

Financial Statements

and Independent Auditor's Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2024 and 2023

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2024 and 2023

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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, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents (collectively referred to as the "financial statements").

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, 2024 and 2023, 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, 2024 and 2023, 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 – Financial Highlights for each of the five years in the period ended August 31, 2024 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such supplementary 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. Such 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 - Financial Highlights is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 31, 2024

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, 2024 and 2023. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

The Fund's net position, after contributions and withdrawals, increased by \$2,573.8 million from \$22,515.0 million to \$25,088.8 million or approximately 11.43% for the year ended August 31, 2024, compared to an increase of \$1,169.3 million or approximately 5.48% for the year ended August 31, 2023. The change in net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment gain of 10.39%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2024. The GEF's investments in developed and emerging markets public equity, and directional and stable value hedge funds were the biggest contributors to the 2024 returns. For the year ended August 31, 2023, the Fund posted a net investment gain of 4.57%. Investments in developed public equity, infrastructure, and strategic partnerships were the biggest contributors to the 2023 returns.
2. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$202.7 million for the year ended August 31, 2024, compared to net contributions for the year ended August 31, 2023 of \$171.1 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.

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Use of Financial Statements and Notes

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

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

Statements of Net Position

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

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The 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>2024</u> | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|--------------------|
| Assets | | | |
| Investments, at Fair Value | \$ 25,043.1 | \$ 22,746.4 | \$ 21,454.4 |
| Other Assets | 950.9 | 616.2 | 526.2 |
| Total Assets | <u>25,994.0</u> | <u>23,362.6</u> | <u>21,980.6</u> |
| | | | |
| Total Liabilities | <u>905.2</u> | <u>847.6</u> | <u>634.9</u> |
| | | | |
| Net Position Restricted for Participants | <u>\$ 25,088.8</u> | <u>\$ 22,515.0</u> | <u>\$ 21,345.7</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.

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The net increase in fair value of investments of the Fund was \$2,195.7 million during the year ended August 31, 2024 compared to the net increase in fair value of investments of \$855.0 million for the year ended August 31, 2023. Expenses totaled \$65.4 million, \$61.2 million, and \$54.0 million, respectively, for the years ended August 31, 2024, 2023, and 2022.

The net increase in net position totaled \$2,573.8 million for the year ended August 31, 2024 compared to a net increase in net position totaling \$1,169.3 million for the year ended August 31, 2023.

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

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|--------------------|
| Investment Income (Loss) | \$ 2,436.5 | \$ 1,059.4 | \$ (1,375.4) |
| Less Investment Expenses | 65.4 | 61.2 | 54.0 |
| Net Investment Income (Loss) | 2,371.1 | 998.2 | (1,429.4) |
| Participant Contributions | 1,236.7 | 1,177.6 | 2,088.7 |
| Total Additions | <u>3,607.8</u> | <u>2,175.8</u> | <u>659.3</u> |
| Participant Withdrawals | 1,034.0 | 1,006.5 | 847.4 |
| Total Deductions | <u>1,034.0</u> | <u>1,006.5</u> | <u>847.4</u> |
| Change in Net Position | 2,573.8 | 1,169.3 | (188.1) |
| Net Position Restricted for Participants, Beginning of Year | 22,515.0 | 21,345.7 | 21,533.8 |
| Net Position Restricted for Participants, End of Year | <u>\$ 25,088.8</u> | <u>\$ 22,515.0</u> | <u>\$ 21,345.7</u> |

Contacting UTIMCO

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

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Statements of Net Position

August 31, 2024 and 2023

(Dollars in thousands, except per unit amounts)

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Assets | | |
| Investments, at Fair Value: | | |
| Equity Securities | \$ 2,558,043 | \$ 2,515,934 |
| Foreign Preferred Stock | 28,965 | 32,576 |
| Purchased Options | 363 | 16,316 |
| Debt Securities | 1,466,670 | 1,603,294 |
| Investment Funds | 20,552,943 | 18,021,476 |
| Cash and Cash Equivalents | 436,102 | 556,843 |
| Total Investments | <u>25,043,086</u> | <u>22,746,439</u> |
| Collateral for Securities Loaned, at Fair Value | 324,372 | 255,635 |
| Deposit with Brokers for Derivative Contracts | 173,350 | 87,820 |
| Futures Contracts, at Fair Value | 4,264 | 4,541 |
| Swaps, at Fair Value | 69,293 | 12,445 |
| Unrealized Gains on Foreign Exchange Contracts | 12,262 | 6,797 |
| Receivables: | | |
| Investment Securities Sold | 346,902 | 222,308 |
| Accrued Income | 20,137 | 16,640 |
| Other | 258 | 9,981 |
| Total Receivables | <u>367,297</u> | <u>248,929</u> |
| Total Assets | <u>25,993,924</u> | <u>23,362,606</u> |
| Liabilities | | |
| Payable Upon Return of Securities Loaned | 324,372 | 255,635 |
| Payable to Brokers for Collateral Held | 15,074 | 7,202 |
| Payable to Participants | 9,976 | 10,474 |
| Unrealized Losses on Foreign Exchange Contracts | 12,817 | 13,361 |
| Futures Contracts, at Fair Value | 4,721 | 5,864 |
| Swaps, at Fair Value | 54,757 | 22,453 |
| Options Written, at Fair Value | 779 | 5,989 |
| Payables: | | |
| Investment Securities Purchased | 467,972 | 511,616 |
| Other | 14,706 | 14,990 |
| Total Payables | <u>482,678</u> | <u>526,606</u> |
| Total Liabilities | <u>905,174</u> | <u>847,584</u> |
| Net Position Restricted for Participants | <u>\$ 25,088,750</u> | <u>\$ 22,515,022</u> |
| Number of Units: | | |
| Permanent Health Fund (PHF) | 2,884,485 | 3,000,409 |
| The University of Texas System Long Term Fund (LTF) | 43,861,618 | 43,295,468 |
| Total | <u>46,746,103</u> | <u>46,295,877</u> |
| Net Position Restricted for Participants Per Unit | <u>\$ 536.702</u> | <u>\$ 486.329</u> |

