

Financial Statements
and Independent Auditor's Report
The University of Texas System
Long Term Fund
Years Ended August 31, 2023 and 2022

The University of Texas System Long Term Fund

Financial Statements

Years Ended August 31, 2023 and 2022

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

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 University of Texas System Long Term Fund (the "Fund"), 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 Fund 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 Fund, 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 Fund 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. Our opinion is not modified with respect to this matter.

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 Fund'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 University of Texas System Long Term Fund's (Fund) 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 Fund's financial statements and notes, and the financial statements and notes of The University of Texas System General Endowment Fund (GEF). The Fund was established February 9, 1995, by The University of Texas System Board of Regents (UT Board) to succeed the Common Trust Fund pooled investment fund. The Fund is a pooled investment fund established for the collective investment of approximately 17,000 privately raised endowments and other long-term funds established to benefit the 14 institutions of the UT System. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

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

Financial Highlights

The Fund's net position, after contributions, withdrawals and distributions, increased by \$1,160.6 million from \$19,895.2 million to \$21,055.8 million or approximately 5.8% for the year ended August 31, 2023, compared to a decrease of \$35.9 million from \$19,931.1 million to \$19,895.2 million or approximately 0.2% for the year ended August 31, 2022. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment gain of 4.60%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2023. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in developed public equity, infrastructure, and strategic partnerships, were the biggest contributors to the 2023 returns. For the year ended August 31, 2022, the Fund posted a net investment loss of 6.22%. 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. Participant contributions to the Fund decreased by 39.9% from fiscal year 2022 to 2023. Fiscal year 2023 contributions of \$1,333.0 million represented 6.6% of the average value of the Fund position during the year. From fiscal year 2021 to 2022, participant contributions to the Fund

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increased by 6.4%. Contributions for fiscal year 2022 totaled \$2,216.9 million and represented 10.9% of the average value of the Fund position during the year. Participant contributions consist of endowment and other long-term funds that have been forwarded to the Fund for management by UTIMCO.

3. The Fund's distribution rate per unit increased by 3.3% for the year ended August 31, 2023. This equated to an increase in the 2023 rate to \$0.3763 per unit from the 2022 rate of \$0.3642 per unit. The 2022 rate represented an increase of 1.8% over the fiscal year 2021 rate of \$0.3578 per unit. Fiscal year 2023 distributions represented 4.2% of the Fund's average net position during the year, compared to the fiscal year 2022 distributions which represented 3.8% of the Fund's average net position for the year.

Use of Financial Statements and Notes

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

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

Statements of Net Position

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

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

As of August 31, 2023, the Fund owned 43,295,468 GEF units representing an ownership percentage of 93.52%, compared to 42,792,308 GEF units representing an ownership percentage of 93.21%, as of August 31, 2022. As of August 31, 2023, and 2022, the fair value of the GEF units was \$21,055.8 million and \$19,895.2 million, respectively.

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
GEF Units, at Fair Value	\$ 21,055.8	\$ 19,895.2	\$ 19,931.1
Receivable for GEF Units Sold	10.5	15.8	8.5
Total Assets	<u>21,066.3</u>	<u>19,911.0</u>	<u>19,939.6</u>
Liabilities			
Payable to Participants	10.5	15.8	8.5
Total Liabilities	<u>10.5</u>	<u>15.8</u>	<u>8.5</u>
Net Position Restricted for Participants	<u>\$ 21,055.8</u>	<u>\$ 19,895.2</u>	<u>\$ 19,931.1</u>

Statements of Changes in Net Position

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

The net increase in fair value of investments of the Fund was \$799.2 million during the year compared to the net decrease in fair value of investments of \$1,481.1 million for the year ended August 31, 2022.

Distributions to participants totaled \$855.6 million, \$772.3 million and \$677.7 million, respectively, for the years ended August 31, 2023, 2022, and 2021. The increase for fiscal year 2023 is a result of the UT Board's increase of the distribution rate from \$0.3642 per unit to \$0.3763 per unit, and additional contributions to the Fund. For the fiscal year 2022, the increase in distributions is a result of the UT Board's increase of the distribution rate from \$0.3578 per unit to \$0.3642 per unit, and additional contributions to the Fund. The Fund is structured as a pooled investment fund in which each endowment or account purchases units at the Fund's fair value or net position per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record.

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

Fund distributions are determined by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual net investment return after inflation.

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

	2023	2022	2021
Net Investment Income (Loss)	932.9	(1,331.9)	4,735.0
Participant Contributions	1,333.0	2,216.9	2,083.3
Total Additions	2,265.9	885.0	6,818.3
Administrative Expenses	155.2	128.0	107.4
Participant Withdrawals	94.5	20.6	13.3
Participant Distributions	855.6	772.3	677.7
Total Deductions	1,105.3	920.9	798.4
Change in Net Position	1,160.6	(35.9)	6,019.9
Net Position Restricted for Participants, Beginning of Year	19,895.2	19,931.1	13,911.2
Net Position Restricted for Participants, End of Year	\$ 21,055.8	\$ 19,895.2	\$ 19,931.1

Contacting UTIMCO

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

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Statements of Net Position

August 31, 2023 and 2022

(Dollars in thousands, except per unit amounts)

	<u>2023</u>	<u>2022</u>
Assets		
GEF Units, at Fair Value	\$21,055,837	\$19,895,235
Receivable for GEF Units Sold	<u>10,474</u>	<u>15,785</u>
Total Assets	<u>21,066,311</u>	<u>19,911,020</u>
Liabilities		
Payable to Participants	<u>10,474</u>	<u>15,785</u>
Total Liabilities	<u>10,474</u>	<u>15,785</u>
Net Position Restricted for Participants (2,326,214,649 Units and 2,188,221,134 Units, respectively)	<u>\$21,055,837</u>	<u>\$19,895,235</u>
Net Position Restricted for Participants Per Unit	<u>\$9.052</u>	<u>\$9.092</u>

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

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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	\$ 799,187	\$ (1,481,050)
Allocation of GEF Net Investment Income	133,749	149,193
Interest	2	-
Total Investment Income (Loss)	<u>932,938</u>	<u>(1,331,857)</u>
Less Investment Expenses:		
Other Expenses	<u>29</u>	<u>27</u>
Net Investment Income (Loss)	932,909	(1,331,884)
Participant Contributions	<u>1,333,042</u>	<u>2,216,909</u>
Total Additions	<u>2,265,951</u>	<u>885,025</u>
Deductions		
Administrative Expenses:		
Endowment Administration and Management Fees	155,006	127,871
UT System Oversight Fee	<u>227</u>	<u>110</u>
Total Administrative Expenses	155,233	127,981
Participant Withdrawals	94,467	20,557
Participant Distributions	<u>855,649</u>	<u>772,315</u>
Total Deductions	<u>1,105,349</u>	<u>920,853</u>
Change in Net Position	1,160,602	(35,828)
Net Position Restricted for Participants, Beginning of Year	<u>19,895,235</u>	<u>19,931,063</u>
Net Position Restricted for Participants, End of Year	<u><u>\$21,055,837</u></u>	<u><u>\$19,895,235</u></u>

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

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

(A) The University of Texas System Long Term Fund (Fund) is a pooled investment fund established for the collective investment of private endowment and other long-term fund participants supporting various programs and purposes of the 14 institutions comprising The University of Texas System (UT System). The Long Term Fund was established February 9, 1995, by the Board of Regents of The University of Texas System (UT Board) to succeed the Common Trust Fund pooled investment fund. Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

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

(B) The Fund financial statements represent the standalone investment activities included within UT System's consolidated financial statements. The Fund's inflows are primarily investment income and contributions from participants. For standalone purposes, the Fund financial statements are presented as an investment trust fund and reporting under the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The accounting policies of the Fund conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

(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 – Investment in GEF

The Fund only invests in GEF units and a negligible amount of cash. Subsequent participant contributions received by the Fund are also used to purchase GEF units. At August 31, 2023, the Fund is the majority participant in the GEF, with ownership of 43,295,468 units, which represents 93.52% of the GEF. At August 31, 2022, the Fund held 42,792,308 units, which represents 93.21% of the GEF.

