

Financial Statements  
and Independent Auditors' Report  
Permanent Health Fund  
*Years Ended August 31, 2020 and 2019*

Permanent Health Fund

Financial Statements

Years Ended August 31, 2020 and 2019

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Audited Financial Statements of The University of Texas System General Endowment Fund



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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 Permanent Health 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 Permanent Health 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 Permanent Health 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 and the financial statements and notes of The University of Texas System General Endowment Fund (GEF). The Fund is a pooled investment fund for the collective investment of state endowment funds for health-related institutions of higher education. The University of Texas System Board of Regents (UT Board) established the Fund in August 1999 with proceeds from state tobacco litigation. The Texas Constitution and various state statutes designate the 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 GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The performance of the Fund is directly impacted by the performance of the GEF. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), which was also established by the UT Board. The Fund and the LTF purchase and redeem units in the GEF quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by 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 distributions increased by \$57.7 million from \$1,204.0 million to \$1,261.7 million or approximately 4.8% for the year ended August 31, 2020, compared to an increase of \$0.3 million for the year ended August 31, 2019. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 9.40%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2020, compared to a net investment gain of 4.45% for the prior fiscal year. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in public equities, including global developed public equity and emerging markets public equity, and private equity were the biggest contributors to the 2020 return. Investments in gold, private equity, private real estate, and investment grade fixed income were the biggest contributors to the net investment return for the year ending August 31, 2019.
2. The Fund's distribution rate was increased by 2.1%, approximately the three-year average rate of inflation, for the year ended August 31, 2020. This equated to an increase in the 2020 rate to \$0.06412 per unit from the 2019 rate of \$0.06280 per unit. The 2019 rate was increased by 1.5% from the year ended August 31, 2018 rate. The fiscal year distributions represented 4.32% of the Fund's average net position for the year ended August 31, 2020, and 4.34% of the Fund's average net position for the year ended August 31, 2019.

## PERMANENT HEALTH FUND

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3. There were no participant contributions to the Fund or withdrawals from the Fund during the years ended August 31, 2020 and 2019.

### 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 fiscal year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund invests in only GEF units and a negligible amount of cash, the majority of the Fund's net position represents investment in GEF units.

As of August 31, 2020, the Fund owned 3,353,079 GEF units representing an ownership percentage of 8.32% compared to 3,500,254 GEF units representing an ownership percentage of 9.52% as of August 31, 2019. As of August 31, 2020 and 2019, the fair value of the GEF units was \$1,261.7 million and \$1,203.9 million, respectively.

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to supplement the original endowment corpus by increasing purchasing power over time.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
GEF Units, at Fair Value	\$ 1,261.7	\$ 1,203.9	\$ 1,203.6
Cash and Cash Equivalents	-	0.1	0.1
<b>Net Position Restricted for Participants</b>	<u>\$ 1,261.7</u>	<u>\$ 1,204.0</u>	<u>\$ 1,203.7</u>

## PERMANENT HEALTH FUND

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### 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 administrative and investment expenses and participant distributions.

The net increase in fair value of investments of the Fund was \$105.2 million during the year compared to an increase in fair value of investments of \$42.1 million for the year ended August 31, 2019.

Distributions to participants totaled \$52.6 million, \$51.5 million, and \$50.7 million, respectively, for the years ended August 31, 2020, 2019, and 2018. The increase in distributions is a result of the UT Board increasing the distribution rate from \$0.06280 per unit to \$0.06412 per unit for fiscal year 2020. The increase for fiscal year 2019 is a result of the UT Board's increase of the distribution rate from \$0.0619 per unit to \$0.0628 per unit.

The Fund's objective is to maximize investment returns within the risk parameters as specified in its investment policy statement without regard to the distribution rate.

Fund distributions are determined by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual net investment return after and inflation. The Fund distributions are typically increased annually at a three-year average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net position. As reported on the financial highlights schedule of the financial statements, the ratio of distributions to average net position (12-quarter average) has remained between 3.5% to 5.5%.

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

	2020	2019	2018
Investment Income	\$ 110.3	\$ 51.8	\$ 111.2
Less Investment Expenses	-	-	1.4
Net Investment Income	110.3	51.8	109.8
Participant Distributions	52.6	51.5	50.7
Change in Net Position	57.7	0.3	59.1
Net Position Restricted for Participants, Beginning of Year	1,204.0	1,203.7	1,144.6
Net Position Restricted for Participants, End of Year	\$ 1,261.7	\$ 1,204.0	\$ 1,203.7

### 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).

## PERMANENT HEALTH FUND

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### Statements of Net Position

August 31, 2020 and 2019

(Dollars in thousands, except per unit amounts)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
GEF Units, at Fair Value	\$ 1,261,664	\$ 1,203,911
Cash and Cash Equivalents	44	43
Other	<u>7</u>	<u>7</u>
<b>Net Position Restricted for Participants (820,000,000 Units)</b>	<u>\$ 1,261,715</u>	<u>\$ 1,203,961</u>
<b>Net Position Restricted for Participants Per Unit</b>	<u>\$ 1.539</u>	<u>\$ 1.468</u>

*The accompanying notes and the attached financial statements of the GEF  
are an integral part of these financial statements.*



## PERMANENT HEALTH FUND

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### Statements of Changes in Net Position

Years Ended August 31, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 105,152	\$ 42,064
Allocation of GEF Net Investment Income	5,198	9,762
Total Investment Income	<u>110,350</u>	<u>51,826</u>
Less Investment Expenses:		
Other Expenses	24	26
Net Investment Income	<u>110,326</u>	<u>51,800</u>
<b>Deductions</b>		
Participant Distributions	52,562	51,496
Administrative Fee for UT System Oversight	10	10
<b>Total Deductions</b>	<u>52,572</u>	<u>51,506</u>
<b>Change in Net Position</b>	57,754	294
Net Position Restricted for Participants, Beginning of Year	<u>1,203,961</u>	<u>1,203,667</u>
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$ 1,261,715</u>	<u>\$ 1,203,961</u>

*The accompanying notes and the attached financial statements of the GEF  
are an integral part of these financial statements.*

## PERMANENT HEALTH FUND

### *Notes to Financial Statements*

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#### **Note 1 – Organization and Basis of Presentation**

(A) The Permanent Health Fund (Fund) is a pooled investment fund established for the collective investment of state endowment funds for health-related institutions of higher education participants, created August 30, 1999. The distributions from the Fund endowments support programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education. Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System (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 an Investment Management Services Agreement with the UT Board.

The General Endowment Fund (GEF), established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The performance of the Fund is directly impacted by the performance of the GEF. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), which was also established by the UT Board. The Fund and the LTF purchase and redeem units in the GEF quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

(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. For standalone purposes, the Fund financial statements are presented as an investment trust fund and 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 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 – Investment in GEF**

The Fund only invests in GEF units and a negligible amount of cash. At August 31, 2020, the Fund is the minority participant in the GEF, with ownership of 3,353,079 units, which represents 8.32% of the GEF. At August 31, 2019, the Fund held 3,500,254 units, which represented 9.52% of the GEF.

## PERMANENT HEALTH FUND

### *Notes to Financial Statements (cont.)*

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The GEF and the Fund have identical investment objectives. The financial statements of GEF are included elsewhere in this report and should be read with the Fund's financial statements. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders.

