

Financial Statements

and Independent Auditors' Report

The University of Texas System

Intermediate Term Fund

*Years Ended August 31, 2021 and 2020*

The University of Texas System Intermediate Term 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 Intermediate 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 Intermediate 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 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 Intermediate 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. The Fund, created February 1, 2006, is an internal University of Texas System (UT System) pooled investment fund for the investment of operating funds and other intermediate and long-term funds held by the UT System institutions and UT System Administration. The Fund was created to improve the efficiency of operating funds management and to improve investment returns on UT System operating reserves. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

**Financial Highlights**

The Fund’s net position, after contributions, withdrawals, and distributions increased by \$988.7 million from \$9,210.9 million to \$10,199.6 million or by approximately 10.73% for the year ended August 31, 2021, compared to an increase of \$4.0 million or approximately 0.04% for the year ended August 31, 2020. The change in net position from year to year is mainly attributable to the following:

1. Net participant contributions from the Fund were \$71.5 million for the year ended August 31, 2021, compared to net withdrawals of \$501.4 million for the year ended August 31, 2020.
2. The Fund posted a net investment return of 13.38%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2021. Investments in public equity, including U.S., Non U.S. and emerging markets, were the biggest contributors to the 2021 return. For the year ended August 31, 2020, the Fund posted a net investment return of 8.85%. Investments in public equity, including global developed public equity and emerging markets public equity were the biggest contributors for August 31, 2020.
3. The Fund’s distribution rate was 3.0% per year, or 0.25% per month, for the years ended August 31, 2021 and 2020. Distributions from the Fund were \$287.3 million for the year ended August 31, 2021 compared to the \$269.5 million distributed for the year ended August 31, 2020.

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INTERMEDIATE TERM FUND**

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**Use of Financial Statements and Notes**

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

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

**Statements of Net Position**

The statements of net position present assets, liabilities, and the net position of the Fund as of the end of the year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Policy Portfolio. The Policy Portfolio is the index or benchmark for the intermediate term funds that UTIMCO manages. The return of the Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates the Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to preserve the purchasing power of Fund assets by earning a compound annualized return over rolling three year-periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index plus 3%. In doing so, UTIMCO increases the operating resources available to the UT System institutions which invest in the Fund.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 10,353.8	\$ 9,540.3	\$ 9,432.8
Other Assets	386.6	681.4	562.2
<b>Total Assets</b>	<u>10,740.4</u>	<u>10,221.7</u>	<u>9,995.0</u>
<b>Total Liabilities</b>	540.8	1,010.8	788.1
<b>Net Position Restricted for Participants</b>	<u>\$ 10,199.6</u>	<u>\$ 9,210.9</u>	<u>\$ 9,206.9</u>

**Statements of Changes in Net Position**

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

**THE UNIVERSITY OF TEXAS SYSTEM  
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The net increase in fair value of investments of the Fund was \$1,151.8 million during the year ended August 31, 2021 compared to the net increase in fair value of investments of \$708.6 million for the year ended August 31, 2020. Investment expenses totaled \$32.0 million, \$31.7 million and \$29.9 million respectively, for the years ended August 31, 2021, 2020 and 2019.

Distributions to participants totaled \$287.3 million, \$269.5 million and \$281.7 million, respectively, for the years ended August 31, 2021, 2020 and 2019. Cash distributions are paid monthly based on a 3% annual distribution rate.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Investment Income	\$ 1,236.6	\$ 806.7	\$ 500.4
Less Investment Expenses	32.0	31.7	29.9
<b>Net Investment Income</b>	<u>1,204.6</u>	<u>775.0</u>	<u>470.5</u>
Participant Contributions	2,372.6	493.4	519.3
<b>Total Additions</b>	<u>3,577.2</u>	<u>1,268.4</u>	<u>989.8</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	2,301.1	994.8	1,436.2
Participant Distributions	287.3	269.5	281.7
<b>Total Deductions</b>	<u>2,588.5</u>	<u>1,264.4</u>	<u>1,718.0</u>
<b>Change in Net Position</b>	988.7	4.0	(728.2)
<b>Net Position Restricted for Participants, Beginning of Year</b>	9,210.9	9,206.9	9,935.1
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$ 10,199.6</u>	<u>\$ 9,210.9</u>	<u>\$ 9,206.9</u>

