

Financial Statements
and Independent Auditor's Report
Permanent University Fund
Years Ended August 31, 2023 and 2022

Permanent University Fund

Financial Statements

Years Ended August 31, 2023 and 2022

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INDEPENDENT AUDITOR'S 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

Opinion

We have audited the financial statements of the Permanent University Fund (the "PUF"), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the PUF as of August 31, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PUF, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the PUF and do not purport to, and do not, present fairly the financial position of The University of Texas System, as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by The University of Texas/Texas A&M Investment Management Company and do not include the 2.1 million acres of land discussed in Note 1.

Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PUF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Supplementary Information

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 purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information 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 GAAS. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 31, 2023

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

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the years ended August 31, 2023 and 2022. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of 21 institutions and 6 agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

The PUF's net position after distributions increased by \$2,121.4 million from \$30,888.8 million to \$33,010.2 million, or approximately 6.87% for the year ended August 31, 2023, compared to a decrease of \$1,080.5 million or approximately 3.38% for the year ended August 31, 2022. The change in net position from year to year is mainly attributable to the following:

1. The PUF posted a net investment return of 4.74%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2023. Investments in developed public equity, infrastructure, and strategic partnerships were the biggest contributors to the 2023 return. For the year ended August 31, 2022, the PUF posted a net investment loss of 6.17%. Investments in public equity, strategic partnerships, and long treasuries were the biggest contributors to the 2022 loss, and were offset by positive returns in infrastructure, real estate private investments, and stable value hedge funds.
2. Fiscal year 2023 contributions of PUF Lands mineral income decreased by 12.24% from \$2,124.5 million to \$1,864.4 million and represented 5.83% of the average value of the PUF investments during the year, compared to fiscal year 2022 contributions which increased by 116.96%, from \$979.2 million to \$2,124.5 million and represented 6.65% of the average value of the PUF investments during the year. PUF Lands expenses were \$15.3 million and \$16.6 million for the years ended August 31, 2023 and 2022, respectively. PUF Lands consist of more than 2.1 million acres in 19 counties primarily in West Texas.
3. The PUF's annual distribution to the Available University Fund (AUF) increased by 5.96% in fiscal year 2023, compared to an increase of 4.45% in fiscal year 2022.

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Use of Financial Statements and Notes

The PUF'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). PUF'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 statement of changes in net position.

In compliance with the reporting requirements of Section 66.05 of the Texas Education Code, we have included as supplementary information a schedule of changes in cost of investments and investment income.

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 PUF under UTIMCO management as of the end of the fiscal year. These statements, along with all the PUF's financial statements, are prepared using the accrual basis of accounting, whereby PUF investment income is recognized when earned and PUF expenses are recognized when incurred.

The PUF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to supplement the endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the TAMU System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Investments, at Fair Value	\$ 33,320.4	\$ 31,024.9	\$ 32,056.6
Other Assets	895.2	738.6	800.0
Total Assets	<u>34,215.6</u>	<u>31,763.5</u>	<u>32,856.6</u>
Total Liabilities	<u>1,205.4</u>	<u>874.7</u>	<u>887.3</u>
Net Position Restricted for Beneficiaries	<u>\$ 33,010.2</u>	<u>\$ 30,888.8</u>	<u>\$ 31,969.3</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 PUF investments. The purpose of these statements is to present additions to the PUF resulting from net investment income and contributions from PUF Lands mineral income and to present deductions from the PUF resulting from distributions to the AUF and administrative and investment expenses.

The net increase in fair value of investments of the PUF was \$1,273.6 million during the year compared to a net decrease in fair value of investments of \$2,256.4 million for the year ended August 31, 2022. Investment expenses totaled \$71.5 million, \$77.9 million, and \$128.8 million, respectively, for the years ended August 31, 2023, 2022, and 2021.

The PUF's objectives are to maximize investment returns within the risk parameters specified in its investment policy statement without regard to the distribution rate.

Distributions to the AUF increased by \$69.3 million, from \$1,161.8 million in fiscal year 2022 to \$1,231.1 million, in fiscal year 2023. The fiscal year 2022 distribution amount increased by \$49.5 million from the fiscal year 2021 distribution of \$1,112.3 million. PUF distributions are determined by the UT Board as provided in the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. Unless otherwise approved by the UT Board, the annual amount is calculated based on the following formula:

1. Increase the prior year's distribution amount by the sum of the average inflation rate for the previous twelve-quarters plus 2.65%, unless further modified pursuant to 2 and 3 below.
2. If the inflationary increase in step 1 results in a distribution rate below 3.5% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution shall be increased to 3.5%.
3. If the inflationary increase in step 1 results in a distribution rate exceeding 6.0% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution increase shall be capped at 6.0%.

For the year ended August 31, 2023 the distribution was 5.03% of the trailing twenty-quarter net position of the PUF as of February 28, 2022. For the year ended August 31, 2022 the distribution was 5.34% of the trailing twenty-quarter net position of the PUF as of February 28, 2021.

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Distributions to the AUF are made at the discretion of the UT Board subject to the following overriding conditions of the Texas Constitution:

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7% of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Investment Income (Loss)	\$ 1,575.3	\$ (1,948.6)	\$ 7,874.4
Less Investment Expenses	71.5	77.9	128.8
PUF Lands Contributions	1,864.4	2,124.5	979.2
Total Additions	<u>3,368.2</u>	<u>98.0</u>	<u>8,724.8</u>
Administrative Expenses			
PUF Lands Expenses	15.3	16.5	23.6
UT System Oversight Fee	0.4	0.2	0.2
Distributions to AUF	1,231.1	1,161.8	1,112.3
Total Deductions	<u>1,246.8</u>	<u>1,178.5</u>	<u>1,136.1</u>
Change in Net Position	2,121.4	(1,080.5)	7,588.7
Net Position Restricted for Beneficiaries, Beginning of Year	30,888.8	31,969.3	24,380.6
Net Position Restricted for Beneficiaries, End of Year	<u>\$ 33,010.2</u>	<u>\$ 30,888.8</u>	<u>\$ 31,969.3</u>

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the PUF'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

PERMANENT UNIVERSITY FUND

Statements of Net Position

August 31, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Investments, at Fair Value:		
Equity Securities	\$ 3,629,946	\$ 2,530,902
Preferred Stock	47,344	52,048
Debt Securities	2,324,880	2,562,492
Investment Funds	26,124,720	24,184,980
Convertible Securities	-	219
Purchased Options	23,508	9,761
Cash and Cash Equivalents	1,170,017	1,684,541
Total Investments	<u>33,320,415</u>	<u>31,024,943</u>
Collateral for Securities Loaned, at Fair Value	368,544	435,277
Deposit with Brokers for Derivative Contracts	149,804	71,245
Unrealized Gains on Foreign Exchange Contracts	9,633	40,547
Future Contracts, at Fair Value	5,604	3,140
Swaps, at Fair Value	18,043	21,101
Receivables:		
Investment Securities Sold	319,266	144,167
Accrued Income	23,988	22,629
Other	368	403
Total Receivables	<u>343,622</u>	<u>167,199</u>
Total Assets	<u>34,215,665</u>	<u>31,763,452</u>
Liabilities		
Payable Upon Return of Securities Loaned	368,544	435,277
Payable to Brokers for Collateral Held	10,582	52,819
Unrealized Losses on Foreign Exchange Contracts	19,612	15,314
Future Contracts, at Fair Value	6,420	3,385
Swaps, at Fair Value	31,944	52,969
Options Written, at Fair Value	8,612	4,502
Payables:		
Investment Securities Purchased	737,222	282,937
Other	22,495	27,489
Total Payables	<u>759,717</u>	<u>310,426</u>
Total Liabilities	<u>1,205,431</u>	<u>874,692</u>
Net Position Restricted for Beneficiaries	<u>\$ 33,010,234</u>	<u>\$ 30,888,760</u>