#### **Note 3 – Significant Accounting Policies**

**(A) Valuation of Investments** -- The Fund records its investment in GEF at fair value. The notes to GEF's financial statements included elsewhere in this report provide information about GEF's valuation policy and its period-end security valuations. The Fund's investment in the GEF is fair valued at \$1,261,663,855 and \$1,203,910,844, as of August 31, 2020 and 2019, respectively.

**(B) Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost and is included in the net increase in fair value of investments on the statements of changes in net positions.

**(C) Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the UT Board. For the year ended August 31, 2020, the quarterly rate was \$0.016030 per unit which equates to an annual rate of \$0.06412 per unit and for the year ended August 31, 2019, the quarterly rate was \$0.015700 per unit which equated to an annual rate of \$0.0628 per unit. The ratio of distributions to average net position (12-quarter average) was 4.31% as of August 31, 2020, and 4.37% as of August 31, 2019. For the years ended August 31, 2020 and 2019, the annual payout was adjusted by the average consumer price index of the prior 36 months.

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

**(E) Purchases and Redemption of Units** -- Unit purchases occur on the first business day of each fiscal quarter. Unit redemptions occur on the last business day of each fiscal quarter. The value of participating units, upon admission to the Fund, is based upon the market value of net position held as of the quarterly valuation date. Redemptions from the Fund will also be made at the market value price per unit at the quarterly valuation date at the time of the redemption. There are no transaction costs incurred by participants for the purchase or redemption of units. There were no purchase or redemption of Fund units during the years ended August 31, 2020 and 2019.

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

**(G) Expenses** -- Expenses are recorded on the accrual basis as incurred.

**(H) 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.

## PERMANENT HEALTH FUND

*Notes to Financial Statements (cont.)*

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**(I) Cash and Cash Equivalents** -- Cash and cash equivalents consist of money market investments and other overnight funds.

**(J) COVID-19** -- Certain impacts to public health conditions particular to the coronavirus outbreak that occurred may have a significant impact on the valuation of the Fund's investment in the GEF. 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.

## PERMANENT HEALTH FUND

### Supplemental Schedule

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#### Financial Highlights

Years Ended August 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	<u>\$ 1.468</u>	<u>\$ 1.468</u>	<u>\$ 1.396</u>	<u>\$ 1.300</u>	<u>\$ 1.312</u>
Income from Investment Operations					
Net Investment Income (A)	0.006	0.012	0.010	0.010	0.010
Net Realized and Unrealized Gains on Investments	<u>0.129</u>	<u>0.051</u>	<u>0.124</u>	<u>0.147</u>	<u>0.039</u>
Total Income from Investment Operations	<u>0.135</u>	<u>0.063</u>	<u>0.134</u>	<u>0.157</u>	<u>0.049</u>
Less Distributions	<u>0.064</u>	<u>0.063</u>	<u>0.062</u>	<u>0.061</u>	<u>0.061</u>
Net Position, End of Year	<u>\$ 1.539</u>	<u>\$ 1.468</u>	<u>\$ 1.468</u>	<u>\$ 1.396</u>	<u>\$ 1.300</u>
<b>Ratios and Supplemental Data</b>					
Net Position, End of Year (in thousands)	\$ 1,261,715	\$ 1,203,961	\$ 1,203,667	\$ 1,144,643	\$ 1,065,748
Ratios to Average Net Position					
Distributions (5-quarter average)	4.32%	4.34%	4.29%	4.56%	4.74%
Distributions (12-quarter average)	4.31%	4.37%	4.50%	4.58%	4.55%

(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.

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

*Years Ended August 31, 2020 and 2019*

The University of Texas System General Endowment 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 General Endowment 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 General Endowment 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 General Endowment 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 is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into 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 and withdrawals, increased by \$2,531.2 million from \$12,641.6 million to \$15,172.8 million or approximately 20.0% for the year ended August 31, 2020, compared to an increase of \$2,222.9 million or approximately 21.3% for the year ended August 31, 2019. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 9.49%, 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, and private equity were the biggest contributors to the 2020 return. Investments in gold, private equity, private real estate, and investment grade fixed income were the biggest contributors to the net investment gain of 4.51% for August 31, 2019.
2. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$1,229.6 million for the year ended August 31, 2020, compared to net contributions for the year ended August 31, 2019 of \$1,673.8 million.
3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The allocated net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any allocated realized losses reduce the cost basis of the units in the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

**THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT 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 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 fiscal year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates the Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

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

<b>Assets</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Investments, at Fair Value	\$ 15,313.5	\$ 12,757.4	\$ 10,487.4
Other Assets	384.6	304.3	195.9
<b>Total Assets</b>	<b>15,698.1</b>	<b>13,061.7</b>	<b>10,683.3</b>
<b>Total Liabilities</b>	<b>525.3</b>	<b>420.1</b>	<b>264.6</b>
<b>Net Position Restricted for Participants</b>	<b>\$ 15,172.8</b>	<b>\$ 12,641.6</b>	<b>\$ 10,418.7</b>

**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 investment expenses.

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The net increase in fair value of investments of the Fund was \$1,242.5 million during the year ended August 31, 2020 compared to the net increase in fair value of investments of \$453.1 million for the year ended August 31, 2019. Expenses totaled \$58.0 million, \$37.8 million, and \$33.1 million, respectively, for the years ended August 31, 2020, 2019, and 2018.

The net increase in net position totaled \$2,531.2 million for the year ended August 31, 2020 compared to a net increase in net position totaling \$2,222.9 million for the year ended August 31, 2019.

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Investment Income	\$ 1,359.6	\$ 586.9	\$ 960.1
Less Investment Expenses	58.0	37.8	33.1
Net Investment Income	<u>1,301.6</u>	<u>549.1</u>	<u>927.0</u>
Participant Contributions	1,880.1	2,211.7	578.2
Total Additions	<u>3,181.7</u>	<u>2,760.8</u>	<u>1,505.2</u>
Participant Withdrawals	650.5	537.9	455.6
Total Deductions	<u>650.5</u>	<u>537.9</u>	<u>455.6</u>
Change in Net Position	2,531.2	2,222.9	1,049.6
Net Position Restricted for Participants, Beginning of Year	12,641.6	10,418.7	9,369.1
Net Position Restricted for Participants, End of Year	<u>\$ 15,172.8</u>	<u>\$ 12,641.6</u>	<u>\$ 10,418.7</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  
GENERAL ENDOWMENT FUND**

**Statements of Net Position**

*August 31, 2020 and 2019*

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

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Investments, at Fair Value:		
Equity Securities	\$ 1,796,219	\$ 1,534,192
Preferred Stock	31,107	31,502
Purchased Options	6,004	2,344
Debt Securities	1,422,356	1,211,228
Investment Funds	11,818,697	9,457,628
Physical Commodities	-	182,236
Cash and Cash Equivalents	239,157	338,251
Total Investments	<u>15,313,540</u>	<u>12,757,381</u>
Collateral for Securities Loaned, at Fair Value	117,157	107,186
Deposits with Brokers for Derivative Contracts	19,683	13,374
Futures Contracts, at Fair Value	4,606	76
Swaps, at Fair Value	23,686	11,520
Unrealized Gains on Foreign Exchange Contracts	16,136	11,574
Receivables:		
Investment Securities Sold	192,456	148,446
Accrued Income	10,548	11,816
Other	331	267
Total Receivables	<u>203,335</u>	<u>160,529</u>
<b>Total Assets</b>	<u>15,698,143</u>	<u>13,061,640</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	117,157	107,186
Payable to Brokers for Collateral Held	35,967	17,043
Payable to Participants	7,531	8,007
Unrealized Losses on Foreign Exchange Contracts	18,702	8,924
Futures Contracts, at Fair Value	4,330	42
Swaps, at Fair Value	6,516	12,606
Options Written, at Fair Value	1,274	427
Payables:		
Investment Securities Purchased	308,057	254,744
Other	25,785	11,109
Total Payables	<u>333,842</u>	<u>265,853</u>
<b>Total Liabilities</b>	<u>525,319</u>	<u>420,088</u>
<b>Net Position Restricted for Participants</b>	<u>\$ 15,172,824</u>	<u>\$ 12,641,552</u>
<b>Number of Units:</b>		
Permanent Health Fund (PHF)	3,353,079	3,500,254
The University of Texas System Long Term Fund (LTF)	<u>36,971,196</u>	<u>33,253,836</u>
<b>Total</b>	<u>40,324,275</u>	<u>36,754,090</u>
<b>Net Position Restricted for Participants Per Unit</b>	<u>\$ 376.270</u>	<u>\$ 343.950</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)*

	<u>2020</u>	<u>2019</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 1,242,482	\$ 453,058
Interest	37,358	46,869
Dividends	40,549	34,617
Income Distributions from Private Investment Funds	38,674	51,694
Securities Lending Income	614	649
Total Investment Income	<u>1,359,677</u>	<u>586,887</u>
Less Investment Expenses:		
Investment Management Fees	42,390	24,890
UTIMCO Management Fees	13,636	10,891
Custodial Fees and Expenses	1,206	1,290
Accounting Fees	264	259
Analytical and Risk Measurement Fees	221	70
Background Check Fees	92	136
Consulting Fees	82	117
Legal Fees	57	82
Foreign Tax Consulting and Filing Fees	46	32
Other Expenses	11	23
Total Investment Expenses	<u>58,005</u>	<u>37,790</u>
Net Investment Income	1,301,672	549,097
Participant Contributions	1,880,132	2,211,716
<b>Total Additions</b>	<u>3,181,804</u>	<u>2,760,813</u>
<b>Deductions</b>		
Participant Withdrawals	<u>650,532</u>	<u>537,925</u>
<b>Change in Net Position</b>	2,531,272	2,222,888
Net Position Restricted for Participants, Beginning of Year	12,641,552	10,418,664
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$ 15,172,824</u>	<u>\$ 12,641,552</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 General Endowment Fund (Fund), created March 1, 2001, is a pooled investment fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (UT Board). The Fund is organized as a pooled investment fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund provides for greater diversification of investments than would be possible if each account were managed separately. Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to an 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 and 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 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 UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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.

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 governmental 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 the security is 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.

The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and distributions subsequent to the last available reporting date as well as consideration of any other information which has been provided by the investment manager or other sources.

Hedge funds, public market 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 other relevant factors as indicated 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 net position resulting from changes in



# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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 in 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.

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

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

**(G) *Purchases and Redemption of Units*** -- Unit purchases occur on the first business day of each fiscal quarter. Unit redemptions occur on the last business day of each fiscal quarter. The value of participating units, upon admission to the Fund, is based upon the market value of net position as of the quarterly valuation date. Redemptions from the Fund will also be made at the market value price per unit at the quarterly valuation date at the time of the 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 income 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 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 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

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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.

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 or 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 in 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

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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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 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.

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GENERAL ENDOWMENT 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 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)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 707,592,390	\$ 707,592,390	\$ -	\$ -
Foreign Common Stock	1,081,899,519	1,081,891,007	8,512	-
Other Equities	6,726,916	6,726,916	-	-
<b>Total Equity Securities</b>	<b>1,796,218,825</b>	<b>1,796,210,313</b>	<b>8,512</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	1,236,983	-	1,236,983	-
Foreign Preferred Stock	29,869,774	29,620,957	248,817	-
<b>Total Preferred Stock</b>	<b>31,106,757</b>	<b>29,620,957</b>	<b>1,485,800</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	537,887,085	343,043,467	194,843,618	-
Foreign Government and Provincial Obligations	444,850,141	-	444,850,141	-
Corporate Obligations	438,386,334	-	438,386,334	-
Other	1,232,245	-	1,232,245	-
<b>Total Debt Securities</b>	<b>1,422,355,805</b>	<b>343,043,467</b>	<b>1,079,312,338</b>	<b>-</b>
<b>Purchased Options</b>	<b>6,004,620</b>	<b>3,616,739</b>	<b>2,387,881</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	166,361,277	-	-	166,361,277
U.S. Equity	952,315	952,315	-	-
Global Equity	3,478,894	3,478,894	-	-
Emerging Markets	34,699,153	34,699,153	-	-
Fixed Income	91,468,355	91,468,355	-	-
<b>Total Investment Funds</b>	<b>296,959,994</b>	<b>130,598,717</b>	<b>-</b>	<b>166,361,277</b>
<b>Cash Equivalents</b>	<b>187,711,949</b>	<b>187,711,949</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>3,740,357,950</b>	<b>\$ 2,490,802,142</b>	<b>\$ 1,083,194,531</b>	<b>\$ 166,361,277</b>
<b>Cash</b>	<b>51,444,645</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>2,965,389,471</b>			
<b>Private Investments</b>	<b>5,563,776,009</b>			
<b>Public Markets</b>	<b>2,992,571,926</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>11,521,737,406</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 15,313,540,001</b>			

	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)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ (2,566,253)	\$ -	\$ (2,566,253)	\$ -
Futures Contracts	276,078	276,078	-	-
Swaps	17,170,677	-	17,170,677	-
Written Options	(1,273,552)	-	(1,273,552)	-
<b>Investment Derivatives</b>	<b>\$ 13,606,950</b>	<b>\$ 276,078</b>	<b>\$ 13,330,872</b>	<b>\$ -</b>

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

	Fair Value Measurements Using			
	Fair Value as of August 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 432,711,017	\$ 432,711,017	\$ -	\$ -
Foreign Common Stock	1,083,919,088	1,083,910,669	8,419	-
Other Equities	17,561,662	14,892,310	2,669,352	-
<b>Total Equity Securities</b>	<b>1,534,191,767</b>	<b>1,531,513,996</b>	<b>2,677,771</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	505,932	-	505,932	-
Foreign Preferred Stock	30,996,153	30,996,153	-	-
<b>Total Preferred Stock</b>	<b>31,502,085</b>	<b>30,996,153</b>	<b>505,932</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	416,012,141	223,308,751	192,703,390	-
Foreign Government and Provincial Obligations	455,284,006	-	455,284,006	-
Corporate Obligations	338,465,136	-	338,465,136	-
Other	1,466,970	-	1,466,970	-
<b>Total Debt Securities</b>	<b>1,211,228,253</b>	<b>223,308,751</b>	<b>987,919,502</b>	<b>-</b>
<b>Purchased Options</b>	<b>2,343,999</b>	<b>665,754</b>	<b>1,678,245</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	146,222,896	-	-	146,222,896
U.S. Equity	22,493,499	22,493,499	-	-
Fixed Income	12,229,785	12,229,785	-	-
<b>Total Investment Funds</b>	<b>180,946,180</b>	<b>34,723,284</b>	<b>-</b>	<b>146,222,896</b>
<b>Physical Commodities - Gold</b>	<b>182,235,930</b>	<b>182,235,930</b>	<b>-</b>	<b>-</b>
<b>Cash Equivalents</b>	<b>292,925,582</b>	<b>292,925,582</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>3,435,373,796</b>	<b>\$ 2,296,369,450</b>	<b>\$ 992,781,450</b>	<b>\$ 146,222,896</b>
<b>Cash</b>	<b>45,325,616</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>2,486,254,424</b>			
<b>Private Investments</b>	<b>4,785,583,572</b>			
<b>Public Markets</b>	<b>2,004,843,363</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>9,276,681,359</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 12,757,380,771</b>			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ 2,649,934	\$ -	\$ 2,649,934	\$ -
Futures Contracts	34,761	34,761	-	-
Swaps	(1,085,865)	-	(1,085,865)	-
Written Options	(426,863)	-	(426,863)	-
<b>Investment Derivatives</b>	<b>\$ 1,171,967</b>	<b>\$ 34,761</b>	<b>\$ 1,137,206</b>	<b>\$ -</b>

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

**THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT 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.

<b>Investment Funds:</b>	<b>Fair Value as of August 31, 2020</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 602,160,228	\$ -	Quarterly to Annually	45 - 90 Days
Redeemable Beyond One Year	780,459,175	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	222,578,290	192,622,963	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>1,605,197,693</u>	<u>192,622,963</u>		
<b>Stable Value</b>				
Redeemable Within One Year	618,914,748	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	618,436,042	-	Quarterly to Annually	45 - 100 Days
Nonredeemable	122,840,988	135,553,550	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>1,360,191,778</u>	<u>135,553,550</u>		
<b>Total Hedge Funds</b>	<u>2,965,389,471</u>	<u>328,176,513</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	1,061,299,888	1,282,801,426	Not Applicable	Not Applicable
Emerging Market Equity	639,347,512	123,905,999	Not Applicable	Not Applicable
Credit	334,057,495	243,121,069	Not Applicable	Not Applicable
Venture	1,280,216,406	375,969,028	Not Applicable	Not Applicable
Natural Resources	856,328,567	262,707,049	Not Applicable	Not Applicable
Infrastructure	411,706,443	270,088,765	Not Applicable	Not Applicable
Real Estate	980,819,698	862,174,257	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>5,563,776,009</u>	<u>3,420,767,593</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	654,760,920	-	Daily to Annually	10 - 90 Days
Redeemable Beyond One Year	404,325,915	29,637,046	Annually	90 Days
<b>Total U.S. Equity</b>	<u>1,059,086,835</u>	<u>29,637,046</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	377,254,176	-	Monthly to Quarterly	6 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	891,975,220	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	43,856,687	-	Monthly	45 Days
<b>Total Global Developed Equity</b>	<u>935,831,907</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	531,126,988	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	76,591,725	-	Monthly to Quarterly	60 - 90 Days
Nonredeemable	12,680,295	46,409,315	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>620,399,008</u>	<u>46,409,315</u>		
<b>Total Public Markets</b>	<u>2,992,571,926</u>	<u>76,046,361</u>		
<b>Total Investment Funds</b>	<u>\$ 11,521,737,406</u>	<u>\$ 3,824,990,467</u>		

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 653,605,806	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	722,067,901	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	167,390,350	202,680,083	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>1,543,064,057</u>	<u>202,680,083</u>		
<b>Stable Value</b>				
Redeemable Within One Year	529,551,252	-	Monthly to Annually	5 - 65 Days
Redeemable Beyond One Year	312,151,495	-	Quarterly to Annually	45 - 90 Days
Nonredeemable	101,487,620	46,983,905	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>943,190,367</u>	<u>46,983,905</u>		
<b>Total Hedge Funds</b>	<u>2,486,254,424</u>	<u>249,663,988</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	894,955,092	752,267,219	Not Applicable	Not Applicable
Emerging Market Equity	606,957,615	129,650,536	Not Applicable	Not Applicable
Credit	210,787,619	310,219,045	Not Applicable	Not Applicable
Venture	934,821,448	351,649,776	Not Applicable	Not Applicable
Natural Resources	860,146,992	208,617,758	Not Applicable	Not Applicable
Infrastructure	275,046,718	205,411,992	Not Applicable	Not Applicable
Real Estate	1,002,868,088	765,786,458	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>4,785,583,572</u>	<u>2,723,602,784</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	339,519,200	-	Daily to Annually	1 - 90 Days
Redeemable Beyond One Year	269,544,019	56,449,837	Annually	1 - 90 Days
<b>Total U.S. Equity</b>	<u>609,063,219</u>	<u>56,449,837</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	268,982,306	-	Monthly to Quarterly	6 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	608,492,038	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	51,736,191	-	Monthly	60 Days
<b>Total Global Developed Equity</b>	<u>660,228,229</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	392,495,286	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	57,411,523	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	16,662,800	18,833,548	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>466,569,609</u>	<u>18,833,548</u>		
<b>Total Public Markets</b>	<u>2,004,843,363</u>	<u>75,283,385</u>		
<b>Total Investment Funds</b>	<u>\$ 9,276,681,359</u>	<u>\$ 3,048,550,157</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 investment 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 \$328,176,513.

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures for the years ended August 31, 2020 and 2019, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over the next seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager. The private investment pools have committed \$8,862,092,209 of future funding to various private investments as of August 31, 2020 of which the Fund's pro-rata portion is \$3,420,767,593.

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 investment 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 \$76,046,361 has been committed to certain public market funds as of August 31, 2020.

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

- *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.



THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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Investments in hedge funds, private investments, 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, private investments, and public market funds are discussed in Note 3.