**Contacting UTIMCO**

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

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

*August 31, 2021 and 2020*

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

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Investments, at Fair Value:		
Equity Securities	\$ 427,001	\$ 452,181
Preferred Stock	10,371	10,428
Debt Securities	3,458,915	3,191,064
Investment Funds	5,832,900	5,074,785
Purchased Options	45,685	2,407
Cash and Cash Equivalents	578,947	809,407
Total Investments	<u>10,353,819</u>	<u>9,540,272</u>
Collateral for Securities Loaned, at Fair Value	96,550	120,952
Deposits with Brokers for Derivative Contracts	14,565	25,747
Futures Contracts, at Fair Value	7	1,681
Swaps, at Fair Value	13,212	11,829
Unrealized Gains on Foreign Exchange Contracts	12,354	30,746
Receivables:		
Investment Securities Sold	230,796	469,455
Accrued Income	19,080	20,929
Other	54	126
Total Receivables	<u>249,930</u>	<u>490,510</u>
<b>Total Assets</b>	<u>10,740,437</u>	<u>10,221,737</u>
<b>Liabilities</b>		
Payable up on Return of Securities Loaned	96,550	120,952
Payable to Brokers for Collateral Held	55,903	23,553
Options Written, at Fair Value	452	971
Futures Contracts, at Fair Value	147	2,022
Swaps, at Fair Value	8,903	10,325
Unrealized Losses on Foreign Exchange Contracts	11,342	42,001
Payables:		
Investment Securities Purchased	337,615	778,963
Distributions Payable	25,428	22,680
Other	4,499	9,328
Total Payables	<u>367,542</u>	<u>810,971</u>
<b>Total Liabilities</b>	<u>540,839</u>	<u>1,010,795</u>
<b>Net Position Restricted for Participants (72,028,666 Units and 71,633,026 Units, respectively)</b>	<u><u>\$ 10,199,598</u></u>	<u><u>\$ 9,210,942</u></u>
<b>Net Position Restricted for Participants Per Unit</b>	<u><u>\$ 141.605</u></u>	<u><u>\$ 128.585</u></u>

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



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

**Statements of Changes in Net Position**

*Years Ended August 31, 2021 and 2020*

*(in thousands)*

	<b>2021</b>	<b>2020</b>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 1,151,781	\$ 708,636
Interest	76,394	83,886
Dividends	8,147	13,739
Securities Lending Income	278	424
Other Income	3	-
<b>Total Investment Income</b>	<b>1,236,603</b>	<b>806,685</b>
Less Investment Expenses:		
Investment Management Fees	19,961	19,574
UTIMCO Management Fee	10,663	10,811
Custodial Fees and Expenses	732	806
Analytical and Risk Measurement Fees	271	178
Accounting Fees	223	181
Consulting Fees	56	63
Background Check Fees	39	30
Legal Fees	32	28
Foreign Tax Consulting and Filing Fees	23	36
Other Expenses	1	9
<b>Total Investment Expenses</b>	<b>32,001</b>	<b>31,716</b>
Net Investment Income	1,204,602	774,969
Participant Contributions	2,372,553	493,384
<b>Total Additions</b>	<b>3,577,155</b>	<b>1,268,353</b>
<b>Deductions</b>		
Administrative Fee for UT System Oversight	87	74
Participant Withdrawals	2,301,102	994,784
Participant Distributions	287,310	269,457
<b>Total Deductions</b>	<b>2,588,499</b>	<b>1,264,315</b>
Change in Net Position	988,656	4,038
Net Position Restricted for Participants, Beginning of Year	9,210,942	9,206,904
<b>Net Position Restricted for Participants, End of Year</b>	<b>\$ 10,199,598</b>	<b>\$ 9,210,942</b>

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

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

(A) The University of Texas System Intermediate Term Fund (Fund) is a pooled investment fund established for the collective investment of operating funds and other short and intermediate term funds held by the 13 University of Texas System (UT System) institutions and UT System Administration, the participants. The Fund was established February 1, 2006, by the Board of Regents of UT System (UT Board). Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to 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 reporting under the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The accounting policies of the Fund conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the requirements of the Governmental Accounting Standards Board (GASB).

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

(C) Management has evaluated subsequent events through October 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 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.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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

Equity securities, including common and preferred stock, and publicly traded mutual fund fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international exchange, the last available price per the exchange would be utilized and the security would be categorized as Level 2.

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

Hedge funds and public market investment funds are fair valued by management based on net asset value information provided by the investment managers as well as consideration of any other information provided by the investment managers or other sources.

**(B) *Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities 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 with the net increase in fair value of investments on the statements of changes in net position.

**(C) *Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

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

**(E) *Distributions to Participants*** -- Cash distributions to participants are paid monthly based on a percentage rate established by the UT Board. For the years ended August 31, 2021 and 2020, the annual distribution rate was 3.0%.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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

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

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

**(J) Derivative Instruments** -- Derivatives are financial instruments whose fair value is derived, in whole or part, from the fair value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The Fund from time to time uses various derivative instruments, as allowed under the UT Board approved derivative investment policy guidelines. Derivative instruments included under these policies and contracts include futures, forwards, swaps and various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. 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.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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

The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. Written options are marked to market on a daily basis, and are included as a liability on the statements of net position.

*Swaps* -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity and equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included at fair value on the statements of net position. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies based on instrument and counterparty. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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*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

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2021 and 2020, respectively, as categorized by the 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)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 180,716,532	\$ 180,716,532	\$ -	\$ -
Foreign Common Stock	245,214,596	245,209,594	5,002	-
Other Equities	1,070,020	1,070,020	-	-
<b>Total Equity Securities</b>	<b>427,001,148</b>	<b>426,996,146</b>	<b>5,002</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	3,015,329	-	3,015,329	-
Foreign Preferred Stock	7,355,173	7,355,173	-	-
<b>Total Preferred Stock</b>	<b>10,370,502</b>	<b>7,355,173</b>	<b>3,015,329</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,062,736,617	819,302,701	243,433,916	-
Foreign Government and Provincial Obligations	1,403,393,992	-	1,403,393,992	-
Corporate Obligations	983,865,573	-	983,865,573	-
Other	8,919,167	-	8,919,167	-
<b>Total Debt Securities</b>	<b>3,458,915,349</b>	<b>819,302,701</b>	<b>2,639,612,648</b>	<b>-</b>
<b>Purchased Options</b>	<b>45,685,481</b>	<b>45,532,314</b>	<b>153,167</b>	<b>-</b>
<b>Investment Funds:</b>				
U.S. Equity	21,810,334	21,810,334	-	-
Non U.S. Developed Equity	4,038	4,038	-	-
Emerging Markets	616,104	616,104	-	-
<b>Total Investment Funds</b>	<b>22,430,476</b>	<b>22,430,476</b>	<b>-</b>	<b>-</b>
<b>Cash Equivalents</b>	<b>554,971,536</b>	<b>554,971,536</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>4,519,374,492</b>	<b>1,876,588,346</b>	<b>2,642,786,146</b>	<b>-</b>
<b>Cash</b>	<b>23,975,261</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>5,049,544,235</b>			
<b>Public Markets</b>	<b>760,925,130</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>5,810,469,365</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 10,353,819,118</b>			