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

PERMANENT UNIVERSITY FUND

Statements of Changes in Net Position

Years Ended August 31, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Additions		
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	\$ 1,273,624	\$ (2,256,446)
Interest	99,883	57,934
Dividends	79,534	75,705
Income Distributions from Private Investment Funds	120,267	173,045
Securities Lending Income	1,689	1,120
Other	296	54
Total Investment Income (Loss)	<u>1,575,293</u>	<u>(1,948,588)</u>
Less Investment Expenses:		
UTIMCO Management Fee	34,169	27,246
Investment Management Fees	33,059	46,768
Custodial Fees and Expenses	2,425	2,100
Other Expenses	1,859	1,834
Total Investment Expenses	<u>71,512</u>	<u>77,948</u>
Net Investment Income (Loss)	1,503,781	(2,026,536)
Contributions from PUF Lands	1,864,435	2,124,542
Total Additions	<u>3,368,216</u>	<u>98,006</u>
Deductions		
Administrative Expenses:		
PUF Lands Expenses	15,249	16,587
UT System Oversight Fee	378	202
Total Administrative Expenses	<u>15,627</u>	<u>16,789</u>
Distributions to Available University Fund	1,231,115	1,161,760
Total Deductions	<u>1,246,742</u>	<u>1,178,549</u>
Change in Net Position	<u>2,121,474</u>	<u>(1,080,543)</u>
Net Position Restricted for Beneficiaries, Beginning of Year	<u>30,888,760</u>	<u>31,969,303</u>
Net Position Restricted for Beneficiaries, End of Year	<u><u>\$ 33,010,234</u></u>	<u><u>\$ 30,888,760</u></u>

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

PERMANENT UNIVERSITY FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

(A) The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System), the PUF beneficiaries. The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas, as well as an additional one million acres. Additional land grants to the PUF were completed in 1883 with the contribution of another one million acres. Today, the PUF contains over 2.1 million acres of land located primarily in 19 counties in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO).

(B) The accompanying financial statements report the investment in securities of the PUF, including the assets, liabilities, mineral contributions from the PUF Lands and investment income. Expenses related to the PUF's security investments and PUF Lands, as well as distributions from the PUF to the AUF, are also included. The PUF Lands value is not included in the accompanying financial statements because the statements are only intended to include the investment assets which are managed by UTIMCO.

The PUF financial statements represent the standalone investment activities included within UT System's consolidated financial statements. The PUF's inflows are primarily investment income and mineral contributions from the PUF Lands. For standalone purposes, the PUF 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 PUF conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

The Supplemental Schedule of Changes in Cost of Investments and Investment Income has been prepared for the purpose of complying with the reporting requirements of Section 66.05 of the Texas Education Code.

(C) Management has evaluated subsequent events through October 31, 2023, 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.

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

Debt securities, including corporate obligations and government and provincial obligations, and convertible securities held directly by the PUF 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 and convertible securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise they would be categorized as Level 3.

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

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy. Certain private investment funds that do not follow the practical expedient are categorized as Level 3.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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

Hedge funds, public market investment funds and certain other private placements are fair valued by management based on net asset value information provided by the investment managers as well as other relevant factors as indicated above.

(B) *Foreign Currency Translation* -- The accounting records of the PUF 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 PUF 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 (decrease) 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 based on average cost.

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

(F) *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 PUF from time to time uses various derivative instruments, as allowed under The University of Texas System Board of Regents (UT Board) approved derivative investment policy guidelines. Derivative instruments included under these policies include futures, forwards, swaps and various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2.

Derivative instruments in the PUF are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the PUF's market (systematic) exposure without trading the underlying cash market securities, through purchases or short sales, or both, of appropriate derivatives,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks, or
- facilitate transition trading.

Through the use of derivative instruments, the complex risks that are bound together in traditional investments can be separated and managed independently. The primary intent of the PUF'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 the PUF'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 (decrease) in fair value of investments in the statements of changes in net position.

Options Written -- When the PUF writes an option, an amount equal to the premium received by the PUF 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 PUF on the expiration date as realized gains from investments and are included in the net increase (decrease) 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 (decrease) 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 PUF has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the PUF.

The PUF 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 PUF invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity or equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included, at fair value, on the statements of net position. Initial margin requirements are satisfied by the segregation of specific securities as collateral for the account of the counterparty to the transaction. 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 terms of the particular swap agreement and varies based on instruments and counterparty. These instruments involve market and/or credit risk

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

in excess of the amount recognized in the statements of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

Futures Contracts -- The PUF 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 PUF'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 PUF 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 PUF 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 PUF 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 PUF'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 (decrease) 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.

(G) *Cash and Cash Equivalents* -- Cash and cash equivalents consist of money market investments, cash held at the State Treasury, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the PUF'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 and the remainder are categorized as level 2.

(H) *Contributions from PUF Lands* -- The mineral income earned from PUF Lands is recorded as remitted by UT System administration and presented on the accompanying statements of changes in net position as an addition to net position.

(I) *Net Position* -- The net position of the PUF is restricted for the benefit of UT System and TAMU System.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

(J) Reclassification -- During the year ended August 31, 2023, management reclassified the presentation of the public markets investment funds to align with the investment strategy. Accordingly, the August 31, 2022 investment funds presentation was reclassified from the 2022 audited financial statements to conform to the current year presentation.

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2023 and 2022, respectively, as categorized by level of the fair value hierarchy:

	Fair Value as of August 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 1,727,270,668	\$ 1,727,270,668	\$ -	\$ -
Foreign Common Stock	1,896,000,416	1,895,997,877	2,539	-
Other Equities	6,674,805	6,674,805	-	-
Total Equity Securities	3,629,945,889	3,629,943,350	2,539	-
Foreign Preferred Stock	47,343,772	47,343,772	-	-
Debt Securities:				
U.S. Government Obligations	1,868,519,924	1,763,386,256	105,133,668	-
Foreign Government and Provincial Obligations	277,831,008	-	277,831,008	-
Corporate Obligations	178,528,899	-	178,528,899	-
Total Debt Securities	2,324,879,831	1,763,386,256	561,493,575	-
Purchased Options	23,508,636	2,217,697	21,290,939	-
Investment Funds:				
Private Investments	286,642,114	-	-	286,642,114
Developed Public Equity	59,075,435	59,075,435	-	-
Emerging Markets Public Equity	20,205,132	20,205,132	-	-
Fixed Income	87,819,252	87,819,252	-	-
Total Investment Funds	453,741,933	167,099,819	-	286,642,114
Cash Equivalents	1,094,645,576	874,517,010	220,128,566	-
Total Investments by Fair Value Level	7,574,065,637	\$ 6,484,507,904	\$ 802,915,619	\$ 286,642,114
Cash	75,371,728			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	5,948,610,057			
Private Investments	14,044,015,921			
Public Markets	5,654,946,716			
Other	23,405,312			
Investments Funds Fair Valued Using Practical Expedient	25,670,978,006			
Total Investments, at Fair Value	\$ 33,320,415,371			
Fair Value Measurements Using				
	Fair Value as of August 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivatives				
Foreign Exchange Contracts	\$ (9,979,633)	\$ -	\$ (9,979,633)	\$ -
Futures Contracts	(815,826)	(815,826)	-	-
Swaps	(13,900,467)	-	(13,900,467)	-
Written Options	(8,612,438)	-	(8,612,438)	-
Investment Derivatives	\$ (33,308,364)	\$ (815,826)	\$ (32,492,538)	\$ -

