	0.08	<u>545,801,457</u>	0.07
Total	<u>\$ 4,000,470,507</u>	5.15	<u>\$ 3,271,296,247</u>	4.17
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 1,725,152	0.87	\$ -	-
U.S. Treasury Bonds and Notes	2,225,555	1.08	2,165,862	1.95
U.S. Treasury Inflation Protected	4,592,326	4.65	1,482,694	3.47
Total U.S. Government Guaranteed	<u>8,543,033</u>	2.95	<u>3,648,556</u>	2.57
Cash	<u>(6,349,273)</u>	-	<u>(27,533,394)</u>	-
Total Net Deposit/(Payable to) with Brokers for Derivative Contracts	<u>\$ 2,193,760</u>	-	<u>\$ (23,884,838)</u>	-

(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, 2020 and 2019, 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 \$71,062,906 and \$46,766,087 as of August 31, 2020 and 2019, 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 \$379,259,407 and \$187,130,767 as of August 31, 2020 and 2019, 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 \$24,575,781 and \$24,884,963 as of August 31, 2020 and 2019, 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. dollar denominated bonds or common stocks in relation to the Fund's total fixed income and non-U.S. 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, 2020 and 2019:

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
Foreign Common Stock:		
Australian Dollar	\$ 587,033	\$ 880,099
Brazilian Real	21,170,614	61,873,112
Canadian Dollar	386,793	2,948,063
Chilean Peso	20,570	492,667
Chinese Yuan Renminbi	72,605,456	95,200,344
Colombian Peso	-	61,793
Czech Koruna	-	96,007
Danish Krone	539,535	3,965,675
Egyptian Pound	463,298	2,120,321
Euro	26,650,220	50,913,310
Hong Kong Dollar	19,750,671	32,537,613
Hungarian Forint	249,885	607,312
Indian Rupee	5,674,387	13,413,993
Indonesian Rupiah	1,377,760	5,763,026
Japanese Yen	44,361,616	78,245,401
Malaysian Ringgit	946,052	3,668,499
Mexican Peso	1,976,889	17,340,743
Norwegian Krone	2,243,832	4,628,455
Peruvian Sol	8,026	16,689
Philippine Peso	86,930	315,363
Polish Zloty	469,027	1,982,653
Qatari Riyal	73,065	625,372
Saudi Riyal	-	454,152
Singapore Dollar	-	2,398,458
South African Rand	2,317,355	6,310,640
South Korean Won	25,626,326	54,030,764
Sri Lankan Rupee	-	493,650
Swedish Krona	1,521,754	1,702,078
Swiss Franc	3,525,689	5,931,709
Taiwan Dollar	10,677,872	25,381,951
Thai Baht	610,850	4,054,077
Turkish Lira	2,413,828	7,033,763
UK Pound	10,843,178	26,073,319
United Arab Emirates Dirham	979,853	5,420,135
Vietnamese Dong	-	3,070,511
Total Foreign Common Stock	<u>258,158,364</u>	<u>520,051,717</u>
Other - Equity Securities:		
Chinese Yuan Renminbi	-	566,319
Malaysian Ringgit	-	2,770
Taiwan Dollar	-	1,505
Total Other - Equity Securities	<u>-</u>	<u>570,594</u>
Foreign Preferred Stocks:		
Brazilian Real	4,088,674	10,228,893
Colombian Peso	-	34,199
South African Rand	7,188	17,705
South Korean Won	3,753,992	5,266,073
Total Foreign Preferred Stock	<u>7,849,854</u>	<u>15,546,870</u>