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LONG TERM FUND

Notes to Financial Statements (cont.)

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

Note 3 – Significant Accounting Policies

(A) Valuation of Investments -- The Fund records its investment in GEF at fair value. The notes to GEF's financial statements included elsewhere in this report provide information about GEF's valuation policy and its period-end security valuations. The Fund's investment in the GEF is fair valued at \$21,055,836,258 and \$19,895,234,704, as of August 31, 2023 and 2022, respectively.

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

(C) Distributions to Participants -- Cash distributions to participants are paid quarterly based on a per unit payout established by the UT Board. For the year ended August 31, 2023, the quarterly rate was \$0.094075 which equates to an annual rate of \$0.3763 per unit. For the year ended August 31, 2022, the quarterly distribution rate was \$0.091050 which equated to an annual rate of \$0.3642 per unit. The ratio of distributions to average net position (12-quarter average) was 3.95% as of August 31, 2023, and 4.01% as of August 31, 2022.

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

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

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

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

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

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

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Notes to Financial Statements (cont.)

Note 4 – Fees and Expenses

For the years ended August 31, 2023, and 2022, the Fund was assessed fees for endowment administration and management and enhancement of philanthropy to support UT System institutions. Fees representing 80 basis points (0.80%) of the twelve-quarter average net asset value of the Fund were disbursed to UT System and UT System institutions to be used to ensure endowment administration and compliance, to provide more adequate funding for development operations, and to substantially increase philanthropic revenue to support education, research, and clinical missions and goals. For UT System and UT System institutions who elected to receive less than the full amount assessed to the Fund, the amounts that were not disbursed were reinvested and purchased additional units in the Fund. An amount equal to three basis points (0.03%) of the twelve-quarter average net asset value of the Fund was disbursed to UT System for the support of systemwide administration and management efforts of direct service and support to the UT System institutions. The total amount assessed for the years ended August 31, 2023, and 2022, were \$155,005,505 and \$127,870,527, respectively.

The Fund is assessed a fee to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. The fees assessed for the years ended August 31, 2023 and 2022, were \$227,100 and \$110,480, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
Supplemental Schedule

Financial Highlights
Years Ended August 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 9.092	\$ 10.131	\$ 8.050	\$ 7.745	\$ 7.804
Income from Investment Operations					
Net Investment Income (A)	0.059	0.069	0.034	0.034	0.062
Net Realized and Unrealized Gains (Losses) on Investments	0.347	(0.681)	2.463	0.671	0.271
Total Income (Loss) from Investment Operations	0.406	(0.612)	2.497	0.705	0.333
Less Administrative Expenses	0.070	0.063	0.058	0.043	0.042
Less Distributions	0.376	0.364	0.358	0.357	0.350
Net Position, End of Year	<u>\$ 9.052</u>	<u>\$ 9.092</u>	<u>\$ 10.131</u>	<u>\$ 8.050</u>	<u>\$ 7.745</u>
Ratios and Supplemental Data					
Net Position, End of Year (in thousands)	\$21,055,837	\$19,895,235	\$19,931,063	\$13,911,167	\$11,437,649
Ratios to Average Net Position					
Distributions (5-quarter average)	4.22%	3.81%	4.00%	4.69%	4.70%
Distributions (12-quarter average)	3.95%	4.01%	4.27%	4.57%	4.63%

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

Financial Statements

and Independent Auditor's Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2023 and 2022

The University of Texas System General Endowment 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 University of Texas System General Endowment Fund (the "Fund"), 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 Fund 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 Fund 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 Fund 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. Our opinion is not modified with respect to this matter.

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 Fund'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 University of Texas System General Endowment Fund's (Fund) 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 Fund's financial statements and notes. The Fund is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

The Fund's net position, after contributions and withdrawals, increased by \$1,169.3 million from \$21,345.7 million to \$22,515.0 million or approximately 5.5% for the year ended August 31, 2023, compared to a decrease of \$188.1 million or approximately 0.9% for the year ended August 31, 2022. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment gain of 4.57%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2023. The GEF's investments in developed public equity, infrastructure, and strategic partnerships, were the biggest contributors to the 2023 returns. For the year ended August 31, 2022, the Fund posted a net investment loss of 6.20%. 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. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$171.1 million for the year ended August 31, 2023, compared to net contributions for the year ended August 31, 2022 of \$1,241.3 million.
3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The allocated net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any allocated realized losses reduce the cost basis of the units in the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

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

Use of Financial Statements and Notes

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

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

Statements of Net Position

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

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Investments, at Fair Value	\$ 22,746.4	\$ 21,454.4	\$ 21,615.3
Other Assets	616.2	526.2	535.9
Total Assets	<u>23,362.6</u>	<u>21,980.6</u>	<u>22,151.2</u>
Total Liabilities	<u>847.6</u>	<u>634.9</u>	<u>617.4</u>
Net Position Restricted for Participants	<u>\$ 22,515.0</u>	<u>\$ 21,345.7</u>	<u>\$ 21,533.8</u>

Statements of Changes in Net Position

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

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

The net increase in fair value of investments of the Fund was \$855.0 million during the year ended August 31, 2023 compared to the net decrease in fair value of investments of \$1,589.8 million for the year ended August 31, 2022. Expenses totaled \$61.2 million, \$54.0 million, and \$82.6 million, respectively, for the years ended August 31, 2023, 2022, and 2021.

The net increase in net position totaled \$1,169.3 million for the year ended August 31, 2023 compared to a net decrease in net position totaling \$188.1 million for the year ended August 31, 2022.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Investment Income (Loss)	\$ 1,059.4	\$ (1,375.4)	\$ 5,212.4
Less Investment Expenses	61.2	54.0	82.6
Net Investment Income (Loss)	998.2	(1,429.4)	5,129.8
Participant Contributions	1,177.6	2,088.7	1,975.7
Total Additions	<u>2,175.8</u>	<u>659.3</u>	<u>7,105.5</u>
Participant Withdrawals	1,006.5	847.4	744.5
Total Deductions	<u>1,006.5</u>	<u>847.4</u>	<u>744.5</u>
Change in Net Position	1,169.3	(188.1)	6,361.0
Net Position Restricted for Participants, Beginning of Year	21,345.7	21,533.8	15,172.8
Net Position Restricted for Participants, End of Year	<u>\$ 22,515.0</u>	<u>\$ 21,345.7</u>	<u>\$ 21,533.8</u>

Contacting UTIMCO

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

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

Statements of Net Position

August 31, 2023 and 2022

(Dollars in thousands, except per unit amounts)