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	Fair Value Measurements Using			
	Fair Value as of August 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 1,132,863,228	\$ 1,132,863,228	\$ -	\$ -
Foreign Common Stock	1,390,305,637	1,390,290,087	15,550	-
Other Equities	7,733,315	7,733,315	-	-
Total Equity Securities	2,530,902,180	2,530,886,630	15,550	-
Preferred Stock:				
Domestic Preferred Stock	1,213,125	-	1,213,125	-
Foreign Preferred Stock	50,834,553	50,536,388	298,165	-
Total Preferred Stock	52,047,678	50,536,388	1,511,290	-
Debt Securities:				
U.S. Government Obligations	1,549,956,819	1,441,897,251	108,059,568	-
Foreign Government and Provincial Obligations	572,638,342	-	572,638,342	-
Corporate Obligations	436,261,537	-	436,261,537	-
Other	3,635,509	-	3,635,509	-
Total Debt Securities	2,562,492,207	1,441,897,251	1,120,594,956	-
Purchased Options	9,761,225	9,359,225	402,000	-
Convertible Securities	219,043	-	219,043	-
Investment Funds:				
Private Investments	334,387,504	-	-	334,387,504
Developed Public Equity	175,899,537	175,899,537	-	-
Emerging Markets Public Equity	2,918,764	2,918,764	-	-
Fixed Income	83,651,398	83,651,398	-	-
Total Investment Funds	596,857,203	262,469,699	-	334,387,504
Cash Equivalents	1,602,268,137	1,497,230,172	105,037,965	-
Total Investments by Fair Value Level	7,354,547,673	\$ 5,792,379,365	\$ 1,227,780,804	\$ 334,387,504
Cash	82,273,187			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	5,126,983,244			
Private Investments	12,982,553,616			
Public Markets	5,478,585,668			
Investments Funds Fair Valued Using Practical Expedient	23,588,122,528			
Total Investments, at Fair Value	\$ 31,024,943,388			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivatives				
Foreign Exchange Contracts	\$ 25,233,442	\$ -	\$ 25,233,442	\$ -
Futures Contracts	(245,520)	(245,520)	-	-
Swaps	(31,867,419)	-	(31,867,419)	-
Written Options	(4,502,379)	-	(4,502,379)	-
Investment Derivatives	\$ (11,381,876)	\$ (245,520)	\$ (11,136,356)	\$ -

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

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the PUF'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, 2023 and 2022 is summarized in the tables below as they are included within the asset mix of the PUF.

Investment Funds:	Fair Value as of August 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	990,424,390	-	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	677,109,032	-	Quarterly-Annually	30 - 90 Days
Nonredeemable	398,343,449	167,065,628	Not Applicable	Not Applicable
Total Directional	<u>2,065,876,871</u>	<u>167,065,628</u>		
Stable Value				
Redeemable Within One Year	1,969,180,271	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	1,528,283,468	-	Monthly to Semi-Annually	5 - 100 Days
Nonredeemable	385,269,447	242,589,717	Not Applicable	Not Applicable
Total Stable Value	<u>3,882,733,186</u>	<u>242,589,717</u>		
Total Hedge Funds	<u>5,948,610,057</u>	<u>409,655,345</u>		
Private Investments (Nonredeemable):				
Private Equity	4,302,818,570	3,439,973,989	Not Applicable	Not Applicable
Emerging Market Equity	772,069,970	141,480,306	Not Applicable	Not Applicable
Credit	735,263,895	487,271,575	Not Applicable	Not Applicable
Venture	2,902,978,149	839,641,197	Not Applicable	Not Applicable
Natural Resources	1,309,271,422	318,711,682	Not Applicable	Not Applicable
Infrastructure	1,296,714,995	752,227,289	Not Applicable	Not Applicable
Real Estate	2,724,898,920	2,123,976,658	Not Applicable	Not Applicable
Total Private Investments	<u>14,044,015,921</u>	<u>8,103,282,696</u>		
Public Markets:				
Developed Public Equity				
Redeemable Within One Year	4,169,944,647	-	Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	188,258,704	-	Monthly to Annually	45 - 105 Days
Nonredeemable	777,742	15,545,151	Not Applicable	Not Applicable
Total Developed Public Equity	<u>4,358,981,093</u>	<u>15,545,151</u>		
Emerging Markets Public Equity				
Redeemable Within One Year	1,172,428,433	-	Daily to Semi-Annually	1 - 120 Days
Redeemable Beyond One Year	122,008,476	-	Monthly to Semi-Annually	60 Days
Nonredeemable	1,528,714	13,414,148	Not Applicable	Not Applicable
Total Emerging Markets Public Equity	<u>1,295,965,623</u>	<u>13,414,148</u>		
Total Public Markets	<u>5,654,946,716</u>	<u>28,959,299</u>		
Other				
Redeemable Within One Year	5,851,328	-	Quarterly	90 Days
Redeemable Beyond One Year	17,553,984	-	Quarterly	90 Days
Total Other	<u>23,405,312</u>	<u>-</u>		
Total Investment Funds	<u>\$ 25,670,978,006</u>	<u>\$ 8,541,897,340</u>		

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	\$ 939,756,990	\$ -	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	709,155,860	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	372,360,593	166,179,859	Not Applicable	Not Applicable
Total Directional	<u>2,021,273,443</u>	<u>166,179,859</u>		
Stable Value				
Redeemable Within One Year	1,789,500,414	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	989,628,105	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	326,581,282	367,675,883	Not Applicable	Not Applicable
Total Stable Value	<u>3,105,709,801</u>	<u>367,675,883</u>		
Total Hedge Funds	<u>5,126,983,244</u>	<u>533,855,742</u>		
Private Investments (Nonredeemable):				
Private Equity	3,512,678,087	2,344,810,124	Not Applicable	Not Applicable
Emerging Market Equity	933,743,473	186,760,018	Not Applicable	Not Applicable
Credit	685,056,221	444,752,481	Not Applicable	Not Applicable
Venture	3,122,910,140	799,655,264	Not Applicable	Not Applicable
Natural Resources	1,361,861,465	398,902,389	Not Applicable	Not Applicable
Infrastructure	941,296,172	764,573,899	Not Applicable	Not Applicable
Real Estate	2,425,008,058	2,167,461,183	Not Applicable	Not Applicable
Total Private Investments	<u>12,982,553,616</u>	<u>7,106,915,358</u>		
Public Markets:				
Developed Public Equity				
Redeemable Within One Year	3,426,479,715	-	Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	717,284,823	15,465,169	Monthly-Annually	45 - 105 Days
Nonredeemable	1,042,200	-	Not Applicable	Not Applicable
Total Developed Public Equity	<u>4,144,806,738</u>	<u>15,465,169</u>		
Emerging Markets Public Equity				
Redeemable Within One Year	1,217,909,916	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	86,906,763	-	Monthly to Annually	60 Days
Nonredeemable	23,955,500	26,324,041	Not Applicable	Not Applicable
Total Emerging Markets Public Equity	<u>1,328,772,179</u>	<u>26,324,041</u>		
Fixed Income				
Redeemable Within One Year	5,006,751	-	Daily	1 Day
Total Public Markets	<u>5,478,585,668</u>	<u>41,789,210</u>		
Total Investment Funds	<u>\$ 23,588,122,528</u>	<u>\$ 7,682,560,310</u>		

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The PUF invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures represent the PUF's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,104,178,390 of future funding to various hedge fund investments as of August 31, 2023 of which the PUF's pro-rata portion is \$409,655,345.