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
Foreign Government and Provincial Obligations:		
Australian Dollar	\$ 62,683,327	\$ 36,696,988
Brazilian Real	33,820,595	43,570,687
Canadian Dollar	76,461,333	65,353,018
Chinese Yuan Renminbi	36,685,447	-
Colombian Peso	45,509,363	40,849,493
Euro	239,027,617	204,650,433
Hungarian Forint	-	6,583,445
Indonesian Rupiah	43,827,521	28,881,866
Israeli Shekel	1,422,364	-
Japanese Yen	221,495,192	169,560,308
Malaysian Ringgit	44,281,740	39,118,259
Mexican Peso	144,598,554	135,152,673
New Zealand Dollar	1,453,641	671,178
Norwegian Krone	8,086,257	11,723,731
Peruvian Sol	6,954,622	7,936,178
Polish Zloty	12,930,504	49,538,709
Romanian Leu	8,490,006	4,317,180
Russian Ruble	4,495,393	428,273
Singapore Dollar	61,721,241	38,352,788
South African Rand	31,711,112	29,381,469
South Korean Won	6,333,785	5,498,864
UK Pound	30,402,775	12,963,272
Total Foreign Government and Provincial Obligations	<u>1,122,392,389</u>	<u>931,228,812</u>
Corporate Obligations:		
Australian Dollar	2,254,176	2,123,303
Canadian Dollar	295,932	1,092,676
Danish Krone	53,343,084	37,894,868
Euro	39,880,968	26,075,133
Indian Rupee	150	146
South African Rand	-	1,484,086
UK Pound	43,811,912	32,458,839
Total Corporate Obligations	<u>139,586,222</u>	<u>101,129,051</u>
Purchased Options:		
Australian Dollar	-	24
Brazilian Real	113,567	27,311
Canadian Dollar	30,747	-
Euro	1,897,314	922,881
Japanese Yen	-	3,907
Swiss Franc	16,084	70,887
Total Purchased Options	<u>2,057,712</u>	<u>1,025,010</u>
Investment Funds-Emerging Markets:		
Brazilian Real	<u>2,205,063</u>	<u>3,239,593</u>

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
Cash and Cash Equivalents:		
Australian Dollar	\$ 32,901	\$ 28,572
Brazilian Real	1,599,139	1,162,597
Canadian Dollar	391,664	192,241
Chilean Peso	-	4,691
Chinese Yuan Renminbi	7,660,203	4,080,496
Colombian Peso	676	576,687
Czech Koruna	50,005	39,366
Danish Krone	2,456	(24,243)
Egyptian Pound	241,626	1,533
Euro	879,451	1,787,543
Hong Kong Dollar	29,409	401,168
Hungarian Forint	6,708	44,718
Indian Rupee	77,090	75,547
Indonesian Rupiah	136,283	100,513
Israeli Shekel	(275)	2,336
Japanese Yen	706,525	5,185,323
Malaysian Ringgit	50,674	18,144
Mexican Peso	15,377	184,826
New Zealand Dollar	896	750
Norwegian Krone	446	683,326
Peruvian Sol	-	1,346
Philippine Peso	745	2,783
Polish Zloty	14,123	265,602
Qatari Riyal	3,074	43,750
Romanian Leu	-	90
Russian Ruble	27,724	3
Singapore Dollar	16,496	21,068
South African Rand	1,459,545	777,252
South Korean Won	675,756	1,173,155
Swedish Krona	11,254	39,126
Swiss Franc	4,122	31,403
Taiwan Dollar	65,664	228,140
Thai Baht	(7)	9,630
Turkish Lira	2,081	19,325
UK Pound	359,097	(476,791)
United Arab Emirates Dirham	8,207	6,419
Total Cash and Cash Equivalents	<u>14,529,135</u>	<u>16,688,435</u>
Written Options:		
Australian Dollar	-	(32,685)
Brazilian Real	(18,224)	(86,720)
Canadian Dollar	(91,034)	-
Euro	(104,367)	-
Japanese Yen	-	(3,088)
Total Written Options	<u>(213,625)</u>	<u>(122,493)</u>

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
Swaps:		
Australian Dollar	\$ 49,537	\$ 5,191,216
Canadian Dollar	2,079,206	824,858
Chinese Yuan Renminbi	-	207,614
Czech Koruna	26,902	26,734
Euro	897,456	11,678,238
Israeli Shekel	263,629	293,880
Japanese Yen	(271,073)	210,746
Mexican Peso	(9,414)	(6,538)
Polish Zloty	47,775	31,649
South African Rand	52,921	12,824
South Korean Won	293,773	304,718
Swedish Krona	62,450	79,845
Swiss Franc	(1,047)	-
UK Pound	(127,863)	(676,363)
Total Swaps	<u>3,364,252</u>	<u>18,179,421</u>
Futures:		
Brazilian Real	(10,213)	-
Canadian Dollar	(37,200)	-
Euro	(533,006)	(42,722)
Japanese Yen	(19,803)	-
UK Pound	4,780	-
Total Futures	<u>(595,442)</u>	<u>(42,722)</u>
Total	<u>\$ 1,549,333,924</u>	<u>\$ 1,607,494,288</u>