Assets	2023	2022
Investments, at Fair Value:		
Equity Securities	\$ 2,515,934	\$ 1,773,475
Preferred Stock	32,576	36,427
Purchased Options	16,316	6,860
Debt Securities	1,603,294	1,797,061
Convertible Securities	-	155
Investment Funds	18,021,476	17,001,287
Cash and Cash Equivalents	556,843	839,154
Total Investments	<u>22,746,439</u>	<u>21,454,419</u>
Collateral for Securities Loaned, at Fair Value	255,635	312,640
Deposits with Brokers for Derivative Contracts	87,820	46,228
Futures Contracts, at Fair Value	4,541	2,148
Swaps, at Fair Value	12,445	13,940
Unrealized Gains on Foreign Exchange Contracts	6,797	28,034
Receivables:		
Investment Securities Sold	222,308	107,340
Accrued Income	16,640	15,562
Other	9,981	283
Total Receivables	<u>248,929</u>	<u>123,185</u>
Total Assets	<u>23,362,606</u>	<u>21,980,594</u>
Liabilities		
Payable Upon Return of Securities Loaned	255,635	312,640
Payable to Brokers for Collateral Held	7,202	29,660
Payable to Participants	10,474	15,785
Unrealized Losses on Foreign Exchange Contracts	13,361	10,425
Futures Contracts, at Fair Value	5,864	2,363
Swaps, at Fair Value	22,453	36,530
Options Written, at Fair Value	5,989	3,123
Payables:		
Investment Securities Purchased	511,616	205,514
Other	14,990	18,896
Total Payables	<u>526,606</u>	<u>224,410</u>
Total Liabilities	<u>847,584</u>	<u>634,936</u>
Net Position Restricted for Participants	<u>\$ 22,515,022</u>	<u>\$ 21,345,658</u>
Number of Units:		
Permanent Health Fund (PHF)	3,000,409	3,119,690
The University of Texas System Long Term Fund (LTF)	43,295,468	42,792,308
Total	<u>46,295,877</u>	<u>45,911,998</u>
Net Position Restricted for Participants Per Unit	<u>\$ 486.329</u>	<u>\$ 464.925</u>

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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Statements of Changes in Net Position

Years Ended August 31, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Additions		
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	\$ 855,013	\$ (1,589,783)
Interest	65,257	40,322
Dividends	54,521	52,681
Income Distributions from Private Investment Funds	83,241	120,563
Securities Lending Income	1,165	782
Other	207	35
Total Investment Income (Loss)	<u>1,059,404</u>	<u>(1,375,400)</u>
Less Investment Expenses:		
UTIMCO Management Fees	23,825	18,072
Investment Management Fees	22,477	33,248
Custodial Fees and Expenses	1,682	1,452
Other Expenses	13,197	1,263
Total Investment Expenses	<u>61,181</u>	<u>54,035</u>
Net Investment Income (Loss)	998,223	(1,429,435)
Participant Contributions	<u>1,177,610</u>	<u>2,088,719</u>
Total Additions	<u>2,175,833</u>	<u>659,284</u>
Deductions		
Participant Withdrawals	<u>1,006,469</u>	<u>847,427</u>
Change in Net Position	1,169,364	(188,143)
Net Position Restricted for Participants, Beginning of Year	<u>21,345,658</u>	<u>21,533,801</u>
Net Position Restricted for Participants, End of Year	<u>\$ 22,515,022</u>	<u>\$ 21,345,658</u>

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

Note 1 – Organization and Basis of Presentation

(A) The University of Texas System General Endowment Fund (Fund), created March 1, 2001, is a pooled investment fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (UT Board). The Fund is organized as a pooled investment fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund provides for greater diversification of investments than would be possible if each account were managed separately. Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

(B) The Fund financial statements represent the standalone investment activities included within UT System's consolidated financial statements. The Fund's inflows are primarily investment income and contributions from participants. For standalone purposes, the Fund financial statements are presented as an investment trust fund and reporting under the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The accounting policies of the Fund conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

(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 UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

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

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

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

Debt securities, including corporate obligations and governmental and provincial obligations, and convertible securities held directly by the Fund are fair valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt and convertible securities are 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.

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

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

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

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

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

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

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

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

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

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

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

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

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

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments and are included in the net increase (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 Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund.

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

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity or equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis and are included at fair value in the statements of net position. 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 instrument and counterparty. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

Futures Contracts -- The Fund enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the Fund's agent in acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are fair valued at the close of business each day, and a gain or loss is recorded between the fair value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts and is included on the statements of net position. The Fund executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

Foreign Exchange Contracts -- The Fund enters into forward foreign exchange contracts to manage against foreign exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a foreign exchange contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of net position. Realized and unrealized gains and losses are included in the net increase (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.

(K) Cash and Cash Equivalents -- Cash and cash equivalents consist of money market investments, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statements of net position. Investments in public money market funds are categorized as Level 1 and the remainder are categorized as level 2.

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

Notes to Financial Statements (cont.)

(L) 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	\$ 1,198,565,002	\$ 1,198,565,002	\$ -	\$ -
Foreign Common Stock	1,312,751,922	1,312,750,550	1,372	-
Other Equities	4,617,211	4,617,211	-	-
Total Equity Securities	2,515,934,135	2,515,932,763	1,372	-
Foreign Preferred Stock	32,575,784	32,575,784	-	-
Debt Securities:				
U.S. Government Obligations	1,287,383,948	1,214,625,751	72,758,197	-
Foreign Government and Provincial Obligations	192,152,866	-	192,152,866	-
Corporate Obligations	123,757,609	-	123,757,609	-
Total Debt Securities	1,603,294,423	1,214,625,751	388,668,672	-
Purchased Options	16,315,984	1,546,570	14,769,414	-
Investment Funds:				
Private Investments	197,550,647	-	-	197,550,647
Developed Public Equity	40,571,493	40,571,493	-	-
Emerging Markets Public Equity	13,920,258	13,920,258	-	-
Fixed Income	57,039,082	57,039,082	-	-
Total Investment Funds	309,081,480	111,530,833	-	197,550,647
Cash Equivalents	507,110,835	354,888,135	152,222,700	-
Total Investments by Fair Value Level	4,984,312,641	\$ 4,231,099,836	\$ 555,662,158	\$ 197,550,647
Cash	49,732,372			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	4,093,670,582			
Private Investments	9,678,983,944			
Public Markets	3,923,608,985			
Other	16,130,688			
Investments Funds Fair Valued Using Practical Expedient	17,712,394,199			
Total Investments, at Fair Value	\$ 22,746,439,212			
Investment Derivatives				
Foreign Exchange Contracts	\$ (6,564,501)	\$ -	\$ (6,564,501)	\$ -
Futures Contracts	(1,322,985)	(1,322,985)	-	-
Swaps	(10,007,058)	-	(10,007,058)	-
Written Options	(5,989,314)	-	(5,989,314)	-
Investment Derivatives	\$ (23,883,858)	\$ (1,322,985)	\$ (22,560,873)	\$ -