	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)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ 1,012,722	\$ -	\$ 1,012,722	\$ -
Futures Contracts	(140,384)	(140,384)	-	-
Swaps	4,309,590	-	4,309,590	-
Written Options	(452,123)	-	(452,123)	-
<b>Investment Derivatives</b>	<b>\$ 4,729,805</b>	<b>\$ (140,384)</b>	<b>\$ 4,870,189</b>	<b>\$ -</b>

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM 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	\$ 158,792,160	\$ 158,792,160	\$ -	\$ -
Foreign Common Stock	291,401,245	291,396,225	5,020	-
Other Equities	1,988,180	1,988,180	-	-
<b>Total Equity Securities</b>	<b>452,181,585</b>	<b>452,176,565</b>	<b>5,020</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	2,578,230	-	2,578,230	-
Foreign Preferred Stock	7,849,854	7,849,854	-	-
<b>Total Preferred Stock</b>	<b>10,428,084</b>	<b>7,849,854</b>	<b>2,578,230</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	852,462,563	358,703,138	493,759,425	-
Foreign Government and Provincial Obligations	1,171,006,810	-	1,171,006,810	-
Corporate Obligations	1,159,048,457	-	1,159,048,457	-
Other	8,546,080	-	8,546,079	-
<b>Total Debt Securities</b>	<b>3,191,063,910</b>	<b>358,703,138</b>	<b>2,832,360,771</b>	<b>-</b>
<b>Purchased Options</b>	<b>2,406,856</b>	<b>1,024,440</b>	<b>1,382,416</b>	<b>-</b>
<b>Cash Equivalents</b>	<b>773,553,702</b>	<b>773,553,702</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>4,429,634,137</b>	<b>1,593,307,699</b>	<b>2,836,326,437</b>	<b>-</b>
<b>Cash</b>	<b>35,852,895</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>4,345,445,180</b>			
<b>Public Markets</b>	<b>729,340,077</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>5,074,785,257</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 9,540,272,289</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	\$ (11,254,888)	\$ -	\$ (11,254,888)	\$ -
Futures Contracts	(341,054)	(341,054)	-	-
Swaps	1,504,162	-	1,504,162	-
Written Options	(971,275)	-	(971,275)	-
<b>Investment Derivatives</b>	<b>\$ (11,063,055)</b>	<b>\$ (341,054)</b>	<b>\$ (10,722,001)</b>	<b>\$ -</b>

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



THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the Fund's ownership interest in partners' capital include externally managed funds, limited partnerships, and corporate structures, which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using a practical expedient at August 31, 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	\$ 1,523,138,482	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,996,852,619	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	<u>720,181,584</u>	<u>276,004,292</u>	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>4,240,172,685</u>	<u>276,004,292</u>		
<b>Stable Value</b>				
Redeemable Within One Year	476,997,575	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	248,163,387	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	<u>84,210,588</u>	<u>153,868,818</u>	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>809,371,550</u>	<u>153,868,818</u>		
<b>Total Hedge Funds</b>	<u>5,049,544,235</u>	<u>429,873,110</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	115,116,624	-	Daily to Quarterly	10 - 60 Days
Redeemable Beyond One Year	<u>78,354,935</u>	<u>3,820,000</u>	Annually	90 - 105 Days
<b>Total U.S. Equity</b>	<u>193,471,559</u>	<u>3,820,000</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	<u>104,766,869</u>	-	Monthly to Quarterly	10 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	194,801,107	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	<u>69,922,669</u>	-	Monthly	45 - 60 Days
<b>Total Global Developed Equity</b>	<u>264,723,776</u>	-		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	173,446,191	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	17,997,308	-	Monthly to Quarterly	60 Days
Nonredeemable	<u>6,269,124</u>	<u>10,700,065</u>	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>197,712,623</u>	<u>10,700,065</u>		
<b>Fixed Income</b>				
Redeemable Within One Year	<u>250,303</u>	-	Daily	1 Day
<b>Total Public Markets</b>	<u>760,925,130</u>	<u>14,520,065</u>		
<b>Total Investment Funds</b>	<u>\$ 5,810,469,365</u>	<u>\$ 444,393,175</u>		

THE UNIVERSITY OF TEXAS SYSTEM

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

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,163,548,811 of future funding to various hedge fund investments as of August 31, 2021 of which the Fund's pro-rata portion is \$429,873,110.

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 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 \$14,520,065, have been committed to certain public market funds as of August 31, 2021.

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

- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the Fund's investment funds may impose lock-up periods which would cause the Fund to incur penalties to redeem its units or prevent the Fund from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* -- As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

Investments in hedge funds and public market funds are also subject to the investment risks discussed in Note 4. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

#### **Note 4 – Investment Risk**

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 5. Risk disclosures relating to the Fund's investments in hedge funds and public market funds are discussed in Note 3.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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### (A) *Credit Risk*

Article VII, Section 11b of the Texas Constitution authorizes the UT Board, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the “PUF”) in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the UT Board, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the Fund then prevailing, taking into consideration the investment of all of the assets of the Fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the UT Board has elected the prudent investor standard to govern its management of the Fund.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy does not provide specific requirements or limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2021 and 2020:

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

Investment Type	August 31,		Rating
	2021	2020	
<b>Investments:</b>			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ -	\$ 56,386,467	AAA
U.S. Government Guaranteed	820,012,082	319,530,683	AA
Total U.S. Government Guaranteed	<u>820,012,082</u>	<u>375,917,150</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	40,044,116	113,091,604	AA
U.S. Agency Asset Backed	201,907,264	362,526,432	AA
U.S. Agency Asset Backed	773,155	-	BAA/BBB
U.S. Agency Asset Backed	-	927,377	BA/BB
Total U.S. Government Non-Guaranteed	<u>242,724,535</u>	<u>476,545,413</u>	
Total U.S. Government	<u>1,062,736,617</u>	<u>852,462,563</u>	
Corporate Obligations:			
Domestic	67,460,842	59,659,023	AAA
Domestic	57,568,031	74,059,324	AA
Domestic	211,414,343	321,672,611	A
Domestic	261,120,602	352,364,336	BAA/BBB
Domestic	35,464,547	31,688,217	BA/BB
Domestic	1,409,967	3,289,107	B
Domestic	5,461,404	5,619,680	CAA/CCC
Domestic	522,469	512,996	CA/CC
Domestic	80,787	38,500	D
Domestic	560,988	1,726,214	Not Rated
Foreign	107,369,774	89,054,196	AAA
Foreign	10,915,879	11,936,169	AA
Foreign	82,536,731	79,120,389	A
Foreign	102,552,133	92,313,933	BAA/BBB
Foreign	30,050,714	27,838,844	BA/BB
Foreign	7,678,912	7,753,131	B
Foreign	1,697,450	401,787	Not Rated
Total Corporate Obligations	<u>983,865,573</u>	<u>1,159,048,457</u>	
Foreign Government and Provincial Obligations	150,476,059	170,969,972	AAA
Foreign Government and Provincial Obligations	179,634,857	196,432,723	AA
Foreign Government and Provincial Obligations	211,474,026	284,212,261	A
Foreign Government and Provincial Obligations	251,197,741	291,439,182	BAA/BBB
Foreign Government and Provincial Obligations	137,125,565	65,531,707	BA/BB
Foreign Government and Provincial Obligations	473,485,744	162,420,965	Not Rated
Total Foreign Government and Provincial Obligations	<u>1,403,393,992</u>	<u>1,171,006,810</u>	
Other Debt Securities	34,142	-	AAA
Other Debt Securities	6,766,373	7,082,619	AA
Other Debt Securities	-	143,104	A
Other Debt Securities	2,118,652	1,320,357	BAA/BBB
Total Other Debt Securities	<u>8,919,167</u>	<u>8,546,080</u>	
Total Debt Securities	<u>\$ 3,458,915,349</u>	<u>\$ 3,191,063,910</u>	
Other Investment Funds			
Debt	250,303	-	Not Rated
Total Other Investments - Debt	<u>\$ 250,303</u>	<u>\$ -</u>	
Cash Equivalents - Money Market Funds	\$ 554,971,536	\$ 773,553,702	AAA
Cash	23,975,261	35,852,895	Not Rated
Total Cash and Cash Equivalents	<u>\$ 578,946,797</u>	<u>\$ 809,406,597</u>	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 6,283,017	\$ 8,543,033	AA
Cash	(47,621,475)	(6,349,273)	Not Rated
<b>Total Net (Payable to)/Deposit with Brokers for Derivative Contracts</b>	<u>\$ (41,338,458)</u>	<u>\$ 2,193,760</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**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

The following table summarizes the Fund's modified duration in years by investment type at August 31, 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	\$ 32,728,581	0.09	\$ -	-
U.S. Treasury Bonds and Notes	614,261,908	4.52	296,305,394	3.81
U.S. Treasury Inflation Protected	172,312,212	7.14	62,397,744	10.87
U.S. Agency Asset Backed	709,381	0.11	17,214,012	3.39
Total U.S. Government Guaranteed	<u>820,012,082</u>	4.90	<u>375,917,150</u>	4.96
U.S. Government Non-Guaranteed:				
U.S. Agency	40,044,116	3.69	113,091,604	2.49
U.S. Agency Asset Backed	202,680,419	3.61	363,453,809	2.97
Total U.S. Government Non-Guaranteed	<u>242,724,535</u>	3.63	<u>476,545,413</u>	2.86
Total U.S. Government	<u>1,062,736,617</u>	4.60	<u>852,462,563</u>	3.79
Corporate Obligations:				
Domestic	641,063,980	6.87	850,630,008	8.68
Foreign	342,801,593	4.00	308,418,449	4.29
Total Corporate Obligations	<u>983,865,573</u>	5.87	<u>1,159,048,457</u>	7.51
Foreign Government and Provincial Obligations	<u>1,403,393,992</u>	7.14	<u>1,171,006,810</u>	7.28
Other Debt Securities	<u>8,919,167</u>	8.27	<u>8,546,080</u>	8.55
Total Debt Securities	<u>3,458,915,349</u>	5.65	<u>3,191,063,910</u>	6.43
Other Investment Funds - Debt	<u>250,303</u>	2.29	<u>-</u>	-
Cash and Cash Equivalents	<u>578,946,797</u>	0.09	<u>809,406,597</u>	0.08
Total	<u>\$ 4,038,112,449</u>	5.15	<u>\$ 4,000,470,507</u>	5.15
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 3,077,529	0.24	\$ 1,725,152	0.87
U.S. Treasury Bonds and Notes	808,885	3.47	2,225,555	1.08
U.S. Treasury Inflation Protected	2,396,603	6.79	4,592,326	4.65
Total U.S. Government Guaranteed	<u>6,283,017</u>	3.15	<u>8,543,033</u>	2.95
Cash	<u>(47,621,475)</u>	-	<u>(6,349,273)</u>	-
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	<u>\$ (41,338,458)</u>	-	<u>\$ 2,193,760</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 \$72,814,351 and \$71,062,906 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 \$202,450,979 and \$379,259,407 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 \$20,877,624 and \$24,575,781 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:



THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Foreign Common Stock:</b>		
Australian Dollar	\$ 593,555	\$ 587,033
Brazilian Real	17,910,368	21,170,614
Canadian Dollar	2,205,986	386,793
Chilean Peso	25,542	20,570
Chinese Yuan Renminbi	47,910,364	72,605,456
Czech Koruna	9,265	-
Danish Krone	1,216,125	539,535
Egyptian Pound	117,120	463,298
Euro	30,456,421	26,650,220
Hong Kong Dollar	9,887,411	19,750,671
Hungarian Forint	75,342	249,885
Indian Rupee	8,792,809	5,674,387
Indonesian Rupiah	1,480,860	1,377,760
Japanese Yen	32,643,056	44,361,616
Malaysian Ringgit	757,982	946,052
Mexican Peso	981,027	1,976,889
Norwegian Krone	585,080	2,243,832
Peruvian Sol	7,745	8,026
Philippine Peso	59,816	86,930
Polish Zloty	1,038,513	469,027
Qatari Riyal	87,602	73,065
South African Rand	2,021,091	2,317,355
South Korean Won	28,371,021	25,626,326
Swedish Krona	1,449,953	1,521,754
Swiss Franc	4,905,054	3,525,689
Taiwan Dollar	7,158,306	10,677,872
Thai Baht	1,435,215	610,850
Turkish Lira	647,907	2,413,828
UK Pound	11,078,066	10,843,178
United Arab Emirates Dirham	579,095	979,853
Total Foreign Common Stock	214,487,697	258,158,364
<b>Other - Equity Securities:</b>		
Swiss Franc	2,908	-
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	3,857,086	4,088,674
Euro	154,629	-
South African Rand	6,322	7,188
South Korean Won	3,337,136	3,753,992
Total Foreign Preferred Stock	7,355,173	7,849,854

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

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2021	2020
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 81,163,229	\$ 62,683,327
Brazilian Real	36,458,327	33,820,595
Canadian Dollar	45,554,676	76,461,333
Chinese Yuan Renminbi	94,797,127	36,685,447
Colombian Peso	44,370,894	45,509,363
Euro	161,071,731	239,027,617
Hungarian Forint	4,816,294	-
Indonesian Rupiah	55,248,572	43,827,521
Israeli Shekel	25,687,420	1,422,364
Japanese Yen	335,012,506	221,495,192
Malaysian Ringgit	53,475,209	44,281,740
Mexican Peso	121,099,703	144,598,554
New Zealand Dollar	5,630,030	1,453,641
Norwegian Krone	17,507,276	8,086,257
Peruvian Sol	6,901,198	6,954,622
Polish Zloty	6,487,466	12,930,504
Romanian Leu	4,420,023	8,490,006
Russian Ruble	14,530,392	4,495,393
Singapore Dollar	52,630,209	61,721,241
South African Rand	56,296,345	31,711,112
South Korean Won	94,570,305	6,333,785
UK Pound	38,635,812	30,402,775
Total Foreign Government and Provincial Obligations	<u>1,356,364,744</u>	<u>1,122,392,389</u>
<b>Corporate Obligations:</b>		
Australian Dollar	1,292,147	2,254,176
Brazilian Real	83,524	-
Canadian Dollar	270,239	295,932
Danish Krone	60,550,637	53,343,084
Euro	41,949,673	39,880,968
Indian Rupee	9,084,920	150
UK Pound	53,290,078	43,811,912
Total Corporate Obligations	<u>166,521,218</u>	<u>139,586,222</u>
<b>Purchased Options:</b>		
Brazilian Real	8,944	113,567
Canadian Dollar	-	30,747
Euro	152,845	1,897,314
Swiss Franc	607	16,084
Total Purchased Options	<u>162,396</u>	<u>2,057,712</u>
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	<u>1,759,990</u>	<u>2,205,063</u>