The PUF invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures for the years ended August 31, 2023 and 2022, represent the PUF's pro-rata share of these investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager. The private investment pools have committed \$13,687,977,528 of future funding to various private market investments as of August 31, 2023 of which the PUF's pro-rata portion is \$8,103,282,696 .

Public market and other 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, and carbon credit related investments. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the PUF. Some of these investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future funding in the amount of \$52,866,136, of which the PUF's pro-rata portion is \$28,959,299, have been committed to certain public market funds as of August 31, 2023.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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

Investments in hedge funds, private investments, public market, and other 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 PUF'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 PUF's investments in hedge funds, private investments, and public market funds are discussed in Note 3.

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the UT Board, subject to procedures and restrictions it establishes, to invest the 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 PUF then prevailing, taking into consideration the investment of all of the assets of the PUF rather than a single investment.

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 PUF's investment policy does not provide specific requirements or limitations with regards to 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, 2023 and 2022:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2023	2022	
Investments:			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ 192,529,115	\$ -	AAA
U.S. Government Guaranteed	1,570,868,606	1,442,016,037	AA
Total U.S. Government Guaranteed	<u>1,763,397,721</u>	<u>1,442,016,037</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	-	19,518,407	AA
U.S. Agency Asset Backed	105,122,203	88,422,375	AA
Total U.S. Government Non-Guaranteed	<u>105,122,203</u>	<u>107,940,782</u>	
Total U.S. Government	<u>1,868,519,924</u>	<u>1,549,956,819</u>	
Corporate Obligations:			
Domestic	60,879,578	79,295,201	AAA
Domestic	7,103,767	23,248,205	AA
Domestic	11,309,777	78,095,483	A
Domestic	7,749,702	78,348,879	BAA/BBB
Domestic	774,106	5,221,591	BA/BB
Domestic	741,331	1,868,222	B
Domestic	1,526,036	2,781,364	CAA/CCC
Domestic	702,228	796,222	CA/CC
Domestic	1,021,882	565,267	D
Domestic	9,936,161	16,626,658	Not Rated
Foreign	36,333,529	60,644,464	AAA
Foreign	2,217,416	9,863,185	AA
Foreign	14,719,468	27,724,454	A
Foreign	18,065,694	40,988,548	BAA/BBB
Foreign	387,603	5,216,727	BA/BB
Foreign	4,227,411	2,770,296	B
Foreign	23,579	-	D
Foreign	809,631	2,206,771	Not Rated
Total Corporate Obligations	<u>178,528,899</u>	<u>436,261,537</u>	
Foreign Government and Provincial Obligations	2,169,236	58,866,808	AAA
Foreign Government and Provincial Obligations	10,972,773	93,906,351	AA
Foreign Government and Provincial Obligations	10,396,957	49,262,027	A
Foreign Government and Provincial Obligations	62,977,453	79,839,220	BAA/BBB
Foreign Government and Provincial Obligations	68,718,915	58,468,536	BA/BB
Foreign Government and Provincial Obligations	122,595,674	232,295,400	Not Rated
Total Foreign Government and Provincial Obligations	<u>277,831,008</u>	<u>572,638,342</u>	
Other Debt Securities	-	5,053	AAA
Other Debt Securities	-	2,547,699	AA
Other Debt Securities	-	1,082,757	BAA/BBB
Total Other Debt Securities	<u>-</u>	<u>3,635,509</u>	
Total Debt Securities	<u>\$ 2,324,879,831</u>	<u>\$ 2,562,492,207</u>	
Convertible Securities	\$ -	\$ 219,043	Not Rated
Other Investment Funds			
Debt	\$ 22,315,232	\$ 19,967,113	BA/BB
Debt	65,504,020	68,691,036	Not Rated
Total Other Investments - Debt	<u>\$ 87,819,252</u>	<u>\$ 88,658,149</u>	
Cash Equivalents	\$ 874,517,010	\$ 1,497,230,172	AAA
Cash Equivalents	220,128,566	105,037,965	Not Rated
Cash	75,371,728	82,273,187	Not Rated
Total Cash and Cash Equivalents	<u>\$ 1,170,017,304</u>	<u>\$ 1,684,541,324</u>	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 48,254,872	\$ 20,183,922	AA
Cash	90,966,803	(1,758,533)	Not Rated
Total Net Deposit with/(Payable to) Brokers for Derivative Contracts	<u>\$ 139,221,675</u>	<u>\$ 18,425,389</u>	

(B) Concentrations of Credit Risk

The PUF'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, 2023 and 2022, the PUF 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 PUF'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 PUF 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 PUF 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 PUF'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, 2023 and 2022, the PUF 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 PUF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the PUF's investments to changes in interest rates. The PUF has no specific policy statement limitations with respect to its overall modified duration.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following table summarizes the PUF's modified duration in years by investment type at August 31, 2023 and 2022:

Investment Type	August 31,			
	2023		2022	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 2,627,417	0.08	\$ 1,199,234	0.07
U.S. Treasury Bonds and Notes	1,124,823,052	13.53	775,873,829	11.88
U.S. Treasury Inflation Protected	635,935,787	6.61	664,824,188	7.13
U.S. Agency Asset Backed	11,465	0.95	118,786	2.27
Total U.S. Government Guaranteed	<u>1,763,397,721</u>	11.01	<u>1,442,016,037</u>	9.68
U.S. Government Non-Guaranteed:				
U.S. Agency	-	-	19,518,407	7.07
U.S. Agency Asset Backed	105,122,203	6.36	88,422,375	7.24
Total U.S. Government Non-Guaranteed	<u>105,122,203</u>	6.36	<u>107,940,782</u>	7.21
Total U.S. Government	<u>1,868,519,924</u>	10.75	<u>1,549,956,819</u>	9.51
Corporate Obligations:				
Domestic	101,744,568	2.40	286,847,092	5.34
Foreign	76,784,331	2.49	149,414,445	2.80
Total Corporate Obligations	<u>178,528,899</u>	2.44	<u>436,261,537</u>	4.47
Foreign Government and Provincial Obligations	<u>277,831,008</u>	5.27	<u>572,638,342</u>	6.39
Other Debt Securities	<u>-</u>	-	<u>3,635,509</u>	5.66
Total Debt Securities	<u>2,324,879,831</u>	9.46	<u>2,562,492,207</u>	7.95
Convertible Securities	<u>-</u>	-	<u>219,043</u>	3.90
Other Investment Funds - Debt	<u>87,819,252</u>	1.63	<u>88,658,149</u>	1.80
Cash and Cash Equivalents	<u>1,170,017,304</u>	0.06	<u>1,684,541,324</u>	0.03
Total	<u>\$ 3,582,716,387</u>	6.20	<u>\$ 4,335,910,723</u>	4.75
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed	\$ 48,254,872	0.09	\$ 20,183,922	0.36
Cash	90,966,803	-	(1,758,533)	-
Total Net Deposit with/(Payable to) Brokers for Derivative Contracts	<u>\$ 139,221,675</u>	-	<u>\$ 18,425,389</u>	-

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

The PUF may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The PUF 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, 2023 and 2022, the PUF'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. In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$57,123,652 and \$78,154,681 as of August 31, 2023 and 2022, 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. . In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$104,990,215 and \$65,708,847 as of August 31, 2023 and 2022, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligee of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. . In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$50,696,787 and \$70,048,728 as of August 31, 2023 and 2022, respectively.