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

	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)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 793,610,402	\$ 793,610,402	\$ -	\$ -
Foreign Common Stock	974,388,552	974,380,147	8,405	-
Other Equities	5,475,867	5,475,867	-	-
Total Equity Securities	1,773,474,821	1,773,466,416	8,405	-
Preferred Stock:				
Domestic Preferred Stock	647,900	-	647,900	-
Foreign Preferred Stock	35,778,997	35,495,204	283,793	-
Total Preferred Stock	36,426,897	35,495,204	931,693	-
Debt Securities:				
U.S. Government Obligations	1,091,899,133	1,017,605,753	74,293,380	-
Foreign Government and Provincial Obligations	400,153,172	-	400,153,172	-
Corporate Obligations	303,822,715	-	303,822,715	-
Other	1,186,031	-	1,186,031	-
Total Debt Securities	1,797,061,051	1,017,605,753	779,455,298	-
Purchased Options	6,860,015	6,586,369	273,646	-
Convertible Securities	155,139	-	155,139	-
Investment Funds:				
Private Investments	236,239,637	-	-	236,239,637
Developed Public Equity	123,854,897	123,854,897	-	-
Emerging Markets Public Equity	2,065,875	2,065,875	-	-
Fixed Income	55,740,304	55,740,304	-	-
Total Investment Funds	417,900,713	181,661,076	-	236,239,637
Cash Equivalents	781,249,692	707,427,031	73,822,661	-
Total Investments by Fair Value Level	4,813,128,328	\$ 3,722,241,849	\$ 854,646,842	\$ 236,239,637
Cash	57,904,173			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	3,578,042,692			
Private Investments	9,172,023,916			
Public Markets	3,833,319,972			
Investments Funds Fair Valued Using Practical Expedient	16,583,386,580			
Total Investments, at Fair Value	\$ 21,454,419,081			

	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)
Investment Derivatives				
Foreign Exchange Contracts	\$ 17,609,744	\$ -	\$ 17,609,744	\$ -
Futures Contracts	(214,968)	(214,968)	-	-
Swaps	(22,590,184)	-	(22,590,184)	-
Written Options	(3,122,580)	-	(3,122,580)	-
Investment Derivatives	\$ (8,317,988)	\$ (214,968)	\$ (8,103,020)	\$ -

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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the Fund's ownership interest in partners' capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated.

The composition of investment funds that are fair valued using a practical expedient at August 31, 2023 and 2022 is summarized in the following tables as they are included within the asset mix of the Fund.

Investment Funds:	Fair Value as of August 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	691,472,595	-	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	472,900,367	-	Quarterly-Annually	30 - 90 Days
Nonredeemable	262,572,130	108,499,656	Not Applicable	Not Applicable
Total Directional	<u>1,426,945,092</u>	<u>108,499,656</u>		
Stable Value				
Redeemable Within One Year	1,348,737,097	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	1,039,717,124	-	Monthly to Semi-Annually	5 - 100 Days
Nonredeemable	278,271,269	160,987,887	Not Applicable	Not Applicable
Total Stable Value	<u>2,666,725,490</u>	<u>160,987,887</u>		
Total Hedge Funds	<u>4,093,670,582</u>	<u>269,487,543</u>		
Private Investments (Nonredeemable):				
Private Equity	2,965,456,041	2,370,792,884	Not Applicable	Not Applicable
Emerging Market Equity	532,102,276	97,506,698	Not Applicable	Not Applicable
Credit	506,735,928	335,822,302	Not Applicable	Not Applicable
Venture	2,000,701,156	578,671,636	Not Applicable	Not Applicable
Natural Resources	902,335,710	219,652,645	Not Applicable	Not Applicable
Infrastructure	893,681,956	518,426,916	Not Applicable	Not Applicable
Real Estate	1,877,970,877	1,463,821,751	Not Applicable	Not Applicable
Total Private Investments	<u>9,678,983,944</u>	<u>5,584,694,832</u>		
Public Markets:				
Developed Public Equity				
Redeemable Within One Year	2,898,648,099	-	Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	131,041,270	-	Monthly to Annually	45 - 105 Days
Nonredeemable	532,068	10,900,459	Not Applicable	Not Applicable
Total Developed Public Equity	<u>3,030,221,437</u>	<u>10,900,459</u>		
Emerging Markets Public Equity				
Redeemable Within One Year	808,698,653	-	Daily to Semi-Annually	1 - 120 Days
Redeemable Beyond One Year	83,638,391	-	Monthly to Semi-Annually	60 Days
Nonredeemable	1,050,504	9,190,635	Not Applicable	Not Applicable
Total Emerging Markets Public Equity	<u>893,387,548</u>	<u>9,190,635</u>		
Total Public Markets	<u>3,923,608,985</u>	<u>20,091,094</u>		
Other				
Redeemable Within One Year	4,032,672	-	Quarterly	90 Days
Redeemable Beyond One Year	12,098,016	-	Quarterly	90 Days
Total Other	<u>16,130,688</u>	<u>-</u>		
Total Investment Funds	<u>\$ 17,712,394,199</u>	<u>\$ 5,874,273,469</u>		

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT 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	\$ 661,316,646	\$ -	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	499,040,263	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	251,052,782	107,588,084	Not Applicable	Not Applicable
Total Directional	<u>1,411,409,691</u>	<u>107,588,084</u>		
Stable Value				
Redeemable Within One Year	1,278,829,948	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	630,725,921	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	257,077,132	269,259,390	Not Applicable	Not Applicable
Total Stable Value	<u>2,166,633,001</u>	<u>269,259,390</u>		
Total Hedge Funds	<u>3,578,042,692</u>	<u>376,847,474</u>		
Private Investments (Nonredeemable):				
Private Equity	2,481,653,119	1,656,572,340	Not Applicable	Not Applicable
Emerging Market Equity	659,675,423	131,943,084	Not Applicable	Not Applicable
Credit	483,981,699	314,210,798	Not Applicable	Not Applicable
Venture	2,206,337,231	564,944,162	Not Applicable	Not Applicable
Natural Resources	962,134,209	281,818,412	Not Applicable	Not Applicable
Infrastructure	665,011,288	540,159,717	Not Applicable	Not Applicable
Real Estate	1,713,230,947	1,531,278,037	Not Applicable	Not Applicable
Total Private Investments	<u>9,172,023,916</u>	<u>5,020,926,550</u>		
Public Markets:				
Developed Public Equity				
Redeemable Within One Year	2,396,845,706	-	Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	500,458,357	10,789,055	Monthly-Annually	45 - 105 Days
Nonredeemable	738,145	-	Not Applicable	Not Applicable
Total Developed Public Equity	<u>2,898,042,208</u>	<u>10,789,055</u>		
Emerging Markets Public Equity				
Redeemable Within One Year	854,429,369	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	60,544,263	-	Monthly to Annually	60 Days
Nonredeemable	16,803,949	18,359,207	Not Applicable	Not Applicable
Total Emerging Markets Public Equity	<u>931,777,581</u>	<u>18,359,207</u>		
Fixed Income				
Redeemable Within One Year	3,500,183	-	Daily	1 Day
Total Public Markets	<u>3,833,319,972</u>	<u>29,148,262</u>		
Total Investment Funds	<u>\$ 16,583,386,580</u>	<u>\$ 5,426,922,286</u>		

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,104,178,390 of future funding to various hedge fund investments as of August 31, 2023 of which the Fund's pro-rata portion is \$269,487,543.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures for the years ended August 31, 2023 and 2022, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over the next seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager. The private investment pools have committed \$13,687,977,528 of future funding to various private investments as of August 31, 2023 of which the Fund's pro-rata portion is \$5,584,694,832.

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 Fund. Some of these investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future fundings in the amount of \$52,866,136, of which the Fund's pro-rata portion is \$20,091,094 has been committed to certain public market funds as of August 31, 2023.

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

Investments in hedge funds, private investments, 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 Fund’s investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 5. Risk disclosures relating to the Fund’s investments in hedge funds, private investments, and public market funds are discussed in Note 3.

(A) Credit Risk

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy does not provide specific requirements or limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2023 and 2022:

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

Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2023	2022	
Investments:			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ 132,763,983	\$ -	AAA
U.S. Government Guaranteed	1,081,869,696	1,017,687,128	AA
Total U.S. Government Guaranteed	<u>1,214,633,679</u>	<u>1,017,687,128</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	-	13,593,350	AA
U.S. Agency Asset Backed	72,750,269	60,618,655	AA
Total U.S. Government Non-Guaranteed	<u>72,750,269</u>	<u>74,212,005</u>	
Total U.S. Government	<u>1,287,383,948</u>	<u>1,091,899,133</u>	
Corporate Obligations:			
Domestic	42,213,307	54,488,264	AAA
Domestic	4,937,676	16,068,045	AA
Domestic	7,846,615	54,231,949	A
Domestic	5,371,192	55,830,234	BAA/BBB
Domestic	537,650	3,183,170	BA/BB
Domestic	512,978	1,172,301	B
Domestic	1,060,019	1,876,607	CAA/CCC
Domestic	487,905	591,238	CA/CC
Domestic	710,563	395,174	D
Domestic	6,908,653	11,672,784	Not Rated
Foreign	25,185,309	43,316,767	AAA
Foreign	1,538,015	7,201,462	AA
Foreign	10,181,102	18,292,767	A
Foreign	12,498,060	28,942,182	BAA/BBB
Foreign	266,743	3,084,242	BA/BB
Foreign	2,924,693	1,928,781	B
Foreign	16,203	-	D
Foreign	560,926	1,546,748	Not Rated
Total Corporate Obligations	<u>123,757,609</u>	<u>303,822,715</u>	
Foreign Government and Provincial Obligations	1,500,064	40,125,863	AAA
Foreign Government and Provincial Obligations	7,588,848	61,812,144	AA
Foreign Government and Provincial Obligations	7,189,675	33,090,965	A
Foreign Government and Provincial Obligations	43,568,238	55,830,528	BAA/BBB
Foreign Government and Provincial Obligations	47,541,548	40,930,271	BA/BB
Foreign Government and Provincial Obligations	84,764,493	168,363,401	Not Rated
Total Foreign Government and Provincial Obligations	<u>192,152,866</u>	<u>400,153,172</u>	
Other Debt Securities	-	-	AAA
Other Debt Securities	-	303,591	AA
Other Debt Securities	-	882,440	BAA/BBB
Total Other Debt Securities	<u>-</u>	<u>1,186,031</u>	
Total Debt Securities	<u>\$ 1,603,294,423</u>	<u>\$ 1,797,061,051</u>	
Convertible Securities	\$ -	\$ 155,139	Not Rated
Other Investment Funds			
Debt	\$ 12,015,894	\$ 10,751,523	BA/BB
Debt	45,023,188	48,488,964	Not Rated
Total Other Investments - Debt	<u>\$ 57,039,082</u>	<u>\$ 59,240,487</u>	
Cash Equivalents	\$ 354,888,135	\$ 707,427,031	AAA
Cash Equivalents	152,222,700	73,822,661	Not Rated
Cash	49,732,372	57,904,174	Not Rated
Total Cash and Cash Equivalents	<u>\$ 556,843,207</u>	<u>\$ 839,153,866</u>	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 32,616,144	\$ 14,132,331	AA
Cash	48,001,964	2,435,780	Not Rated
Total Net Deposit with/(Payable to) Brokers for Derivative Contracts	<u>\$ 80,618,108</u>	<u>\$ 16,568,111</u>	

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2023 and 2022, the Fund does not hold any direct investments in any one issuer of corporate or municipal bonds that is 5% or more of the market value of the Fund's fixed income investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2023, and 2022, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

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

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

The following table summarizes the Fund's modified duration in years by investment type at August 31, 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	\$ 1,816,904	0.08	\$ 8,300,151	0.19
U.S. Treasury Bonds and Notes	777,260,822	13.53	542,486,073	11.93
U.S. Treasury Inflation Protected	435,548,025	6.61	466,819,529	7.14
U.S. Agency Asset Backed	7,928	0.95	81,375	1.27
Total U.S. Government Guaranteed	<u>1,214,633,679</u>	11.03	<u>1,017,687,128</u>	9.63
U.S. Government Non-Guaranteed:				
U.S. Agency	-	-	13,593,350	7.07
U.S. Agency Asset Backed	72,750,269	6.36	60,618,655	7.41
Total U.S. Government Non-Guaranteed	<u>72,750,269</u>	6.36	<u>74,212,005</u>	7.34
Total U.S. Government	<u>1,287,383,948</u>	10.77	<u>1,091,899,133</u>	9.48
Corporate Obligations:				
Domestic	70,586,559	2.40	199,509,766	5.28
Foreign	53,171,050	2.48	104,312,949	2.80
Total Corporate Obligations	<u>123,757,609</u>	2.43	<u>303,822,715</u>	4.42
Foreign Government and Provincial Obligations	<u>192,152,866</u>	5.27	<u>400,153,172</u>	6.30
Other Debt Securities	-	-	1,186,031	8.54
Total Debt Securities	<u>1,603,294,423</u>	9.46	<u>1,797,061,051</u>	7.92
Convertible Securities	-	-	155,139	3.90
Other Investment Funds - Debt	<u>57,039,082</u>	1.35	<u>59,240,487</u>	1.45
Cash and Cash Equivalents	<u>556,843,207</u>	0.06	<u>839,153,866</u>	0.05
Total	<u>\$ 2,217,176,712</u>	6.89	<u>\$ 2,695,610,543</u>	5.32
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed	\$ 32,616,144	0.09	\$ 14,132,331	0.41
Cash	48,001,964	-	2,435,780	-
Total Net Deposit with/(Payable to) Brokers for Derivative Contracts	<u>\$ 80,618,108</u>	-	<u>\$ 16,568,111</u>	-

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

The Fund may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2023 and 2022, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$39,594,148 and \$55,813,477 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 \$72,658,997 and to \$51,940,117 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 \$35,228,756 and \$48,718,369 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 Fund's non-U.S. dollar investments. There are no limitations on investments in non-U.S. dollar denominated bonds or common stocks in relation to the Fund's total fixed income and non-U.S. equity exposures in the Fund's investment policy statement.