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

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Statements of Changes in Net Position

Years Ended August 31, 2024 and 2023

(in thousands)

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Additions | | |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | \$ 2,195,696 | \$ 855,013 |
| Interest | 68,825 | 65,257 |
| Dividends | 60,513 | 54,521 |
| Income Distributions from Private Investment Funds | 110,286 | 83,241 |
| Securities Lending Income | 862 | 1,165 |
| Other Income | <u>344</u> | <u>207</u> |
| Total Investment Income | 2,436,526 | 1,059,404 |
| Less Investment Expenses: | | |
| UTIMCO Management Fee | 24,863 | 23,825 |
| Investment Management Fees | 24,729 | 22,477 |
| Custodial Fees and Expenses | 1,913 | 1,682 |
| Other Expenses | <u>13,952</u> | <u>13,197</u> |
| Total Investment Expenses | <u>65,457</u> | <u>61,181</u> |
| Net Investment Income | 2,371,069 | 998,223 |
| Participant Contributions | <u>1,236,699</u> | <u>1,177,610</u> |
| Total Additions | 3,607,768 | 2,175,833 |
| Deductions | | |
| Participant Withdrawals | <u>1,034,040</u> | <u>1,006,469</u> |
| Change in Net Position | 2,573,728 | 1,169,364 |
| Net Position Restricted for Participants, Beginning of Year | <u>22,515,022</u> | <u>21,345,658</u> |
| Net Position Restricted for Participants, End of Year | <u>\$ 25,088,750</u> | <u>\$ 22,515,022</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 a Master 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, 2024, 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.

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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.

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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 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, foreign exchange contracts, 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 in fair value of investments in the statements of changes in net position.

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

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

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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 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.

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GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2024 and 2023, respectively, as categorized by level of the fair value hierarchy:

| | Fair Value as of August 31, 2024 | 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 | \$ 1,386,139,809 | \$ 1,386,139,809 | \$ - | \$ - |
| Foreign Common Stock | 1,171,902,494 | 1,171,901,704 | 790 | - |
| Other Equities | 816 | 816 | - | - |
| Total Equity Securities | 2,558,043,119 | 2,558,042,329 | 790 | - |
| Foreign Preferred Stock | 28,965,475 | 28,965,475 | - | - |
| Debt Securities: | | | | |
| U.S. Government Obligations | 1,118,879,450 | 1,006,702,240 | 112,177,210 | - |
| Foreign Government and Provincial Obligations | 227,980,379 | - | 227,980,379 | - |
| Corporate Obligations | 119,771,874 | - | 119,771,874 | - |
| Other | 38,003 | - | 38,003 | - |
| Total Debt Securities | 1,466,669,706 | 1,006,702,240 | 459,967,466 | - |
| Purchased Options | 363,491 | 177,195 | 186,296 | - |
| Investment Funds: | | | | |
| Private Investments | 140,619,520 | - | - | 140,619,520 |
| Developed Public Equity | 120,747,950 | 120,747,950 | - | - |
| Emerging Markets Public Equity | 906,674 | 906,674 | - | - |
| Fixed Income | 63,852,792 | 63,852,792 | - | - |
| Total Investment Funds | 326,126,936 | 185,507,416 | - | 140,619,520 |
| Cash Equivalents | 375,270,922 | 362,478,924 | 12,791,998 | - |
| Total Investments by Fair Value Level | 4,755,439,649 | \$ 4,141,873,579 | \$ 472,946,550 | \$ 140,619,520 |
| Cash | 60,830,779 | | | |
| Investments Funds Fair Valued Using Practical Expedient: | | | | |
| Hedge Funds | 5,257,164,347 | | | |
| Private Investments | 10,518,913,518 | | | |
| Public Markets | 4,429,197,698 | | | |
| Other | 21,540,140 | | | |
| Investments Funds Fair Valued Using Practical Expedient | 20,226,815,703 | | | |
| Total Investments, at Fair Value | \$ 25,043,086,131 | | | |

| | Fair Value as of August 31, 2024 | 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 | \$ (554,645) | \$ - | \$ (554,645) | \$ - |
| Futures Contracts | (457,291) | (457,291) | - | - |
| Swaps | 14,536,341 | - | 14,536,341 | - |
| Written Options | (779,132) | - | (779,132) | - |
| Investment Derivatives | \$ 12,745,273 | \$ (457,291) | \$ 13,202,564 | \$ - |

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

| | 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 | | | |

| | 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) |
| 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) | \$ - |

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

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Notes to Financial Statements (cont.)