(F) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the PUF'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 PUF's total fixed income and non-U.S. equity exposures in the PUF'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 PUF's exposure to non-U.S. dollar investments at August 31, 2023 and 2022:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Domestic Common Stock:		
Euro	\$ 1,348,713	\$ -
Hong Kong Dollar	29,752	-
Taiwan Dollar	3,331,556	-
Total Domestic Common Stock	4,710,021	-
Foreign Common Stock:		
Australian Dollar	12,222,245	4,844,348
Brazilian Real	97,842,419	93,317,422
Canadian Dollar	14,493,537	20,649,730
Chilean Peso	112,030	286,277
Chinese Yuan Renminbi	91,044,763	86,713,097
Czech Koruna	305,755	34,361
Danish Krone	31,573,667	20,527,223
Egyptian Pound	727,453	435,403
Euro	238,744,216	158,660,138
Hong Kong Dollar	98,320,012	52,973,672
Hungarian Forint	598,712	511,265
Indian Rupee	54,027,111	26,943,474
Indonesian Rupiah	20,094,125	15,964,551
Israeli Shekel	-	519,364
Japanese Yen	247,015,828	147,453,844
Malaysian Ringgit	6,998,272	3,326,326
Mexican Peso	7,634,925	2,510,012
New Zealand Dollar	1,123,280	197,429
Norwegian Krone	13,519,706	7,843,873
Peruvian Sol	-	67,135
Philippine Peso	1,035,960	336,009
Polish Zloty	3,637,784	3,764,494
Qatari Riyal	1,082,938	1,357,767
Russian Ruble	91	-
Saudi Arabian Riyal	459,811	-
Singapore Dollar	5,764,896	1,577,432
South African Rand	9,712,026	3,660,702
South Korean Won	119,324,304	99,101,494
Swedish Krona	15,107,581	8,769,583
Swiss Franc	62,871,512	31,904,374
Taiwan Dollar	207,072,944	162,234,439
Thai Baht	9,655,228	10,054,495
Turkish Lira	4,041,193	1,548,792
UK Pound	147,907,371	118,455,077
United Arab Emirates Dirham	3,782,207	1,299,845
Total Foreign Common Stock	1,527,853,902	1,087,843,447
Other - Equity Securities:		
Brazilian Real	6,104	-
Indian Rupee	-	9,777
Swiss Franc	39,726	26,482
Taiwan Dollar	18	-
Total Other - Equity Securities	45,848	36,259
Foreign Preferred Stocks:		
Brazilian Real	20,928,539	32,776,190
Euro	524,166	1,473,249
South African Rand	-	48,560
South Korean Won	25,891,066	16,536,554
Total Foreign Preferred Stock	47,343,771	50,834,553

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Foreign Government and Provincial Obligations:		
Australian Dollar	\$ 2,127,084	\$ 24,390,880
Brazilian Real	23,101,851	25,245,370
Canadian Dollar	-	18,472,672
Chinese Yuan Renminbi	416,837	22,892,629
Colombian Peso	25,598,328	24,931,931
Czech Koruna	-	2,630,968
Euro	11,464,911	78,938,582
Hungarian Forint	-	2,205,700
Indonesian Rupiah	-	9,012,247
Israeli Shekel	-	10,282,157
Japanese Yen	97,625,258	146,572,235
Malaysian Ringgit	11,920,559	9,548,159
Mexican Peso	57,474,588	62,506,424
New Zealand Dollar	3,149,480	3,817,518
Norwegian Krone	-	12,689,397
Peruvian Sol	-	3,482,229
Polish Zloty	-	11,003,582
Romanian Leu	-	2,619,788
Russian Ruble	731,667	3,320,527
Singapore Dollar	-	17,075,367
South African Rand	19,547,621	20,531,520
South Korean Won	7,222,363	36,222,794
UK Pound	6,859,445	15,961,403
Total Foreign Government and Provincial Obligations	<u>267,239,992</u>	<u>564,354,079</u>
Corporate Obligations:		
Australian Dollar	959,496	902,068
Brazilian Real	251,098	300,867
Canadian Dollar	-	8,600,348
Danish Krone	5,748,173	8,139,395
Euro	9,850,076	15,882,150
Indian Rupee	-	446
UK Pound	14,539,942	27,663,604
Total Corporate Obligations	<u>31,348,785</u>	<u>61,488,878</u>
Purchased Options:		
Brazilian Real	156,525	92,587
Euro	-	215,478
Total Purchased Options	<u>156,525</u>	<u>308,065</u>
Investment Funds-Emerging Markets:		
Brazilian Real	646,079	3,435,656
Private Investments:		
Australian Dollar	30,356,179	63,408,724
Canadian Dollar	101,660,153	115,702,998
Euro	625,516,272	462,647,551
Japanese Yen	24,734,025	17,335,234
Swedish Krona	33,627,119	30,790,919
UK Pound	145,820,731	124,643,392
Total Private Investments	<u>961,714,479</u>	<u>814,528,818</u>

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Cash and Cash Equivalents:		
Australian Dollar	\$ 602,599	\$ 525,730
Brazilian Real	7,889,473	3,930,186
Canadian Dollar	(335,854)	399,345
Chilean Peso	144	9,144
Chinese Yuan Renminbi	2,489,964	2,720,262
Colombian Peso	-	133,605
Czech Koruna	-	14,607
Danish Krone	10,407	59,529
Egyptian Pound	124,140	576
Euro	16,489,278	19,032,536
Hong Kong Dollar	(330,029)	835,429
Hungarian Forint	-	1
Indian Rupee	59,856	214,123
Indonesian Rupiah	3,848	490,027
Israeli Shekel	1,327	10,185
Japanese Yen	(2,981,541)	7,228,928
Malaysian Ringgit	29,247	324,049
Mexican Peso	1,300	1,441
New Zealand Dollar	32,461	96,752
Norwegian Krone	185	82,800
Philippine Peso	-	2,405
Polish Zloty	1,716	2,351
Qatari Riyal	-	4,157
Romanian Leu	-	188
Russian Ruble	-	1
Singapore Dollar	89,754	222,090
South African Rand	1,048,867	1,018,635
South Korean Won	2,608,379	3,866,280
Swedish Krona	60,978	42,785
Swiss Franc	16,869	689,700
Taiwan Dollar	759,623	839,631
Thai Baht	298	941
Turkish Lira	17,211	53
UK Pound	(3,541,131)	2,481,385
United Arab Emirates Dirham	-	5,721
Total Cash and Cash Equivalents	<u>25,149,369</u>	<u>45,285,578</u>
Written Options:		
Brazilian Real	(182,639)	(127,632)
Euro	-	(341,702)
UK Pound	-	(12,178)
Total Written Options	<u>(182,639)</u>	<u>(481,512)</u>