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2023 and 2022:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Domestic Common Stock:		
Euro	\$ 927,009	\$ -
Hong Kong Dollar	20,502	-
Taiwan Dollar	2,305,377	-
Total Domestic Common Stock	3,252,888	-
Foreign Common Stock:		
Australian Dollar	8,536,870	3,389,511
Brazilian Real	67,068,038	65,013,909
Canadian Dollar	10,031,170	14,396,649
Chilean Peso	77,555	200,433
Chinese Yuan Renminbi	62,945,733	61,383,453
Czech Koruna	210,693	24,058
Danish Krone	21,955,620	14,371,111
Egyptian Pound	504,194	304,842
Euro	164,569,353	108,963,602
Hong Kong Dollar	67,916,763	37,343,499
Hungarian Forint	411,864	359,280
Indian Rupee	37,482,133	18,873,951
Indonesian Rupiah	13,905,568	11,186,517
Israeli Shekel	-	362,432
Japanese Yen	171,848,936	103,017,670
Malaysian Ringgit	4,836,217	2,328,885
Mexican Peso	5,257,162	1,769,706
New Zealand Dollar	788,023	137,773
Norwegian Krone	9,408,460	5,477,912
Peruvian Sol	-	47,004
Philippine Peso	706,498	201,333
Polish Zloty	2,513,202	2,637,975
Qatari Riyal	750,295	952,735
Russian Ruble	62	-
Saudi Arabian Riyal	316,041	-
Singapore Dollar	3,991,924	1,107,941
South African Rand	6,696,706	2,574,818
South Korean Won	81,970,206	70,026,599
Swedish Krona	10,503,200	6,154,348
Swiss Franc	43,727,319	22,307,122
Taiwan Dollar	143,133,724	114,447,142
Thai Baht	6,672,974	7,047,968
Turkish Lira	2,794,829	1,084,367
UK Pound	102,747,309	82,803,204
United Arab Emirates Dirham	2,618,267	910,070
Total Foreign Common Stock	1,056,896,908	761,207,819
Other - Equity Securities:		
Brazilian Real	4,197	-
Indian Rupee	-	6,846
Swiss Franc	27,652	18,499
Taiwan Dollar	12	-
Total Other - Equity Securities	31,861	25,345
Foreign Preferred Stocks:		
Brazilian Real	14,485,880	22,911,232
Euro	363,831	1,111,891
South African Rand	-	34,000
South Korean Won	17,726,073	11,721,874
Total Foreign Preferred Stock	32,575,784	35,778,997

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Foreign Government and Provincial Obligations:		
Australian Dollar	\$ 1,470,915	\$ 16,321,908
Brazilian Real	15,982,231	17,635,853
Canadian Dollar	-	13,208,273
Chinese Yuan Renminbi	288,250	15,653,705
Colombian Peso	17,709,811	17,410,871
Czech Koruna	-	1,830,572
Euro	7,928,184	54,878,408
Hungarian Forint	-	1,534,680
Indonesian Rupiah	-	6,280,581
Israeli Shekel	-	7,291,955
Japanese Yen	67,509,550	103,041,288
Malaysian Ringgit	8,246,958	7,387,046
Mexican Peso	39,762,912	43,645,339
New Zealand Dollar	2,178,906	2,451,884
Norwegian Krone	-	8,842,246
Peruvian Sol	-	2,838,200
Polish Zloty	-	7,669,165
Romanian Leu	-	1,822,794
Russian Ruble	489,745	2,310,948
Singapore Dollar	-	11,604,755
South African Rand	13,523,722	14,335,565
South Korean Won	4,994,387	25,275,246
UK Pound	4,743,425	10,671,746
Total Foreign Government and Provincial Obligations	<u>184,828,996</u>	<u>393,943,028</u>
Corporate Obligations:		
Australian Dollar	663,508	115,280
Brazilian Real	172,550	212,951
Canadian Dollar	-	6,037,139
Danish Krone	3,981,224	5,794,412
Euro	6,821,297	11,717,560
Indian Rupee	-	212
UK Pound	10,054,621	19,448,036
Total Corporate Obligations	<u>21,693,200</u>	<u>43,325,590</u>
Purchased Options:		
Brazilian Real	107,561	65,533
Euro	-	144,920
Total Purchased Options	<u>107,561</u>	<u>210,453</u>
Investment Funds-Emerging Markets:		
Brazilian Real	<u>443,973</u>	<u>2,431,726</u>
Private Investments:		
Australian Dollar	20,921,149	44,797,523
Canadian Dollar	70,063,073	81,742,818
Euro	431,099,018	326,855,095
Japanese Yen	17,046,421	12,247,141
Swedish Krona	23,175,444	21,753,425
UK Pound	100,498,064	88,059,102
Total Private Investments	<u>662,803,169</u>	<u>575,455,104</u>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Cash and Cash Equivalents:		
Australian Dollar	\$ 415,170	\$ 377,161
Brazilian Real	5,411,088	2,740,871
Canadian Dollar	(185,719)	351,912
Chilean Peso	100	6,402
Chinese Yuan Renminbi	1,722,790	1,861,505
Colombian Peso	-	93,134
Czech Koruna	-	3,676
Danish Krone	881	42,082
Egyptian Pound	86,041	403
Euro	10,972,398	12,822,018
Hong Kong Dollar	(213,067)	610,855
Indian Rupee	41,589	149,620
Indonesian Rupiah	2,667	341,799
Israeli Shekel	920	7,036
Japanese Yen	(1,890,597)	5,188,491
Malaysian Ringgit	20,227	226,946
Mexican Peso	623	8,733
New Zealand Dollar	22,448	68,606
Norwegian Krone	128	57,903
Philippine Peso	-	1,684
Polish Zloty	1,188	2,780
Qatari Riyal	-	2,911
Romanian Leu	-	122
Russian Ruble	-	14
Singapore Dollar	60,637	189,900
South African Rand	725,637	713,194
South Korean Won	1,785,935	2,739,845
Swedish Krona	42,428	16,608
Swiss Franc	11,662	463,267
Taiwan Dollar	525,447	592,048
Thai Baht	196	659
Turkish Lira	11,854	24
UK Pound	(2,324,693)	1,699,782
United Arab Emirates Dirham	-	4,006
Total Cash and Cash Equivalents	<u>17,247,978</u>	<u>31,385,997</u>
Written Options:		
Brazilian Real	(125,506)	(90,338)
Euro	-	(210,206)
UK Pound	-	(8,450)
Total Written Options	<u>(125,506)</u>	<u>(308,994)</u>

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2023	2022
Swaps:		
Australian Dollar	\$ (338,062)	\$ 446,928
Canadian Dollar	(860,252)	(1,244,956)
Chinese Yuan Renminbi	(506,446)	72,402
Czech Koruna	-	(20,670)
Euro	(222,686)	(10,796,023)
Indian Rupee	-	56,733
Japanese Yen	42,025	(33,483)
Malaysian Ringgit	12,127	153,497
Mexican Peso	-	(53,102)
New Zealand Dollar	(281,583)	(203,633)
Singapore Dollar	1,986	(43,076)
South African Rand	-	7,711
South Korean Won	(144,419)	(308,495)
Swedish Krona	-	(20,368)
Swiss Franc	(73,332)	(944,913)
Thai Baht	(1,784)	73,183
UK Pound	(1,866,727)	(2,874,245)
Total Swaps	<u>(4,239,153)</u>	<u>(15,732,510)</u>
Futures:		
Australian Dollar	(47,862)	16,718
Brazilian Real	80,120	(1,395)
Canadian Dollar	(13,392)	124,151
Euro	(2,321,055)	1,049,823
Japanese Yen	21,333	(35,434)
UK Pound	454,097	264,435
Total Futures	<u>(1,826,759)</u>	<u>1,418,298</u>
Total	<u>\$ 1,973,690,900</u>	<u>\$ 1,829,140,853</u>

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

Notes to Financial Statements (cont.)