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

The composition of investment funds that are fair valued using a practical expedient at August 31, 2024 and 2023 is summarized in the following tables below as they are included within the asset mix of the Fund.

| Investment Funds: | Fair Value as of August 31, 2024 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---------------------------------|-----------------------------|-------------------------------------|
| Hedge Funds: | | | | |
| Directional | | | | |
| Redeemable Within One Year | \$ 1,033,699,349 | \$ - | Monthly to Annually | 45 - 90 Days |
| Redeemable Beyond One Year | 451,856,072 | - | Monthly to Annually | 45 - 90 Days |
| Nonredeemable | 321,560,267 | 311,465,987 | Not Applicable | Not Applicable |
| Total Directional | <u>1,807,115,688</u> | <u>311,465,987</u> | | |
| Stable Value | | | | |
| Redeemable Within One Year | 1,556,658,194 | - | Monthly to Semi-Annually | 1 - 100 Days |
| Redeemable Beyond One Year | 1,451,905,829 | - | Monthly to Semi-Annually | 5 - 100 Days |
| Nonredeemable | 441,484,636 | 297,513,190 | Not Applicable | Not Applicable |
| Total Stable Value | <u>3,450,048,659</u> | <u>297,513,190</u> | | |
| Total Hedge Funds | <u>5,257,164,347</u> | <u>608,979,177</u> | | |
| Private Investments (Nonredeemable): | | | | |
| Private Equity | 3,757,522,943 | 2,916,398,495 | Not Applicable | Not Applicable |
| Emerging Market Equity | 455,263,515 | 81,076,919 | Not Applicable | Not Applicable |
| Credit | 426,637,119 | 269,134,707 | Not Applicable | Not Applicable |
| Venture | 1,843,799,495 | 962,103,364 | Not Applicable | Not Applicable |
| Natural Resources | 783,829,600 | 247,625,953 | Not Applicable | Not Applicable |
| Infrastructure | 1,125,138,678 | 692,881,730 | Not Applicable | Not Applicable |
| Real Estate | 2,126,722,168 | 1,526,856,060 | Not Applicable | Not Applicable |
| Total Private Investments | <u>10,518,913,518</u> | <u>6,696,077,228</u> | | |
| Public Markets: | | | | |
| Developed Public Equity | | | | |
| Redeemable Within One Year | 3,181,897,875 | - | Daily to Quarterly | 5 - 60 Days |
| Redeemable Beyond One Year | 155,382,408 | - | Monthly to Quarterly | 45 - 60 Days |
| Nonredeemable | 3,787,259 | 5,749,139 | Not Applicable | Not Applicable |
| Total Developed Public Equity | <u>3,341,067,542</u> | <u>5,749,139</u> | | |
| Emerging Markets Public Equity | | | | |
| Redeemable Within One Year | 1,032,928,251 | - | Daily to Quarterly | 1 - 120 Days |
| Redeemable Beyond One Year | 38,032,016 | - | Monthly | 60 Days |
| Nonredeemable | 17,169,889 | - | Not Applicable | Not Applicable |
| Total Emerging Markets Public Equity | <u>1,088,130,156</u> | <u>-</u> | | |
| Total Public Markets | <u>4,429,197,698</u> | <u>5,749,139</u> | | |
| Other | | | | |
| Redeemable Within One Year | 4,628,438 | - | Quarterly | 90 Days |
| Redeemable Beyond One Year | 13,885,312 | - | Quarterly | 90 Days |
| Nonredeemable | 3,026,390 | 2,998,461 | Not Applicable | Not Applicable |
| Total Other | <u>21,540,140</u> | <u>2,998,461</u> | | |
| Total Investment Funds | <u>\$ 20,226,815,703</u> | <u>\$ 7,313,804,005</u> | | |

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

| 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 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 \$2,410,582,206 of future funding to various hedge fund investments as of August 31, 2024 of which the Fund's pro-rata portion is \$608,979,177.

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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, 2024 and 2023, 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 \$16,371,826,965 of future funding to various private investments as of August 31, 2024 of which the Fund's pro-rata portion is \$6,696,077,228.

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 \$22,571,991, of which the Fund's pro-rata portion is \$8,747,600 has been committed to certain public market funds as of August 31, 2024.

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.

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Notes to Financial Statements (cont.)

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, 2024 and 2023:

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

| Investment Type | August 31, | | Rating |
|---|-------------------------|-------------------------|-----------|
| | 2024 | 2023 | |
| Investments: | | | |
| U.S. Government Guaranteed | | | |
| U.S. Government Guaranteed | \$ - | \$ 132,763,983 | AAA |
| U.S. Government Guaranteed | 1,035,547,032 | 1,081,869,696 | AA |
| Total U.S. Government Guaranteed | <u>1,035,547,032</u> | <u>1,214,633,679</u> | |
| U.S. Government Non-Guaranteed: | | | |
| U.S. Agency Asset Backed | 83,332,418 | 72,750,269 | AA |
| Total U.S. Government | <u>1,118,879,450</u> | <u>1,287,383,948</u> | |
| Corporate Obligations: | | | |
| Domestic | 24,824,501 | 42,213,307 | AAA |
| Domestic | 612,238 | 4,937,676 | AA |
| Domestic | 15,443,922 | 7,846,615 | A |
| Domestic | 6,257,389 | 5,371,192 | BAA/BBB |
| Domestic | 1,920,971 | 537,650 | BA/BB |
| Domestic | 476,305 | 512,978 | B |
| Domestic | 628,264 | 1,060,019 | CAA/CCC |
| Domestic | 434,958 | 487,905 | CA/CC |
| Domestic | - | 710,563 | D |
| Domestic | 1,730,679 | 6,908,653 | Not Rated |
| Foreign | 21,605,592 | 25,185,309 | AAA |
| Foreign | 2,610,820 | 1,538,015 | AA |
| Foreign | 16,420,107 | 10,181,102 | A |
| Foreign | 22,706,387 | 12,498,060 | BAA/BBB |
| Foreign | - | 266,743 | BA/BB |
| Foreign | 3,923,016 | 2,924,693 | B |
| Foreign | - | 16,203 | D |
| Foreign | 176,725 | 560,926 | Not Rated |
| Total Corporate Obligations | <u>119,771,874</u> | <u>123,757,609</u> | |
| Foreign Government and Provincial Obligations | 1,718,343 | 1,500,064 | AAA |
| Foreign Government and Provincial Obligations | 19,564,687 | 7,588,848 | AA |
| Foreign Government and Provincial Obligations | 15,619,420 | 7,189,675 | A |
| Foreign Government and Provincial Obligations | 33,257,304 | 43,568,238 | BAA/BBB |
| Foreign Government and Provincial Obligations | 44,032,104 | 47,541,548 | BA/BB |
| Foreign Government and Provincial Obligations | 113,788,521 | 84,764,493 | Not Rated |
| Total Foreign Government and Provincial Obligations | <u>227,980,379</u> | <u>192,152,866</u> | |
| Other Debt Securities | 38,003 | - | A |
| Total Debt Securities | <u>\$ 1,466,669,706</u> | <u>\$ 1,603,294,423</u> | |
| Other Investment Funds | | | |
| Debt | \$ 14,559,963 | \$ 12,015,894 | BA/BB |
| Debt | 49,292,829 | 45,023,188 | Not Rated |
| Total Other Investments - Debt | <u>\$ 63,852,792</u> | <u>\$ 57,039,082</u> | |
| Cash Equivalents | \$ 362,478,924 | \$ 354,888,135 | AAA |
| Cash Equivalents | 12,791,998 | 152,222,700 | Not Rated |
| Cash | 60,830,779 | 49,732,372 | Not Rated |
| Total Cash and Cash Equivalents | <u>\$ 436,101,701</u> | <u>\$ 556,843,207</u> | |
| Net Deposit with Brokers for Derivative Contracts: | | | |
| U.S. Government Guaranteed | \$ 62,375,368 | \$ 32,616,144 | AA |
| Cash | 95,900,917 | 48,001,964 | Not Rated |
| Total Net Deposit with/(Payable to) Brokers for Derivative Contracts | <u>\$ 158,276,285</u> | <u>\$ 80,618,108</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, 2024 and 2023, 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. All Fund investments are held by the Fund's custodian bank in the name of the UT Board. Uninvested cash is invested in overnight money market funds that are also held in the name of the UT Board. Required collateral is posted unilaterally by the Fund and each counterparty to segregated accounts established at the Fund's custodian bank. As all investments and collateral deposits are held in the name of the UT Board or in segregated accounts in the name of the UT Board as of August 31, 2024 and 2023, the Fund has minimal exposure 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.

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Notes to Financial Statements (cont.)

The following table summarizes the Fund's modified duration in years by investment type at August 31, 2024 and 2023:

| Investment Type | August 31, | | | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | 2024 | | 2023 | |
| | Fair Value | Modified Duration | Fair Value | Modified Duration |
| Investments: | | | | |
| U.S. Government Guaranteed: | | | | |
| U.S. Treasury Bills | \$ 776,620 | 0.09 | \$ 1,816,904 | 0.08 |
| U.S. Treasury Bonds and Notes | 977,303,133 | 12.36 | 777,260,822 | 13.53 |
| U.S. Treasury Strips | 4,693,499 | - | - | - |
| U.S. Treasury Inflation Protected | 23,928,988 | 3.36 | 435,548,025 | 6.61 |
| U.S. Agency Asset Backed | 28,844,792 | 3.16 | 7,928 | 0.95 |
| Total U.S. Government Guaranteed | <u>1,035,547,032</u> | 11.83 | <u>1,214,633,679</u> | 11.03 |
| U.S. Government Non-Guaranteed: | | | | |
| U.S. Agency Asset Backed | <u>83,332,418</u> | 3.82 | <u>72,750,269</u> | 6.36 |
| Total U.S. Government | <u>1,118,879,450</u> | 11.24 | <u>1,287,383,948</u> | 10.77 |
| Corporate Obligations: | | | | |
| Domestic | 52,329,227 | 3.07 | 70,586,559 | 2.40 |
| Foreign | <u>67,442,647</u> | 3.64 | <u>53,171,050</u> | 2.48 |
| Total Corporate Obligations | <u>119,771,874</u> | 3.39 | <u>123,757,609</u> | 2.43 |
| Foreign Government and Provincial Obligations | <u>227,980,379</u> | 5.27 | <u>192,152,866</u> | 5.27 |
| Other Debt Securities | <u>38,003</u> | 0.17 | <u>-</u> | - |
| Total Debt Securities | <u>1,466,669,706</u> | 9.67 | <u>1,603,294,423</u> | 9.46 |
| Other Investment Funds - Debt | <u>63,852,792</u> | 4.25 | <u>57,039,082</u> | 1.35 |
| Cash and Cash Equivalents | <u>436,101,701</u> | 0.07 | <u>556,843,207</u> | 0.06 |
| Total | <u>\$ 1,966,624,199</u> | 7.36 | <u>\$ 2,217,176,712</u> | 6.89 |
| Net Deposit with Brokers for Derivative Contracts: | | | | |
| U.S. Government Guaranteed | \$ 62,375,368 | 0.11 | \$ 32,616,144 | 0.09 |
| Cash | 95,900,917 | - | 48,001,964 | - |
| Total Net Deposit with/(Payable to) Brokers for Derivative Contracts | <u>\$ 158,276,285</u> | - | <u>\$ 80,618,108</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, 2024 and 2023, 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 \$21,524,256 and \$39,594,148 as of August 31, 2024 and 2023, 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 \$111,698,534 and to \$72,658,997 as of August 31, 2024 and 2023, 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 \$12,369,917 and \$35,228,756 as of August 31, 2024 and 2023, 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, 2024 and 2023:

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

Notes to Financial Statements (cont.)

| Investment Type | August 31, | |
|-----------------------------------|--------------|---------------|
| | 2024 | 2023 |
| Domestic Common Stock: | | |
| Euro | \$ 1,049,850 | \$ 927,009 |
| Hong Kong Dollar | - | 20,502 |
| Taiwan Dollar | - | 2,305,377 |
| UK Pound | 727,698 | - |
| Total Domestic Common Stock | 1,777,548 | 3,252,888 |
| Foreign Common Stock: | | |
| Australian Dollar | 4,072,895 | 8,536,870 |
| Brazilian Real | 37,764,982 | 67,068,038 |
| Canadian Dollar | 6,801,817 | 10,031,170 |
| Chilean Peso | 65,123 | 77,555 |
| Chinese Yuan Renminbi | 11,557,213 | 62,945,733 |
| Czech Koruna | 93,101 | 210,693 |
| Danish Krone | 31,461,789 | 21,955,620 |
| Egyptian Pound | 24,997 | 504,194 |
| Euro | 161,910,054 | 164,569,353 |
| Hong Kong Dollar | 61,049,078 | 67,916,763 |
| Hungarian Forint | 659,468 | 411,864 |
| Indian Rupee | 69,845,520 | 37,482,133 |
| Indonesian Rupiah | 11,862,694 | 13,905,568 |
| Japanese Yen | 36,699,845 | 171,848,936 |
| Malaysian Ringgit | 4,172,716 | 4,836,217 |
| Mexican Peso | 5,170,421 | 5,257,162 |
| New Zealand Dollar | 172,687 | 788,023 |
| Norwegian Krone | 2,834,079 | 9,408,460 |
| Peruvian Sol | 16,257 | - |
| Philippine Peso | 698,126 | 706,498 |
| Polish Zloty | 2,275,251 | 2,513,202 |
| Qatari Riyal | 1,593,964 | 750,295 |
| Russian Ruble | 68 | 62 |
| Saudi Arabian Riyal | 5,821,526 | 316,041 |
| Singapore Dollar | 2,321,153 | 3,991,924 |
| South African Rand | 7,063,064 | 6,696,706 |
| South Korean Won | 89,862,921 | 81,970,206 |
| Swedish Krona | 8,095,125 | 10,503,200 |
| Swiss Franc | 54,359,994 | 43,727,319 |
| Taiwan Dollar | 182,151,155 | 143,133,724 |
| Thai Baht | 3,373,467 | 6,672,974 |
| Turkish Lira | 3,888,774 | 2,794,829 |
| UK Pound | 115,085,015 | 102,747,309 |
| United Arab Emirates Dirham | 5,403,791 | 2,618,267 |
| Total Foreign Common Stock | 928,228,130 | 1,056,896,908 |
| Other - Equity Securities: | | |
| Brazilian Real | - | 4,197 |
| South Korean Won | 816 | - |
| Swiss Franc | - | 27,652 |
| Taiwan Dollar | - | 12 |
| Total Other - Equity Securities | 816 | 31,861 |
| Foreign Preferred Stocks: | | |
| Brazilian Real | 7,472,062 | 14,485,880 |
| Euro | 78,016 | 363,831 |
| South Korean Won | 20,911,170 | 17,726,073 |
| Total Foreign Preferred Stock | 28,461,248 | 32,575,784 |

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

Notes to Financial Statements (cont.)

| Investment Type | August 31, | |
|---|--------------------|--------------------|
| | 2024 | 2023 |
| Foreign Government and Provincial Obligations: | | |
| Australian Dollar | \$ 325,767 | \$ 1,470,915 |
| Brazilian Real | 11,027,777 | 15,982,231 |
| Canadian Dollar | 8,674,478 | - |
| Chinese Yuan Renminbi | - | 288,250 |
| Colombian Peso | 21,919,045 | 17,709,811 |
| Euro | 35,862,061 | 7,928,184 |
| Indian Rupee | 606,989 | - |
| Japanese Yen | 78,411,542 | 67,509,550 |
| Malaysian Ringgit | 2,544,595 | 8,246,958 |
| Mexican Peso | 27,381,985 | 39,762,912 |
| New Zealand Dollar | 3,008,276 | 2,178,906 |
| Russian Ruble | 519,054 | 489,745 |
| Singapore Dollar | 2,125,575 | - |
| South African Rand | 10,474,461 | 13,523,722 |
| South Korean Won | 8,584,245 | 4,994,387 |
| UK Pound | 1,571,340 | 4,743,425 |
| Total Foreign Government and Provincial Obligations | <u>213,037,190</u> | <u>184,828,996</u> |
| Corporate Obligations: | | |
| Australian Dollar | 2,063,786 | 663,508 |
| Brazilian Real | 143,282 | 172,550 |
| Danish Krone | 45 | 3,981,224 |
| Euro | 7,264,564 | 6,821,297 |
| UK Pound | 6,012,697 | 10,054,621 |
| Total Corporate Obligations | <u>15,484,374</u> | <u>21,693,200</u> |
| Purchased Options: | | |
| Brazilian Real | 13 | 107,561 |
| Total Purchased Options | <u>13</u> | <u>107,561</u> |
| Investment Funds-Emerging Markets: | | |
| Brazilian Real | 404,870 | 443,973 |
| Thai Baht | 82,397 | - |
| Total Investment Funds-Emerging Markets | <u>487,267</u> | <u>443,973</u> |
| Private Investments: | | |
| Australian Dollar | 28,617,616 | 20,921,149 |
| Canadian Dollar | 75,048,161 | 70,063,073 |
| Euro | 459,978,769 | 431,099,018 |
| Japanese Yen | 14,759,780 | 17,046,421 |
| Swedish Krona | 6,954,676 | 23,175,444 |
| UK Pound | 143,958,761 | 100,498,064 |
| Total Private Investments | <u>729,317,763</u> | <u>662,803,169</u> |

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

Notes to Financial Statements (cont.)