PERMANENT UNIVERSITY FUND*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2023	2022
Swaps:		
Australian Dollar	\$ (488,870)	\$ 25,521
Canadian Dollar	(1,244,007)	(1,841,830)
Chinese Yuan Renminbi	(732,370)	103,017
Czech Koruna	-	(41,632)
Euro	(321,997)	(15,167,988)
Indian Rupee	-	76,928
Japanese Yen	60,772	(34,707)
Malaysian Ringgit	17,536	219,126
Mexican Peso	-	(86,022)
New Zealand Dollar	(407,195)	(291,345)
Singapore Dollar	2,873	(88,887)
South African Rand	-	6,181
South Korean Won	(208,844)	(450,539)
Swedish Krona	-	(77,232)
Swiss Franc	(106,045)	(1,385,185)
Thai Baht	(2,580)	108,056
UK Pound	(2,699,465)	(4,281,407)
Total Swaps	<u>(6,130,192)</u>	<u>(23,207,945)</u>
Futures:		
Australian Dollar	(69,214)	8,434
Brazilian Real	116,568	(1,971)
Canadian Dollar	(26,580)	175,845
Euro	(2,173,650)	1,534,479
Japanese Yen	57,629	(57,368)
UK Pound	199,431	414,468
Total Futures	<u>(1,895,816)</u>	<u>2,073,887</u>
Total	<u>\$ 2,858,000,124</u>	<u>\$ 2,606,499,763</u>

(G) Counterparty (Credit) Risk

The derivative instruments utilized by the PUF 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 PUF manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The PUF had gross counterparty exposure as of August 31, 2023 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 286,020,757	\$ 242,732,005	\$ 5,165,893	\$ 3,262,769	AA
Options	520,872,796	411,633,166	17,370,062	5,014,315	A
Swaps	352,802,099	399,716,188	7,291,909	13,785,731	AA
Swaps	2,271,821	119,815,034	912,165	6,563,546	A
Foreign Exchange Contracts	371,687,160	254,830,072	5,498,737	3,847,738	AA
Foreign Exchange Contracts	283,411,152	322,960,734	4,133,951	15,764,583	A
			<u>\$ 40,372,717</u>	<u>\$ 48,238,682</u>	

The PUF had gross counterparty exposure as of August 31, 2022 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 30,085,500	\$ 35,998,050	\$ 9,313,470	\$ 2,489,576	AA
Options	-	36,268,308	-	86,569	A
Swaps	123,622,654	325,589,907	2,948,987	10,740,272	AA
Swaps	27,118,209	40,606,331	760,859	9,021,656	A
Foreign Exchange Contracts	503,923,754	255,780,044	11,711,943	4,876,144	AA
Foreign Exchange Contracts	669,783,231	420,081,321	28,835,029	10,437,386	A
			<u>\$ 53,570,288</u>	<u>\$ 37,651,603</u>	

As of August 31, 2023 and 2022 the PUF 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 PUF 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 PUF and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the PUF to cover the PUF's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the PUF in one of its accounts at the PUF's custodian bank. As of August 31, 2023 and 2022, the PUF held \$10,582,347 and \$52,819,301 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$117,564,154 and \$57,846,768 respectively, as collateral related to derivative instruments other than futures.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income in the statements of changes in net position. The PUF 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, 2023 and 2022:

<u>Securities on Loan</u>	<u>2023 Fair Value</u>	<u>2022 Fair Value</u>	<u>Type of Collateral</u>	<u>2023 Fair Value of Collateral</u>	<u>2022 Fair Value of Collateral</u>
U.S. Government	\$ 12,953,581	\$131,481,238	Cash	\$ 13,216,517	\$ 134,344,402
Corporate Bonds	2,832,157	19,190,994	Cash	2,930,840	19,813,256
Common Stock	301,912,043	213,210,368	Cash	309,536,529	219,160,518
Sovereign Debt	32,019,014	56,581,075	Cash	42,859,638	61,959,232
Total	<u>\$349,716,795</u>	<u>\$420,463,675</u>	Total	<u>\$ 368,543,524</u>	<u>\$ 435,277,408</u>
U.S. Government	\$116,828,107	\$ 11,364,242	Non-Cash	\$ 119,259,813	\$ 11,598,365
Corporate Bonds	-	853,928	Non-Cash	-	880,555
Common Stock	58,250,386	45,792,108	Non-Cash	60,708,066	48,361,814
Total	<u>\$175,078,493</u>	<u>\$ 58,010,278</u>	Total	<u>\$ 179,967,879</u>	<u>\$ 60,840,734</u>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the PUF, The University of Texas System General Endowment Fund (GEF), The University of Texas System Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities by the securities lending agent. The pool is managed in accordance with investment guidelines established in the securities lending contract between the PUF 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 by the PUF and the securities 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 PUF and the securities lending agent in the same proportion as income is shared.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The PUF's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2023 and 2022 is shown in the following table:

Description	2023			2022		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 229,313,055	Available	1	\$ 214,596,469	Available	
Repurchase Agreements	-	No Rating		27,851,073	A	
Total Repurchase Agreements	<u>229,313,055</u>		1	<u>242,447,542</u>		1
Corporate Bonds	5,779,327	AA	1	-		
Commercial Paper	75,951,396	A	19	75,703,994	A	13
Floating Rate Notes	-			56,568,127	AA	
Floating Rate Notes	-			45,153,826	A	
Floating Rate Notes	-			20,340,056	P	
Floating Rate Notes	-			6,337,764	Not Rated	
Total Floating Rate Notes	<u>-</u>			<u>128,399,773</u>		1
Certificates of Deposit	17,211,114	AA	1	-		
Certificates of Deposit	41,513,805	A	1	-		
Total Certificates of Deposit	<u>58,724,919</u>		1	<u>-</u>		
Other Receivables/Payables	(1,225,173)	Not Rated		(11,273,901)	Not Rated	
Total Collateral Pool Investment	<u>\$ 368,543,524</u>		5	<u>\$ 435,277,408</u>		3

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2023 and 2022, respectively, as categorized by level of the fair value hierarchy:

	Fair Value as of August 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 229,313,055	\$ -	\$ 229,313,055	\$ -
Corporate Bonds	5,779,327	-	5,779,327	-
Commercial Paper	75,951,396	-	75,951,396	-
Certificates of Deposit	58,724,919	-	58,724,919	-
Total by Fair Value Level	<u>369,768,697</u>	<u>\$ -</u>	<u>\$ 369,768,697</u>	<u>\$ -</u>
Other Receivables/Payables	(1,225,173)			
Total Collateral Pool Investments	<u>\$ 368,543,524</u>			

	Fair Value as of August 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 242,447,542	\$ -	\$ 242,447,542	\$ -
Commercial Paper	75,703,994	-	75,703,994	-
Floating Rate Notes	128,399,773	-	128,399,773	-
Total by Fair Value Level	<u>446,551,309</u>	<u>\$ -</u>	<u>\$ 446,551,309</u>	<u>\$ -</u>
Other Receivables/Payables	(11,273,901)			
Total Collateral Pool Investments	<u>\$ 435,277,408</u>			

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Collateral pool investments are uninsured, and are held by the PUF's securities lending agent, in its name, on behalf of the PUF, 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 PUF 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 PUF 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 PUF from any loss due to borrower default.

As of August 31, 2023 and 2022, the PUF had no credit risk exposure to borrowers because the amounts the PUF owed to borrowers exceeded the amounts the borrowers owed the PUF.

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, 2023 and 2022.