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

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2021	2020
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	\$ 182,145	\$ 32,901
Brazilian Real	1,758,302	1,599,139
Canadian Dollar	270,061	391,664
Chilean Peso	561	-
Chinese Yuan Renminbi	8,133,883	7,660,203
Colombian Peso	662,894	676
Czech Koruna	21,572	50,005
Danish Krone	2,261	2,456
Egyptian Pound	1,617	241,626
Euro	921,146	879,451
Hong Kong Dollar	84,635	29,409
Hungarian Forint	3	6,708
Indian Rupee	10,257	77,090
Indonesian Rupiah	79	136,283
Israeli Shekel	303	(275)
Japanese Yen	300,537	706,525
Malaysian Ringgit	835,540	50,674
Mexican Peso	12,327	15,377
New Zealand Dollar	1,330	896
Norwegian Krone	287,381	446
Peruvian Sol	938	-
Philippine Peso	747	745
Polish Zloty	1,375	14,123
Qatari Riyal	1,409	3,074
Romanian Leu	78	-
Russian Ruble	56,070	27,724
Singapore Dollar	165,979	16,496
South African Rand	2,302,103	1,459,545
South Korean Won	662,962	675,756
Swedish Krona	11,506	11,254
Swiss Franc	177,593	4,122
Taiwan Dollar	107,736	65,664
Thai Baht	175	(7)
Turkish Lira	108	2,081
UK Pound	214,107	359,097
United Arab Emirates Dirham	3,965	8,207
Total Cash and Cash Equivalents	17,193,685	14,529,135
<b>Written Options:</b>		
Brazilian Real	(24,768)	(18,224)
Canadian Dollar	-	(91,034)
Euro	(130,929)	(104,367)
UK Pound	(196,827)	-
Total Written Options	(352,524)	(213,625)

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Swaps:</b>		
Australian Dollar	\$ 1,465,370	\$ 49,537
Canadian Dollar	(153,179)	2,079,206
Czech Koruna	648	26,902
Euro	212,100	897,456
Israeli Shekel	-	263,629
Japanese Yen	54,549	(271,073)
Mexican Peso	(58,164)	(9,414)
New Zealand Dollar	(5,411)	-
Norwegian Krone	33,181	-
Polish Zloty	-	47,775
Singapore Dollar	(64,423)	-
South African Rand	43,980	52,921
South Korean Won	76,103	293,773
Swedish Krona	42,952	62,450
Swiss Franc	24,758	(1,047)
UK Pound	(63,341)	(127,863)
Total Swaps	1,609,123	3,364,252
<b>Futures:</b>		
Brazilian Real	3,682	(10,213)
Canadian Dollar	-	(37,200)
Euro	-	(533,006)
Japanese Yen	-	(19,803)
UK Pound	-	4,780
Total Futures	3,682	(595,442)
Total	\$ 1,765,108,092	\$ 1,549,333,924

**(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	\$ -	\$ 1,180,450	\$ -	\$ 113,754	AA
Options	192,068,581	127,737,000	45,322,401	208,399	A
Swaps	41,546,339	46,796,309	1,061,140	384,081	AA
Swaps	26,015,972	42,333,684	2,882,384	2,082,723	A
Foreign Exchange Contracts	358,708,110	211,484,053	3,014,776	2,367,831	AA
Foreign Exchange Contracts	960,091,912	978,869,229	9,339,428	8,973,650	A
			\$ 61,620,129	\$ 14,130,438	

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

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 \$55,903,360 and \$23,553,106 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$11,211,326 and \$24,021,714 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 investments. The extent of the impact to the Fund will depend on future developments, including the duration and spread of the outbreak, the restrictions and advisories, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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

Securities on Loan	2021 Fair Value	2020 Fair Value	Type of Collateral	2021 Fair Value of Collateral	2020 Fair Value of Collateral
U.S. Government	\$ 5,028,439	\$ 68,913	Cash	\$ 5,133,526	\$ 70,313
Corporate Bonds	61,284,510	100,481,470	Cash	62,936,781	103,004,139
Common Stock	26,905,971	17,340,513	Cash	27,799,940	17,877,878
Sovereign Debt	620,752	-		679,783	-
<b>Total</b>	\$ 93,839,672	\$ 117,890,896	<b>Total</b>	\$ 96,550,030	\$ 120,952,330
U.S. Government	\$ 39,843,955	\$ 12,780,484	Non-Cash	\$ 40,696,578	\$ 13,042,985
Corporate Bonds	2,335,557	954,203	Non-Cash	2,388,200	976,915
Common Stock	19,248,502	15,797,314	Non-Cash	19,837,929	16,164,746
<b>Total</b>	\$ 61,428,014	\$ 29,532,001	<b>Total</b>	\$ 62,922,707	\$ 30,184,646

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, The University of Texas System General Endowment Fund, and other UT Board accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities for interest on the cash collateral received. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower is made from the Fund and the securities lending agent in the same proportion as the income is shared.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2021 and 2020 is shown in the following table:

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

Description	2021			2020		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 43,150,877	No Rating Available	1	\$ 73,161,108	No Rating Available	1
Agencies	-			1,328,851	AA	
Agencies	1,633,095	A		3,736,312	A	
<b>Total Agencies</b>	<u>1,633,095</u>		99	<u>5,065,163</u>		1
Commercial Paper	31,802,214	A	64	10,584,855	A	82
Floating Rate Notes	7,385,006	AA		16,737,127	AA	
Floating Rate Notes	11,539,843	A		11,943,043	A	
<b>Total Floating Rate Notes</b>	<u>18,924,849</u>		30	<u>28,680,170</u>		41
Interest Bearing Notes	-			304,198	AAA	
Interest Bearing Notes	-			690,858	AA	
Interest Bearing Notes	-			1,075,170	A	
<b>Total Interest Bearing Notes</b>	<u>-</u>			<u>2,070,226</u>		67
Certificates of Deposit	-			2,026,387	A	12
Certificates of Deposit	1,053,691	P	160	-		
Other Receivables/Payables	(14,696)	Not Rated		(635,579)	Not Rated	
<b>Total Collateral Pool Investment</b>	<u>\$ 96,550,030</u>		31	<u>\$ 120,952,330</u>		19

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2021 and 2020, respectively, as categorized by the 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)
Repurchase Agreements	\$ 43,150,877	\$ -	\$ 43,150,877	\$ -
Agencies	1,633,095	-	1,633,095	-
Commercial Paper	31,802,214	-	31,802,214	-
Floating Rate Notes	18,924,849	-	18,924,849	-
Certificates of Deposit	1,053,691	-	1,053,691	-
<b>Total by Fair Value Level</b>	<u>96,564,726</u>	<u>\$ -</u>	<u>\$ 96,564,726</u>	<u>\$ -</u>
Other Receivables/Payables	(14,696)			
<b>Total Collateral Pool Investments</b>	<u>\$ 96,550,030</u>			

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

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

*Notes to Financial Statements (cont.)*

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.

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:

Type	Fair Value at August 31, 2021		Fair Value at August 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 66,163	\$ -	\$ 125,528
Equity	-	-	-	69,507
Interest Rate Swap	-	4,698	-	92,419
Commodity	-	-	-	617,210
Other	-	-	-	4,393
	<u>\$ -</u>	<u>\$ 70,861</u>	<u>\$ -</u>	<u>\$ 909,057</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 \$36,268 and a decrease in the amount of \$449,148, 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:



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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Type	Fair Value at August 31, 2021		Fair Value at August 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ -	\$ -	\$ 2,803
Credit Default Swap	-	31,500	-	-
Interest Rate Swap	-	324,963	-	33,441
Equity	-	24,768	-	13,855
Other	-	31	-	12,119
	<u>\$ -</u>	<u>\$ 381,262</u>	<u>\$ -</u>	<u>\$ 62,218</u>

The fair values are included on the statements of net position as options written, at fair value. The change in fair value of open put options for the year ended August 31, 2021 and 2020 were increases in the amounts of \$76,400 and \$504,214, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

**Note 7 – Swaps**

The following table discloses the notional amounts, and the fair values of the types of outstanding swap contracts as of August 31, 2021:

Type	Notional Value	Fair Value at August 31, 2021	
		Assets	Liabilities
Interest Rate	\$ 795,947,401	\$ 5,872,099	\$ 5,450,784
Credit Default	119,248,681	2,639,572	375,042
Equity	81,782,008	2,282,466	533,239
Volatility	74,537,473	182,073	104,272
Currency	13,694,120	1,472,737	1,499,549
Inflation	15,483,965	763,048	939,519
Commodity	21,000,000	-	-
Total		<u>\$ 13,211,995</u>	<u>\$ 8,902,405</u>

The change in fair value of open swap positions for the year ended August 31, 2021 was an increase in the amount of \$8,153,522, 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:

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

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

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

**Note 8 – Futures Contracts**

The changes in fair value of open futures contracts for the years ended August 31, 2021 and 2020 were increases in the amounts of \$1,723,708 and \$9,298,841 respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The Fund had \$3,353,576 and \$1,725,152 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 open contracts amounted to \$1,864,092 and \$9,639,893 as of August 31, 2021 and 2020, respectively.

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	\$ 206,989,238	\$ 41,711,549	\$ 3,251	\$ 147,317
Foreign Fixed Income	89,391,828	166,663,625	2,837	-
Foreign Equities	-	61,364	845	-
<b>Total</b>	<b>\$ 296,381,066</b>	<b>\$ 208,436,538</b>	<b>\$ 6,933</b>	<b>\$ 147,317</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	\$ 13,316,372	\$ -	\$ 1,427,632	\$ -
Domestic Fixed Income	107,580,120	117,520,863	218,405	1,391,647
Foreign Fixed Income	162,329,576	156,498,296	34,661	630,103
<b>Total</b>	<b>\$ 283,226,068</b>	<b>\$ 274,019,159</b>	<b>\$ 1,680,698</b>	<b>\$ 2,021,750</b>

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

**Note 9 – Foreign Exchange Contracts**

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 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.