(G) Counterparty (Credit) Risk

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

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

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 198,582,679	\$ 168,630,018	\$ 3,592,614	\$ 2,279,780	AA
Options	361,333,535	285,552,235	12,049,751	3,478,467	A
Swaps	234,113,121	277,701,215	4,995,989	9,876,695	AA
Swaps	1,571,259	83,032,241	625,830	4,551,587	A
Foreign Exchange Contracts	260,126,619	179,329,620	3,966,733	2,760,461	AA
Foreign Exchange Contracts	194,234,421	220,780,557	2,829,863	10,600,636	A
			<u>\$ 28,060,780</u>	<u>\$ 33,547,626</u>	

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

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 21,171,475	\$ 25,246,513	\$ 6,553,986	\$ 1,721,837	AA
Options	-	24,133,890	-	61,197	A
Swaps	86,317,037	241,491,471	2,064,492	7,541,893	AA
Swaps	19,203,811	27,315,103	950,570	6,756,362	A
Foreign Exchange Contracts	344,127,900	178,452,306	7,907,191	3,417,699	AA
Foreign Exchange Contracts	473,243,852	290,951,183	20,127,090	7,006,838	A
			<u>\$ 37,603,329</u>	<u>\$ 26,505,826</u>	

As of August 31, 2023, and 2022, the Fund also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore, they are not presented in the table above.

Counterparty risk for swaps, options and foreign exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2023, and 2022, the Fund held \$7,201,694 and \$29,659,791 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$67,065,180 and \$38,023,355, respectively, as collateral related to derivative instruments other than futures.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income in the statements of changes in net position. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned, and the fair value of collateral held are as follows at August 31, 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	\$ 8,913,617	\$ 99,495,610	Cash	\$ 9,094,549	\$ 101,656,715
Corporate Bonds	1,958,485	13,867,816	Cash	2,026,727	14,324,879
Common Stock	209,569,357	149,247,001	Cash	214,862,418	153,409,683
Sovereign Debt	22,151,864	39,493,988	Cash	29,651,783	43,249,145
Total	<u>\$ 242,593,323</u>	<u>\$ 302,104,415</u>	Total	<u>\$ 255,635,477</u>	<u>\$ 312,640,422</u>
U.S. Government	\$ 80,019,785	\$ 7,984,547	Non-Cash	\$ 81,685,338	\$ 8,149,042
Corporate Bonds	-	387,808	Non-Cash	-	396,618
Common Stock	40,485,215	31,889,567	Non-Cash	42,193,782	33,682,016
Total	<u>\$ 120,505,000</u>	<u>\$ 40,261,922</u>	Total	<u>\$ 123,879,120</u>	<u>\$ 42,227,676</u>

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

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

Notes to Financial Statements (cont.)

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of 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	\$ 159,060,053	Available	1	\$ 154,135,108	Available	
Repurchase Agreements	-			20,004,189	A	
Total Repurchase Agreements	<u>159,060,053</u>		1	<u>174,139,297</u>		1
Corporate Bonds	4,008,756	AA	1	-		
Commercial Paper	52,682,709	A	19	54,374,816	A	13
Floating Rate Notes	-			40,630,372	AA	
Floating Rate Notes	-			32,431,987	A	
Floating Rate Notes	-			14,609,358	P	
Floating Rate Notes	-			4,552,134	Not Rated	
Total Floating Rate Notes	<u>-</u>			<u>92,223,851</u>		1
Certificates of Deposit	11,938,268	AA	1	-		
Certificates of Deposit	28,795,517	A	1	-		
Total Certificates of Deposit	<u>40,733,785</u>		1	<u>-</u>		
Other Receivables/Payables	(849,826)	Not Rated		(8,097,542)	Not Rated	
Total Collateral Pool Investment	<u>\$ 255,635,477</u>		5	<u>\$ 312,640,422</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 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)
Repurchase Agreements	\$ 159,060,053	\$ -	\$ 159,060,053	\$ -
Corporate Bonds	4,008,756	-	4,008,756	-
Commercial Paper	52,682,709	-	52,682,709	-
Certificates of Deposit	40,733,785	-	40,733,785	-
Total by Fair Value Level	<u>256,485,303</u>	<u>\$ -</u>	<u>\$ 256,485,303</u>	<u>\$ -</u>
Other Receivables/Payables	(849,826)			
Total Collateral Pool Investments	<u>\$ 255,635,477</u>			

	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)
Repurchase Agreements	\$ 174,139,297	\$ -	\$ 174,139,297	\$ -
Commercial Paper	54,374,816	-	54,374,816	-
Floating Rate Notes	92,223,851	-	92,223,851	-
Total by Fair Value Level	<u>320,737,964</u>	<u>\$ -</u>	<u>\$ 320,737,964</u>	<u>\$ -</u>
Other Receivables/Payables	(8,097,542)			
Total Collateral Pool Investments	<u>\$ 312,640,422</u>			

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

Notes to Financial Statements (cont.)

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the Fund, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the Fund or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or the counterparties' trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of net position. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, the Fund has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the Fund from any loss due to borrower default.

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

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2023 and 2022.

Note 6 – Written Options

The following table discloses the fair values of the Fund'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	\$ -	\$ -	\$ -	\$ 16
Equity	-	1,842,241	43	1,599,578
Interest Rate Swap	-	17,166	8,294	34,087
Other	-	6,419	21	4,861
	<u>\$ -</u>	<u>\$ 1,865,826</u>	<u>\$ 8,358</u>	<u>\$ 1,638,542</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open call options for the years ended August 31, 2023 and 2022 were increases in the amounts of \$48,954 and \$3,369,603, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

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

Notes to Financial Statements (cont.)

The following table discloses the fair values of the Fund'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	\$ -	\$ -	\$ -	\$ 1,948
Equity	-	4,040,459	-	75,211
Interest Rate Swap	-	73,678	-	1,402,896
Other	-	9,351	-	12,341
	<u>\$ -</u>	<u>\$ 4,123,488</u>	<u>\$ -</u>	<u>\$ 1,492,396</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 \$1,152,845 and \$1,170,995 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	\$ 97,852,856	\$ 1,372,315	\$ 181,549
Equity	538,987,889	5,355,830	13,745,178
Fixed Income	43,598,590	244,297	47,283
Interest Rate	607,242,955	5,316,174	8,476,699
Volatility	5,547,522	156,819	1,784
Total		<u>\$ 12,445,435</u>	<u>\$ 22,452,493</u>

The change in fair value of open swap positions for the year ended August 31, 2023 was a decrease in the amount of \$9,615,224, 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 amounts 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	\$ 43,842,331	\$ 597,237	\$ 107,058
Currency	8,828,825	439,926	498,314
Equity	329,986,116	2,255,669	12,396,914
Fixed Income	1,592,132	157,756	1,635
Inflation	2,328,065	-	487,172
Interest Rate	640,110,750	10,224,503	22,483,224
Volatility	33,893,590	264,592	555,550
Total		<u>\$ 13,939,683</u>	<u>\$ 36,529,867</u>

The change in fair value of open swap positions for the year ended August 31, 2022 was a decrease in the amount of \$22,490,195, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

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

Notes to Financial Statements (cont.)