Note 6 – Written Options

The following table discloses the fair values of the PUF's written call option contracts outstanding as of August 31, 2023 and 2022:

Type	Fair Value August 31, 2023		Fair Value August 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ -	\$ -	\$ 23
Equity	-	2,633,611	61	2,272,928
Interest Rate Swap	-	24,828	10,319	51,536
Other	-	9,340	31	5,628
	<u>\$ -</u>	<u>\$ 2,667,779</u>	<u>\$ 10,411</u>	<u>\$ 2,330,115</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open call options were increases in the amounts of \$69,846 and \$4,783,159 for the years ended August 31, 2023 and 2022, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following table discloses the fair values of the PUF's written put option contracts as of August 31, 2023 and 2022:

Type	Fair Value August 31, 2023		Fair Value August 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ -	\$ -	\$ 2,772
Equity	-	5,824,588	-	106,273
Interest Rate Swap	-	106,548	-	2,060,839
Other	-	13,523	-	12,791
	<u>\$ -</u>	<u>\$ 5,944,659</u>	<u>\$ -</u>	<u>\$ 2,182,675</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open put options for the years ended August 31, 2023 and 2022 were an increase and a decrease in the amounts of \$1,662,172 and \$1,716,080, respectively, which are included in the net increase (decrease) 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, 2023:

Type	Notional Value	Fair Value at August 31, 2023	
		Assets	Liabilities
Credit Default	\$ 141,410,760	\$ 1,983,847	\$ 261,091
Equity	791,584,638	7,819,590	19,359,864
Fixed Income	63,018,800	353,115	68,345
Interest Rate	871,771,391	7,660,204	12,252,119
Volatility	8,022,246	226,776	2,580
Total		<u>\$ 18,043,532</u>	<u>\$ 31,943,999</u>

The change in fair value of open swap positions for the year ended August 31, 2023 was a decrease in the amount of \$13,342,780 which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

The following table discloses the notional amount and the fair values of the types of outstanding swap contracts as of August 31, 2022:

Type	Notional Value	Fair Value at August 31, 2022	
		Assets	Liabilities
Credit Default	\$ 68,384,724	\$ 866,957	\$ 172,146
Currency	8,390,855	24,979	58,569
Equity	456,022,023	3,226,830	17,687,925
Fixed Income	2,262,139	224,143	2,323
Inflation	2,990,678	-	625,831
Interest Rate	942,649,094	16,370,276	33,836,810
Volatility	38,579,317	388,068	585,068
Total		<u>\$ 21,101,253</u>	<u>\$ 52,968,672</u>

The change in fair value of open swap positions for the year ended August 31, 2022 was a decrease in the amount of \$32,360,577, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

PERMANENT UNIVERSITY 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, 2023 and 2022 were increases in the amounts of \$33,167,977 and \$13,448,058, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position. The PUF had \$32,239,868 and \$13,397,922 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2023 and 2022, respectively. Short futures may be used by the PUF to manage the PUF'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 some of these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2023 and 2022, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$33,983,803 and \$13,693,578 as of August 31, 2023 and 2022, respectively.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2023:

Contract	Notional Value at August 31, 2023		Fair Value at August 31, 2023	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 963,771,363	\$ 306,170,162	\$ 4,787,222	\$ 589,194
Foreign Fixed Income	218,734,505	1,118,459,151	615,615	2,408,318
Domestic Equities	467,008,890	35,226,665	195,785	3,313,823
Foreign Equities	60,653,903	4,134,713	5,765	108,878
Total	\$ 1,710,168,661	\$ 1,463,990,691	\$ 5,604,387	\$ 6,420,213

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2022:

Contract	Notional Value at August 31, 2022		Fair Value at August 31, 2022	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 438,099,530	\$ 297,208,063	\$ 180,289	\$ 1,661,466
Foreign Fixed Income	48,437,408	743,846,273	1,579,547	235,406
Domestic Equities	257,341,152	56,127,796	549,389	1,387,619
Foreign Equities	74,221,338	69,881,240	830,233	100,487
Total	\$ 818,099,428	\$ 1,167,063,372	\$ 3,139,458	\$ 3,384,978

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 9 – Foreign Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF’s foreign exchange contracts at August 31, 2023 and 2022. Foreign currency amounts are translated at exchange rates as of August 31, 2023 and 2022. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2023	Net Sell August 31, 2023	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2023	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2023
Australian Dollar	\$ 22,027,518	\$ -	\$ 264,307	\$ 575,470
Brazilian Real	-	642,835	466,056	322,399
Canadian Dollar	18,684,605	-	290,439	446,991
Chilean Peso	-	1,240,785	124,895	28,030
Chinese Yuan Renminbi	-	23,061,146	204,051	17,542
Colombian Peso	-	20,270,101	238,982	119,067
Czech Koruna	6,128,015	-	1,137	25,104
Danish Krone	-	4,941,800	97,237	188
Egyptian Pound	-	14,035	-	39
Euro	-	37,994,207	1,111,840	130,943
Hong Kong Dollar	-	174,919	1,224	-
Hungarian Forint	-	246,400	10,671	997
Indian Rupee	16,684,709	-	38,133	58,596
Indonesian Rupiah	1,378,611	-	22,442	24,769
Israeli Shekel	4,963	-	-	322
Japanese Yen	-	11,830,842	4,911,926	15,810,190
Malaysian Ringgit	-	300,967	6,088	10
Mexican Peso	-	42,578,242	77,312	277,321
New Zealand Dollar	-	1,971,842	172,849	35,164
Norwegian Krone	16,961,607	-	146,740	461,512
Peruvian Sol	-	-	6,160	1,304
Philippines Peso	-	1,246,068	23,538	38,760
Polish Zloty	-	4,933,405	23,275	-
Romanian Leu	-	1,235,805	4,032	7,484
Singapore Dollar	-	3,494,218	42,322	41,181
South African Rand	-	12,070,799	31,552	79,934
South Korean Won	-	2,380,243	333,828	477,089
Swedish Krona	11,682,295	-	57,813	130,448
Swiss Franc	-	3,092,584	83,035	65,307
Taiwan Dollar	-	4,215,362	192,817	8,317
Thailand Baht	2,710,823	-	47,252	106,828
Turkish Lira	27,793	-	27,340	27,344
UK Pound	-	45,535,511	573,395	293,671
	<u>\$ 96,290,939</u>	<u>\$ 223,472,116</u>	<u>\$ 9,632,688</u>	<u>\$ 19,612,321</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2023 was a decrease in the amount of \$9,979,633, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2022	Net Sell August 31, 2022	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2022	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2022
Australian Dollar	\$ -	\$ 26,732,147	\$ 1,843,336	\$ 770,756
Brazilian Real	-	14,514,611	84,187	1,276,192
Canadian Dollar	-	18,309,843	1,050,423	826,064
Chilean Peso	12,303,848	-	648,310	461,775
Chinese Yuan Renminbi	-	49,736,880	1,368,614	189,564
Colombian Peso	-	16,847,854	432,340	234,118
Czech Koruna	-	4,167,155	139,328	12,676
Danish Krone	-	10,606,860	175,498	32,172
Euro	-	145,541,117	3,455,227	821,078
Hong Kong Dollar	-	49,148	-	2
Hungarian Forint	4,160,024	-	157,681	391,163
Indian Rupee	928,715	-	11,486	15,180
Indonesian Rupiah	-	7,965,777	86,803	97,134
Israeli Shekel	-	17,189,711	414,295	393,580
Japanese Yen	-	154,756,723	20,700,802	5,379,480
Malaysian Ringgit	-	270,083	561,573	105,110
Mexican Peso	-	49,522,352	113,193	433,141
New Zealand Dollar	-	11,859,190	1,447,149	560,404
Norwegian Krone	-	2,042,077	150,937	212,613
Peruvian Sol	-	5,444,311	67,659	242,638
Philippines Peso	-	4,586,088	48,710	-
Polish Zloty	-	7,768,090	192,545	118,167
Romanian Leu	-	1,905,586	87,970	-
Singapore Dollar	-	16,278,762	96,302	35,053
South African Rand	-	18,940,646	881,437	224,364
South Korean Won	-	34,668,120	1,648,762	108,092
Swedish Krona	29,011,688	-	299,451	865,511
Swiss Franc	-	1,717,772	488,266	413,460
Taiwan Dollar	-	764,290	26,802	21,190
Thailand Baht	-	4,274,396	696,065	321,948
Turkish Lira	-	2,123,969	-	12,768
UK Pound	-	54,968,012	3,171,821	738,137
	\$ 46,404,275	\$ 683,551,570	\$ 40,546,972	\$ 15,313,530