**(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 as of August 31, 2020 and 2019:

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

Investment Type	August 31,		Rating
	2020	2019	
<b>Investments:</b>			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ 134,323,038	\$ -	AAA
U.S. Government Guaranteed	216,820,456	224,942,020	AA
Total U.S. Government Guaranteed	<u>351,143,494</u>	<u>224,942,020</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	47,417,878	112,020,185	AA
U.S. Agency Asset Backed	138,978,788	78,362,654	AA
U.S. Agency Asset Backed	-	209,987	A
U.S. Agency Asset Backed	346,925	-	BA/BB
U.S. Agency Asset Backed	-	477,295	B
Total U.S. Government Non-Guaranteed	<u>186,743,591</u>	<u>191,070,121</u>	
Total U.S. Government	<u>537,887,085</u>	<u>416,012,141</u>	
Corporate Obligations:			
Domestic	22,091,150	14,379,820	AAA
Domestic	26,570,429	18,247,993	AA
Domestic	120,266,468	106,179,616	A
Domestic	133,929,403	98,604,752	BAA/BBB
Domestic	10,886,048	4,400,617	BA/BB
Domestic	835,635	354,100	B
Domestic	2,418,846	1,539,137	CAA/CCC
Domestic	183,125	241,138	CA/CC
Domestic	21,600	24,780	D
Domestic	1,307,701	899,324	Not Rated
Foreign	36,248,854	28,983,773	AAA
Foreign	3,099,509	8,279,021	AA
Foreign	30,636,923	21,501,058	A
Foreign	35,942,001	30,088,764	BAA/BBB
Foreign	9,826,859	2,607,852	BA/BB
Foreign	2,900,981	2,133,158	B
Foreign	1,220,802	233	Not Rated
Total Corporate Obligations	<u>438,386,334</u>	<u>338,465,136</u>	
Foreign Government and Provincial Obligations	63,580,390	78,495,834	AAA
Foreign Government and Provincial Obligations	75,579,658	44,162,083	AA
Foreign Government and Provincial Obligations	109,168,225	85,605,481	A
Foreign Government and Provincial Obligations	110,664,329	121,074,095	BAA/BBB
Foreign Government and Provincial Obligations	24,859,176	36,590,373	BA/BB
Foreign Government and Provincial Obligations	60,998,363	89,356,140	Not Rated
Total Foreign Government and Provincial Obligations	<u>444,850,141</u>	<u>455,284,006</u>	
Other Debt Securities	-	198,966	AAA
Other Debt Securities	543,578	576,702	AA
Other Debt Securities	-	691,302	A
Other Debt Securities	688,667	-	BAA/BBB
Total Other Debt Securities	<u>1,232,245</u>	<u>1,466,970</u>	
Total Debt Securities	<u>\$ 1,422,355,805</u>	<u>\$ 1,211,228,253</u>	
Other Investment Funds			
Debt	\$ 12,802,079	\$ 12,229,785	BA/BB
Debt	78,666,276	-	Not Rated
Total Other Investments - Debt	<u>\$ 91,468,355</u>	<u>\$ 12,229,785</u>	
Cash Equivalents - Money Market Funds	\$ 187,711,949	\$ 292,925,582	AAA
Cash	51,444,645	45,325,616	Not Rated
Total Cash and Cash Equivalents	<u>\$ 239,156,594</u>	<u>\$ 338,251,198</u>	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 7,883,709	\$ -	AA
Cash	(24,168,031)	(3,669,529)	Not Rated
<b>Total Net (Payable to)/Deposit with Brokers for Derivative Contracts</b>	<u>\$ (16,284,322)</u>	<u>\$ (3,669,529)</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 following table summarizes the Fund's modified duration in years by investment type at August 31, 2020 and 2019:

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

Investment Type	August 31,			
	2020		2019	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ -	-	\$ 60,975,208	0.41
U.S. Treasury Bonds and Notes	113,159,820	3.48	152,128,133	10.44
U.S. Treasury Inflation Protected	229,883,647	8.26	10,205,410	10.93
U.S. Agency Asset Backed	8,100,027	4.16	1,633,269	1.85
Total U.S. Government Guaranteed	<u>351,143,494</u>	6.62	<u>224,942,020</u>	7.68
U.S. Government Non-Guaranteed:				
U.S. Agency	47,417,878	2.24	112,020,185	2.89
U.S. Agency Asset Backed	139,325,713	3.03	79,049,936	2.26
Total U.S. Government Non-Guaranteed	<u>186,743,591</u>	2.83	<u>191,070,121</u>	2.63
Total U.S. Government	<u>537,887,085</u>	5.31	<u>416,012,141</u>	5.36
Corporate Obligations:				
Domestic	318,510,405	8.78	244,871,277	5.03
Foreign	119,875,929	4.44	93,593,859	5.95
Total Corporate Obligations	<u>438,386,334</u>	7.59	<u>338,465,136</u>	5.29
Foreign Government and Provincial Obligations	<u>444,850,141</u>	7.33	<u>455,284,006</u>	4.01
Other Debt Securities	<u>1,232,245</u>	12.69	<u>1,466,970</u>	10.56
Total Debt Securities	<u>1,422,355,805</u>	6.65	<u>1,211,228,253</u>	4.84
Other Investment Funds - Debt	<u>91,468,355</u>	5.46	<u>12,229,785</u>	7.50
Cash and Cash Equivalents	<u>239,156,594</u>	0.07	<u>338,251,198</u>	0.07
Total	<u>\$ 1,752,980,754</u>	5.69	<u>\$ 1,561,709,236</u>	3.82
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 2,071,010	3.47	\$ -	-
U.S. Treasury Bills	5,812,699	0.62	-	-
Cash	(24,168,031)	-	(3,669,529)	-
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	<u>\$ (16,284,322)</u>	-	<u>\$ (3,669,529)</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 \$28,278,020 and \$20,135,110 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 \$147,076,904 and to \$80,239,919 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 \$7,135,305 and \$4,122,750 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

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
<b>Foreign Common Stock:</b>		
Australian Dollar	\$ 2,274,990	\$ 1,641,071
Brazilian Real	79,450,160	123,223,864
Canadian Dollar	2,235,042	2,773,384
Chilean Peso	76,955	983,509
Chinese Yuan Renminbi	276,939,097	190,673,405
Colombian Peso	-	123,463
Czech Koruna	-	191,825
Danish Krone	2,808,921	5,939,452
Egyptian Pound	1,493,448	4,238,855
Euro	80,808,297	78,261,345
Hong Kong Dollar	76,282,695	64,273,220
Hungarian Forint	935,230	1,212,928
Indian Rupee	21,067,041	26,658,430
Indonesian Rupiah	5,561,326	10,978,154
Japanese Yen	155,437,118	120,806,460
Malaysian Ringgit	3,538,200	7,318,227
Mexican Peso	7,308,523	34,613,435
Norwegian Krone	7,821,136	6,929,593
Peruvian Sol	30,002	33,247
Philippine Peso	251,479	608,383
Polish Zloty	1,754,064	3,959,612
Qatari Riyal	273,362	1,247,495
Saudi Riyal	-	906,317
Singapore Dollar	-	4,781,059
South African Rand	8,564,349	12,626,435
South Korean Won	96,093,880	107,814,495
Sri Lankan Rupee	-	984,039
Swedish Krona	6,802,358	2,547,343
Swiss Franc	15,397,706	10,143,998
Taiwan Dollar	39,784,147	50,693,932
Thai Baht	2,258,223	8,100,138
Turkish Lira	9,003,436	14,041,901
UK Pound	43,512,331	46,411,764
United Arab Emirates Dirham	3,393,661	10,823,207
Vietnamese Dong	-	6,120,722
Total Foreign Common Stock	951,157,177	962,684,707
<b>Other - Equity Securities:</b>		
Chinese Yuan Renminbi	-	1,142,572
Malaysian Ringgit	-	5,522
Taiwan Dollar	-	3,007
Total Other - Equity Securities	-	1,151,101
<b>Foreign Preferred Stock:</b>		
Brazilian Real	15,358,521	20,393,894
Colombian Peso	-	68,330
Euro	420,256	-
South African Rand	26,884	35,304
South Korean Won	14,064,113	10,498,625
Total Foreign Preferred Stock	29,869,774	30,996,153

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

*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 23,493,131	\$ 15,472,444
Brazilian Real	12,995,377	23,291,185
Canadian Dollar	28,645,255	26,955,075
Chinese Yuan Renminbi	15,040,724	-
Colombian Peso	17,024,609	18,022,088
Euro	91,427,946	88,537,455
Hungarian Forint	-	2,904,929
Indonesian Rupiah	16,396,351	12,742,029
Israeli Shekel	330,782	-
Japanese Yen	84,083,243	101,612,856
Malaysian Ringgit	16,466,575	17,214,622
Mexican Peso	54,094,346	59,627,767
New Zealand Dollar	563,574	-
Norwegian Krone	2,992,574	5,127,842
Peruvian Sol	2,527,015	3,451,947
Polish Zloty	4,776,896	21,772,329
Romanian Leu	3,176,951	1,904,945
Russian Ruble	1,700,470	179,452
Singapore Dollar	23,088,802	16,922,593
South African Rand	11,863,799	12,962,232
South Korean Won	2,370,095	2,426,360
UK Pound	11,209,642	5,531,181
Total Foreign Government and Provincial Obligations	<u>424,268,157</u>	<u>436,659,331</u>
<b>Corporate Obligations:</b>		
Australian Dollar	77,349	73,526
Canadian Dollar	59,186	68,237
Danish Krone	21,695,415	15,885,146
Euro	13,954,134	8,696,390
Indian Rupee	238	233
South African Rand	-	654,849
Swedish Krona	-	349,138
UK Pound	14,505,633	11,691,103
Total Corporate Obligations	<u>50,291,955</u>	<u>37,418,622</u>
<b>Purchased Options:</b>		
Australian Dollar	-	10
Brazilian Real	425,491	54,384
Canadian Dollar	12,781	-
Euro	4,727,238	1,728,188
Japanese Yen	-	1,619
Swiss Franc	60,919	132,953
Total Purchased Options	<u>5,226,429</u>	<u>1,917,154</u>
<b>Investment Funds - Emerging Markets:</b>		
Brazilian Real	<u>8,261,493</u>	<u>6,450,884</u>
<b>Private Investment Funds:</b>		
Australian Dollar	50,647,560	49,993,014
Canadian Dollar	72,631,366	89,021,488
Euro	185,719,540	129,367,193
Swedish Krona	6,457,470	-
UK Pound	39,394,132	32,599,825
Total Private Investment Funds	<u>354,850,068</u>	<u>300,981,520</u>

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

*Notes to Financial Statements (cont.)*

<b>Investment Type</b>	<b>August 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	\$ 23,083	\$ 9,059
Brazilian Real	5,992,560	2,256,422
Canadian Dollar	2,535,893	130,213
Chilean Peso	-	9,373
Chinese Yuan Renminbi	22,511,626	8,168,800
Colombian Peso	2,012	255,819
Czech Koruna	19,130	15,667
Danish Krone	9,423	(45,624)
Egyptian Pound	735,364	3,056
Euro	1,320,978	925,409
Hong Kong Dollar	108,360	805,824
Hungarian Forint	25,106	19,730
Indian Rupee	285,408	150,133
Indonesian Rupiah	55,108	46,489
Israeli Shekel	255	35
Japanese Yen	2,174,845	7,321,356
Malaysian Ringgit	28,553	36,118
Mexican Peso	80,656	336,043
New Zealand Dollar	662	1,046
Norwegian Krone	262	301,366
Peruvian Sol	-	2,681
Philippine Peso	2,789	5,548
Polish Zloty	35,177	135,769
Qatari Rial	11,493	87,155
Romanian Leu	-	99
Russian Ruble	11,698	(82)
Singapore Dollar	6,652	9,892
South African Rand	552,119	365,419
South Korean Won	2,530,572	2,339,011
Swedish Krona	6,907	2,203
Swiss Franc	(158,419)	6,067
Taiwan Dollar	243,706	455,281
Thai Baht	(8)	19,260
Turkish Lira	7,383	38,265
UK Pound	818,561	(254,377)
United Arab Emirates Dirham	25,366	12,807
Total Cash and Cash Equivalents	<u>40,003,280</u>	<u>23,971,332</u>
<b>Written Options:</b>		
Australian Dollar	-	(13,409)
Brazilian Real	(68,280)	(172,683)
Canadian Dollar	(36,246)	-
Euro	(66,376)	-
Japanese Yen	-	(1,276)
Total Written Options	<u>(170,902)</u>	<u>(187,368)</u>



THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2020	2019
<b>Swaps:</b>		
Australian Dollar	\$ 21,542	\$ 2,292,227
Canadian Dollar	580,362	379,813
Chinese Yuan Renminbi	-	87,218
Czech Koruna	10,761	10,929
Euro	324,172	5,920,550
Israeli Shekel	59,611	124,801
Japanese Yen	(85,524)	157,527
Mexican Peso	(4,266)	24,105
New Zealand Dollar	-	7,236
Polish Zloty	23,887	15,818
South African Rand	68,866	36,457
South Korean Won	76,435	130,969
Swedish Krona	13,184	16,728
Swiss Franc	(440)	-
UK Pound	(1,079,232)	(718,560)
Total Swaps	9,358	8,485,818
<b>Futures:</b>		
Australian Dollar	213,224	-
Brazilian Real	(38,266)	-
Canadian Dollar	(236,185)	-
Euro	(941,692)	(21,333)
Japanese Yen	(1,528)	-
UK Pound	572,632	-
Total Futures	(431,815)	(21,333)
Total	1,863,334,974	\$ 1,810,507,921

**(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	\$ 29,686,643	\$ 3,139,190	\$ 1,528,628	\$ 9,364	AA
Options	37,027,514	15,453,050	2,479,014	105,507	A
Swaps	82,826,227	70,054,929	4,452,682	1,275,576	AA
Swaps	294,004,032	40,809,380	18,161,118	1,668,092	A
Foreign Exchange Contracts	59,843,390	135,813,167	1,593,227	4,362,524	AA
Foreign Exchange Contracts	506,735,633	683,451,358	14,542,323	14,339,279	A
			\$ 42,756,992	\$ 21,760,342	

**THE UNIVERSITY OF TEXAS SYSTEM**  
**GENERAL ENDOWMENT 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	\$ 27,335,939	\$ -	\$ 1,510,252	\$ -	AA
Options	5,690,437	7,755,625	49,662	42,757	A
Swaps	19,547,149	6,354,045	2,023,218	1,240,121	AA
Swaps	99,078,139	198,959,793	7,026,817	8,392,029	A
Foreign Exchange Contracts	186,001,086	74,853,560	4,130,929	939,337	AA
Foreign Exchange Contracts	499,004,709	466,237,129	7,442,825	7,984,483	A
			<u>\$ 22,183,703</u>	<u>\$ 18,598,727</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 \$35,967,507 and \$17,043,440 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$13,252,332 and \$12,413,911, 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 investment. 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 close of any business day. If it falls below 105%, the borrower must deliver additional collateral by

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

*Notes to Financial Statements (cont.)*

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:

<b>Securities on Loan</b>	<b>2020 Fair Value</b>	<b>2019 Fair Value</b>	<b>Type of Collateral</b>	<b>2020 Fair Value of Collateral</b>	<b>2019 Fair Value of Collateral</b>
U.S. Government	\$ 2,840,994	\$ 29,174,985	Cash	\$ 2,898,266	\$ 29,932,481
Corporate Bonds	39,295,929	27,996,141	Cash	40,295,869	28,710,815
Common Stock	71,789,690	46,191,408	Cash	73,962,698	48,542,266
<b>Total</b>	<b>\$ 113,926,613</b>	<b>\$ 103,362,534</b>	<b>Total</b>	<b>\$ 117,156,833</b>	<b>\$ 107,185,562</b>
U.S. Government	\$ 12,610,625	\$ 27,453,215	Non-Cash	\$ 12,870,749	\$ 28,017,689
Corporate Bonds	343,027	-	Non-Cash	351,209	-
Common Stock	64,230,188	61,883,989	Non-Cash	65,709,037	63,921,365
<b>Total</b>	<b>\$ 77,183,840</b>	<b>\$ 89,337,204</b>	<b>Total</b>	<b>\$ 78,930,995</b>	<b>\$ 91,939,054</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 Intermediate Term Fund and other UT Board accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower 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 as of August 31, 2020 and 2019, is shown in the following table:

<b>Description</b>	<b>2020</b>			<b>2019</b>		
	<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Weighted Average Maturity In Days</b>
Repurchase Agreements	\$ 70,865,305	No Rating Available	1	\$ 66,973,243	No Rating Available	3
Agencies	1,287,152	AA		-	-	
Agencies	3,619,065	A		-	-	
<b>Total Agencies</b>	<b>4,906,217</b>		1	-		
Commercial Paper	10,252,701	A	82	2,911,696	P	58
Floating Rate Notes	16,211,914	AA		21,299,986	AA	
Floating Rate Notes	11,568,270	A		16,023,653	A	
<b>Total Floating Rate Notes</b>	<b>27,780,184</b>		41	<b>37,323,639</b>		40
Interest Bearing Notes	294,652	AAA		-	-	
Interest Bearing Notes	669,180	AA		-	-	
Interest Bearing Notes	1,041,431	A		-	-	
<b>Total Interest Bearing Notes</b>	<b>2,005,263</b>		67	-		
Certificates of Deposit	1,962,798	A	12	-	-	
Other Receivables/Payables	(615,635)	Not Rated		(23,016)	Not Rated	
<b>Total Collateral Pool Investment</b>	<b>\$ 117,156,833</b>		19	<b>\$ 107,185,562</b>		17

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2020 and 2019, respectively, as categorized by 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	\$ 70,865,305	\$ -	\$ 70,865,305	\$ -
Agencies	4,906,217	-	4,906,217	-
Commercial Paper	10,252,701	-	10,252,701	-
Floating Rate Notes	27,780,184	-	27,780,184	-
Interest Bearing Notes	2,005,263	-	2,005,263	-
Certificates of Deposit	1,962,798	-	1,962,798	-
<b>Total by Fair Value Level</b>	<b>117,772,468</b>	<b>\$ -</b>	<b>\$ 117,772,468</b>	<b>\$ -</b>
Other Receivables/Payables	(615,635)			
<b>Total Collateral Pool Investments</b>	<b>\$ 117,156,833</b>			

	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	\$ 66,973,243	\$ -	\$ 66,973,243	\$ -
Commercial Paper	2,911,696	-	2,911,696	-
Floating Rate Notes	37,323,639	-	37,323,639	-
<b>Total by Fair Value Level</b>	<b>107,208,578</b>	<b>\$ -</b>	<b>\$ 107,208,578</b>	<b>\$ -</b>
Other Receivables/Payables	(23,016)			
<b>Total Collateral Pool Investments</b>	<b>\$ 107,185,562</b>			

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 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.

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

*Notes to Financial Statements (cont.)*

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
Commodity	\$ -	\$ 856,130	\$ -	\$ -
Currency	-	48,309	-	19,895
Equity	-	261,449	-	156,923
Interest Rate Swap	-	33,543	-	-
Other	-	1,558	-	58,711
	<u>\$ -</u>	<u>\$ 1,200,989</u>	<u>\$ -</u>	<u>\$ 235,529</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 amounts of \$640,470 and \$123,833, 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:

Type	Fair Value at August 31, 2020		Fair Value at August 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 932	\$ -	\$ 22,836
Equity	-	51,235	-	32,930
Credit Default Swap	-	-	-	26
Interest Rate Swap	-	15,656	-	139,604
Other	-	4,739	5,211	1,149
	<u>\$ -</u>	<u>\$ 72,562</u>	<u>\$ 5,211</u>	<u>\$ 196,545</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 put options for the years ended August 31, 2020 and 2019 were increases in the amounts of \$364,281 and \$92,080, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

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**GENERAL ENDOWMENT FUND**  
*Notes to Financial Statements (cont.)*

**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:

<u>Type</u>	<u>Notional Value</u>	<u>Fair Value at August 31, 2020</u>	
		<u>Assets</u>	<u>Liabilities</u>
Credit Default	\$ 11,094,330	\$ 7,086	\$ 216,598
Currency	4,860,470	23,544	25,861
Equity	424,218,317	20,319,428	2,764,256
Fixed Income	19,058,016	244,540	43,314
Inflation	5,221,905	18,404	45,930
Interest Rate	273,183,722	2,981,859	3,338,890
Volatility	9,815,165	91,545	80,880
Total		<u>\$ 23,686,406</u>	<u>\$ 6,515,729</u>

The change in fair value of open swap positions for the year ended August 31, 2020 was an increase in the amount of \$16,939,983, 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:

<u>Type</u>	<u>Notional Value</u>	<u>Fair Value at August 31, 2019</u>	
		<u>Assets</u>	<u>Liabilities</u>
Credit Default	\$ 54,523,875	\$ 923,440	\$ 633,687
Currency	9,963,242	4,943,644	5,029,492
Equity	274,244,775	1,645,575	4,012,108
Fixed Income	2,900,000	-	262,766
Interest Rate	683,984,936	4,007,564	2,547,606
Volatility	1,300,000	-	120,429
Total		<u>\$ 11,520,223</u>	<u>\$ 12,606,088</u>

The change in fair value of open swap positions for the year ended August 31, 2019 was a decrease in the amount of \$1,909,056, which is included in the net increase in fair value of investments on the statements of changes in net position.

**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 \$11,240,893 and \$844,253, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The Fund had \$6,430,853 and \$960,000 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 contracts amounted to \$10,964,815 and \$809,492, respectively, as of August 31, 2020 and 2019.

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GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

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

<b>Contract</b>	<b>Notional Value at August 31, 2020</b>		<b>Fair Value at August 31, 2020</b>	
	<b>Long</b>	<b>Short</b>	<b>Assets</b>	<b>Liabilities</b>
Commodities	\$ 18,614,171	\$ -	\$ 1,946,104	\$ -
Domestic Fixed Income	74,518,113	81,401,634	1,037,086	928,419
Foreign Fixed Income	70,886,429	75,737,529	1,581,752	1,771,084
Domestic Equities	125,743,140	3,349,903	34,222	1,381,100
Foreign Equities	16,244,093	7,508,344	7,148	249,631
<b>Total</b>	<b>\$ 306,005,946</b>	<b>\$ 167,997,410</b>	<b>\$ 4,606,312</b>	<b>\$ 4,330,234</b>

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

<b>Contract</b>	<b>Notional Value at August 31, 2019</b>		<b>Fair Value at August 31, 2019</b>	
	<b>Long</b>	<b>Short</b>	<b>Assets</b>	<b>Liabilities</b>
Domestic Fixed Income	\$ 139,862,925	\$ -	\$ 56,094	\$ -
Foreign Fixed Income	166,533,124	31,123,733	20,263	41,596
<b>Total</b>	<b>\$ 306,396,049</b>	<b>\$ 31,123,733</b>	<b>\$ 76,357</b>	<b>\$ 41,596</b>

**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.

The change in fair value of open foreign exchange contracts for the year ended August 31, 2020 was a decrease in the amount of \$2,564,473 which is included in the net increase in fair value of investments on the statements of changes in net position.