(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 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, 2020 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 15,850,843	\$ 8,597,975	\$ 816,193	\$ 23,357	AA
Options	26,711,713	40,011,130	938,089	209,973	A
Swaps	28,198,133	22,322,294	1,503,059	405,912	AA
Swaps	87,157,050	31,382,435	5,527,265	803,935	A
Foreign Exchange Contracts	127,882,229	279,481,980	1,778,435	7,401,083	AA
Foreign Exchange Contracts	982,440,506	1,599,599,680	28,967,413	34,599,653	A
			<u>\$ 39,530,454</u>	<u>\$ 43,443,913</u>	

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

Notes to Financial Statements (cont.)

The Fund had gross counterparty exposure as of August 31, 2019 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 14,595,712	\$ -	\$ 806,382	\$ -	AA
Options	11,882,657	19,819,375	26,837	99,360	A
Swaps	14,833,063	17,431,965	3,004,659	2,932,539	AA
Swaps	103,036,775	138,888,558	11,303,354	12,242,227	A
Foreign Exchange Contracts	334,093,700	132,678,832	6,699,107	1,456,692	AA
Foreign Exchange Contracts	1,112,466,388	956,177,734	16,854,007	15,233,397	A
			<u>\$ 38,694,346</u>	<u>\$ 31,964,215</u>	

As of August 31, 2020 and 2019, the Fund also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures 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 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, 2020 and 2019, the Fund held \$23,553,106 and \$39,240,248 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$24,021,714 and \$13,914,651 respectively as collateral related to derivative instruments other than futures.

(H) COVID-19

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak that occurred may have a significant impact on the valuation of the Fund's investments. The extent of the impact to the Fund will depend on future developments, including the duration and spread of the outbreak, the restrictions and advisories, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

Note 5 – 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 net position. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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, 2020 and 2019:

Securities on Loan	2020 Fair Value	2019 Fair Value	Type of Collateral	2020 Fair Value of Collateral	2019 Fair Value of Collateral
U.S. Government	\$ 68,913	\$ 69,857,382	Cash	\$ 70,313	\$ 71,652,734
Corporate Bonds	100,481,470	59,660,160	Cash	103,004,139	61,163,950
Common Stock	17,340,513	24,804,202	Cash	17,877,878	26,121,191
Total	<u>\$ 117,890,896</u>	<u>\$ 154,321,744</u>	Total	<u>\$ 120,952,330</u>	<u>\$ 158,937,875</u>
U.S. Government	\$ 12,780,484	\$ 62,225,775	Non-Cash	\$ 13,042,985	\$ 63,505,218
Corporate Bonds	954,203	-	Non-Cash	976,915	-
Common Stock	15,797,314	33,359,469	Non-Cash	16,164,746	34,496,760
Total	<u>\$ 29,532,001</u>	<u>\$ 95,585,244</u>	Total	<u>\$ 30,184,646</u>	<u>\$ 98,001,978</u>

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, 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 for interest on the cash collateral received. 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 is made from the Fund and the securities lending agent in the same proportion as the income is shared.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2020 and 2019 is shown in the following table:

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Description	2020			2019		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 73,161,108	No Rating Available	1	\$ 99,309,879	No Rating Available	3
Agencies	1,328,851	AA		-	-	
Agencies	3,736,312	A		-	-	
Total Agencies	<u>5,065,163</u>		1	<u>-</u>		
Commercial Paper	10,584,855	A	82	4,317,547	P	58
Floating Rate Notes	16,737,127	AA		31,584,240	AA	
Floating Rate Notes	11,943,043	A		23,760,340	A	
Total Floating Rate Notes	<u>28,680,170</u>		41	<u>55,344,580</u>		40
Interest Bearing Notes	304,198	AAA		-	-	
Interest Bearing Notes	690,858	AA		-	-	
Interest Bearing Notes	1,075,170	A		-	-	
Total Interest Bearing Notes	<u>2,070,226</u>		67	<u>-</u>		
Certificates of Deposit	2,026,387	A	12	-	-	
Other Receivables/Payables	(635,579)	Not Rated	-	(34,131)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 120,952,330</u>		19	<u>\$ 158,937,875</u>		17

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2020 and 2019, respectively, as categorized by the level of the fair value hierarchy:

	Fair Value as of August 31, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 73,161,108	\$ -	\$ 73,161,108	\$ -
Agencies	5,065,163	-	5,065,163	-
Commercial Paper	10,584,855	-	10,584,855	-
Floating Rate Notes	28,680,170	-	28,680,170	-
Interest Bearing Notes	2,070,226	-	2,070,226	-
Certificates of Deposit	2,026,387	-	2,026,387	-
Total by Fair Value Level	<u>121,587,909</u>	<u>\$ -</u>	<u>\$ 121,587,909</u>	<u>\$ -</u>
Other Receivables/Payables	(635,579)			
Total Collateral Pool Investments	<u>\$ 120,952,330</u>			

	Fair Value as of August 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 99,309,879	\$ -	\$ 99,309,879	\$ -
Commercial Paper	4,317,547	-	4,317,547	-
Floating Rate Notes	55,344,580	-	55,344,580	-
Total by Fair Value Level	<u>158,972,006</u>	<u>\$ -</u>	<u>\$ 158,972,006</u>	<u>\$ -</u>
Other Receivables/Payables	(34,131)			
Total Collateral Pool Investments	<u>\$ 158,937,875</u>			

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

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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 net position. 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, 2020 and 2019, 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, 2020 and 2019.

Note 6 – Written Options

The following table discloses the fair values of the Fund's written call option contracts outstanding as of August 31, 2020 and 2019:

Type	Fair Value at August 31, 2020		Fair Value at August 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 125,528	\$ -	\$ 58,475
Equity	-	69,507	-	79,362
Interest Rate Swap	-	92,419	-	-
Commodity	-	617,210	-	150,760
Other	-	4,393	-	131,637
	<u>\$ -</u>	<u>\$ 909,057</u>	<u>\$ -</u>	<u>\$ 420,234</u>

The fair values are included on the statements of net position as options written, at fair value. The changes in fair value of open call options for the years ended August 31, 2020 and 2019 were decreases in the amount of \$449,148 and \$180,591, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

The following table discloses the fair values of the Fund's written put option contracts as of August 31, 2020 and 2019:

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Type	Fair Value at August 31, 2020		Fair Value at August 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 2,803	\$ -	\$ 40,797
Credit Default Swap	-	-	-	87
Interest Rate Swap	-	33,441	-	321,624
Equity	-	13,855	-	16,537
Commodity	-	-	-	8,160
Other	-	12,119	11,719	2,578
	<u>\$ -</u>	<u>\$ 62,218</u>	<u>\$ 11,719</u>	<u>\$ 389,783</u>

The fair values are included on the statements of net position as options written, at fair value. The change in fair value of open put options for the year ended August 31, 2020 and 2019 were increases in the amounts of \$504,214 and \$125,209, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

Note 7 – Swaps

The following table discloses the notional amounts, and the fair values of the types of outstanding swap contracts as of August 31, 2020:

Type	Notional Value	Fair Value at August 31, 2020	
		Assets	Liabilities
Interest Rate	\$ 692,304,168	\$ 5,543,576	\$ 8,761,748
Equity	126,277,558	5,896,882	796,142
Credit Default	33,673,395	11,670	618,454
Currency	11,007,535	54,011	58,509
Volatility	11,247,180	289,744	-
Inflation	10,042,125	33,285	90,153
Total		<u>\$ 11,829,168</u>	<u>\$ 10,325,006</u>

The change in fair value of open swap positions for the year ended August 31, 2020 was an increase in the amount of \$1,885,488, which is included in the net increase in fair value of investments on the statements of changes in net position.

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2019:

Type	Notional Value	Fair Value at August 31, 2019	
		Assets	Liabilities
Interest Rate	\$ 1,584,695,483	\$ 9,116,285	\$ 7,039,053
Equity	170,472,901	1,188,101	2,368,791
Credit Default	134,906,000	2,289,850	1,254,366
Currency	22,485,068	11,156,857	11,350,443
Volatility	5,500,000	-	508,844
Commodity	4,073,682	79,007	286,709
Fixed Income	6,700,000	-	583,143
Total		<u>\$ 23,830,100</u>	<u>\$ 23,391,349</u>

The change in fair value of open swap positions for the year ended August 31, 2019 was an increase in the amount of \$167,988, which is included in the net increase in fair value of investments on the statements of changes in net position.

