

# GENERAL ENDOWMENT FUND

## 1 What is the General Endowment Fund (GEF)?

The University of Texas System General Endowment Fund, created March 1, 2001, is a pooled 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 (Board of Regents). The Fund is organized as a mutual fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The PHF and LTF initially purchased units of the Fund on March 1, 2001, in exchange for the contribution of their investment assets. The Fund provides for greater diversification of investments than would be possible if each account were managed separately.

## 2 What is the Unit Ownership of the Fund?

As of August 31, 2008, the LTF held 30,326,861 units or 83.75% of the Fund, and the PHF held 5,883,848 units or 16.25% of the Fund.

## 3 What is the Fund's Goal?

The Fund's goal is to preserve the purchasing power of the Fund's assets by earning an average annual real return of 5.1% over rolling ten-year periods or longer.

## 4 What is the Fund's Investment Strategy?

The Fund's strategy is to invest in a broadly diversified portfolio of fixed income and equity securities in both domestic and international markets using a long-term investment horizon. In addition to traditional exchange-traded equity and fixed income securities, the Fund's portfolio includes private investments, marketable alternative investments, and various other specialized public market investments.

## 5 What are the Significant Risks?

The performance of the GEF depends on the value of its holdings. Equity values fluctuate in response to the activities of individual companies and general market and economic conditions. In the short term, stock prices can fluctuate dramatically in response to these factors. Bond prices fluctuate based on changes in interest rates and the credit quality of the issues. Investments in international securities can involve political and economic risk, as well as exposure to currency fluctuations. Since the GEF is a permanent endowment, any short-term valuation swings are negated over the long term.

## 6 What Accounts are Appropriate for the Fund?

The Fund is appropriate for endowment accounts and for non-endowment accounts where the investment horizon for the account is greater than 5 years.

## 7 What is the Net Asset Value of the Fund?

The net asset value of the Fund was \$6,310.4 million as of August 31, 2008.

## 8 Who is the Fund's Investment Manager?

The Fund's investment manager is The University of Texas Investment Management Company (UTIMCO) which employs investment managers and administrative staff to manage the Fund. As of August 31, 2008, UTIMCO was responsible for the investment of \$23,207.0 million of Permanent University Fund and other U.T. System assets pursuant to an investment management agreement with the Board of Regents.

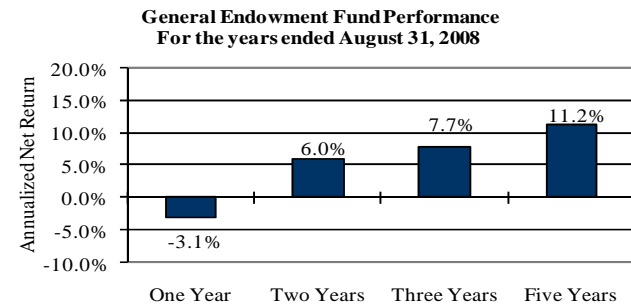
## 9 What are the Fund's Expenses?

Operating expenses are paid out of the Fund's assets. Expenses are factored into the Fund's market value per share and are not charged directly to the unitholder accounts. The Fund does not incur a fee for UTIMCO's management services since the fee is assessed directly to the PHF and LTF. The following were the Fund's operating expenses for the fiscal year ended August 31, 2008 (calculated as a percentage of average net assets):

External Management fees	0.11%
Other Expenses	<u>0.07%</u>
Total Fund Operating Expenses	<u>0.18%</u>

## 10 How has the Fund Performed?

Annualized net returns are total returns less investment management fees. They are based on past results and are not an indication of future performance.



## 11 How are Investment Units Purchased?

Units are purchased on quarterly buy-in dates of March 1, June 1, September 1, and December 1. The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date.

## 12 How are Distributions Made?

The Fund 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 amounts are reinvested as contributions. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased. Since the Fund does not have a distribution rate per unit, the PHF and LTF meet their distribution and direct expense obligations by redeeming units each quarter. Redemptions from the Fund are made at the market value price per unit at the valuation date at the time of the withdrawal.

## 13 What Services are Available?

UTIMCO provides a variety of services including an annual report delivered via the Internet. Information on the Fund is also available via the Internet.

## The University of Texas System

### **Board of Regents**

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Francie A. Frederick, *General Counsel to the Board*

### **System Administration**

Office of the Chancellor  
601 Colorado Street  
Austin, Texas 78701

## Investment Management and Administration

### **UTIMCO**

401 Congress Avenue, Suite 2800  
Austin, Texas 78701  
[www.utimco.org](http://www.utimco.org)

### **Custodian**

BNY Mellon  
135 Santilli Highway  
Everett, Massachusetts 02149

**Inquiries should be directed to:**  
Institution Development Offices  
or

Office of External Relations  
210 West 6th Street, CTJ 1.200  
Austin, Texas 78701  
(512) 499-4300 phone  
(512) 499-4424 fax

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## Summary

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