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

Currency	Net Buy		Net Sell		Unrealized Gains	Unrealized Losses
	August 31, 2020	August 31, 2020	August 31, 2020	August 31, 2020	on Foreign Currency Exchange Contracts	on Foreign Currency Exchange Contracts
Australian Dollar	\$ -	\$ 21,382,811	\$ 451,673	\$ 959,658		
Brazil Real	-	4,378,948	172,731	111,576		
Canadian Dollar	-	10,063,655	340,533	618,717		
Chilean Peso	7,720,108	-	185,985	19,247		
Chinese Yuan Renminbi	-	15,284,881	149,879	602,267		
Colombian Peso	-	4,251,928	243,441	8,796		
Czech Koruna	6,932,791	-	372,367	-		
Danish Krone	-	22,134,013	5,713	1,142,318		
Egyptian Pound	-	689,290	-	3,628		
Euro	-	159,587,022	2,310,452	5,583,177		
Hong Kong Dollar	948,223	-	18,679	22,239		
Hungarian Forint	7,295,387	-	3,659	43,554		
Indonesian Rupiah	-	7,776,162	133,809	155,181		
Israeli Shekel	90,849	-	26,100	31,908		
Japanese Yen	-	138,110,170	3,437,895	405,778		
Malaysian Ringgit	-	583,044	1,501	17,916		
Mexican Peso	-	32,272,250	191,569	971,149		
New Zealand Dollar	-	23,820,345	295,591	749,770		
Norwegian Krone	3,331,613	-	2,955,238	1,603,820		
Peruvian Sol	-	9,883,666	70,276	86,128		
Polish Zloty	9,058,812	-	746,293	443,978		
Qatari Riyal	-	9,747	-	39		
Romanian Leu	-	3,265,038	-	67,390		
Russian Ruble	8,501,102	-	17,177	55,515		
Singapore Dollar	-	22,799,309	-	331,437		
South African Rand	-	13,041,058	36,642	437,900		
South Korean Won	11,774,784	-	71,697	46,183		
Swedish Krona	15,614,361	-	1,784,606	399,984		
Swiss Franc	-	18,513,089	32,666	448,624		
Taiwan Dollar	-	554,460	9,135	3,467		
Thailand Baht	-	9,860,863	15,702	78,651		
Turkish Lira	313,710	-	10,912	524		
Uae Dirham	-	11,647	-	1		
UK Pound	-	21,665,465	2,043,629	3,251,283		
	<u>\$ 71,581,740</u>	<u>\$ 539,938,861</u>	<u>\$ 16,135,550</u>	<u>\$ 18,701,803</u>		

The change in fair value of open foreign exchange contracts for the year ended August 31, 2020 was a decrease in the amount of \$2,564,473 which is included in the net increase in fair value of investments on the statements of changes in net position.



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

*Notes to Financial Statements (cont.)*

Currency	Net Buy		Unrealized Gains on Foreign Currency Exchange Contracts		Unrealized Losses on Foreign Currency Exchange Contracts	
	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019
Argentina Peso	\$ -	\$ -	\$ 6,014	\$ 44,445		
Australian Dollar	-	7,648,084	145,974	151,456		
Brazilian Real	-	12,735,581	1,045,548	630,730		
Canadian Dollar	-	25,549,319	211,134	182,090		
Chilean Peso	8,672,972	-	2,638	349,827		
Chinese Yuan Renminbi	-	2,127,839	90,559	103,313		
Colombian Peso	-	3,196,009	464,452	82,258		
Czech Koruna	2,662,551	-	-	142,039		
Danish Krone	-	21,314,114	348,830	17,454		
Euro	-	177,033,326	3,503,771	455,676		
Hong Kong Dollar	-	3,558,208	33,119	15,110		
Hungarian Forint	-	10,411,556	390,200	68,785		
Indian Rupee	-	14,970	169,652	72,199		
Indonesian Rupiah	-	5,407,871	78,760	43,750		
Israeli Shekel	-	118,755	718	-		
Japanese Yen	-	158,503,630	41,443	3,178,400		
Malaysian Ringgit	-	795,869	8,378	1		
Mexican Peso	-	31,579,608	1,215,465	120,253		
New Zealand Dollar	-	6,181,169	434,884	214,388		
Norwegian Kroner	5,534,976	-	467,854	704,135		
Peruvian Sol	-	11,320,617	139,387	8,909		
Polish Zloty	-	7,224,863	446,071	200,020		
Qatari Riyal	-	87,155	-	332		
Romanian Leu	-	1,889,250	80,559	19,488		
Russian Ruble	2,799,807	-	-	49,619		
Singapore Dollar	-	19,745,515	207,747	54,667		
South African Rand	-	14,067,183	239,623	141,850		
South Korean Won	9,733,744	-	112,053	352,446		
Swedish Krona	14,955,182	-	207,154	845,444		
Swiss Franc	-	13,337,664	161,428	189,202		
Taiwan Dollar	-	3,573,185	3,487	31,667		
Thai Baht	-	13,995,144	-	133,414		
UK Pound	-	25,799,093	1,316,852	320,453		
	<u>\$ 44,359,232</u>	<u>\$ 577,215,577</u>	<u>\$ 11,573,754</u>	<u>\$ 8,923,820</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 \$2,650,013, 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, 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 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, 2020 and 2019 were \$42,390,096 and \$24,890,041, 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 \$13,635,989 and \$10,891,051, 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. For the years ended August 31, 2020 and 2019, custodial fees and expenses incurred by the Fund amounted to \$1,206,409 and \$1,290,341, respectively.

Accounting fees, in the amounts of \$264,011 and \$258,517, were incurred by the Fund during the years ended August 31, 2020 and 2019, respectively, for external and UT System internal audit services.

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 \$91,582 and \$136,319 were incurred for the years ended August 31, 2020 and 2019, respectively.

Consulting fees, in the amounts of \$81,979 and \$117,113, for the years ended August 31, 2020 and 2019, respectively, 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. Fees incurred by the Fund for the years ended August 31, 2020 and 2019, amounted to \$57,508 and \$81,512, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2020 and 2019, the fees incurred by the Fund amounted to \$220,812 and \$70,146, 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 \$45,788 and \$32,443 were incurred for the years ended August 31, 2020 and 2019, respectively.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 343.950	\$ 329.280	\$ 299.806	\$ 266.535	\$ 256.223
Income from Investment Operations					
Net Investment Income (A)	1.503	2.719	2.591	2.421	2.253
Net Realized and Unrealized Gain on Investments	<u>30.817</u>	<u>11.951</u>	<u>26.883</u>	<u>30.850</u>	<u>8.059</u>
Total Income from Investment Operations	<u>32.320</u>	<u>14.670</u>	<u>29.474</u>	<u>33.271</u>	<u>10.312</u>
Net Position, End of Year	<u>\$ 376.270</u>	<u>\$ 343.950</u>	<u>\$ 329.280</u>	<u>\$ 299.806</u>	<u>\$ 266.535</u>

(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.