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 8 – Futures Contracts

The changes in fair value of open futures contracts for the years ended August 31, 2020 and 2019 were increases in the amounts of \$9,298,841 and \$7,213,299 respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The Fund had \$1,725,152 and \$1,440,760 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2020 and 2019, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions.

Futures contracts are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2020 and 2019, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open contracts amounted to \$9,639,893 and \$7,775,320 as of August 31, 2020 and 2019, respectively.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2020:

Contract	Notional Value at August 31, 2020		Fair Value at August 31, 2020	
	Long	Short	Assets	Liabilities
Commodities	\$ 13,316,372	\$ -	\$ 1,427,632	\$ -
Domestic Fixed Income	107,580,120	117,520,863	218,405	1,391,647
Foreign Fixed Income	162,329,576	156,498,296	34,661	630,103
Total	\$ 283,226,068	\$ 274,019,159	\$ 1,680,698	\$ 2,021,750

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2019:

Contract	Notional Value at August 31, 2019		Fair Value at August 31, 2019	
	Long	Short	Assets	Liabilities
Commodities	\$ 117,896,302	\$ 27,562,270	\$ 3,565,952	\$ 4,195,969
Domestic Fixed Income	346,493,528	-	130,719	-
Foreign Fixed Income	345,101,240	92,379,372	68,266	110,989
Total	\$ 809,491,070	\$ 119,941,642	\$ 3,764,937	\$ 4,306,958

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 9 – Foreign Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 2020 and 2019. Foreign currency amounts are translated at exchange rates as of August 31, 2020 and 2019. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2020	Net Sell August 31, 2020	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2020	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2020
Australian Dollar	\$ -	\$ 75,514,828	\$ 149,121	\$ 2,325,696
Brazilian Real	-	12,636,494	461,670	285,849
Canadian Dollar	-	67,499,525	147,181	1,681,390
Chilean Peso	20,636,878	-	497,162	51,449
Chinese Yuan Renminbi	-	37,182,871	439,251	1,791,381
Colombian Peso	-	11,365,763	650,755	23,513
Czech Koruna	15,986,559	-	978,425	-
Danish Krone	-	53,313,719	68,226	3,137,142
Egyptian Pound	-	226,817	-	1,194
Euro	-	423,950,046	4,187,628	12,709,562
Hong Kong Dollar	161,315	-	42,307	50,318
Hungarian Forint	15,738,173	-	628	38,022
Indonesian Rupiah	-	20,782,015	358,701	420,404
Israeli Shekel	-	1,537,929	-	39,710
Japanese Yen	-	241,940,701	2,388,593	1,232,895
Malaysian Ringgit	-	1,769,197	4,706	56,000
Mexican Peso	-	88,344,850	443,885	2,537,256
New Zealand Dollar	-	36,811,961	87,116	713,800
Norwegian Krone	25,433,569	-	7,822,022	3,806,706
Peruvian Sol	-	26,499,299	189,524	183,030
Polish Zloty	15,440,396	-	1,842,249	1,167,618
Qatari Riyal	-	2,607	-	10
Romanian Leu	-	8,720,003	-	180,055
Russian Ruble	22,786,757	-	46,927	149,726
Singapore Dollar	-	60,947,366	-	886,002
South African Rand	-	29,326,750	24,678	990,720
South Korean Won	30,572,948	-	187,821	123,845
Swedish Krona	38,840,160	-	4,685,282	1,047,127
Swiss Franc	-	48,187,433	1,792	1,114,937
Taiwan Dollar	-	1,586,764	26,143	9,921
Thai Baht	-	23,068,162	25,655	177,923
United Arab Emirates Dirham	-	3,833	-	-
UK Pound	5,511,233	-	4,988,400	5,067,535
	\$ 191,107,988	\$ 1,271,218,933	\$ 30,745,848	\$ 42,000,736

The change in fair value of open foreign exchange contracts for the year ended August 31, 2020 was a decrease in the amount of \$11,249,211, which is included in the net increase in fair value of investments on the statements of changes in net position.

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Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2019	Net Sell August 31, 2019	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2019	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2019
Argentina Peso	\$ -	\$ -	\$ 19,258	\$ 142,310
Australian Dollar	-	20,960,885	337,168	332,078
Brazilian Real	-	25,926,104	2,062,205	891,621
Canadian Dollar	-	63,077,527	529,431	417,326
Chilean Peso	19,658,492	-	6,380	797,115
Chinese Yuan Renminbi	-	4,826,309	211,642	243,094
Colombian Peso	-	7,209,965	1,052,792	179,818
Czech Koruna	6,035,381	-	-	321,969
Danish Krone	-	41,606,122	809,794	36,179
Euro	-	367,952,473	7,498,745	1,083,679
Hong Kong Dollar	-	4,575,568	42,236	26,457
Hungarian Forint	-	23,596,254	884,335	155,893
Indian Rupee	-	33,927	403,757	171,011
Indonesian Rupiah	-	12,259,537	184,807	101,623
Israeli Shekel	-	114,220	1,339	3,492
Japanese Yen	-	215,502,813	60,273	4,108,236
Malaysian Ringgit	-	1,904,965	20,056	-
Mexican Peso	-	71,905,644	2,754,920	271,437
New Zealand Dollar	-	14,661,232	1,019,879	491,708
Norwegian Kroner	21,986,616	-	934,754	1,585,970
Peruvian Sol	-	25,773,861	323,680	24,495
Polish Zloty	-	17,458,200	1,008,297	451,625
Qatari Riyal	-	43,750	-	167
Romanian Leu	-	4,279,640	189,368	48,495
Russian Ruble	6,317,809	-	-	106,366
Singapore Dollar	-	43,510,774	472,213	124,888
South African Rand	-	31,976,640	547,000	352,234
South Korean Won	22,079,137	-	261,514	803,386
Swedish Krona	40,307,057	-	354,117	1,895,311
Swiss Franc	-	30,075,968	365,799	428,579
Taiwan Dollar	-	8,088,359	8,001	72,215
Thai Baht	-	31,718,200	-	302,366
UK Pound	-	10,112,168	1,189,354	718,946
	<u>\$ 116,384,492</u>	<u>\$ 1,079,151,105</u>	<u>\$ 23,553,114</u>	<u>\$ 16,690,089</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2019 was an increase in the amount of \$6,863,339, which is included in the net increase in fair value of investments on the statements of changes in 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 \$3,849,140,000 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 0.23% to 1.50%. In addition to the 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 net position represent only those paid directly from the Fund, and do not include fees charged by mutual fund managers or 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, 2020 and 2019, were \$19,574,345 and \$17,751,214, 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, 2020 and 2019 were \$10,810,831 and \$10,397,525, 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, 2020 and 2019, were \$806,291 and \$1,213,311, respectively.

The Fund incurs accounting fees for external and UT System internal audit services. For the years ended August 31, 2020 and 2019, fees amounted to \$181,119 and \$177,342, 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, 2020 and 2019, were \$177,496 and \$72,720, respectively.

Consulting fees, in the amounts of \$63,268 and \$115,741, respectively, for the years ended August 31, 2020 and 2019, were incurred for investment strategy and other investment planning services.

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 \$36,040 and \$25,122, were incurred for the years ended August 31, 2020 and 2019, respectively.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring of investment managers. Fees in the amounts of \$30,302 and \$50,581, were incurred for the years ended August 31, 2020 and 2019, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. For the years ended August 31, 2020 and 2019 the fees incurred totaled \$27,766 and \$53,108, respectively.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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, 2020 and 2019, the fees amounted to \$74,133 and \$73,515, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
Supplemental Schedule

Financial Highlights

Years Ended August 31,

	2020	2019	2018	2017	2016
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 121.709	\$ 119.124	\$ 119.018	\$ 113.303	\$ 113.068
Income From Investment Operations					
Net Investment Income (A)	0.904	1.146	1.010	0.909	1.000
Net Realized and Unrealized Gain on Investments	9.652	4.996	2.712	8.240	2.554
Total Income from Investment Operations	10.556	6.142	3.722	9.149	3.554
Less Distributions	3.680	3.557	3.616	3.434	3.319
Net Position, End of Year	<u>\$ 128.585</u>	<u>\$ 121.709</u>	<u>\$ 119.124</u>	<u>\$ 119.018</u>	<u>\$ 113.303</u>
Ratios and Supplemental Data					
Net Position, End of Year (in thousands)	\$ 9,210,942	\$ 9,206,904	\$ 9,935,105	\$ 9,075,084	\$ 7,836,120
Distribution Ratios to Average Net Position	2.95%	2.96%	3.02%	2.99%	3.00%

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