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 \$23,003,170 and \$9,822,755 respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position. The Fund had \$20,754,622 and \$8,204,547 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 Fund to manage the Fund's interest rate or currency risk associated with security positions.

Futures contracts are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 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 contracts amounted to \$24,326,155 and \$10,037,723, respectively, as of August 31, 2023 and 2022.

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	\$ 658,289,187	\$ 210,282,040	\$ 3,554,797
Foreign Fixed Income	148,668,553	759,566,819	761,928	2,460,420
Domestic Equities	318,916,253	23,823,315	215,657	2,520,550
Foreign Equities	40,733,015	2,696,552	8,840	137,107
Total	\$ 1,166,607,008	\$ 996,368,726	\$ 4,541,222	\$ 5,864,207

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	\$ 314,202,793	\$ 205,157,148	\$ 126,056
Foreign Fixed Income	31,215,443	505,777,585	1,077,921	158,545
Domestic Equities	180,967,138	37,855,539	378,377	972,938
Foreign Equities	50,808,823	47,348,192	565,829	66,907
Total	\$ 577,194,197	\$ 796,138,464	\$ 2,148,183	\$ 2,363,151

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

Note 9 – Foreign Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 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	\$ 15,174,292	\$ -	\$ 181,929	\$ 395,860
Brazilian Real	-	483,071	322,242	222,712
Canadian Dollar	12,801,358	-	200,984	307,354
Chilean Peso	-	854,548	84,166	17,903
Chinese Yuan Renminbi	-	15,955,238	141,000	12,064
Colombian Peso	-	14,018,006	165,333	82,375
Czech Koruna	4,211,960	-	782	17,255
Danish Krone	-	3,422,975	67,209	130
Egyptian Pound	-	9,727	-	27
Euro	-	26,375,684	768,387	90,483
Hong Kong Dollar	-	119,941	842	-
Hungarian Forint	-	165,239	7,377	685
Indian Rupee	11,513,823	-	26,211	40,522
Indonesian Rupiah	947,874	-	15,462	17,128
Israeli Shekel	3,431	-	-	222
Japanese Yen	-	8,872,540	3,537,834	10,737,742
Malaysian Ringgit	-	208,146	4,210	7
Mexican Peso	-	29,468,908	54,511	192,780
New Zealand Dollar	-	1,374,762	119,372	24,276
Norwegian Krone	11,734,035	-	101,503	319,236
Peruvian Sol	-	-	3,243	651
Philippines Peso	-	856,459	16,178	26,641
Polish Zloty	-	3,390,877	15,998	-
Romanian Leu	-	849,404	2,771	5,144
Singapore Dollar	-	2,401,950	29,177	28,376
South African Rand	-	8,340,028	21,761	55,222
South Korean Won	-	1,662,891	230,459	330,020
Swedish Krona	8,029,575	-	39,737	89,661
Swiss Franc	-	2,129,721	57,072	44,931
Taiwan Dollar	-	2,920,835	133,310	5,733
Thailand Baht	1,874,723	-	32,478	73,892
Turkish Lira	19,145	-	18,792	18,794
UK Pound	-	31,474,964	396,266	203,271
	\$ 66,310,216	\$ 155,355,914	\$ 6,796,596	\$ 13,361,097

The change in fair value of open foreign exchange contracts for the year ended August 31, 2023 was a decrease in the amount of \$6,564,501 which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

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

Currency	Net Buy		Net Sell		Unrealized Gains on Foreign Currency Exchange Contracts		Unrealized Losses on Foreign Currency Exchange Contracts	
	August 31, 2022		August 31, 2022		August 31, 2022		August 31, 2022	
Australian Dollar	\$	-	\$	17,329,483	\$	1,256,283	\$	528,291
Brazil Real		-		10,057,184		62,256		891,724
Canadian Dollar		-		12,949,850		743,034		583,082
Chilean Peso		8,594,980		-		453,069		322,547
Chinese Yuan Renminbi		-		34,407,129		950,137		131,868
Colombian Peso		-		11,765,915		303,712		163,455
Czech Koruna		-		2,911,064		97,221		8,857
Danish Krone		-		7,532,607		124,934		22,673
Euro		-		100,747,800		2,302,429		578,247
Hong Kong Dollar		-		34,327		-		2
Hungarian Forint		2,905,671		-		110,437		273,840
Indian Rupee		656,226		-		8,116		10,726
Indonesian Rupiah		-		5,537,954		60,761		67,828
Israeli Shekel		-		12,143,375		279,985		274,979
Japanese Yen		-		110,395,812		14,370,323		3,485,237
Malaysian Ringgit		-		924,353		383,121		69,796
Mexican Peso		-		34,549,046		80,090		303,745
New Zealand Dollar		-		8,112,003		1,003,329		390,909
Norwegian Krone		-		1,382,567		105,856		149,515
Peruvian Sol		-		4,214,370		31,963		161,289
Philippines Peso		-		3,240,518		34,419		-
Polish Zloty		-		5,409,300		134,529		82,662
Romanian Leu		-		1,317,494		61,314		-
Singapore Dollar		-		10,927,818		67,945		24,226
South African Rand		-		13,173,966		615,856		159,817
South Korean Won		-		24,233,114		1,150,768		75,824
Swedish Krona		20,336,308		-		211,588		606,110
Swiss Franc		-		1,077,068		343,310		292,116
Taiwan Dollar		-		540,045		18,939		14,973
Thailand Baht		-		2,971,001		485,797		225,816
Turkish Lira		-		1,500,791		-		9,022
UK Pound		-		37,987,852		2,182,760		515,361
	\$	32,493,185	\$	477,373,806	\$	28,034,281	\$	10,424,537

The change in fair value of open foreign exchange contracts for the year ended August 31, 2022 was an increase in the amount of \$17,609,744, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

Note 10 – Purchase Agreement

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

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.06% to 1.50%. In addition to the investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in net position represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2023 and 2022 were \$22,477,084 and \$33,247,789, respectively.

UTIMCO assesses the Fund a management fee to cover the costs of managing the Fund and providing day to day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fee assessed for the years ended August 31, 2023 were \$23,824,726. The fee assessed for the year ended August 31, 2022 was \$18,072,218, net of a rebate of \$1,984,828 of prior year reserves from UTIMCO to the Fund.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. For the years ended August 31, 2023 and 2022, custodial fees and expenses incurred by the Fund amounted to \$1,682,258 and \$1,452,260, respectively.

The Fund also incurs other investment expenses including, but not limited to, analytical and risk measurement, accounting, legal, consulting, and federal income tax.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedule

Financial Highlights
Years Ended August 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 464.925	\$ 495.756	\$ 376.270	\$ 343.950	\$ 329.280
Income from Investment Operations					
Net Investment Income (A)	3.080	3.499	1.643	1.503	2.719
Net Realized and Unrealized Gain (Loss) on Investments	<u>18.324</u>	<u>(34.330)</u>	<u>117.843</u>	<u>30.817</u>	<u>11.951</u>
Total Income (Loss) from Investment Operations	<u>21.404</u>	<u>(30.831)</u>	<u>119.486</u>	<u>32.320</u>	<u>14.670</u>
Net Position, End of Year	<u>\$ 486.329</u>	<u>\$ 464.925</u>	<u>\$ 495.756</u>	<u>\$ 376.270</u>	<u>\$ 343.950</u>

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