

Financial Statements  
and Independent Auditors' Report  
The University of Texas System  
Long Term Fund  
*Years Ended August 31, 2021 and 2020*

The University of Texas System Long Term Fund

Financial Statements

Years Ended August 31, 2021 and 2020

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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 University of Texas System Long Term Fund (the "Fund"), which comprise the statements of net position as of August 31, 2021 and 2020, 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 Long Term Fund as of August 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 or 2020, 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 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on Supplemental 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 29, 2021

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

Our discussion and analysis of The University of Texas System Long Term Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2021 and 2020. 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 was established February 9, 1995, by The University of Texas System Board of Regents (UT Board) to succeed the Common Trust Fund pooled investment fund. The Fund is a pooled investment fund established for the collective investment of approximately 15,500 privately raised endowments and other long-term funds established to benefit the 13 institutions of the UT System. 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 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 Permanent Health Fund (PHF), which was also established by the UT Board. The Fund and the PHF 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 contributions, withdrawals and distributions, increased by \$6,019.9 million from \$13,911.2 million to \$19,931.1 million or approximately 43.3% for the year ended August 31, 2021, compared to an increase of \$2,473.6 million from \$11,437.6 million to \$13,911.2 million or approximately 21.6% for the year ended August 31, 2020. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 31.77% for the year ended August 31, 2021, calculated using the Modified Dietz Method as described by the CFA Institute. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in infrastructure, private equity, and public equity, including U.S., Non-U.S., and emerging markets were the biggest contributors to the 2021 return. Investments in public equity, including global developed public equity and emerging markets public equity, and private equity were the biggest contributors to the net investment return of 9.39% for August 31, 2020.
2. Participant contributions to the Fund increased by 7% from fiscal year 2020 to 2021. Fiscal year 2021 contributions of \$2,083.3 million represented 12.3% of the average value of the Fund position during the year. From fiscal year 2019 to 2020, participant contributions to the

## THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND

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Fund decreased by 14%. Contributions for fiscal year 2020 totaled \$1,947.9 million and represented 15.5% of the average value of the Fund position during the year. Participant contributions consist of endowment and other long-term funds that have been forwarded to the Fund for management by UTIMCO.

3. The Fund's distribution rate per unit increased by 0.1% for the year ended August 31, 2021. This equated to an increase in the 2021 rate to \$0.3578 per unit from the 2020 rate of \$0.3574 per unit. The 2020 rate represented an increase of 2.0% over the fiscal year 2019 rate of \$0.3503 per unit. Fiscal year 2021 distributions represented 4.00% of the Fund's average net position during the year, compared to the fiscal year 2020 distributions which represented 4.69% of the Fund's average net position for the year.

### 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, 2021, the Fund owned 40,203,411 GEF units representing an ownership percentage of 92.56%, compared to 36,971,196 GEF units representing an ownership percentage of 91.68%, as of August 31, 2020. As of August 31, 2021, and 2020, the fair value of the GEF units was \$19,931.1 million and \$13,911.2 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. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
GEF Units, at Fair Value	\$ 19,931.1	\$ 13,911.2	\$ 11,437.6
Receivable for GEF Units Sold	8.5	7.5	8.0
<b>Total Assets</b>	<u>19,939.6</u>	<u>13,918.7</u>	<u>11,445.6</u>
<b>Liabilities</b>			
Payable to Participants	8.5	7.5	8.0
<b>Total Liabilities</b>	<u>8.5</u>	<u>7.5</u>	<u>8.0</u>
<b>Net Position Restricted for Participants</b>	<u>\$ 19,931.1</u>	<u>\$ 13,911.2</u>	<u>\$ 11,437.6</u>

**Statements of Changes in Net Position**

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

The net increase in fair value of investments of the Fund was \$4,669.4 million during the year compared to the net increase in fair value of investments of \$1,137.3 million for the year ended August 31, 2020.

Distributions to participants totaled \$677.7 million, \$588.4 million and \$477.3 million, respectively, for the years ended August 31, 2021, 2020, and 2019. The increase for fiscal year 2021 is a result of the UT Board's increase of the distribution rate from \$0.3574 per unit to \$0.3578 per unit, and additional contributions to the Fund. For the fiscal year 2020, the increase in distributions is a result of the UT Board's increase of the distribution rate from \$0.3503 per unit to \$0.3574 per unit, and additional contributions to the Fund. The Fund is structured as a pooled investment fund in which each endowment or account purchases units at the Fund's fair value or net position per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record.

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 inflation.

**THE UNIVERSITY OF TEXAS SYSTEM  
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The following table summarizes the statements of changes in net position (in millions):

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Investment Income	\$ 4,735.0	\$ 1,191.3	\$ 497.2
Less Investment Expenses	-	-	0.1
Net Investment Income	4,735.0	1,191.3	497.1
Participant Contributions	2,083.3	1,947.9	2,264.8
<b>Total Additions</b>	<b>6,818.3</b>	<b>3,139.2</b>	<b>2,761.9</b>
Administrative Expenses	107.4	67.5	52.8
Participant Withdrawals	13.3	9.7	9.3
Participant Distributions	677.7	588.4	477.3
<b>Total Deductions</b>	<b>798.4</b>	<b>665.6</b>	<b>539.4</b>
Change in Net Position	6,019.9	2,473.6	2,222.5
Net Position Restricted for Participants, Beginning of Year	13,911.2	11,437.6	9,215.1
<b>Net Position Restricted for Participants, End of Year</b>	<b>\$ 19,931.1</b>	<b>\$ 13,911.2</b>	<b>\$ 11,437.6</b>

**Contacting UTIMCO**

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



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

*August 31, 2021 and 2020*

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
GEF Units, at Fair Value	\$19,931,063	\$13,911,160
Receivable for GEF Units Sold	8,479	7,531
Other	-	7
<b>Total Assets</b>	<u>19,939,542</u>	<u>13,918,698</u>
<b>Liabilities</b>		
Payable to Participants	8,479	7,531
<b>Total Liabilities</b>	<u>8,479</u>	<u>7,531</u>
<b>Net Position Restricted for Participants</b> <b>(1,967,246,516 Units and 1,728,175,457 Units, respectively)</b>	<u>\$19,931,063</u>	<u>\$13,911,167</u>
<b>Net Position Restricted for Participants Per Unit</b>	<u>\$10.131</u>	<u>\$8.050</u>

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

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

**Statements of Changes in Net Position**

*Years Ended August 31, 2021 and 2020*

*(in thousands)*

	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 4,669,381	\$ 1,137,330
Allocation of GEF Net Investment Income	65,603	53,992
Interest	-	1
Total Investment Income	<u>4,734,984</u>	<u>1,191,323</u>
Less Investment Expenses:		
Other Expenses	<u>34</u>	<u>27</u>
Total Investment Expenses	<u>34</u>	<u>27</u>
Net Investment Income	4,734,950	1,191,296
Participant Contributions	<u>2,083,295</u>	<u>1,947,910</u>
<b>Total Additions</b>	<u>6,818,245</u>	<u>3,139,206</u>
<b>Deductions</b>		
Administrative Expenses:		
Development Operations Allocation	107,285	67,494
UT System Oversight Fee	<u>98</u>	<u>73</u>
Total Administrative Expenses	107,383	67,567
Participant Withdrawals	13,258	9,696
Participant Distributions	<u>677,708</u>	<u>588,425</u>
<b>Total Deductions</b>	<u>798,349</u>	<u>665,688</u>
<b>Change in Net Position</b>	6,019,896	2,473,518
Net Position Restricted for Participants, Beginning of Year	<u>13,911,167</u>	<u>11,437,649</u>
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$19,931,063</u>	<u>\$13,911,167</u>

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

# THE UNIVERSITY OF TEXAS SYSTEM

## LONG TERM FUND

*Notes to Financial Statements*

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

(A) The University of Texas System Long Term Fund (Fund) is a pooled investment fund established for the collective investment of private endowment and other long-term fund participants supporting various programs and purposes of the 14 institutions comprising The University of Texas System (UT System). The Long Term Fund was established February 9, 1995, by the Board of Regents of The University of Texas System (UT Board) to succeed the Common Trust Fund pooled investment fund. 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.

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 Permanent Health Fund (PHF) which was also established by the UT Board. The Fund and the PHF purchase and redeem units 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 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 29, 2021, 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. Subsequent participant contributions received by the Fund are also used to purchase GEF units. At August 31, 2021, the Fund is the majority participant in the GEF, with ownership of 40,203,411 units, which represents 92.56% of the GEF. At August 31, 2020, the Fund held 36,971,196 units, which represents 91.68% of the GEF.

# THE UNIVERSITY OF TEXAS SYSTEM

## LONG TERM 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 in conjunction 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 \$19,931,062,865 and \$13,911,159,726, as of August 31, 2021 and 2020, 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 position.

**(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, 2021, the quarterly rate was \$0.089450 which equates to an annual rate of \$0.3578 per unit. For the year ended August 31, 2020, the quarterly distribution rate was \$0.089350 which equated to an annual rate of \$0.3574 per unit. The ratio of distributions to average net position (12-quarter average) was 4.27% as of August 31, 2021, and 4.57% as of August 31, 2020.

**(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 fair value of net position held as of the quarterly valuation date. Redemptions from the Fund will also be made at the fair 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.

**(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.

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

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

*Notes to Financial Statements (cont.)*

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**Note 4 – Fees and Expenses**

For the years ended August 31, 2021 and 2020, UT System and UT System institutions were eligible to receive up to 80 basis points (0.80%) of a twelve-quarter average net asset value of the Fund for development operations to enhance funding and increase their philanthropic capacity. For UT System and UT System institutions that elected to receive less than the full allocation, the amounts that were not allocated were reinvested and purchased additional units in the Fund. The amount allocated for the years ended August 31, 2021 and 2020, were \$107,284,704 and \$67,493,961, respectively.

The Fund is assessed a fee to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. The fees assessed for the years ended August 31, 2021 and 2020, were \$97,680 and \$72,768, respectively.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**LONG TERM FUND**  
*Supplemental Schedule*

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 8.050	\$ 7.745	\$ 7.804	\$ 7.482	\$ 7.001
Income from Investment Operations					
Net Investment Income (A)	0.034	0.034	0.062	0.054	0.055
Net Realized and Unrealized Gains on Investments	2.463	0.671	0.271	0.659	0.792
Total Income from Investment Operations	2.497	0.705	0.333	0.713	0.847
Less Administrative Expenses	0.058	0.043	0.042	0.043	0.015
Less Distributions	0.358	0.357	0.350	0.348	0.351
Net Position, End of Year	<u>\$ 10.131</u>	<u>\$ 8.050</u>	<u>\$ 7.745</u>	<u>\$ 7.804</u>	<u>\$ 7.482</u>
<b>Ratios and Supplemental Data</b>					
Net Position, End of Year (in thousands)	\$19,931,063	\$13,911,167	\$11,437,649	\$9,215,054	\$8,225,015
Ratios to Average Net Position					
Distributions (5-quarter average)	4.00%	4.69%	4.70%	4.56%	4.89%
Distributions (12-quarter average)	4.27%	4.57%	4.63%	4.78%	4.87%

(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, 2021 and 2020*

# The University of Texas System General Endowment Fund

## Financial Statements

Years Ended August 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 or 2020, 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 29, 2021

## 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, 2021 and 2020. 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 \$6,361.0 million from \$15,172.8 million to \$21,533.8 million or approximately 41.9% for the year ended August 31, 2021, compared to an increase of \$2,531.2 million or approximately 20.0% for the year ended August 31, 2020. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 31.66%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2021. Investments in infrastructure, private equity, and public equity, including U.S., non-U.S. and emerging markets, were the biggest contributors to the 2021 return. Investments in public equities, including global developed public equity and emerging markets public equity, and private equity were the biggest contributors to the net investment gain of 9.49% for August 31, 2020.
2. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$1,231.2 million for the year ended August 31, 2021, compared to net contributions for the year ended August 31, 2020 of \$1,229.6 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>2021</b>	<b>2020</b>	<b>2019</b>
Investments, at Fair Value	\$ 21,615.3	\$ 15,313.5	\$ 12,757.4
Other Assets	535.9	384.6	304.3
<b>Total Assets</b>	<b>22,151.2</b>	<b>15,698.1</b>	<b>13,061.7</b>
<b>Total Liabilities</b>	<b>617.4</b>	<b>525.3</b>	<b>420.1</b>
<b>Net Position Restricted for Participants</b>	<b>\$ 21,533.8</b>	<b>\$ 15,172.8</b>	<b>\$ 12,641.6</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.

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

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The net increase in fair value of investments of the Fund was \$5,058.8 million during the year ended August 31, 2021 compared to the net increase in fair value of investments of \$1,242.5 million for the year ended August 31, 2020. Expenses totaled \$82.6 million, \$58.0 million, and \$37.8 million, respectively, for the years ended August 31, 2021, 2020, and 2019.

The net increase in net position totaled \$6,361.0 million for the year ended August 31, 2021 compared to a net increase in net position totaling \$2,531.2 million for the year ended August 31, 2020.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Investment Income	\$ 5,212.4	\$ 1,359.6	\$ 586.9
Less Investment Expenses	82.6	58.0	37.8
Net Investment Income	<u>5,129.8</u>	<u>1,301.6</u>	<u>549.1</u>
Participant Contributions	1,975.7	1,880.1	2,211.7
Total Additions	<u>7,105.5</u>	<u>3,181.7</u>	<u>2,760.8</u>
Participant Withdrawals	744.5	650.5	537.9
Total Deductions	<u>744.5</u>	<u>650.5</u>	<u>537.9</u>
Change in Net Position	6,361.0	2,531.2	2,222.9
Net Position Restricted for Participants, Beginning of Year	15,172.8	12,641.6	10,418.7
Net Position Restricted for Participants, End of Year	<u>\$ 21,533.8</u>	<u>\$ 15,172.8</u>	<u>\$ 12,641.6</u>

### **Contacting UTIMCO**

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

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

**Statements of Net Position**

*August 31, 2021 and 2020*

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

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Investments, at Fair Value:		
Equity Securities	\$ 2,324,557	\$ 1,796,219
Preferred Stock	33,772	31,107
Purchased Options	21,319	6,004
Debt Securities	2,260,914	1,422,356
Investment Funds	16,301,169	11,818,697
Cash and Cash Equivalents	673,571	239,157
Total Investments	<u>21,615,302</u>	<u>15,313,540</u>
Collateral for Securities Loaned, at Fair Value	200,313	117,157
Deposits with Brokers for Derivative Contracts	29,040	19,683
Futures Contracts, at Fair Value	1,475	4,606
Swaps, at Fair Value	22,958	23,686
Unrealized Gains on Foreign Exchange Contracts	8,750	16,136
Receivables:		
Investment Securities Sold	260,282	192,456
Accrued Income	12,910	10,548
Other	211	331
Total Receivables	<u>273,403</u>	<u>203,335</u>
<b>Total Assets</b>	<u>22,151,241</u>	<u>15,698,143</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	200,313	117,157
Payable to Brokers for Collateral Held	47,532	35,967
Payable to Participants	8,479	7,531
Unrealized Losses on Foreign Exchange Contracts	9,068	18,702
Futures Contracts, at Fair Value	746	4,330
Swaps, at Fair Value	7,339	6,516
Options Written, at Fair Value	309	1,274
Payables:		
Investment Securities Purchased	328,438	308,057
Other	15,216	25,785
Total Payables	<u>343,654</u>	<u>333,842</u>
<b>Total Liabilities</b>	<u>617,440</u>	<u>525,319</u>
<b>Net Position Restricted for Participants</b>	<u>\$ 21,533,801</u>	<u>\$ 15,172,824</u>
<b>Number of Units:</b>		
Permanent Health Fund (PHF)	3,232,920	3,353,079
The University of Texas System Long Term Fund (LTF)	<u>40,203,411</u>	<u>36,971,196</u>
<b>Total</b>	<u>43,436,331</u>	<u>40,324,275</u>
<b>Net Position Restricted for Participants Per Unit</b>	<u>\$ 495.756</u>	<u>\$ 376.270</u>

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

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

**Statements of Changes in Net Position**

*Years Ended August 31, 2021 and 2020*

*(in thousands)*

	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 5,058,803	\$ 1,242,482
Interest	39,372	37,358
Dividends	40,685	40,549
Income Distributions from Private Investment Funds	72,810	38,674
Securities Lending Income	733	614
Other	12	-
Total Investment Income	<u>5,212,415</u>	<u>1,359,677</u>
Less Investment Expenses:		
Investment Management Fees	63,083	42,390
UTIMCO Management Fees	17,073	13,636
Custodial Fees and Expenses	1,354	1,206
Analytical and Risk Measurement Fees	446	221
Accounting Fees	338	264
Legal Fees	104	57
Consulting Fees	92	82
Background Check Fees	78	92
Foreign Tax Consulting and Filing Fees	37	46
Other Expenses	2	11
Total Investment Expenses	<u>82,607</u>	<u>58,005</u>
Net Investment Income	5,129,808	1,301,672
Participant Contributions	1,975,707	1,880,132
<b>Total Additions</b>	<u>7,105,515</u>	<u>3,181,804</u>
<b>Deductions</b>		
Participant Withdrawals	<u>744,538</u>	<u>650,532</u>
<b>Change in Net Position</b>	6,360,977	2,531,272
Net Position Restricted for Participants, Beginning of Year	15,172,824	12,641,552
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$ 21,533,801</u>	<u>\$ 15,172,824</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 29, 2021, 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.

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. Certain private investment funds that do not follow the practical expedient are categorized as Level 3.

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.

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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**(B) Foreign Currency Translation** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities and other assets and liabilities are fair valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The Fund does not isolate that portion of the results of the change in net position resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in the fair value of investments held on the statements of net position. Such fluctuations are included 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 fair value of net position as of the quarterly valuation date. Redemptions from the Fund will also be made at the fair 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 verifiable model inputs. 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,
- manage 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.

# THE UNIVERSITY OF TEXAS SYSTEM

## GENERAL ENDOWMENT FUND

*Notes to Financial Statements (cont.)*

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

**(K) *Cash and Cash Equivalents*** -- Cash and cash equivalents consist of money market investments, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statements of net position. Investments in public money market funds are categorized as Level 1.

THE UNIVERSITY OF TEXAS SYSTEM  
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, 2021 and 2020, respectively, as categorized by level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2021	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	\$ 1,099,649,371	\$ 1,099,649,371	\$ -	\$ -
Foreign Common Stock	1,220,057,853	1,220,049,371	8,482	-
Other Equities	4,850,429	4,850,429	-	-
<b>Total Equity Securities</b>	<b>2,324,557,653</b>	<b>2,324,549,171</b>	<b>8,482</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	1,852,444	-	1,852,444	-
Foreign Preferred Stock	31,919,293	31,654,577	264,716	-
<b>Total Preferred Stock</b>	<b>33,771,737</b>	<b>31,654,577</b>	<b>2,117,160</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,012,152,586	880,144,502	132,008,084	-
Foreign Government and Provincial Obligations	722,289,587	-	722,289,587	-
Corporate Obligations	524,581,152	-	524,581,152	-
Other	1,890,214	-	1,890,214	-
<b>Total Debt Securities</b>	<b>2,260,913,539</b>	<b>880,144,502</b>	<b>1,380,769,037</b>	<b>-</b>
<b>Purchased Options</b>	<b>21,319,005</b>	<b>21,254,574</b>	<b>64,431</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	255,293,464	-	-	255,293,464
U.S. Equity	30,612,293	30,612,293	-	-
Non U.S. Developed Equity	45,035,763	45,035,763	-	-
Emerging Markets	2,503,220	2,503,220	-	-
Fixed Income	52,748,079	52,748,079	-	-
<b>Total Investment Funds</b>	<b>386,192,819</b>	<b>130,899,355</b>	<b>-</b>	<b>255,293,464</b>
<b>Cash Equivalents</b>	<b>613,115,442</b>	<b>613,115,442</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>5,639,870,195</b>	<b>\$ 4,001,617,621</b>	<b>\$ 1,382,959,110</b>	<b>\$ 255,293,464</b>
<b>Cash</b>	<b>60,455,696</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>3,507,136,060</b>			
<b>Private Investments</b>	<b>8,260,987,757</b>			
<b>Public Markets</b>	<b>4,146,852,745</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>15,914,976,562</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 21,615,302,453</b>			

  

	Fair Value Measurements Using			
	Fair Value as of August 31, 2021	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	\$ (318,508)	\$ -	\$ (318,508)	\$ -
Futures Contracts	729,119	729,119	-	-
Swaps	15,618,287	-	15,618,287	-
Written Options	(309,390)	-	(309,390)	-
<b>Investment Derivatives</b>	<b>\$ 15,719,508</b>	<b>\$ 729,119</b>	<b>\$ 14,990,389</b>	<b>\$ -</b>

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

	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)
<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 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)
<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>

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

**THE UNIVERSITY OF TEXAS SYSTEM**  
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*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, 2021 and 2020 is summarized in the following tables as they are included within the asset mix of the Fund.

Investment Funds:	Fair Value as of August 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 630,317,658	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	826,353,914	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	298,031,445	191,250,166	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>1,754,703,017</u>	<u>191,250,166</u>		
<b>Stable Value</b>				
Redeemable Within One Year	1,032,661,392	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	537,537,108	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	182,234,543	106,619,493	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>1,752,433,043</u>	<u>106,619,493</u>		
<b>Total Hedge Funds</b>	<u>3,507,136,060</u>	<u>297,869,659</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	1,913,349,709	1,299,193,237	Not Applicable	Not Applicable
Emerging Market Equity	945,600,239	132,170,684	Not Applicable	Not Applicable
Credit	447,205,061	293,321,696	Not Applicable	Not Applicable
Venture	2,137,431,671	392,303,136	Not Applicable	Not Applicable
Natural Resources	1,053,684,246	273,553,894	Not Applicable	Not Applicable
Infrastructure	470,155,898	390,126,092	Not Applicable	Not Applicable
Real Estate	1,293,560,933	887,914,223	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>8,260,987,757</u>	<u>3,668,582,962</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	881,366,604	-	Daily to Quarterly	5 - 60 Days
Redeemable Beyond One Year	525,293,059	25,533,333	Annually	90 - 105 Days
<b>Total U.S. Equity</b>	<u>1,406,659,663</u>	<u>25,533,333</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	567,282,224	-	Daily to Quarterly	5 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	1,017,389,524	-	Daily to Quarterly	5 - 60 Days
Redeemable Beyond One Year	344,877,147	-	Monthly	45 - 60 Days
<b>Total Global Developed Equity</b>	<u>1,362,266,671</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	708,328,250	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	75,665,767	-	Monthly to Quarterly	60 Days
Nonredeemable	24,956,150	44,966,941	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>808,950,167</u>	<u>44,966,941</u>		
<b>Fixed Income</b>				
Redeemable Within One Year	1,694,020	-	Daily	1 Day
<b>Total Public Markets</b>	<u>4,146,852,745</u>	<u>70,500,274</u>		
<b>Total Investment Funds</b>	<u>\$ 15,914,976,562</u>	<u>\$ 4,036,952,895</u>		

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<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 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 \$1,163,548,811 of future funding to various hedge fund investments as of August 31, 2021 of which the Fund's pro-rata portion is \$297,869,659.



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, 2021 and 2020, 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 \$9,035,918,625 of future funding to various private investments as of August 31, 2021 of which the Fund's pro-rata portion is \$3,668,582,962.

Public market funds are invested in publicly traded mutual 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 \$189,982,510, of which the Fund's pro-rata portion is \$70,500,274 has been committed to certain public market funds as of August 31, 2021.

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.

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, 2021 and 2020:

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

Investment Type	August 31,		Rating
	2021	2020	
<b>Investments:</b>			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ -	\$ 134,323,038	AAA
U.S. Government Guaranteed	880,296,346	216,820,456	AA
Total U.S. Government Guaranteed	<u>880,296,346</u>	<u>351,143,494</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	19,935,994	47,417,878	AA
U.S. Agency Asset Backed	111,535,428	138,978,788	AA
U.S. Agency Asset Backed	384,818	-	BAA/BBB
U.S. Agency Asset Backed	-	346,925	BA/BB
Total U.S. Government Non-Guaranteed	<u>131,856,240</u>	<u>186,743,591</u>	
Total U.S. Government	<u>1,012,152,586</u>	<u>537,887,085</u>	
Corporate Obligations:			
Domestic	46,605,586	22,091,150	AAA
Domestic	30,024,266	26,570,429	AA
Domestic	105,024,111	120,266,468	A
Domestic	127,371,924	133,929,403	BAA/BBB
Domestic	16,111,593	10,886,048	BA/BB
Domestic	514,570	835,635	B
Domestic	2,291,700	2,418,846	CAA/CCC
Domestic	659,485	183,125	CA/CC
Domestic	435,935	21,600	D
Domestic	3,201,904	1,307,701	Not Rated
Foreign	67,151,664	36,248,854	AAA
Foreign	4,133,664	3,099,509	AA
Foreign	38,395,902	30,636,923	A
Foreign	56,794,026	35,942,001	BAA/BBB
Foreign	14,575,915	9,826,859	BA/BB
Foreign	4,078,264	2,900,981	B
Foreign	7,210,643	1,220,802	Not Rated
Total Corporate Obligations	<u>524,581,152</u>	<u>438,386,334</u>	
Foreign Government and Provincial Obligations	74,671,446	63,580,390	AAA
Foreign Government and Provincial Obligations	87,508,842	75,579,658	AA
Foreign Government and Provincial Obligations	106,688,768	109,168,225	A
Foreign Government and Provincial Obligations	125,082,632	110,664,329	BAA/BBB
Foreign Government and Provincial Obligations	70,666,188	24,859,176	BA/BB
Foreign Government and Provincial Obligations	257,671,711	60,998,363	Not Rated
Total Foreign Government and Provincial Obligations	<u>722,289,587</u>	<u>444,850,141</u>	
Other Debt Securities	231,070	-	AAA
Other Debt Securities	505,096	543,578	AA
Other Debt Securities	1,154,048	688,667	BAA/BBB
Total Other Debt Securities	<u>1,890,214</u>	<u>1,232,245</u>	
Total Debt Securities	<u>\$ 2,260,913,539</u>	<u>\$ 1,422,355,805</u>	
Other Investment Funds			
Debt	13,783,950	\$ 12,802,079	BA/BB
Debt	40,658,149	78,666,276	Not Rated
Total Other Investments - Debt	<u>\$ 54,442,099</u>	<u>\$ 91,468,355</u>	
Cash Equivalents - Money Market Funds	\$ 613,115,442	\$ 187,711,949	AAA
Cash	60,455,696	51,444,645	Not Rated
Total Cash and Cash Equivalents	<u>\$ 673,571,138</u>	<u>\$ 239,156,594</u>	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 15,287,182	\$ 7,883,709	AA
Cash	(33,778,726)	(24,168,031)	Not Rated
<b>Total Net (Payable to)/Deposit with Brokers for Derivative Contracts</b>	<u>\$ (18,491,544)</u>	<u>\$ (16,284,322)</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, 2021 and 2020, 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, 2021, and 2020, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

**(D) Interest Rate Risk**

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

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

*Notes to Financial Statements (cont.)*

The following table summarizes the Fund's modified duration in years by investment type at August 31, 2021 and 2020:

Investment Type	August 31,			
	2021		2020	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 19,395,500	0.15	\$ -	-
U.S. Treasury Bonds and Notes	388,329,821	7.37	113,159,820	3.48
U.S. Treasury Inflation Protected	472,419,181	7.80	229,883,647	8.26
U.S. Agency Asset Backed	151,844	1.18	8,100,027	4.16
Total U.S. Government Guaranteed	<u>880,296,346</u>	7.44	<u>351,143,494</u>	6.62
U.S. Government Non-Guaranteed:				
U.S. Agency	19,935,994	3.69	47,417,878	2.24
U.S. Agency Asset Backed	111,920,246	3.25	139,325,713	3.03
Total U.S. Government Non-Guaranteed	<u>131,856,240</u>	3.32	<u>186,743,591</u>	2.83
Total U.S. Government	<u>1,012,152,586</u>	6.90	<u>537,887,085</u>	5.31
Corporate Obligations:				
Domestic	332,241,074	6.79	318,510,405	8.78
Foreign	192,340,078	3.89	119,875,929	4.44
Total Corporate Obligations	<u>524,581,152</u>	5.73	<u>438,386,334</u>	7.59
Foreign Government and Provincial Obligations	<u>722,289,587</u>	6.89	<u>444,850,141</u>	7.33
Other Debt Securities	<u>1,890,214</u>	10.99	<u>1,232,245</u>	12.69
Total Debt Securities	<u>2,260,913,539</u>	6.63	<u>1,422,355,805</u>	6.65
Other Investment Funds - Debt	<u>54,442,099</u>	2.10	<u>91,468,355</u>	5.46
Cash and Cash Equivalents	<u>673,571,138</u>	0.06	<u>239,156,594</u>	0.07
Total	<u>\$ 2,988,926,776</u>	5.07	<u>\$ 1,752,980,754</u>	5.69
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 13,946,991	0.71	\$ 5,812,699	0.62
U.S. Treasury Bonds and Notes	1,340,191	3.47	2,071,010	3.47
Total U.S. Government Guaranteed	<u>15,287,182</u>	0.96	<u>7,883,709</u>	
Cash	<u>(33,778,726)</u>	-	<u>(24,168,031)</u>	-
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	<u>\$ (18,491,544)</u>	-	<u>\$ (16,284,322)</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, 2021 and 2020, 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 \$50,884,579 and \$28,278,020 as of August 31, 2021 and 2020, 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 \$111,858,915 and to \$147,076,904 as of August 31, 2021 and 2020, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$24,769,743 and \$7,135,305 as of August 31, 2021 and 2020, 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, 2021 and 2020:

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GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2021	2020
<b>Foreign Common Stock:</b>		
Australian Dollar	\$ 3,166,325	\$ 2,274,990
Brazilian Real	74,789,327	79,450,160
Canadian Dollar	13,154,120	2,235,042
Chilean Peso	104,402	76,955
Chinese Yuan Renminbi	199,960,934	276,939,097
Czech Koruna	37,872	-
Danish Krone	9,586,389	2,808,921
Egyptian Pound	477,286	1,493,448
Euro	128,617,013	80,808,297
Hong Kong Dollar	69,288,766	76,282,695
Hungarian Forint	849,666	935,230
Indian Rupee	39,703,713	21,067,041
Indonesian Rupiah	9,058,040	5,561,326
Japanese Yen	172,513,740	155,437,118
Malaysian Ringgit	3,098,286	3,538,200
Mexican Peso	6,851,517	7,308,523
Norwegian Krone	2,945,130	7,821,136
Peruvian Sol	31,659	30,002
Philippine Peso	147,206	251,479
Polish Zloty	5,059,620	1,754,064
Qatari Riyal	358,075	273,362
Singapore Dollar	434,804	-
South African Rand	9,977,120	8,564,349
South Korean Won	126,670,338	96,093,880
Swedish Krona	10,092,841	6,802,358
Swiss Franc	28,180,861	15,397,706
Taiwan Dollar	41,258,951	39,784,147
Thai Baht	7,475,262	2,258,223
Turkish Lira	2,643,596	9,003,436
UK Pound	62,257,256	43,512,331
United Arab Emirates Dirham	2,358,239	3,393,661
Total Foreign Common Stock	1,031,148,354	951,157,177
<b>Other - Equity Securities:</b>		
Swiss Franc	14,636	-
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	16,264,054	15,358,521
Euro	2,018,061	420,256
South African Rand	25,842	26,884
South Korean Won	13,611,336	14,064,113
Total Foreign Preferred Stock	31,919,293	29,869,774

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

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2021	2020
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 48,231,677	\$ 23,493,131
Brazilian Real	20,559,718	12,995,377
Canadian Dollar	22,207,540	28,645,255
Chinese Yuan Renminbi	47,682,194	15,040,724
Colombian Peso	22,086,303	17,024,609
Euro	78,637,186	91,427,946
Hungarian Forint	2,397,262	-
Indonesian Rupiah	27,502,140	16,396,351
Israeli Shekel	15,518,606	330,782
Japanese Yen	177,652,626	84,083,243
Malaysian Ringgit	26,399,123	16,466,575
Mexican Peso	60,278,846	54,094,346
New Zealand Dollar	2,422,378	563,574
Norwegian Krone	8,716,521	2,992,574
Peruvian Sol	3,332,965	2,527,015
Polish Zloty	3,228,962	4,776,896
Romanian Leu	2,200,023	3,176,951
Russian Ruble	7,201,311	1,700,470
Singapore Dollar	26,111,227	23,088,802
South African Rand	28,020,168	11,863,799
South Korean Won	47,072,835	2,370,095
UK Pound	19,791,473	11,209,642
Total Foreign Government and Provincial Obligations	<u>697,251,084</u>	<u>424,268,157</u>
<b>Corporate Obligations:</b>		
Australian Dollar	-	77,349
Brazilian Real	339,357	-
Canadian Dollar	54,048	59,186
Danish Krone	30,614,616	21,695,415
Euro	24,129,110	13,954,134
Indian Rupee	4,522,091	238
UK Pound	24,681,502	14,505,633
Total Corporate Obligations	<u>84,340,724</u>	<u>50,291,955</u>
<b>Purchased Options:</b>		
Brazilian Real	36,338	425,491
Canadian Dollar	-	12,781
Euro	64,271	4,727,238
Swiss Franc	2,988	60,919
Total Purchased Options	<u>103,597</u>	<u>5,226,429</u>
<b>Private Investments:</b>		
Australian Dollar	57,976,255	50,647,560
Canadian Dollar	86,625,472	72,631,366
Euro	275,074,253	185,719,540
Japanese Yen	15,782,134	-
Swedish Krona	44,015,864	6,457,470
UK Pound	66,842,540	39,394,132
Total Private Investments	<u>546,316,518</u>	<u>354,850,068</u>



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**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2021	2020
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	\$ 7,150,811	\$ 8,261,493
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	338,986	23,083
Brazilian Real	7,148,825	5,992,560
Canadian Dollar	7,211,498	2,535,893
Chilean Peso	2,296	-
Chinese Yuan Renminbi	30,573,918	22,511,626
Colombian Peso	330,041	2,012
Czech Koruna	4,838	19,130
Danish Krone	11,154	9,423
Egyptian Pound	6,603	735,364
Euro	6,432,342	1,320,978
Hong Kong Dollar	667,682	108,360
Hungarian Forint	-	25,106
Indian Rupee	38,941	285,408
Indonesian Rupiah	323	55,108
Israeli Shekel	258	255
Japanese Yen	2,305,122	2,174,845
Malaysian Ringgit	429,278	28,553
Mexican Peso	5,525	80,656
New Zealand Dollar	1,179	662
Norwegian Krone	38,835	262
Peruvian Sol	3,833	-
Philippine Peso	3,053	2,789
Polish Zloty	4,721	35,177
Qatari Riyal	5,759	11,493
Romanian Leu	141	-
Russian Ruble	23,576	11,698
Singapore Dollar	88,203	6,652
South African Rand	1,147,973	552,119
South Korean Won	2,713,731	2,530,572
Swedish Krona	2,805	6,907
Swiss Franc	85,761	(158,419)
Taiwan Dollar	440,345	243,706
Thai Baht	731	(8)
Turkish Lira	53	7,383
UK Pound	850,128	818,561
United Arab Emirates Dirham	12,253	25,366
Total Cash and Cash Equivalents	60,930,710	40,003,280
<b>Written Options:</b>		
Brazilian Real	(100,631)	(68,280)
Canadian Dollar	-	(36,246)
Euro	(57,605)	(66,376)
UK Pound	(96,917)	-
Total Written Options	(255,153)	(170,902)
<b>Swaps:</b>		
Australian Dollar	481,440	21,542
Canadian Dollar	(84,162)	580,362
Czech Koruna	259	10,761

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Swaps (continued):</b>		
Euro	\$ 177,257	\$ 324,172
Israeli Shekel	-	59,611
Japanese Yen	(12,672)	(85,524)
Mexican Peso	(25,497)	(4,266)
New Zealand Dollar	(2,029)	-
Norwegian Krone	16,091	-
Polish Zloty	-	23,887
Singapore Dollar	(32,212)	-
South African Rand	55,490	68,866
South Korean Won	(6,934)	76,435
Swedish Krona	9,068	13,184
Swiss Franc	16,527	(440)
UK Pound	(115,075)	(1,079,232)
Total Swaps	<u>477,551</u>	<u>9,358</u>
<b>Futures:</b>		
Australian Dollar	-	213,224
Brazilian Real	14,960	(38,266)
Canadian Dollar	(15,562)	(236,185)
Euro	75,372	(941,692)
Hong Kong Dollar	(72,351)	-
Japanese Yen	245,976	(1,528)
UK Pound	(117,803)	572,632
Total Futures	<u>130,592</u>	<u>(431,815)</u>
Total	<u>\$ 2,459,528,717</u>	<u>\$ 1,863,334,974</u>

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

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

The Fund had gross counterparty exposure as of August 31, 2021 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ -	\$ 472,180	\$ -	\$ 45,502	AA
Options	81,415,379	62,374,750	20,053,993	104,451	A
Swaps	277,908,624	61,237,572	7,081,224	1,860,073	AA
Swaps	73,326,373	79,249,411	10,206,758	3,567,377	A
Foreign Exchange Contracts	318,209,489	270,432,059	2,659,404	2,811,688	AA
Foreign Exchange Contracts	617,465,656	656,900,080	6,090,332	6,256,555	A
			<u>\$ 46,091,711</u>	<u>\$ 14,645,646</u>	

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

*Notes to Financial Statements (cont.)*

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
			<u>\$ 42,756,991</u>	<u>\$ 21,760,341</u>	

As of August 31, 2021, and 2020, 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, 2021, and 2020, the Fund held \$47,531,611 and \$35,967,507 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$18,729,028 and \$13,252,332, respectively, as collateral related to derivative instruments other than futures.

**(H) COVID**

Certain impacts to public health conditions particular to the coronavirus (COVID) 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 close of the following business day.

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

*Notes to Financial Statements (cont.)*

The fair value of securities loaned, and the fair value of collateral held are as follows at August 31, 2021 and 2020:

<b>Securities on Loan</b>	<b>2021 Fair Value</b>	<b>2020 Fair Value</b>	<b>Type of Collateral</b>	<b>2021 Fair Value of Collateral</b>	<b>2020 Fair Value of Collateral</b>
U.S. Government	\$ 13,173,025	\$ 2,840,994	Cash	\$ 13,445,664	\$ 2,898,266
Corporate Bonds	32,129,938	39,295,929	Cash	32,996,361	40,295,869
Common Stock	147,738,369	71,789,690	Cash	152,594,780	73,962,698
Sovereign Debt	1,204,835	-	Cash	1,276,385	-
<b>Total</b>	<b>\$ 194,246,167</b>	<b>\$ 113,926,613</b>	<b>Total</b>	<b>\$ 200,313,190</b>	<b>\$ 117,156,833</b>
U.S. Government	\$ 21,332,870	\$ 12,610,625	Non-Cash	\$ 21,800,287	\$ 12,870,749
Corporate Bonds	1,162,719	343,027	Non-Cash	1,188,927	351,209
Common Stock	104,984,971	64,230,188	Non-Cash	108,179,295	65,709,037
<b>Total</b>	<b>\$ 127,480,560</b>	<b>\$ 77,183,840</b>	<b>Total</b>	<b>\$ 131,168,509</b>	<b>\$ 78,930,995</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, 2021 and 2020, is shown in the following table:

<b>Description</b>	<b>2021</b>			<b>2020</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	\$ 89,525,502	No Rating Available	1	\$ 70,865,305	No Rating Available	1
Agencies	-			1,287,152	AA	
Agencies	3,388,197	A		3,619,065	A	
<b>Total Agencies</b>	<b>3,388,197</b>		<b>99</b>	<b>4,906,217</b>		<b>1</b>
Commercial Paper	65,980,332	A	64	10,252,701	A	82
Floating Rate Notes	15,321,734	AA		16,211,914	AA	
Floating Rate Notes	23,941,813	A		11,568,270	A	
<b>Total Floating Rate Notes</b>	<b>39,263,547</b>		<b>30</b>	<b>27,780,184</b>		<b>41</b>
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>-</b>			<b>2,005,263</b>		<b>67</b>
Certificates of Deposit	-			1,962,798	A	12
Certificates of Deposit	2,186,101	P	160	-		
Other Receivables/Payables	(30,489)	Not Rated		(615,635)	Not Rated	
<b>Total Collateral Pool Investment</b>	<b>\$ 200,313,190</b>		<b>31</b>	<b>\$ 117,156,833</b>		<b>19</b>

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*Notes to Financial Statements (cont.)*

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2021 and 2020, respectively, as categorized by level of the fair value hierarchy:

	Fair Value as of August 31, 2021	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	\$ 89,525,502	\$ -	\$ 89,525,502	\$ -
Agencies	3,388,197	-	3,388,197	-
Commercial Paper	65,980,332	-	65,980,332	-
Floating Rate Notes	39,263,547	-	39,263,547	-
Certificates of Deposit	2,186,101	-	2,186,101	-
<b>Total by Fair Value Level</b>	<b>200,343,679</b>	<b>\$ -</b>	<b>\$ 200,343,679</b>	<b>\$ -</b>
Other Receivables/Payables	(30,489)			
<b>Total Collateral Pool Investments</b>	<b>\$ 200,313,190</b>			

	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>			

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.

As of August 31, 2021, and 2020, 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.

**THE UNIVERSITY OF TEXAS SYSTEM**

**GENERAL ENDOWMENT FUND**

*Notes to Financial Statements (cont.)*

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, 2021 and 2020.

**Note 6 – Written Options**

The following table discloses the fair values of the Fund’s written call option contracts outstanding as of August 31, 2021 and 2020:

<u>Type</u>	<b>Fair Value at August 31, 2021</b>		<b>Fair Value at August 31, 2020</b>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Commodity	\$ -	\$ -	\$ -	\$ 856,130
Currency	-	34,457	-	48,309
Equity	-	-	-	261,449
Interest Rate Swap	-	2,313	-	33,543
Other	-	-	-	1,558
	<u>\$ -</u>	<u>\$ 36,770</u>	<u>\$ -</u>	<u>\$ 1,200,989</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, 2021 and 2020 were an increase in the amount of \$17,087 and a decrease in the amount of \$640,470, 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, 2021 and 2020:

<u>Type</u>	<b>Fair Value at August 31, 2021</b>		<b>Fair Value at August 31, 2020</b>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency	\$ -	\$ -	\$ -	\$ 932
Equity	-	100,631	-	51,235
Credit Default Swap	-	21,733	-	-
Interest Rate Swap	-	150,242	-	15,656
Other	-	14	-	4,739
	<u>\$ -</u>	<u>\$ 272,620</u>	<u>\$ -</u>	<u>\$ 72,562</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, 2021 and 2020 were increases in the amounts of \$5,149 and \$364,281 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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*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, 2021:

<u>Type</u>	<u>Notional Value</u>	<u>Fair Value at August 31, 2021</u>	
		<u>Assets</u>	<u>Liabilities</u>
Credit Default	\$ 63,424,136	\$ 1,766,786	\$ 159,270
Currency	9,114,215	484,736	503,668
Equity	463,313,566	16,803,296	3,961,948
Inflation	10,936,423	392,839	454,117
Interest Rate	360,374,189	3,432,401	2,203,697
Volatility	35,094,277	77,565	56,636
Total		<u>\$ 22,957,623</u>	<u>\$ 7,339,336</u>

The change in fair value of open swap positions for the year ended August 31, 2021 was an increase in the amount of \$16,852,964, 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, 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.

**Note 8 – Futures Contracts**

The changes in fair value of open futures contracts for the years ended August 31, 2021 and 2020, were increases in the amounts of \$8,499,082 and \$11,240,893, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The Fund had \$10,311,039 and \$6,430,853 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2021 and 2020, respectively. Short futures may be used by the Fund to manage 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, 2021 and 2020, 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 \$7,769,963 and \$10,964,815, respectively, as of August 31, 2021 and 2020.

**THE UNIVERSITY OF TEXAS SYSTEM**

**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, 2021:

<b>Contract</b>	<b>Notional Value at August 31, 2021</b>		<b>Fair Value at August 31, 2021</b>	
	<b>Long</b>	<b>Short</b>	<b>Assets</b>	<b>Liabilities</b>
Domestic Fixed Income	\$ 244,912,627	\$ 269,874,099	\$ 231,770	\$ 139,890
Foreign Fixed Income	76,231,012	147,215,175	323,378	45,533
Domestic Equities	188,298,825	779,520	665,996	159,350
Foreign Equities	130,175,776	5,878,720	253,792	401,044
<b>Total</b>	<b>\$ 639,618,240</b>	<b>\$ 423,747,514</b>	<b>\$ 1,474,936</b>	<b>\$ 745,817</b>

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>

**Note 9 – Foreign Exchange Contracts**

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 2021 and 2020. Foreign currency amounts are translated at exchange rates as of August 31, 2021 and 2020. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.



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

Currency	Net Buy August 31, 2021	Net Sell August 31, 2021	Unrealized Gains on Foreign Exchange Contracts August 31, 2021	Unrealized Losses on Foreign Exchange Contracts August 31, 2021
Australian Dollar	\$ -	\$ 54,888,456	\$ 1,171,868	\$ 545,646
Brazil Real	-	6,624,342	71,897	309,798
Canadian Dollar	-	30,663,522	493,963	305,954
Chilean Peso	21,611,548	-	65,476	1,093,954
Chinese Yuan Renminbi (Offshore)	-	13,784,907	194	70,380
Chinese Yuan Renminbi	-	33,126,583	182,327	36,480
Colombian Peso	-	14,997,180	38,681	478,537
Czech Koruna	2,488,579	-	18,607	-
Danish Krone	-	32,205,358	260,258	9,042
Euro	-	179,963,492	1,209,208	1,416,504
Hong Kong Dollar	380,258	-	-	117
Hungarian Forint	6,651,774	-	218,133	15,563
Indian Rupee	-	4,078,060	59,794	139,253
Indonesian Rupiah	-	23,710,905	87,290	682,684
Israeli Shekel	-	21,498,522	15,742	375,107
Japanese Yen	-	258,815,973	864,177	663,754
Malaysian Ringgit	-	3,729,609	-	78,804
Mexican Peso	-	35,678,532	62,191	372,961
New Zealand Dollar	-	17,926,248	606,950	188,546
Norwegian Krone	14,536,445	-	263,543	230,180
Peruvian Sol	-	6,972,353	337,426	89,625
Philippines Peso	-	2,011,269	21,144	73,465
Polish Zloty	18,941,267	-	193,264	1,129
Romanian Leu	-	1,769,475	13,134	-
Russian Ruble	14,672,270	-	174,232	58,031
Singapore Dollar	-	26,266,362	9,766	312,504
South African Rand	-	26,948,023	118,136	603,323
South Korean Won	-	32,687,351	420,414	155,268
Swedish Krona	13,050,624	-	253,578	86,580
Swiss Franc	-	16,956,421	172,327	64,428
Taiwan Dollar	-	2,471,833	12,936	18,555
Thailand Baht	-	7,396,583	440,222	102,423
Turkish Lira	1,565,912	-	116,649	66,922
UK Pound	-	51,373,897	776,208	422,726
	\$ 93,898,677	\$ 906,545,256	\$ 8,749,735	\$ 9,068,243

The change in fair value of open foreign exchange contracts for the year ended August 31, 2021 was a decrease in the amount of \$318,508 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 on Foreign Exchange Contracts		Unrealized Losses on Foreign Exchange Contracts	
	August 31, 2020		August 31, 2020		August 31, 2020		August 31, 2020	
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
	\$	71,581,740	\$	539,938,861	\$	16,135,550	\$	18,701,803

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.

**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 \$3,821,085,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

**Note 11 – Fees and Expenses**

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.10% to 1.50%. In addition to 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, 2021 and 2020 were \$63,082,922 and \$42,390,096, 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, 2021 and 2020 were \$17,072,628 and \$13,635,989, 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, 2021 and 2020, custodial fees and expenses incurred by the Fund amounted to \$1,354,281 and \$1,206,409, 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, 2021 and 2020, the fees incurred by the Fund amounted to \$445,962 and \$220,812, respectively.

Accounting fees, in the amounts of \$337,761 and \$264,011, were incurred by the Fund during the years ended August 31, 2021 and 2020, respectively, for external and UT System internal audit 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, 2021 and 2020, amounted to \$103,839 and \$57,508, respectively.

Consulting fees, in the amounts of \$91,554 and \$81,979, for the years ended August 31, 2021 and 2020, respectively, were incurred for investment strategy and other investment planning 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 \$78,183 and \$91,582 were incurred for the years ended August 31, 2021 and 2020, 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 \$37,198 and \$45,788 were incurred for the years ended August 31, 2021 and 2020, respectively.

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 376.270	\$ 343.950	\$ 329.280	\$ 299.806	\$ 266.535
Income from Investment Operations					
Net Investment Income (A)	1.643	1.503	2.719	2.591	2.421
Net Realized and Unrealized Gain on Investments	<u>117.843</u>	<u>30.817</u>	<u>11.951</u>	<u>26.883</u>	<u>30.850</u>
Total Income from Investment Operations	<u>119.486</u>	<u>32.320</u>	<u>14.670</u>	<u>29.474</u>	<u>33.271</u>
Net Position, End of Year	<u>\$ 495.756</u>	<u>\$ 376.270</u>	<u>\$ 343.950</u>	<u>\$ 329.280</u>	<u>\$ 299.806</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.