Currency	Net Buy		Net Sell		Unrealized Gains on Foreign Exchange Contracts		Unrealized Losses on Foreign Exchange Contracts	
	August 31, 2021		August 31, 2021		August 31, 2021		August 31, 2021	
Australian Dollar	\$	-	\$	85,614,009	\$	1,785,824	\$	469,914
Brazil Real	-	-	-	10,529,582	-	-	-	292,364
Canadian Dollar	-	-	-	53,112,353	392,522	-	30,657	-
Chilean Peso	37,405,291	-	-	-	85,627	-	2,168,864	-
Chinese Yuan Renminbi (Offshore)	-	-	-	27,694,722	390	-	141,398	-
Chinese Yuan Renminbi	-	-	-	66,939,305	315,625	-	43,621	-
Colombian Peso	-	-	-	30,129,953	25,134	-	901,969	-
Czech Koruna	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	60,592,724	483,170	-	776	-
Euro	-	-	-	332,566,421	1,597,965	-	611,402	-
Hong Kong Dollar	-	-	-	9,254	-	-	-	-
Hungarian Forint	11,342,698	-	-	-	373,423	-	-	-
Indian Rupee	-	-	-	9,161,140	-	-	197,995	-
Indonesian Rupiah	-	-	-	46,652,834	112,564	-	1,265,115	-
Israeli Shekel	-	-	-	34,073,549	7,178	-	631,212	-
Japanese Yen	-	-	-	361,528,322	889,281	-	498,701	-
Malaysian Ringgit	-	-	-	7,927,740	-	-	159,112	-
Mexican Peso	-	-	-	72,516,136	59,845	-	733,550	-
New Zealand Dollar	-	-	-	39,858,525	1,106,427	-	46,075	-
Norwegian Krone	28,637,846	-	-	-	520,258	-	228,704	-
Peruvian Sol	-	-	-	14,213,528	787,833	-	123,415	-
Philippines Peso	-	-	-	-	-	-	-	-
Polish Zloty	34,247,993	-	-	-	316,429	-	2,378	-
Romanian Leu	-	-	-	4,549,970	15,882	-	-	-
Russian Ruble	23,272,975	-	-	-	289,879	-	103,205	-
Singapore Dollar	-	-	-	53,910,762	19,436	-	600,804	-
South African Rand	-	-	-	50,209,131	208,901	-	1,013,546	-
South Korean Won	-	-	-	68,898,913	776,962	-	281,174	-
Swedish Krona	21,668,133	-	-	-	295,816	-	-	-
Swiss Franc	-	-	-	33,193,069	54,980	-	51,534	-
Taiwan Dollar	-	-	-	65,152	1,057	-	-	-
Thailand Baht	-	-	-	12,553,378	761,930	-	-	-
Turkish Lira	9,541	-	-	-	9	-	-	-
UK Pound	-	-	-	107,026,884	1,069,856	-	743,996	-
	\$	156,584,477	\$	1,583,527,356	\$	12,354,203	\$	11,341,481

The change in fair value of open foreign exchange contracts for the year ended August 31, 2021 was an increase in the amount of \$1,012,722, 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  
INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

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

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

**Note 10 – Purchase Agreement**

UTIMCO, as investment manager of the funds under the control and management of the UT Board, has entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,821,085,000 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 0.1% to 1.50%. In addition to the investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in net position represent only those paid directly from the Fund, and do not include fees charged by mutual fund managers or fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2021 and 2020, were \$19,960,753 and \$19,574,345, 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 \$10,662,670 and \$10,810,831, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. Fees incurred for the years ended August 31, 2021 and 2020, were \$732,121 and \$806,291, respectively.

Analytical and risk measurement fees are also incurred to maintain a sophisticated risk measurement system for the Fund. Fees incurred for the years ended August 31, 2021 and 2020, were \$270,606 and \$177,496, respectively.

The Fund incurs accounting fees for external and UT System internal audit services. For the years ended August 31, 2021 and 2020, fees amounted to \$223,257 and \$181,119, respectively.

Consulting fees, in the amounts of \$56,292 and \$63,268, respectively, for the years ended August 31, 2021 and 2020, 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 \$38,515 and \$30,302, were incurred for the years ended August 31, 2021 and 2020, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. For the years ended August 31, 2021 and 2020 the fees incurred totaled \$31,905 and \$27,766, 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 \$22,972 and \$36,040, were incurred for the years ended August 31, 2021 and 2020, respectively.

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

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The Fund is assessed a fee to cover costs associated with UT System personnel in their effort to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the years ended August 31, 2021 and 2020, the fees amounted to \$86,680 and \$74,133, respectively.

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

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**Financial Highlights**

*Years Ended August 31,*

	2021	2020	2019	2018	2017
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 128.585	\$ 121.709	\$ 119.124	\$ 119.018	\$ 113.303
Income From Investment Operations					
Net Investment Income (A)	0.745	0.904	1.146	1.010	0.909
Net Realized and Unrealized Gain on Investments	16.335	9.652	4.996	2.712	8.240
Total Income from Investment Operations	17.080	10.556	6.142	3.722	9.149
Less Distributions	4.060	3.680	3.557	3.616	3.434
Net Position, End of Year	<u>\$ 141.605</u>	<u>\$ 128.585</u>	<u>\$ 121.709</u>	<u>\$ 119.124</u>	<u>\$ 119.018</u>
<b>Ratios and Supplemental Data</b>					
Net Position, End of Year (in thousands)	\$ 10,199,598	\$ 9,210,942	\$ 9,206,904	\$ 9,935,105	\$ 9,075,084
Distribution Ratios to Average Net Position	2.97%	2.95%	2.96%	3.02%	2.99%

(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.