| Investment Type | August 31, | |
|-----------------------------------|------------------|-------------------|
| | 2024 | 2023 |
| Cash and Cash Equivalents: | | |
| Australian Dollar | \$ (776,328) | \$ 415,170 |
| Brazilian Real | 4,723,262 | 5,411,088 |
| Canadian Dollar | (1,407,974) | (185,719) |
| Chilean Peso | 3,560 | 100 |
| Chinese Yuan Renminbi | 86,312 | 1,722,790 |
| Colombian Peso | 129 | - |
| Czech Koruna | 430 | - |
| Danish Krone | (4,874) | 881 |
| Egyptian Pound | 1,943 | 86,041 |
| Euro | 2,272,784 | 10,972,398 |
| Hong Kong Dollar | (310,838) | (213,067) |
| Hungarian Forint | 95 | - |
| Indian Rupee | 46,176 | 41,589 |
| Indonesian Rupiah | 1,246 | 2,667 |
| Israeli Shekel | 8,743 | 920 |
| Japanese Yen | (2,280,067) | (1,890,597) |
| Malaysian Ringgit | 4,922 | 20,227 |
| Mexican Peso | 22,599 | 623 |
| New Zealand Dollar | 145,060 | 22,448 |
| Norwegian Krone | 49 | 128 |
| Peruvian Sol | 595 | - |
| Philippine Peso | 6,298 | - |
| Polish Zloty | 10,813 | 1,188 |
| Qatari Riyal | 2,718 | - |
| Saudi Arabian Riyal | 14,296 | - |
| Singapore Dollar | 96,808 | 60,637 |
| South African Rand | 21,623 | 725,637 |
| South Korean Won | 2,676,151 | 1,785,935 |
| Swedish Krona | 639 | 42,428 |
| Swiss Franc | 115,670 | 11,662 |
| Taiwan Dollar | 880,725 | 525,447 |
| Thai Baht | 1,303 | 196 |
| Turkish Lira | 684 | 11,854 |
| UK Pound | 2,301,277 | (2,324,693) |
| United Arab Emirates Dirham | 1,340 | - |
| Total Cash and Cash Equivalents | <u>8,668,169</u> | <u>17,247,978</u> |
| Written Options: | | |
| Brazilian Real | - | (125,506) |
| Euro | (4,412) | - |
| Total Written Options | <u>(4,412)</u> | <u>(125,506)</u> |

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

Notes to Financial Statements (cont.)

| Investment Type | August 31, | |
|-----------------------|-------------------------|-------------------------|
| | 2024 | 2023 |
| Swaps: | | |
| Australian Dollar | \$ 62,876 | \$ (338,062) |
| Canadian Dollar | (143,068) | (860,252) |
| Chinese Yuan Renminbi | (284,303) | (506,446) |
| Euro | (667,651) | (222,686) |
| Indian Rupee | 14,098 | - |
| Japanese Yen | (34,474,361) | 42,025 |
| Malaysian Ringgit | (43,268) | 12,127 |
| New Zealand Dollar | 64,625 | (281,583) |
| Singapore Dollar | (380,596) | 1,986 |
| South Korean Won | (200,437) | (144,419) |
| Swiss Franc | (21,763) | (73,332) |
| Thai Baht | (423,594) | (1,784) |
| UK Pound | 378,925 | (1,866,727) |
| Total Swaps | <u>(36,118,517)</u> | <u>(4,239,153)</u> |
| Futures: | | |
| Australian Dollar | (60,993) | (47,862) |
| Brazilian Real | - | 80,120 |
| Canadian Dollar | 24,602 | (13,392) |
| Euro | (59,312) | (2,321,055) |
| Japanese Yen | 1,243,452 | 21,333 |
| UK Pound | (21,920) | 454,097 |
| Total Futures | <u>1,125,829</u> | <u>(1,826,759)</u> |
| Total | <u>\$ 1,890,465,418</u> | <u>\$ 1,973,690,900</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, 2024 for options, swaps, and foreign exchange contracts as shown in the following table:

| | Notional | | Fair Value | | Counterparty Rating |
|----------------------------|--------------|--------------|----------------------|----------------------|---------------------|
| | Assets | Liabilities | Assets | Liabilities | |
| Options | \$ 7,377,578 | \$ 7,070,154 | \$ 181,991 | \$ 653,628 | AA |
| Swaps | 985,053,974 | 312,473,513 | 23,072,537 | 11,404,529 | AA |
| Swaps | 262,587,864 | 36,566,880 | 38,388,614 | 35,400,367 | A |
| Foreign Exchange Contracts | 234,070,984 | 246,174,692 | 4,851,548 | 4,615,593 | AA |
| Foreign Exchange Contracts | 413,575,552 | 435,468,948 | 7,410,967 | 8,201,567 | A |
| | | | <u>\$ 73,905,657</u> | <u>\$ 60,275,684</u> | |

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> | |

As of August 31, 2024, and 2023, 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 entering into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements. These agreements include Initial Margin Credit Support Annexes with each counterparty that require unilateral collateral postings by each party to a transaction once an established threshold limit has been reached. Initial margin collateral postings are held in segregated accounts at the Fund's custodian bank established on behalf of the Fund and each counterparty. As of August 31, 2024, and 2023, the Fund held \$15,073,732 and \$7,201,694 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$140,055,589 and \$67,065,180, 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, 2024 and 2023:

| Securities on Loan | 2024 Fair Value | 2023 Fair Value | Type of Collateral | 2024 Fair Value of Collateral | 2023 Fair Value of Collateral |
|---------------------------|----------------------------|----------------------------|-------------------------------|--|--|
| U.S. Government | \$ 208,999,892 | \$ 8,913,617 | Cash | \$ 213,367,593 | \$ 9,094,549 |
| Corporate Bonds | 13,699,437 | 1,958,485 | Cash | 14,108,633 | 2,026,727 |
| Common Stock | 94,047,999 | 209,569,357 | Cash | 96,606,860 | 214,862,418 |
| Sovereign Debt | 281,929 | 22,151,864 | Cash | 288,854 | 29,651,783 |
| Total | \$ 317,029,257 | \$ 242,593,323 | Total | \$ 324,371,940 | \$ 255,635,477 |
| U.S. Government | \$ 22,575,230 | \$ 80,019,785 | Non-Cash | \$ 23,040,999 | \$ 81,685,338 |
| Common Stock | 10,495,920 | 40,485,215 | Non-Cash | 10,851,045 | 42,193,782 |
| Total | \$ 33,071,150 | \$ 120,505,000 | Total | \$ 33,892,044 | \$ 123,879,120 |

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, 2024 and 2023, is shown in the following table:

| Description | 2024 | | | 2023 | | |
|---|-----------------------|---------------------|-----------------------------------|-----------------------|---------------------|-----------------------------------|
| | Fair Value | Rating | Weighted Average Maturity In Days | Fair Value | Rating | Weighted Average Maturity In Days |
| Repurchase Agreements | \$ 144,887,306 | No Rating Available | 3 | \$ 159,060,053 | No Rating Available | 1 |
| Corporate Bonds | - | | | 4,008,756 | AA | 1 |
| Commercial Paper | 14,239,425 | AA | | - | | |
| Commercial Paper | 115,424,315 | A | | 52,682,709 | A | |
| Total Commercial Paper | 129,663,740 | | 18 | 52,682,709 | | 19 |
| Certificates of Deposit | 8,871,454 | AA | | 11,938,268 | AA | |
| Certificates of Deposit | 41,208,831 | A | | 28,795,517 | A | |
| Total Certificates of Deposit | 50,080,285 | | 20 | 40,733,785 | | 1 |
| Other Receivables/Payables | (259,391) | Not Rated | | (849,826) | Not Rated | |
| Total Collateral Pool Investment | \$ 324,371,940 | | 12 | \$ 255,635,477 | | 5 |

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2024 and 2023, respectively, as categorized by level of the fair value hierarchy:

| | Fair Value as of August 31, 2024 | Fair Value Measurements Using | | |
|--|----------------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Repurchase Agreements | \$ 144,887,306 | \$ - | \$ 144,887,306 | \$ - |
| Commercial Paper | 129,663,740 | - | 129,663,740 | - |
| Certificates of Deposit | 50,080,285 | - | 50,080,285 | - |
| Total by Fair Value Level | 324,631,331 | \$ - | \$ 324,631,331 | \$ - |
| Other Receivables/Payables | (259,391) | | | |
| Total Collateral Pool Investments | \$ 324,371,940 | | | |

| | Fair Value as of August 31, 2023 | Fair Value Measurements Using | | |
|--|----------------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Repurchase Agreements | \$ 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 | 256,485,303 | \$ - | \$ 256,485,303 | \$ - |
| Other Receivables/Payables | (849,826) | | | |
| Total Collateral Pool Investments | \$ 255,635,477 | | | |

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, 2024, and 2023, the Fund had no net 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, 2024 and 2023.

Note 6 – Written Options

The following table discloses the fair values of the Fund's written call option contracts outstanding as of August 31, 2024 and 2023:

| Type | Fair Value at August 31, 2024 | | Fair Value at August 31, 2023 | |
|--------------------|----------------------------------|-------------------|----------------------------------|---------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Equity | \$ - | \$ 653,628 | \$ - | \$ 1,842,241 |
| Interest Rate Swap | - | 9,013 | - | 17,166 |
| Other | - | 1,629 | - | 6,419 |
| | <u>\$ -</u> | <u>\$ 664,270</u> | <u>\$ -</u> | <u>\$ 1,865,826</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, 2024 and 2023 were increases in the amounts of \$48,075 and \$48,954, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The following table discloses the fair values of the Fund's written put option contracts as of August 31, 2024 and 2023:

| Type | Fair Value at August 31, 2024 | | Fair Value at August 31, 2023 | |
|--------------------|----------------------------------|-------------------|----------------------------------|---------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Equity | \$ - | \$ - | \$ - | \$ 4,040,459 |
| Interest Rate Swap | - | 112,087 | - | 73,678 |
| Other | - | 2,775 | - | 9,351 |
| | <u>\$ -</u> | <u>\$ 114,862</u> | <u>\$ -</u> | <u>\$ 4,123,488</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, 2024 and 2023 were increases in the amounts of \$118,254 and \$1,152,845, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

Note 7 – Swaps

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2024:

| Type | Notional Value | Fair Value at August 31, 2024 | |
|----------------|----------------|-------------------------------|----------------------|
| | | Assets | Liabilities |
| Credit Default | \$ 122,252,915 | \$ 2,600,134 | \$ 283,784 |
| Currency | 68,360,919 | 34,221,546 | 34,125,100 |
| Equity | 1,464,191,924 | 27,239,605 | 11,184,472 |
| Fixed Income | 50,796,245 | - | 1,403,308 |
| Interest Rate | 862,055,282 | 5,231,479 | 7,759,759 |
| Total | | <u>\$ 69,292,764</u> | <u>\$ 54,756,423</u> |

The change in fair value of open swap positions for the year ended August 31, 2024 was an increase in the amount of \$14,249,530, which is included in the net increase in fair value of investments on the statements of changes in net position.

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 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 in fair value of investments on the statements of changes in net position.

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 8 – Futures Contracts

The changes in fair value of open futures contracts for the years ended August 31, 2024 and 2023, were increases in the amounts of \$34,182,104 and \$23,003,170 respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The Fund had \$33,294,428 and \$20,754,622 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2024 and 2023, 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, 2024 and 2023, 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 \$34,639,395 and \$24,326,155, respectively, as of August 31, 2024 and 2023.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2024:

| Contract | Notional Value at August 31, 2024 | | Fair Value at August 31, 2024 | |
|-----------------------|--|-------------------------|--|---------------------|
| | Long | Short | Assets | Liabilities |
| Domestic Fixed Income | \$ 807,944,619 | \$ 378,678,689 | \$ 1,102,738 | \$ 3,860,071 |
| Foreign Fixed Income | 124,672,453 | 537,609,957 | 83,122 | 83,029 |
| Domestic Equities | 516,482,596 | 88,023,304 | 1,785,712 | 611,499 |
| Foreign Equities | 233,023,484 | 19,755,534 | 1,292,135 | 166,399 |
| Total | \$ 1,682,123,152 | \$ 1,024,067,484 | \$ 4,263,707 | \$ 4,720,998 |

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 | \$ 746,130 |
| 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 |

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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, 2024 and 2023. Foreign currency amounts are translated at exchange rates as of August 31, 2024 and 2023. 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, 2024 | Net Sell August 31, 2024 | Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2024 | Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2024 |
|-----------------------|----------------------------|-----------------------------|---|--|
| Australian Dollar | \$ 42,674,108 | \$ - | \$ 1,629,677 | \$ 520,346 |
| Brazilian Real | - | 1,318,986 | 287,919 | 209,431 |
| Canadian Dollar | 10,918,529 | - | 1,011,277 | 890,197 |
| Chilean Peso | 6,802,142 | - | 151,250 | 95,329 |
| Chinese Yuan Renminbi | - | 172,083 | 2,795 | 4,690 |
| Colombian Peso | - | 19,568,979 | 437,456 | 70,502 |
| Czech Koruna | - | 5,188,571 | - | 71,902 |
| Danish Krone | - | 580,296 | 2,799 | 15,150 |
| Euro | - | 34,345,956 | 1,179,948 | 1,613,575 |
| Hong Kong Dollar | - | 499,939 | 10 | 666 |
| Hungarian Forint | - | 1,006,468 | 424 | 33,055 |
| Indian Rupee | 6,732,121 | - | 28,580 | 14,178 |
| Indonesian Rupiah | - | 2,150,226 | 54,804 | 49,128 |
| Japanese Yen | - | 49,545,151 | 2,592,855 | 4,674,861 |
| Malaysian Ringgit | - | 2,487,236 | 618 | 63,526 |
| Mexican Peso | - | 18,849,732 | 1,792,733 | 376,057 |
| New Zealand Dollar | - | 15,824,862 | 429,154 | 1,010,939 |
| Norwegian Krone | 10,866,665 | - | 177,199 | 799 |
| Philippines Peso | - | 4,207,757 | 14,220 | 82,489 |
| Polish Zloty | 2,301,399 | - | 72,189 | 31,072 |
| Romanian Leu | - | 1,036,407 | 16,320 | 27,513 |
| Saudi Arabia Riyal | - | 7,178 | - | 11 |
| Singapore Dollar | - | 538,826 | 28,137 | 83,465 |
| South African Rand | - | 11,311,520 | 141,424 | 435,852 |
| South Korean Won | 866,353 | - | 152,772 | 284,207 |
| Swedish Krona | 10,558,843 | - | 414,473 | 201,913 |
| Swiss Franc | - | 24,541,397 | 658,139 | 751,312 |
| Taiwan Dollar | - | 2,236,214 | 78,341 | 185,801 |
| Thailand Baht | 1,023,403 | - | 71,400 | 116,844 |
| Turkish Lira | 3,575,375 | - | 94,885 | 34,521 |
| UK Pound | - | 23,859,652 | 740,717 | 867,829 |
| | \$ 96,318,938 | \$ 219,277,436 | \$ 12,262,515 | \$ 12,817,160 |

The change in fair value of open foreign exchange contracts for the year ended August 31, 2024 was a decrease in the amount of \$977,604 which is included in the net increase in fair value of investments on the statements of changes in net position.

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

| Currency | Net Buy 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 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 \$4,096,045,000 as of August 31, 2024, in UT System commercial paper notes and bonds in the event of a failed remarketing of such notes or failed refunding of such bonds. 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

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, 2024 and 2023 were \$24,863,259 and \$23,824,726, respectively.

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 0.035% 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, 2024 and 2023 were \$24,729,300 and \$22,477,084, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are charged for custody services, investment accounting services, risk and analytical services, including investment performance measurement, and margin and collateral maintenance for derivative investment activity per the contractual agreement. For the years ended August 31, 2024 and 2023, custodial fees and expenses incurred by the Fund amounted to \$1,912,697 and \$1,682,258, respectively.

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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedule

Financial Highlights
Years Ended August 31,

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Selected Per Unit Data | | | | | |
| Net Position, Beginning of Year | \$ 486.329 | \$ 464.925 | \$ 495.756 | \$ 376.270 | \$ 343.950 |
| Income from Investment Operations | | | | | |
| Net Investment Income (A) | 3.727 | 3.080 | 3.499 | 1.643 | 1.503 |
| Net Realized and Unrealized Gain (Loss) on Investments | <u>46.646</u> | <u>18.324</u> | <u>(34.330)</u> | <u>117.843</u> | <u>30.817</u> |
| Total Income (Loss) from Investment Operations | <u>50.373</u> | <u>21.404</u> | <u>(30.831)</u> | <u>119.486</u> | <u>32.320</u> |
| Net Position, End of Year | <u>\$ 536.702</u> | <u>\$ 486.329</u> | <u>\$ 464.925</u> | <u>\$ 495.756</u> | <u>\$ 376.270</u> |

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