The change in fair value of open foreign exchange contracts for the year ended August 31, 2022 was an increase in the amount of \$25,233,442, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

Note 10 – Purchase Agreements

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the PUF, to purchase up to \$4,226,475,000 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 the funds may be required to provide for the amount noted.

The PUF also has an agreement with the TAMU System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

Note 11 – Distributions to the Available University Fund

The Texas Constitution allows for (a) distributions to the AUF from the “total return” on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted annual distributions to the AUF and

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF's net position in any fiscal year, except as necessary to pay debt service on PUF bonds. Distributions from the PUF to the AUF for the years ended August 31, 2023 and 2022, were \$1,231,115,000 and \$1,161,760,000, respectively.

Note 12 – Fees and Expenses

The PUF incurs investment management fees from various external managers of the PUF. 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 0.06% to 1.50%. In addition to the investment management fees, the PUF 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 PUF, and do not include fees incurred and charged by general partners in private investments, by mutual fund managers, and 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 PUF for the years ended August 31, 2023 and 2022, were \$33,058,912 and \$46,768,106, respectively.

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fee assessed for the years ended August 31, 2023 was \$34,168,604. The fee assessed for the year ended August 31, 2022 was \$27,246,004, net of a rebate of \$2,992,363 of prior year reserves from UTIMCO to the PUF.

Custodial fees and expenses are assessed by the financial institution which holds the PUF's assets. Fees are based on the number of accounts, market value of the PUF, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement, risk measurement and on-line communication services per the contractual agreement. The fees assessed for the years ended August 31, 2023 and 2022, were \$2,425,207 and \$2,100,006, respectively.

The PUF also incurs other investment expenses related to services including, but not limited to, analytical and risk measurement, accounting, legal, and consulting.

The PUF is assessed a fee by UT System to cover expenses related to the management of the PUF Lands. The fees assessed for the years ended August 31, 2023 and 2022, were \$15,249,300 and \$16,586,985, respectively. Fees are also assessed to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. Fees in the amounts of \$377,400 and \$202,280 were charged to the PUF for the years ended August 31, 2023 and 2022, respectively.

PERMANENT UNIVERSITY FUND

Supplemental Schedule

Schedule of Changes in Cost of Investments and Investment Income

Year Ended August 31, 2023

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities, Redemptions & Distributions	Gains (Losses)	Reclass	Effects of Pooled Account Rebalancing Activity ***	Ending Cost	Investment Income
Equity Securities								
Domestic Common Stock	\$ 1,120,086	1,610,063	\$ (1,253,176)	\$ 7,661	\$ 5,468	\$ 14,207	\$ 1,504,309	\$ 17,612
Foreign Common Stock	1,513,859	1,453,879	(1,153,383)	(849)	(13,841)	12,049	1,811,714	47,140
Other	9,525	7,813	(8,146)	(1,308)	-	88	7,972	274
Total Equity Securities	<u>2,643,470</u>	<u>3,071,755</u>	<u>(2,414,705)</u>	<u>5,504</u>	<u>(8,373)</u>	<u>26,344</u>	<u>3,323,995</u>	<u>65,026</u>
Preferred Stock								
Domestic Preferred Stock	1,358	-	(1,201)	(157)	-	-	-	11
Foreign Preferred Stock	44,551	16,100	(31,124)	381	-	9,525	39,433	4,266
Total Preferred Stock	<u>45,909</u>	<u>16,100</u>	<u>(32,325)</u>	<u>224</u>	<u>-</u>	<u>9,525</u>	<u>39,433</u>	<u>4,277</u>
Debt Securities								
U. S. Government Obligations	1,685,412	13,776,783	(13,244,336)	(52,822)	-	(77,462)	2,087,575	30,721
Foreign Government and Provincial Obligations	685,181	704,276	(787,673)	(77,987)	-	(240,765)	283,032	9,820
Corporate Obligations	482,886	261,577	(487,447)	(40,294)	-	(34,477)	182,245	13,301
Other	4,104	-	(3,573)	(531)	-	-	-	181
Total Debt Securities	<u>2,857,583</u>	<u>14,742,636</u>	<u>(14,523,029)</u>	<u>(171,634)</u>	<u>-</u>	<u>(352,704)</u>	<u>2,552,852</u>	<u>54,023</u>
Purchased Options	<u>6,948</u>	<u>29,051</u>	<u>(1,819)</u>	<u>118</u>	<u>(4,029)</u>	<u>11</u>	<u>30,280</u>	<u>-</u>
Convertible Securities	<u>215</u>	<u>-</u>	<u>(229)</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Funds								
Hedge Funds	4,192,706	2,287,817	(1,758,133)	315,471	(324)	-	5,037,537	76
Private Markets	11,175,802	2,525,816	(1,531,124)	512,607	5,136	-	12,688,237	120,267
Developed Public Equity	3,563,906	800,596	(1,354,184)	426,662	-	6,050	3,443,030	9,163
Emerging Markets Public Equity	1,193,059	74,026	(122,661)	25,100	-	199	1,169,723	2,586
Fixed Income	34,133	5,616	(4,884)	30,409	-	756	66,030	(1,237)
Other	-	23,680	-	-	-	-	23,680	-
Total Investment Funds	<u>20,159,606</u>	<u>5,717,551</u>	<u>(4,770,986)</u>	<u>1,310,249</u>	<u>4,812</u>	<u>7,005</u>	<u>22,428,237</u>	<u>130,855</u>
Cash and Cash Equivalents	<u>1,684,406</u>	<u>(535,822) *</u>	<u>-</u>	<u>6,232 **</u>	<u>7,590</u>	<u>7,196</u>	<u>1,169,602</u>	<u>59,233</u>
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,745)</u>
Total Investment in Securities	<u>\$ 27,398,137</u>	<u>23,041,271</u>	<u>\$ (21,743,093)</u>	<u>\$ 1,150,707</u>	<u>\$ -</u>	<u>\$ (302,623)</u>	<u>\$ 29,544,399</u>	<u>\$ 301,669</u>

* Net increase in cash and money markets during the year.

** Includes net realized gains (losses) on futures contracts, written options, swaps and foreign currency contracts.

*** The amounts shown in this column represent the change in the PUF's pro-rata cost basis of the securities held in long-only public markets manager's accounts that are invested through separate investment pools created in the name of the UT Board. The PUF, GEF and ITF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts.