

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2008 and 2007

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2008 and 2007

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Independent Auditors' Report

The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company

We have audited the accompanying Statements of Fiduciary Net Assets of The University of Texas System General Endowment Fund (the "Fund"), as of August 31, 2008, and August 31, 2007, and the related Statements of Changes in Fiduciary Net Assets for the years then ended. These financial statements are the responsibility of The University of Texas Investment Management Company ("UTIMCO" or "management"). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Fund are intended only to present the financial position of the Fund and do not purport to, and do not, present the financial positions of UTIMCO or The University of Texas System as of August 31, 2008, or August 31, 2007, and the changes in their financial positions for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2, the financial statements include investments valued at \$3,248,857,104 (51.5% of net assets) and \$2,628,868,644 (40.8% of net assets) as of August 31, 2008, and August 31, 2007, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2008, and August 31, 2007, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management. The supplemental schedules as of and for the years ended August 31, 2008, and August 31, 2007, have been subjected to the audit procedures applied by us (with 2006, 2005, and 2004 being subject to audit procedures by other auditors) in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

October 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 fiscal year ended August 31, 2008. This discussion was prepared by The University of Texas 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 an 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 or conditions.

Financial Highlights

- The Fund's fiduciary net assets, after contributions and withdrawals, decreased by \$122.7 million from \$6,433.1 million to \$6,310.4 million or approximately 1.9% for the year ended August 31, 2008, compared to an increase of \$1,005.3 million or approximately 18.5% for the year ended August 31, 2007. The change in net fiduciary net assets from year to year is mainly attributable to the following:
 1. The PHF and LTF redeemed and purchased Fund units resulting in a net increase in contributions of \$79.3 million for the year ended August 31, 2008, compared to a net increase in contributions for the year ended August 31, 2007 of \$114.9 million.
 2. The Fund posted a net investment loss of 3.10%, calculated using the Modified Dietz Method as described by the CFA Institute, for the fiscal year ended August 31, 2008. Investments in private investment funds, hedge funds, natural resources, and investment grade fixed income were positive contributors to the 2008 return, while real estate and developed and emerging market equities posted negative returns. For the fiscal year ended August 31, 2007, the private investment funds, emerging markets equities and hedge funds were the leading performers contributing to a net investment return of 15.90%.
 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 distributed net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution 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 standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required under GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

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

Statements of Fiduciary Net Assets

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

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

The following summarizes the Statements of Fiduciary Net Assets (in millions):

Assets	2008	2007	2006
Investments, at Fair Value	\$ 6,479.5	\$ 6,620.6	\$ 5,560.3
Other Assets	473.8	706.7	626.8
Total Assets	6,953.3	7,327.3	6,187.1
Total Liabilities	642.9	894.2	759.3
Net Assets Held in Trust	\$ 6,310.4	\$ 6,433.1	\$ 5,427.8

Statements of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets 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 distributions.

The net decrease in appreciation of investments of the Fund was \$302.6 million during the year ended August 31, 2008 compared to the net increase in appreciation of investments of \$777.2 million for the year ended August 31, 2007. Expenses totaled \$18.9 million, \$38.1 million, and \$38.2 million, respectively, for the years ended August 31, 2008, 2007, and 2006.

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The net decrease in fiduciary net assets totaled \$122.7 million for the fiscal year ended August 31, 2008 compared to a net increase in fiduciary net assets totaling \$1,005.3 million for the fiscal year ended August 31, 2007.

The following summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	2008	2007	2006
Investment Income (Loss)	\$ (183.2)	\$ 928.5	\$ 593.3
Less Investment Expenses	(18.9)	(38.1)	(38.2)
Net Investment Income (Loss)	(202.1)	890.4	555.1
Participant Contributions	358.6	360.7	273.9
Total Additions	156.5	1,251.1	829.0
Participant Withdrawals	279.2	245.8	328.0
Total Deductions	279.2	245.8	328.0
Change in Fiduciary Net Assets	(122.7)	1,005.3	501.0
Net Assets Held in Trust, Beginning of Year	6,433.1	5,427.8	4,926.8
Net Assets Held in Trust, End of Year	\$ 6,310.4	\$ 6,433.1	\$ 5,427.8

Subsequent to August 31, 2008, the U.S. and international financial markets experienced significant volatility. This resulted in substantial declines in equity, fixed income and commodities markets in which the Fund invests directly, and indirectly, through its investments in various hedge funds, private investments and public markets. The financial results of the Fund are impacted by market volatility and, therefore, the Fund was negatively impacted as a result of these market conditions.

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 Fiduciary Net Assets

August 31, 2008 and 2007

(Dollars in thousands, except per unit amounts)

Assets	2008	2007
Investments, at Fair Value:		
Equity Securities	\$ 659,536	\$ 843,586
Preferred Stock	2,624	2,795
Purchased Options	1,819	6,002
Debt Securities	711,451	855,674
Convertible Securities	80	2,509
Investment Funds	4,634,715	4,019,358
Cash and Cash Equivalents	469,277	890,712
Total Investments	<u>6,479,502</u>	<u>6,620,636</u>
Collateral for Securities Loaned, at Fair Value	305,734	388,332
Deposit with Brokers for Derivative Contracts	34,690	43,748
Swaps, at Fair Value	72,104	75,210
Unrealized Gains on Foreign Currency Exchange Contracts	2,884	10,343
Receivables:		
Investment Securities Sold	48,592	169,020
Accrued Income	9,813	12,770
Other	-	7,194
Total Receivables	<u>58,405</u>	<u>188,984</u>
Total Assets	<u>6,953,319</u>	<u>7,327,253</u>
Liabilities		
Payable to Participants	4,253	4,155
Payable Upon Return of Securities Loaned	305,734	388,332
Written Options, at Fair Value	2,529	3,952
Swaps, at Fair Value	79,463	68,837
Securities Sold Short, at Fair Value	-	10,713
Unrealized Losses on Foreign Currency Exchange Contracts	7,801	4,796
Payables:		
Investment Securities Purchased	233,944	402,976
Other	9,219	10,421
Total Payables	<u>243,163</u>	<u>413,397</u>
Total Liabilities	<u>642,943</u>	<u>894,182</u>
Net Assets Held in Trust	<u>\$ 6,310,376</u>	<u>\$ 6,433,071</u>
Number of Units:		
Permanent Health Fund (PHF)	5,883,848	6,118,081
The University of Texas System Long Term Fund (LTF)	<u>30,326,861</u>	<u>29,669,785</u>
Total	<u>36,210,709</u>	<u>35,787,866</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 174.268</u>	<u>\$ 179.756</u>

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

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Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2008 and 2007

(in thousands)

	<u>2008</u>	<u>2007</u>
Additions		
Investment Income:		
Net Increase (Decrease) in Investments	\$ (302,581)	\$ 777,235
Interest	61,844	79,014
Dividends	35,291	25,394
Income Distributions from Private Market Investment Funds	8,912	18,178
Securities Lending Income	11,520	27,444
Other	1,853	1,267
Total Investment Income (Loss)	<u>(183,161)</u>	<u>928,532</u>
Less Investment Expenses:		
Securities Lending Fees	9,486	26,333
Investment Management	7,439	9,935
Custodial Fees and Expenses	750	709
Legal Fees	453	284
Analytical and Risk Measurement Fees	259	304
Accounting Fees	251	109
Consulting Fees	224	400
Other Expenses	14	6
Total Investment Expenses	<u>18,876</u>	<u>38,080</u>
Net Investment Income (Loss)	(202,037)	890,452
Participant Contributions	358,587	360,686
Total Additions	<u>156,550</u>	<u>1,251,138</u>
Deductions		
Participant Withdrawals	279,245	245,822
Change in Fiduciary Net Assets	(122,695)	1,005,316
Net Assets Held in Trust, Beginning of Period	6,433,071	5,427,755
Net Assets Held in Trust, End of Period	<u>\$ 6,310,376</u>	<u>\$ 6,433,071</u>

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

Note 1 – Organization and Basis of Presentation

The University of Texas System General Endowment Fund (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 (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 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.

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 Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and 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 Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB).

The annual combined financial statements of UT System are prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Significant Accounting Policies

(A) **Security Valuation** -- Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the Fund are valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is 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).

Private investment funds and certain other equity securities are fair valued by management. The fair values of these investments are estimated by management using the partnership's capital account balance at the closest available reporting period, as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the last available reporting period as well as consideration of any other information which has been provided by the partnership or other source. In rare cases the private market funds are valued at cost, but only when management determines that it is the best approximation of value.

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Notes to Financial Statements (cont.)

Securities held by the Fund in index funds and exchange traded funds are generally valued as follows:

Long and short stock positions traded on security exchanges are valued at closing market prices on the valuation date.

Long and short stock positions traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.

Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Investments in registered U.S. mutual funds are being valued at their respective net asset value per share amounts.

Hedge funds, developed country equity, emerging market equity and fixed income investment funds and certain other investment funds are fair valued by management based on net asset value information provided by the investment manager as well as other relevant factors as indicated above.

(B) **Foreign Currency Translation** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities are 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 fiduciary net assets resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net increase in investments.

(C) **Investment Income** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2008 and 2007, interest and dividend withholding in the amounts of \$579,802 and \$454,363 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Interest expense amounts paid on certain derivative settlements are netted against interest income in the statements of changes in fiduciary net assets. Premiums and discounts on bonds are not amortized.

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

(E) **Distributions to Participants** -- 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 purchased.

(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 assets by the number of units outstanding on the valuation date.

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Notes to Financial Statements (cont.)

(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 market value of net assets held as of the quarterly valuation date. Redemptions from the Fund will also be made at the market value price per unit at the quarterly valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

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

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

(J) ***Derivative Instruments*** -- Derivative securities are financial instruments whose 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 UT Board approved derivative investment policy guidelines, and by guidelines established in contracts with external investment managers. Futures contracts are valued at closing market prices on valuation date. Written options and swaps are valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Derivative instruments included under these policies and contracts include futures, forwards, swaps and all forms of options. 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 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 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 hedge its risk or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market.

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. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining

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Notes to Financial Statements (cont.)

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. Options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net assets.

Swaps – The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity or equity sector returns. 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 fiduciary net assets. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities 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 valued at the close of business each day, and a gain or loss is recorded between the 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 carrying and fair value of the futures contracts, and is included as an other receivable or other payable on the statements of fiduciary net assets. 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 Currency Contracts -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency 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 forward foreign currency 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 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 fiduciary net assets. Realized and unrealized gains and losses are included in the statements of changes in fiduciary net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

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Notes to Financial Statements (cont.)

(K) **Securities Sold Short** -- The Fund may sell securities it does not own in anticipation of a decline in the fair value of that security, or as a means to adjust the duration of certain fixed income portfolios. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale and provide collateral for its obligation to deliver the security upon conclusion of the sale. As of August 31, 2008, the Fund had no securities sold short. The market value of securities sold short as of August 31, 2007 was \$10,713,490. The securities sold short as of August 31, 2007 were commitments to sell U.S. Treasury securities that did not require cash deposits. The Fund must pay dividends or interest on the securities sold short. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the market value reflected in the statement of fiduciary net assets.

(L) **Cash and Cash Equivalents** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of derivative positions held (see Note 8). 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 statement of fiduciary net assets.

(M) **Recently Issued Accounting Standards** -- In June 2008, the GASB issued GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB No. 53 is intended to improve the reporting information about derivative instruments in financial statements. This statement specifically requires that most derivative instruments be measured at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting, and is effective for periods beginning after June 15, 2009. Management is currently assessing the impact of the implementation of GASB No. 53 on the Fund's financial statements.

(N) **Reclassifications** -- Certain items in the 2007 financial statements and related notes have been reclassified to conform with the 2008 classification.

Note 3 – 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 4.

(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.

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Notes to Financial Statements (cont.)

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). During the year, the Fund's investment policy was amended to remove requirements and limitations regarding investment ratings. The amendments became effective March 1, 2008. Prior to the amendments, the policy limited investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that were rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or BBB- or better, by Fitch Investors Service at the time of acquisition. This requirement did not apply to investment managers that were authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. 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, 2008 and 2007:

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Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2008	2007	
Investments, at Fair Value:			
U.S. Government Guaranteed	\$ 161,289,408	\$ 293,690,141	Exempt from Disclosure
U.S. Government Non-Guaranteed:			
U.S. Agency	-	13,761,526	AAA
U.S. Agency Asset Backed	150,350,051	308,889,544	AAA
Total U.S. Government Non-Guaranteed	150,350,051	322,651,070	
Total U.S. Government	311,639,459	616,341,211	
Corporate Obligations:			
Domestic	61,464,771	45,448,307	AAA
Domestic	26,403,529	15,785,416	AA
Domestic	59,214,437	20,633,081	A
Domestic	31,174,237	17,604,096	BAA/BBB
Domestic	1,062,029	4,779,037	BA/BB
Domestic	1,829,306	2,344,006	B
Domestic	-	568,800	CAA
Domestic	298,770	300,873	CCC
Domestic	616,590	146,990	P
Commercial Paper	8,935,861	32,599,788	P
Commercial Paper	-	1,898,027	A
Certificates of Deposit	-	6,600,975	AA
Certificates of Deposit	2,100,000	-	A
Foreign	20,863,344	7,859,082	AAA
Foreign	14,634,219	6,069,177	AA
Foreign	13,479,662	8,405,119	A
Foreign	12,048,907	7,892,247	BAA/BBB
Foreign	431,895	-	No Rating
Total Corporate Obligations	254,557,557	178,935,021	
Foreign Government and Provincial Obligations	66,502,986	38,659,181	AAA
Foreign Government and Provincial Obligations	30,179,870	1,781,385	AA
Foreign Government and Provincial Obligations	28,533,668	13,901,179	A
Foreign Government and Provincial Obligations	6,231,493	1,788,247	BAA/BBB
Foreign Government and Provincial Obligations	6,366,721	1,457,875	BA/BB
Total Foreign Government and Provincial Obligations	137,814,738	57,587,867	
Other Debt Securities	597,604	1,307,088	AAA
Other Debt Securities	1,419,537	969,752	AA
Other Debt Securities	1,102,396	-	A
Other Debt Securities	1,767,818	533,193	BAA/BBB
Other Debt Securities	2,551,754	-	No Rating
Total Other Debt Securities	7,439,109	2,810,033	
Total Debt Securities	\$ 711,450,863	\$ 855,674,132	
Other Investment Funds - Debt	\$ -	\$ 16,647,313	AAA
Other Investment Funds - Debt	107,308,358	21,479,212	AA
Other Investment Funds - Debt	-	53,607,764	A
Other Investment Funds - Debt	7,413,633	4,799,797	BA/BB
Other Investment Funds - Debt	815,385	3,112,689	B
Total Other Investment Funds - Debt	\$ 115,537,376	\$ 99,646,775	
Cash and Cash Equivalents - Money Market Funds	\$ 469,277,233	\$ 890,712,383	AAA
Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ 19,976,605	\$ 42,347,339	Exempt from Disclosure
Cash	14,713,081	1,400,987	Exempt from Disclosure
	\$ 34,689,686	\$ 43,748,326	

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of domestic fixed income securities may be invested in corporate or municipal bonds of a single issuer. The Fund does not hold any direct investments in any one issuer that is 5% percent or more of the market value of the Fund's domestic 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 value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2008 and 2007, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration by investment type at August 31, 2008 and 2007:

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

Notes to Financial Statements (cont.)

Investment Type	August 31,			
	2008		2007	
	Value	Modified Duration	Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 26,305,759	5.35	\$ 68,222,685	7.34
U.S. Treasury Strips	2,888,576	3.00	2,818,474	3.98
U.S. Treasury Bills	3,339,500	0.05	5,954,134	0.06
U.S. Treasury Inflation Protected	105,005,846	8.82	214,856,449	8.63
U.S. Agency Asset Backed	23,749,727	3.85	1,838,399	5.56
Total U.S. Government Guaranteed	<u>161,289,408</u>	7.24	<u>293,690,141</u>	8.10
U.S. Government Non-Guaranteed:				
U.S. Agency	-	-	12,363,412	2.18
U.S. Agency Asset Backed	150,350,051	5.92	308,889,544	4.93
U.S. Agency Commercial Paper	-	-	1,398,114	0.02
Total U.S. Government Non-Guaranteed	<u>150,350,051</u>	5.92	<u>322,651,070</u>	4.80
Total U.S. Government	<u>311,639,459</u>	6.60	<u>616,341,211</u>	6.37
Corporate Obligations:				
Domestic	182,063,669	5.14	107,610,606	4.10
Commercial Paper	8,935,861	0.11	34,497,815	0.18
Certificates of Deposit	2,100,000	0.70	6,600,975	1.16
Foreign	61,458,027	5.03	30,225,625	5.87
Total Corporate Obligations	<u>254,557,557</u>	4.90	<u>178,935,021</u>	3.54
Foreign Government and Provincial Obligations	<u>137,814,738</u>	7.36	<u>57,587,867</u>	5.48
Other Debt Securities	<u>7,439,109</u>	6.95	<u>2,810,033</u>	11.67
Total Debt Securities	<u>711,450,863</u>	6.14	<u>855,674,132</u>	5.74
Other Investment Funds - Debt	<u>115,537,376</u>	5.70	<u>99,646,775</u>	3.58
Cash and Cash Equivalents:				
Money Market Funds	<u>469,277,233</u>	0.08	<u>890,712,383</u>	0.08
Total	<u>\$ 1,296,265,472</u>	3.91	<u>\$ 1,846,033,290</u>	2.89
Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 19,976,605	0.14	\$ 42,347,339	0.15
Cash	<u>14,713,081</u>	-	<u>1,400,987</u>	-
Total Deposit with Brokers for Derivative Contracts	<u>\$ 34,689,686</u>	0.08	<u>\$ 43,748,326</u>	0.15

(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, 2008 and 2007 the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$95,353,913 and \$77,506,494 as of August 31, 2008 and 2007, respectively.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$128,960,813 and \$265,196,128 as of August 31, 2008 and 2007, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$17,065,875 and \$13,355,602, as of August 31, 2008 and 2007, respectively.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. These securities amounted to \$110,217 and \$2,462,846 as of August 31, 2008 and 2007, 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. The Fund's investment policy statement was amended during the year to remove limitations on investments in non-U.S. denominated bonds. The amendments became effective March 1, 2008. Prior to the amendment, the policy limited investments in non-U.S. denominated bonds to 50% of the Fund's total fixed income exposure. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2008 and 2007:

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2008	2007
Domestic Common Stock:		
UK Pound	\$ 48,927	\$ -
Foreign Common Stock:		
Australian Dollar	10,761,574	10,549,627
Canadian Dollar	30,572,363	35,183,485
Swiss Franc	2,919,270	5,672,796
Danish Krone	826,837	1,516,763
Euro	35,549,065	27,052,933
UK Pound	41,533,569	34,016,913
Hong Kong Dollar	26,390,679	10,198,100
Japanese Yen	61,464,294	109,613,776
Norwegian Kroner	4,353,599	6,799,750
Philippine Peso	605,034	-
Swedish Krona	3,213,927	5,152,580
Singapore Dollar	7,726,896	2,085,425
Thai Baht	936,648	-
Total Foreign Common Stock	226,853,755	247,842,148
Other - Equity Securities		
Canadian Dollar	36	-
Foreign Government and Provincial Obligations:		
Australian Dollar	7,440,687	-
Brazilian Real	4,140,928	-
Canadian Dollar	7,909,176	120,883
Danish Krone	-	514,816
Euro	42,301,127	46,833,527
Indian Rupee	2,225,793	-
Japanese Yen	29,665,051	3,025,707
Malaysian Ringgit	6,244,390	-
Mexican Peso	4,752,392	-
New Zealand Dollar	3,899,147	347,060
Polish Zloty	7,384,746	1,979,365
UK Pound	11,428,978	525,139
Singapore Dollar	1,984,356	-
South African Rand	4,039,131	-
Swedish Krona	2,404,915	-
Total Foreign Government and Provincial Obligations	135,820,817	53,346,497
Corporate Obligations:		
Australian Dollar	3,492,455	-
Canadian Dollar	2,157,687	947,730
Danish Krone	3,160,123	1,382,688
Euro	23,766,801	12,116,015
Hong Kong Dollar	431,895	-
Icelandic Krona	1,824,375	-
UK Pound	505,106	1,200,984
Japanese Yen	2,647,229	3,541,859
Total Corporate Obligations	37,985,671	19,189,276
Other Debt Securities:		
Hong Kong Dollar	1,238,782	-
Purchased Options:		
Euro	51,102	164,555
UK Pound	-	16,210
Total Purchased Options	51,102	180,765
Private Investment Funds:		
Euro	130,667,766	93,517,523
UK Pound	948,017	861,540
Total Private Investment Funds	131,615,783	94,379,063
Cash and Cash Equivalents:		
Australian Dollar	284,647	115,910
Canadian Dollar	674,847	1,053,026
Swiss Franc	161,127	226,168
Danish Krone	150,807	74,142
Euro	899,697	3,428,370
UK Pound	514,283	1,335,948
Hong Kong Dollar	364,219	10,425
Japanese Yen	671,913	3,967,104
Mexican Peso	4,026	7,274
Norwegian Kroner	7,499	173,377
New Zealand Dollar	52,103	73,645
Polish Zloty	129	98,973
Swedish Krona	1,969	94,700
Singapore Dollar	85,975	94,852
Taiwan Dollar	346	331
Total Cash and Cash Equivalents	3,873,587	10,754,245
Total	\$ 537,488,460	\$ 425,691,994

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 4 – 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 and related expenses are included in investment expenses. 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 value of securities loaned and the value of collateral held are as follows at August 31, 2008 and 2007:

Securities on Loan	2008 Value	2007 Value	Type of Collateral	2008 Value of Collateral	2007 Value of Collateral
U.S. Government	\$ 73,819,196	\$204,686,201	Cash	\$ 75,506,964	\$206,900,816
Foreign Government	3,691,710	-	Cash	3,914,112	-
Corporate Bonds	63,578	6,170,878	Cash	64,800	6,345,150
Common Stock	217,451,984	168,137,279	Cash	226,248,264	175,086,296
Total	\$295,026,468	\$378,994,358	Total	\$305,734,140	\$388,332,262
U.S. Government	\$ 1,831,569	\$ 35,790,886	Non-Cash	\$ 1,903,522	\$ 36,404,134
Corporate Bonds	-	112,057	Non-Cash	-	113,847
Common Stock	475,747	11,799,895	Non-Cash	494,436	11,988,363
Total	\$ 2,307,316	\$ 47,702,838	Total	\$ 2,397,958	\$ 48,506,344

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 Permanent University Fund (PUF), the 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 would come from the Fund and the securities lending agent in the same proportion as the split of income.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2008 and 2007, is shown in the following table:

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

Description	August 31,					
	2008			2007		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 138,766,254	No Rating	2	\$ 126,304,960	No Rating	4
Commercial Paper	128,950,575	P	23	106,496,409	P	38
Floating Rate Notes	7,767,105	AAA		27,966,004	AAA	
Floating Rate Notes	23,222,107	AA		79,532,593	AA	
Total Floating Rate Notes	<u>30,989,212</u>		9	<u>107,498,597</u>		13
Fixed Rate Notes	2,577,922	AAA	13	1,238,147	AAA	105
Certificates of Deposit	6,957,696	P	36	-	-	-
Asset Backed Securities	-	-	-	47,449,013	AAA	-
Asset Backed Securities	-	-	-	495,821	P	-
Total Asset Backed Securities	<u>-</u>		-	<u>47,944,834</u>		32
Other Receivables/Payables	(2,507,519)	Not Rated	-	(1,150,685)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 305,734,140</u>		13	<u>\$ 388,332,262</u>		20

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 fiduciary net assets. 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, 2008 and 2007, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2008 and 2007.

Note 5 – Investment Funds

Investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds at August 31, 2008 and 2007 is summarized in the following table as they are classified within the asset mix of the Fund.

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

	August 31,	
	2008	2007
Hedge Funds:		
Developed Country	\$ 1,377,080,445	\$ 1,286,000,336
Emerging Markets Equity	295,184,756	243,532,033
Credit Related Fixed Income	178,728,603	131,669,096
Investment Grade Fixed Income	126,401,312	122,339,587
Natural Resources	64,282,383	48,689,553
Real Estate	15,886,525	-
Total Hedge Funds	<u>2,057,564,024</u>	<u>1,832,230,605</u>
Private Investments:		
Developed Country	690,184,555	618,844,306
Credit Related Fixed Income	312,775,328	105,539,556
Natural Resources	91,537,025	61,517,210
Emerging Markets Equity	71,054,204	10,736,967
Real Estate	25,741,968	-
Total Private Investments	<u>1,191,293,080</u>	<u>796,638,039</u>
Public Markets:		
Developed Country Equity:		
Private Placements	435,017,795	717,866,626
Index Funds	70,377,632	79,393,986
Exchange Traded Funds	84,453,253	-
Total Developed Country Equity	<u>589,848,680</u>	<u>797,260,612</u>
Emerging Markets:		
Private Placements	443,716,535	339,081,574
Exchange Traded Funds	-	10,753,317
Publicly Traded Mutual Funds	-	51,600,533
Index Funds	165,156,737	92,146,236
Total Emerging Markets	<u>608,873,272</u>	<u>493,581,660</u>
Real Estate:		
Index Funds	41,951,857	-
Exchange Traded Funds	29,646,548	-
Total Real Estate	<u>71,598,405</u>	<u>-</u>
Fixed Income:		
Private Placements	-	53,607,764
Publicly Traded Mutual Funds	8,229,018	46,039,011
Index Funds	107,308,358	-
Total Fixed Income	<u>115,537,376</u>	<u>99,646,775</u>
Total Investment Funds	<u>\$ 4,634,714,837</u>	<u>\$ 4,019,357,691</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 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 placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, 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 pool has committed \$303,188,933

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

of future funding to various hedge fund investments as of August 31, 2008 of which the Fund's pro-rata portion is \$93,509,074.

Certain of the hedge fund pools' investments are held through limited liability companies (LLCs), of which UTIMCO is the sole managing member. These investments are managed by an external investment manager under a management agreement between the LLC and the external manager. The external manager employs a strategy utilizing leveraged commodity futures and options. As of August 31, 2008, the Fund's pro-rata share of these investments included \$15,431,368 of cash and cash equivalents, options on commodity futures with a fair value of \$6,766, net of liabilities for margin in the amount of \$380,472 related to the outstanding futures contracts.

Effective January 1, 2008, the Fund's private investments were combined with those of the PUF in investment pools created in the name of the UT Board, and are now held through unit interests in those pools. Upon creation of the pools, the Fund and PUF received units in exchange for the fair value of their respective private investments as of the date of the formation of the pool. Amounts presented in the Fund financial statements and related note disclosures for the period ending August 31, 2008, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are 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 may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. The private investment pool has committed \$2,909,326,821 of future funding to various private investments as of August 31, 2008 of which the Fund's pro-rata portion is \$1,043,948,555.

Public market funds are invested in exchange traded funds, index funds, and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the Fund. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. 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.

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

- *Non-regulation risk* -- Some of the Fund's general partners and investment managers are not registered with the Securities and Exchange Commission or other domestic or international regulators, and therefore are not subject to regulatory controls.
- *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.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

Note 6 – Written Options

During the year, the Fund wrote call options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures. Transactions in call options written during the year ended August 31, 2008 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2007	273,640	\$ 2,028,667
Options Written	114,492	4,465,333
Options Expired	(301,877)	(1,177,061)
Options terminated in closing purchase transactions	(68,150)	(2,499,309)
Call Options Outstanding at August 31, 2008	<u>18,105</u>	<u>\$ 2,817,630</u>

As of August 31, 2008, an amount of \$2,428,630 is included on the statements of fiduciary net assets as options written, at fair value. The Fund recognized losses of \$5,310,238 on call options written for the year ended August 31, 2008.

During the year ended August 31, 2007, the Fund wrote call options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures. Transactions in call options written during the year ended August 31, 2007 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2006	1,687,373	\$ 3,537,131
Options Written	155,376	3,115,331
Options Expired	(56,806)	(553,311)
Options Exercised	(22,431)	(956,479)
Options terminated in closing purchase transactions	(1,489,872)	(3,114,005)
Call Options Outstanding at August 31, 2007	<u>273,640</u>	<u>\$ 2,028,667</u>

As of August 31, 2007, an amount of \$3,118,754 is included on the statements of fiduciary net assets as options written, at fair value. The Fund recognized losses in the amount of \$30,569,949 on call options written for the year ended August 31, 2007.

During the year ended August 31, 2008, the Fund wrote put options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures. Transactions in put options written during the year ended August 31, 2008, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2007	135,449	\$ 64,274
Options Written	136,448	2,910,248
Options Expired	(219,109)	(1,009,454)
Options terminated in closing purchase transactions	(39,754)	(1,602,608)
Put Options Outstanding at August 31, 2008	<u>13,034</u>	<u>\$ 362,460</u>

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

Notes to Financial Statements (cont.)

As of August 31, 2008, an amount of \$100,234 is included on the statements of fiduciary net assets as written options at fair value. The Fund recognized gains in the amount of \$1,579,448 on put options written for the year ended August 31, 2008.

The Fund also wrote put options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures during the year ended August 31, 2007. Transactions in put options written during the year ended August 31, 2007, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2006	1,610,785	\$ 2,039,264
Options Written	3,408,488	1,836,643
Options Expired	(3,069,376)	(880,140)
Options terminated in closing purchase transactions	(1,814,448)	(2,931,493)
Put Options Outstanding at August 31, 2007	<u>135,449</u>	<u>\$ 64,274</u>

As of August 31, 2007, an amount of \$833,743 is included on the statements of fiduciary net assets as written options at fair value. The Fund recognized losses in the amount of \$7,882,561 on put options written for the year ended August 31, 2007.

Note 7 – Swaps

During the fiscal year ended August 31, 2008, the Fund entered into interest rate, credit default and commodity swap contracts. The following discloses the notional amount (presented in local currency), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2008:

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

Notes to Financial Statements (cont.)

Interest Rate	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Australian Dollar					
	6.403%	9,600,000	6/15/2010	\$ -	\$ 168,586
	6.421%	8,800,000	6/15/2015	315,834	-
	6.540%	2,200,000	1/15/2010	-	18,610
	7.254%	2,100,000	6/15/2013	32,108	-
	7.400%	4,600,000	9/15/2009	4,724	-
	7.403%	17,900,000	6/15/2010	-	26,093
	7.540%	19,200,000	3/15/2010	128,562	-
	7.540%	1,500,000	3/15/2012	28,188	-
	7.754%	5,800,000	6/15/2010	49,910	-
UK Pound					
	3.550%	7,400,000	12/17/2037	-	67,405
	4.254%	200,000	6/12/2036	14,964	-
	4.496%	800,000	12/15/2035	10,091	-
	4.542%	19,600,000	9/15/2017	96,488	-
	5.322%	1,100,000	9/14/2009	10,588	-
	5.399%	5,400,000	6/15/2009	61,108	-
	5.404%	700,000	9/15/2010	-	14,021
	5.415%	600,000	9/17/2013	-	11,984
	5.422%	7,500,000	9/15/2015	-	185,044
	5.508%	200,000	3/18/2039	36,340	-
	5.543%	1,000,000	9/17/2018	-	65,370
	5.550%	200,000	12/15/2036	-	57,423
Canadian Dollar					
	4.254%	4,700,000	12/20/2013	-	143,334
	4.540%	900,000	9/20/2011	-	33,503
	5.421%	700,000	6/15/2015	54,664	-
Euro					
	3.754%	15,200,000	6/18/2013	-	958,151
	4.400%	12,400,000	9/19/2009	-	316,010
	4.408%	2,500,000	12/15/2011	-	112,411
	4.411%	100,000	9/19/2012	-	4,973
	4.415%	12,400,000	9/17/2013	-	543,821
	4.435%	3,000,000	6/18/2015	130,958	-
	4.541%	12,100,000	3/18/2014	-	77,622
	4.542%	4,800,000	3/18/2016	40,590	-
	5.404%	2,500,000	9/17/2010	9,634	-
	5.506%	1,300,000	9/17/2038	-	98,434
	5.508%	3,900,000	3/18/2039	-	309,928
	6.482%	1,200,000	3/15/2032	149,277	-
	6.491%	2,200,000	6/18/2034	-	397,813
Japanese Yen					
	0.923% (A)	7,434,000,000	9/10/2009	68,640,917	-
	1.340%	1,020,000,000	12/17/2010	-	44,112
	1.541%	3,740,000,000	6/17/2013	358,334	-
	1.984%	500,000,000	9/27/2016	-	189,848
	2.430%	1,290,000,000	12/17/2017	-	382,685
	2.549%	30,000,000	6/20/2036	-	9,217
	3.498%	220,000,000	6/20/2036	-	282,971
U.S. Dollar					
	2.696% (A)	63,000,000	9/10/2009	-	63,377,388
	4.401%	9,600,000	12/17/2009	81,516	-
	4.403%	19,200,000	6/17/2010	96,478	-
	4.405%	17,600,000	12/17/2010	-	164,326
	4.416%	13,200,000	12/17/2013	-	85,684
	5.423%	4,900,000	12/17/2015	-	186,111
	5.434%	44,400,000	12/17/2018	-	1,557,863
	5.452%	6,200,000	12/17/2023	166,700	-
	5.471%	700,000	12/17/2028	-	15,836
	5.507%	14,900,000	12/17/2038	-	336,300
	5.539%	1,000,000	5/21/2009	21,360	-

(A) These items represent a single swap and, therefore, could not be settled independently.

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Notes to Financial Statements (cont.)

	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Interest Rate (Continued)					
Mexican Peso					
	8.334%	1,700,000	2/14/2017	\$ -	\$ 5,170
Brazilian Real					
	12.414%	1,000,000	1/4/2010	-	8,557
	12.544%	1,600,000	1/2/2012	-	21,460
				<u>70,539,333</u>	<u>70,278,064</u>
Commodity					
U.S. Dollar					
	DJAIG	46,734,104	10/5/2008	-	1,358,901
	DJAIG	14,624,202	10/28/2008	-	1,072,899
	DJAIG	39,562,585	11/26/2008	-	789,397
	DJAIG	18,562,287	1/5/2009	-	688,112
				<u>-</u>	<u>3,909,309</u>
Credit Default					
Euro					
	0.454%	1,200,000	9/20/2012	44,835	-
	0.464%	900,000	9/20/2012	24,558	-
	0.474%	1,500,000	9/20/2012	112,298	-
	0.494%	900,000	9/20/2012	14,842	-
	0.741%	1,800,000	12/20/2012	75,414	-
	0.854%	1,800,000	12/20/2016	119,501	-
	1.484%	300,000	3/20/2013	5,316	-
	1.654%	500,000	3/20/2013	12,827	-
	1.754%	3,200,000	6/20/2018	-	270,049
	2.941%	200,000	6/20/2013	-	17,119
U.S. Dollar					
	0.054%	200,000	9/20/2009	107	-
	0.073%	1,000,000	9/20/2008	22	-
	0.085%	2,300,000	12/13/2049	-	31,208
	0.115%	300,000	5/25/2046	-	98,965
	0.144%	200,000	3/20/2011	354	-
	0.164%	200,000	3/20/2011	808	-
	0.164%	300,000	12/20/2011	3,862	-
	0.164%	400,000	6/20/2012	44,038	-
	0.165%	200,000	12/20/2013	23,609	-
	0.174%	500,000	6/20/2010	82,019	-
	0.184%	200,000	3/20/2012	1,106	-
	0.214%	200,000	6/20/2011	5,425	-
	0.214%	200,000	12/20/2016	3,696	-
	0.224%	200,000	9/20/2009	63	-
	0.234%	200,000	3/20/2012	7,208	-
	0.239%	200,000	6/20/2009	1,175	-
	0.244%	200,000	3/20/2011	4,135	-
	0.294%	200,000	6/20/2011	3,666	-
	0.344%	200,000	12/20/2016	22,213	-
	0.354%	200,000	9/20/2011	846	-
	0.354%	200,000	6/20/2012	8,724	-
	0.394%	200,000	6/20/2010	1,065	-
	0.395%	200,000	9/20/2011	26,790	-
	0.435%	1,100,000	3/20/2013	4,296	-
	0.455%	200,000	6/20/2012	-	794
	0.465%	6,400,000	3/20/2013	33,453	-
	0.474%	100,000	6/20/2011	2,527	-
	0.474%	1,000,000	3/20/2013	5,447	-
	0.493%	700,000	2/20/2009	-	457
	0.514%	200,000	6/20/2011	5,146	-
	0.514%	1,000,000	6/20/2018	26,086	-
	0.524%	100,000	6/20/2012	-	642
	0.553%	1,300,000	12/20/2008	2,401	-
	0.594%	1,000,000	9/20/2014	2,281	-

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Notes to Financial Statements (cont.)

	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2008	
				Assets	Liabilities
Credit Default (Continued)					
U.S. Dollar (Continued)					
	0.594%	1,000,000	9/20/2016	\$ 2,418	\$ -
	0.641%	6,500,000	12/20/2012	219,595	-
	0.664%	100,000	9/20/2012	-	9,497
	0.684%	300,000	12/20/2012	7,759	-
	0.708%	500,000	12/20/2012	5,743	-
	0.724%	100,000	9/20/2012	-	1,260
	0.724%	2,900,000	12/20/2012	34,840	-
	0.741%	100,000	9/20/2012	-	9,357
	0.754%	1,000,000	9/20/2017	-	28,629
	0.758%	500,000	12/20/2012	6,799	-
	0.774%	200,000	3/20/2012	-	1,741
	0.815%	1,800,000	3/20/2018	-	18,692
	0.843%	1,100,000	12/20/2017	45,907	-
	0.844%	100,000	6/20/2012	-	2,066
	0.844%	500,000	6/20/2013	12,858	-
	0.944%	1,000,000	6/20/2018	52,733	-
	0.974%	200,000	9/20/2013	-	538
	0.984%	500,000	6/20/2013	-	389
	1.044%	1,000,000	6/20/2013	15,762	-
	1.054%	800,000	3/20/2013	-	8,580
	1.124%	1,000,000	6/20/2017	69,696	-
	1.135%	500,000	9/20/2013	13,184	-
	1.144%	1,000,000	9/20/2018	68,868	-
	1.164%	2,000,000	3/20/2013	16,152	-
	1.184%	600,000	9/20/2013	556	-
	1.254%	1,000,000	3/20/2013	-	19,410
	1.294%	200,000	6/20/2011	1,807	-
	1.323%	400,000	12/20/2008	1,076	-
	1.333%	500,000	12/20/2008	1,371	-
	1.374%	600,000	6/20/2013	-	5,073
	1.384%	1,000,000	3/20/2017	-	28,806
	1.415%	500,000	9/20/2013	-	593
	1.454%	1,000,000	6/20/2013	7,370	-
	1.474%	500,000	12/20/2016	4,560	-
	1.540%	1,000,000	6/20/2010	-	29,848
	1.543%	2,700,000	6/20/2018	-	37,271
	1.544%	100,000	6/20/2018	-	2,280
	1.554%	6,400,000	6/20/2013	-	54,062
	1.664%	1,500,000	3/20/2018	22,482	-
	1.683%	500,000	4/20/2009	4,246	-
	1.713%	200,000	4/20/2009	1,732	-
	1.784%	100,000	12/20/2012	-	2,973
	1.839%	400,000	12/20/2008	336	-
	1.854%	300,000	9/20/2018	5,254	-
	1.913%	100,000	4/20/2009	1,172	-
	1.924%	1,000,000	3/20/2017	60,414	-
	2.084%	1,000,000	6/20/2018	13,530	-
	2.141%	75,000	9/20/2013	-	1,596
	2.754%	1,089,000	6/20/2012	102,628	-
	2.934%	300,000	6/20/2015	-	5,596
	3.053%	200,000	3/20/2009	-	2,426
	3.054%	100,000	9/20/2012	-	35,470
	3.153%	500,000	6/20/2009	-	9,634
	3.239%	400,000	12/20/2008	-	1,403
	3.841%	100,000	9/20/2012	-	25,439
	4.854%	100,000	9/20/2012	31,387	-
	5.239%	400,000	9/20/2008	-	3,087
	5.441%	200,000	9/20/2012	-	60,279
	5.454%	200,000	9/20/2012	-	60,052
	7.411%	100,000	9/20/2012	-	26,511
				<u>1,564,394</u>	<u>911,792</u>

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

	<u>Coupon</u>	<u>Notional Value</u>	<u>Maturity Date</u>	<u>Fair Value at August 31, 2008</u>	
				<u>Assets</u>	<u>Liabilities</u>
Inflation					
UK Pound					
	3.180%	400,000	12/19/2017	\$ -	\$ 41,419
	3.250%	300,000	12/14/2017	-	26,580
	3.440%	100,000	9/10/2027	-	16,639
Euro					
	1.940%	200,000	3/15/2012	-	7,893
	1.950%	100,000	3/30/2012	-	4,128
	1.950%	700,000	3/28/2012	-	28,479
	1.960%	100,000	4/5/2012	-	4,175
	1.980%	600,000	4/30/2012	-	25,431
	2.020%	400,000	10/15/2011	-	8,953
	2.080%	1,300,000	6/15/2012	-	48,162
	2.090%	900,000	10/15/2011	-	15,744
	2.100%	1,000,000	10/15/2010	-	8,963
	2.140%	200,000	10/15/2010	-	1,155
	2.270%	200,000	10/15/2016	-	3,164
	2.350%	200,000	10/15/2016	-	3,027
	2.350%	200,000	10/15/2016	-	3,164
				<u>-</u>	<u>247,076</u>
Equity					
U.S. Dollar					
	Developed	30,761,503	1/15/2009	-	905,499
	Developed	30,528,579	3/16/2009	-	3,211,436
				<u>-</u>	<u>4,116,935</u>
Total				\$ 72,103,727	\$ 79,463,176

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Notes to Financial Statements (cont.)

The following discloses the notional amount (presented in local currency), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2007:

Interest Rate	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2007	
				Assets	Liabilities
Australian Dollar					
	6.000%	15,100,000	6/15/2010	\$ -	\$ 275,785
	6.000%	9,100,000	6/15/2015	319,528	-
	6.500%	10,760,000	1/15/2009	-	26,015
	6.500%	2,200,000	1/15/2010	-	12,448
	6.750%	200,000	12/15/2017	-	1,301
	7.000%	1,400,000	12/15/2009	981	-
	7.000%	23,700,000	6/15/2010	34,033	-
UK Pound					
	3.500%	7,400,000	12/17/2037	66,477	-
	4.000%	5,000,000	12/15/2035	384,259	-
	4.250%	200,000	6/12/2036	45,935	-
	4.500%	19,600,000	9/15/2017	252,878	-
	5.000%	1,000,000	6/15/2008	-	22,221
	5.000%	2,900,000	6/15/2009	115,037	-
	5.000%	11,500,000	9/15/2010	-	742,090
	5.000%	7,700,000	9/15/2015	-	749,071
	5.000%	300,000	3/20/2018	91,951	-
	5.322%	7,000,000	9/14/2009	208,525	-
	5.500%	200,000	12/15/2036	-	30,573
	6.000%	2,300,000	6/19/2009	1,993	-
	6.000%	8,200,000	9/20/2012	71,055	-
Canadian Dollar					
	5.000%	700,000	6/15/2015	6,038	-
	5.000%	4,500,000	6/20/2017	-	10,147
	5.500%	1,400,000	6/20/2017	-	89,394
Euro					
	1.948%	400,000	3/15/2012	-	2,282
	1.950%	200,000	3/30/2012	-	1,023
	1.955%	800,000	3/28/2012	-	3,680
	1.960%	200,000	4/5/2012	-	949
	1.988%	500,000	12/15/2011	313	-
	1.995%	2,400,000	3/15/2012	-	921
	2.028%	600,000	10/15/2011	5,460	-
	2.095%	1,500,000	10/15/2011	24,234	-
	2.103%	2,000,000	10/15/2010	41,431	-
	2.146%	400,000	10/15/2010	9,483	-
	2.275%	400,000	10/15/2016	1,820	-
	2.350%	400,000	10/15/2016	898	-
	2.353%	400,000	10/15/2016	1,256	-
	4.000%	-	9/19/2009	-	7,084
	4.000%	2,390,000	6/17/2010	41,014	-
	4.000%	-	12/15/2011	1,269	-
	4.000%	-	9/19/2012	98,619	-
	4.000%	10,050,000	6/16/2014	421,098	-
	4.000%	100,000	12/15/2014	-	4,459
	4.000%	6,800,000	6/15/2017	444,838	-
	4.000%	-	12/15/2011	51,831	-
	4.000%	2,200,000	6/21/2036	-	363,800
	4.435%	3,000,000	6/18/2015	192,816	-
	5.000%	6,600,000	12/15/2011	-	190,951
	5.000%	12,100,000	9/19/2012	352,794	-
	5.000%	1,100,000	6/16/2014	42,914	-
	5.000%	2,500,000	3/19/2038	-	116,213
	6.000%	1,200,000	3/15/2032	109,260	-
	6.000%	2,200,000	6/18/2034	-	292,196

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Notes to Financial Statements (cont.)

				Fair Value at August 31, 2007	
Interest Rate (Continued)	Coupon	Notional Value	Maturity Date	Assets	Liabilities
Japanese Yen					
	0.000% (A)	7,434,000,000	9/10/2009	\$ 64,133,200	\$ -
	0.800%	400,000,000	3/30/2012	82,479	-
	1.000%	2,200,000,000	9/18/2008	7,248	-
	1.000%	10,470,000,000	3/18/2009	-	113,875
	1.500%	3,600,000,000	3/20/2011	-	58,341
	1.500%	980,000,000	6/20/2012	63,307	-
	1.980%	500,000,000	9/27/2016	-	111,428
	2.000%	1,000,000,000	6/20/2010	-	123,986
	2.000%	270,000,000	6/15/2012	-	74,313
	2.000%	485,000,000	12/20/2013	-	134,449
	2.000%	2,390,000,000	12/20/2016	-	361,214
	2.500%	710,000,000	12/15/2035	72,619	-
	3.000%	220,000,000	6/20/2036	-	201,571
South Korean Won					
	4.765%	1,050,700,000	2/3/2009	-	7,767
	4.800%	2,508,300,000	2/1/2009	-	17,263
	4.965%	525,400,000	2/3/2011	-	4,538
	4.990%	650,500,000	2/1/2011	-	5,054
	5.000%	543,300,000	2/1/2011	-	4,036
U.S. Dollar					
	0.000%	1,400,000	12/7/2007	36,451	-
	0.000%	26,500,000	6/18/2009	84,813	-
	0.000% (A)	63,000,000	9/10/2009	-	63,000,000
	0.700%	1,000,000	9/20/2008	143	-
	4.000%	-	8/31/2007	31,632	-
	4.500%	-	8/31/2007	-	174,235
	5.000%	14,900,000	12/19/2008	33,644	-
	5.000%	18,000,000	6/18/2009	57,609	-
	5.000%	3,400,000	12/17/2009	15,953	-
	5.000%	33,400,000	12/19/2009	156,719	-
	5.000%	18,100,000	12/19/2012	54,112	-
	5.000%	12,000,000	12/19/2014	47,473	-
	5.000%	32,400,000	12/19/2017	546,549	-
	5.000%	200,000	12/20/2026	10,412	-
	5.000%	5,400,000	12/19/2037	-	350,930
Mexican Peso					
	8.170%	15,100,000	11/4/2016	-	12,276
	8.330%	8,700,000	2/14/2017	925	-
	8.840%	7,000,000	9/23/2016	22,251	-
Brazilian Real					
	10.680%	1,300,000	1/2/2012	-	20,893
				<u>68,897,577</u>	<u>67,718,772</u>
Commodity					
U.S. Dollar					
	Fixed	48,730,000	9/26/2007	-	335,720
	TBILL + 22 Basis Points	71,300,000	9/26/2007	490,355	-
	TBILL + 28 Basis Points	48,250,000	9/26/2007	331,750	-
				<u>822,105</u>	<u>335,720</u>
Credit Default					
Euro					
	0.000%	-	12/20/2016	904	-
	0.450%	-	9/20/2012	4,705	-
	0.460%	-	9/20/2012	-	47
	0.470%	-	9/20/2012	-	15,782
	0.490%	-	9/20/2012	-	2
	0.850%	-	12/20/2016	8,133	-
	1.958%	1,700,000	4/10/2012	-	16,408

(A) These items represent a single swap and, therefore, could not be settled independently.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Credit Default (Continued)	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2007	
				Assets	Liabilities
U.S. Dollar					
	0.350%	-	8/31/2007	\$ -	\$ 204,671
	0.350%	3,700,000	6/20/2012	-	53,938
	0.050%	-	9/20/2009	98	-
	0.070%	1,000,000	12/20/2007	-	1,249
	0.070%	800,000	6/20/2008	-	1,588
	0.100%	-	6/20/2012	1,389	-
	0.120%	500,000	6/20/2008	-	1,008
	0.140%	-	3/20/2011	223	-
	0.150%	1,000,000	6/20/2008	-	4,192
	0.160%	1,500,000	6/20/2008	-	9,941
	0.160%	-	3/20/2011	-	170
	0.160%	-	12/20/2011	2,571	-
	0.160%	-	6/20/2012	12,134	-
	0.165%	-	12/20/2013	4,739	-
	0.170%	-	6/20/2010	7,440	-
	0.180%	-	3/20/2012	1,268	-
	0.200%	-	6/20/2009	537	-
	0.210%	-	6/20/2011	733	-
	0.210%	-	12/20/2016	2,875	-
	0.210%	-	6/20/2012	857	-
	0.220%	-	9/20/2009	-	366
	0.230%	-	3/20/2012	2,407	-
	0.240%	-	3/20/2011	-	511
	0.290%	-	6/20/2011	685	-
	0.340%	-	12/20/2016	5,724	-
	0.350%	-	9/20/2011	-	734
	0.350%	15,500,000	6/20/2012	441,744	-
	0.390%	-	6/20/2010	-	681
	0.395%	-	9/20/2011	1,613	-
	0.452%	-	6/20/2012	-	625
	0.455%	-	6/20/2012	-	2,749
	0.459%	-	6/20/2012	-	634
	0.462%	-	6/20/2012	-	1,412
	0.470%	-	6/20/2011	-	563
	0.495%	-	6/20/2017	-	118
	0.510%	-	6/20/2011	8,837	-
	0.519%	-	6/20/2012	-	1,718
	0.520%	-	6/20/2012	-	1,650
	0.539%	-	6/20/2017	740	-
	0.542%	-	6/20/2012	-	683
	0.600%	-	6/20/2017	23,330	-
	0.650%	-	12/20/2016	52,540	-
	0.660%	100,000	9/20/2012	-	2,683
	0.670%	-	6/20/2017	3,120	-
	0.675%	-	6/20/2017	994	-
	0.700%	100,000	9/20/2012	-	2,515
	0.700%	-	6/20/2017	1,629	-
	0.720%	100,000	9/20/2012	-	2,633
	0.750%	100,000	9/20/2012	38	-
	0.770%	-	3/20/2012	-	2,581
	0.840%	100,000	6/20/2012	484	-
	0.850%	-	3/20/2008	16,874	-
	0.895%	-	6/20/2017	1,899	-
	0.898%	-	6/20/2017	1,886	-
	0.990%	-	6/20/2017	1,196	-
	1.010%	100,000	6/20/2012	-	3,028
	1.040%	-	6/20/2017	882	-
	1.080%	-	6/20/2017	1,798	-
	1.190%	-	6/20/2017	39,296	-
	1.200%	330,000	6/20/2012	-	16,214
	1.290%	-	6/20/2011	-	956

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

Notes to Financial Statements (cont.)

			Fair Value at August 31, 2007		
	Coupon	Notional Value	Maturity Date	Assets	Liabilities
Credit Default (Continued)					
U.S. Dollar (Continued)					
	1.540%	-	6/20/2017	\$ 26,333	\$ -
	1.630%	-	6/20/2017	12,602	-
	2.750%	370,000	6/20/2012	-	18,343
	3.050%	100,000	9/20/2012	-	8,544
	3.800%	100,000	9/20/2012	-	4,558
	4.850%	-	9/20/2012	3,406	-
	5.200%	-	9/20/2008	2,029	-
	5.400%	200,000	9/20/2012	-	3,573
	5.450%	200,000	9/20/2012	-	3,277
	7.000%	100,000	9/20/2012	2,925	-
Brazilian Real					
	10.575%	600,000	1/2/2012	-	10,390
				<u>703,617</u>	<u>400,735</u>
Inflation					
UK Pound					
	3.381%	300,000	6/14/2027	-	1,466
Euro					
	1.980%	700,000	4/30/2012	-	3,586
	2.080%	1,300,000	6/15/2012	1,060	-
	2.238%	1,000,000	6/20/2012	10,881	-
				<u>11,941</u>	<u>5,052</u>
Equity					
U.S. Dollar					
	Emerging	29,999,792	11/16/2007	4,068,538	-
	Emerging	15,329,910	9/29/2007	706,405	-
	Domestic	2,929,609	10/30/2007	-	377,357
				<u>4,774,943</u>	<u>377,357</u>
Total				<u>\$ 75,210,183</u>	<u>\$ 68,837,636</u>

Note 8 – Futures Contracts

During the years ended August 31, 2008 and 2007, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The Fund had \$34,689,686 and \$42,348,326 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2008 and 2007, respectively. Short futures were used by internal managers and may be used by a limited number of external managers of the Fund to hedge the Fund's interest rate or country risk associated with security positions. The amount of net realized losses on the futures contracts was \$8,302,658 for the year ended August 31, 2008. The amount of net realized gains on the futures contracts was \$16,440,398 for the year ended August 31, 2007.

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2008 for futures contracts:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2008		Carrying and Fair Value at August 31, 2008	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 10 Year Treasury Notes	37	Dec-08	\$ 4,273,500	\$ -	\$ -	\$ 2,297
U.S. Treasury Bond	68	Dec-08	7,977,250	-	-	41,438
			<u>12,250,750</u>	<u>-</u>	<u>-</u>	<u>43,735</u>
Domestic Equity						
Russell 2000 Index Mini	2,179	Sep-08	-	161,224,210	1,111,290	-
S&P 500 Index	938	Sep-08	300,769,700	-	-	3,634,750
			<u>300,769,700</u>	<u>161,224,210</u>	<u>1,111,290</u>	<u>3,634,750</u>
Commodities						
Aluminum Hg	99	Jan-09	6,787,687	-	-	-
Brent Crude Oil	41	Jun-09	4,878,180	-	-	-
Brent Crude Oil	6	Aug-09	716,640	-	-	-
Cattle Feeder	27	Jan-09	1,478,250	-	-	-
Cocoa	3	Mar-09	86,520	-	-	-
Cocoa	8	May-09	229,440	-	-	-
Coffee 'C'	16	Dec-08	874,500	-	-	-
Copper	54	Dec-08	9,302,400	-	-	-
Corn	151	Dec-08	4,416,750	-	-	-
Cotton No. 2	22	Jul-09	861,410	-	-	-
Crude Oil	9	Jun-09	1,056,870	-	-	-
Crude Oil	134	Jul-09	15,742,320	-	-	-
Gas Oil	33	May-09	3,534,300	-	-	-
Gasoline RBOB	40	Oct-08	4,795,056	-	-	-
Gold 100 Oz	43	Dec-08	3,591,360	-	-	-
Heating Oil	25	May-09	3,421,845	-	-	-
Lean Hogs	110	Oct-08	3,010,700	-	-	-
Live Cattle	152	Jun-09	6,344,480	-	-	-
Natural Gas	15	Oct-08	1,191,450	-	-	-
Natural Gas	36	Apr-09	3,066,480	-	-	-
Natural Gas	5	May-09	426,400	-	-	-
Nickel	21	Jan-09	2,553,390	-	-	-
Palladium	4	Dec-08	122,720	-	-	-
Platinum	7	Oct-08	521,430	-	-	-
Silver	12	Dec-08	822,420	-	-	-
Soybean	61	Nov-08	4,038,200	-	-	-
Soybean Meal	35	Oct-08	1,254,400	-	-	-
Sugar #11 World	71	Jul-09	1,180,077	-	-	-
Wheat	46	Dec-08	1,842,875	-	-	-
Wheat	59	Jul-09	2,526,975	-	-	-
Zinc	41	Jan-09	1,866,013	-	-	-
			<u>92,541,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign Fixed Income						
3 Month Euro Euribor	8	Dec-08	2,795,508	-	290	-
3 Month Euro Euribor	50	Mar-09	17,523,456	-	-	21
3 Month Euro Euribor	15	Jun-09	5,266,974	-	3,470	-
90 Day Bank Acceptance	3	Sep-08	-	685,321	-	35
90 Day Bank Acceptance	42	Dec-08	-	9,624,711	-	5,879
90 Day Euro Dollar	3	Sep-08	-	728,831	-	-
90 Day Euro Dollar	43	Dec-08	10,430,188	-	-	-
90 Day Euro Dollar	88	Mar-09	21,348,800	-	-	3,300
90 Day Euro Dollar	51	Jun-09	12,356,663	-	-	1,913
90 Day Euro Dollar	109	Sep-09	26,353,475	-	-	5,450
90 Day Euro Dollar	159	Dec-09	38,330,925	-	-	5,963
90 Day Euro Dollar	41	Mar-10	9,863,063	-	-	512

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

Notes to Financial Statements (cont.)

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2008</u>		<u>Carrying and Fair Value at August 31, 2008</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign Fixed Income						
Australian 3 Year Bond	100	Sep-08	\$ -	\$ 8,125,853	\$ 10,562	\$ -
Canada 10 Year Bond	5	Dec-08	-	563,570	-	93
Japan 10 Year Bond	4	Sep-08	-	5,100,024	-	10,699
Japan 10 Year Bond	1	Sep-08	1,275,006	-	2,675	-
UK Long Gilt	2	Dec-08	408,309	-	645	-
Euro-Bobl	266	Sep-08	-	42,369,206	56,317	-
Euro-Bund	9	Sep-08	-	1,512,649	-	656
Euro-Bund	3	Sep-08	504,216	-	-	11,283
Euro-Schatz	95	Sep-08	14,430,442	-	-	1,428
Euro-Schatz	1	Sep-08	-	151,899	15	-
			<u>160,887,025</u>	<u>68,862,064</u>	<u>73,974</u>	<u>47,232</u>
Foreign Equity						
FTSE 100 Index	496	Sep-08	51,100,805	-	353,273	-
TOPIX Index	481	Sep-08	55,645,750	-	1,555,794	-
			<u>106,746,555</u>	<u>-</u>	<u>1,909,067</u>	<u>-</u>
Total			<u>\$ 673,195,568</u>	<u>\$ 230,086,274</u>	<u>\$ 3,094,331</u>	<u>\$ 3,725,717</u>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2007 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2007		Carrying and Fair Value at August 31, 2007	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 2 Year Treasury Notes	24	Sep-07	\$ -	\$ 4,945,500	\$ 5,250	\$ -
U.S. 5 Year Treasury Notes	220	Dec-07	-	23,474,687	44,952	-
U.S. 10 Year Treasury Notes	324	Sep-07	-	35,472,938	111,375	-
U.S. 10 Year Treasury Notes	10	Dec-07	1,090,469	-	-	3,906
U.S. Treasury Bond	17	Dec-07	1,896,562	-	-	6,375
U.S. Treasury Bond	133	Dec-07	-	14,837,812	49,875	-
			<u>2,987,031</u>	<u>78,730,937</u>	<u>211,452</u>	<u>10,281</u>
Domestic Equity						
Russell 2000 Index Mini	2,523	Sep-07	-	200,528,040	-	2,573,460
S&P 500 Index	1,647	Sep-07	608,031,225	-	6,217,425	-
			<u>608,031,225</u>	<u>200,528,040</u>	<u>6,217,425</u>	<u>2,573,460</u>
Commodities						
Goldman Sachs Commodities	1,307	Sep-07	162,509,113	-	1,421,363	-
Foreign Fixed Income						
3 Month Euro Euribor	89	Dec-07	28,970,392	-	-	10,999
3 Month Euro Euribor	3	Dec-08	979,035	-	-	51
3 Month Euroyen Tiff	51	Dec-07	10,904,845	-	-	537
3 Month Euroyen Tiff	87	Mar-08	18,593,945	-	-	914
90 Day Euro Dollar	79	Sep-07	18,662,269	-	-	10,369
90 Day Euro Dollar	1	Dec-07	237,662	-	-	112
90 Day Euro Dollar	281	Mar-08	66,990,400	-	-	52,688
90 Day Euro Dollar	9	Mar-08	-	2,145,600	1,688	-
90 Day Euro Dollar	50	Jun-08	11,930,625	-	-	11,250
90 Day Euro Dollar	91	Sep-08	21,712,600	-	4,050	-
90 Day Euro Dollar	18	Sep-08	-	4,294,800	-	20,475
90 Day Euro Dollar	16	Dec-08	3,816,000	-	-	3,400
90 Day Euro Dollar	15	Dec-08	-	3,577,500	3,188	-
90 Day Euro Dollar	20	Mar-09	4,767,250	-	-	4,250
90 Day Euro Dollar	23	Mar-09	-	5,482,338	4,888	-
90 Day Euro Dollar	12	Jun-09	2,858,700	-	-	2,250
90 Day Euro Dollar	9	Jun-09	-	2,144,025	1,688	-
90 Day Sterling Libor	53	Mar-08	12,543,807	-	-	4,000
90 Day Sterling Libor	8	Jun-08	1,895,825	-	-	2
90 Day Sterling Libor	56	Dec-08	13,289,132	-	4,238	-
Canada 10 Year Bond	10	Dec-07	-	1,054,686	3,509	-
Japan 10 Year Bond	11	Sep-07	12,844,326	-	-	50,165
Japan 10 Year Bond	2	Sep-07	-	2,335,332	-	-
Japan 10 Year Bond	12	Dec-07	13,970,580	-	-	46,720
UK Long Gilt	-	Sep-07	-	-	6,210	-
UK Long Gilt	46	Dec-07	-	9,932,559	-	4,663
Euro-Bobl	172	Sep-07	-	25,329,594	47,948	-
Euro-Bund	154	Sep-07	23,884,931	-	-	27,242
Euro-Bund	5	Sep-07	-	775,485	884	-
Euro-Schatz	54	Sep-07	7,608,530	-	-	5,141
			<u>276,460,854</u>	<u>57,071,919</u>	<u>78,291</u>	<u>255,228</u>
Foreign Equity						
DJ Euro Stoxx 50	726	Sep-07	42,518,350	-	380,593	-
FTSE 100 Index	896	Sep-07	114,138,566	-	1,724,243	-
			<u>156,656,916</u>	<u>-</u>	<u>2,104,836</u>	<u>-</u>
Total			<u>\$ 1,206,645,139</u>	<u>\$ 336,330,896</u>	<u>\$10,033,367</u>	<u>\$ 2,838,969</u>

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 9 – Foreign Currency Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund’s foreign currency exchange contracts at August 31, 2008 and 2007. Foreign currency amounts are translated at exchange rates as of August 31, 2008 and 2007. 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, 2008	Net Sell August 31, 2008	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2008	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2008
Australian Dollar	\$ -	\$ 3,150,504	\$ 88,130	\$ 3,964
Brazilian Real	1,856,919	-	270,636	271,338
Canadian Dollar	1,328,366	-	-	9,415
Chilean Peso	156,853	-	-	14,191
Chinese Yuan Renminbi	5,217,704	-	81,708	219,646
Danish Krone	-	2,600,634	103,185	549
Euro	101,758,968	-	2,785	5,944,263
Hong Kong Dollar	-	19,814	-	8
Indian Rupee	119,632	-	1,646	105,974
Japanese Yen	15,537,333	-	761,194	167,315
Malaysian Ringgit	2,799,451	-	11,234	288,033
Mexican Peso	469,073	-	24,547	9,175
New Zealand Dollar	-	303,605	26	-
Norwegian Kroner	229,336	-	-	8,458
Philippine Peso	572,768	-	-	20,311
Polish Zloty	-	1,499,545	40,211	8,000
Russian Rouble	193,624	-	6,782	16,467
Saudi Arabia Riyal	546,049	-	-	8,951
Singapore Dollar	1,712,436	-	-	33,061
South African Rand	378,763	-	26,017	652
South Korean Won	1,952,164	-	1,801	154,143
Swedish Krona	1,207,563	-	1,277	77,198
Swiss Franc	-	4,820,350	237,442	-
Taiwan Dollar	809,873	-	16,261	65,493
Turkish Lira	1,632,709	-	50,623	-
UK Pound	-	9,440,638	1,158,228	373,773
	\$ 138,479,584	\$ 21,835,090	\$ 2,883,733	\$ 7,800,378

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2007	Net Sell August 31, 2007	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2007	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2007
Australian Dollar	\$ 7,430,259	\$ -	\$ 254,368	\$ 543,651
Brazilian Real	3,104,399	-	66,611	93,513
Canadian Dollar	8,683,494	-	254,823	41,445
Chilean Peso	156,650	-	5,319	-
Chinese Yuan Renminbi	21,562,376	-	308,985	197,177
Czech Koruna	-	94,082	27,936	6,860
Danish Krone	-	1,156,577	88	8,724
Euro	121,700,442	-	3,164,958	565,046
Hungarian Forint	-	201,834	17,823	37,345
Indian Rupee	1,125,834	-	-	5,560
Japanese Yen	-	16,149,626	2,984,249	1,916,297
Malaysian Ringgit	3,108,793	-	4,659	135,305
Mexican Peso	3,959,040	-	40,625	105,236
New Zealand Dollar	-	3,030,293	142,586	138,169
Norwegian Kroner	1,178,359	-	25,048	646
Polish Zloty	-	636,895	76,102	119,925
Russian Rouble	4,755,549	-	55,486	12,059
Singapore Dollar	866,853	-	171	9,952
South African Rand	465,878	-	49,889	37,944
South Korean Won	6,733,282	-	17,321	124,805
Swedish Krona	3,381,671	-	52,309	79,945
Swiss Franc	7,125,922	-	190,241	93,431
Taiwan Dollar	2,190,178	-	6,631	28,787
UK Pound	82,176,842	-	2,596,490	493,884
	\$ 279,705,821	\$ 21,269,307	\$ 10,342,718	\$ 4,795,706

Note 10 – Purchase Commitment

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 committed the funds under management, including the Fund, to purchase up to \$1,285,000,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. During the current year the agreement was amended to include additional bonds issued by UT System, raising the commitment amount to \$3,265,945,000. Subsequent to August 31, 2008, the agreement was amended to increase the amount to \$3,666,850,000. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.04% to 1.0%. In addition to quarterly 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 Fiduciary Net Assets 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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

accordance with standard industry practice. In addition, the Fund incurs consulting fees for investment planning and oversight services.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. For the years ended August 31, 2008 and 2007, custodial fees and expenses incurred by the Fund amounted to \$749,725 and \$709,494, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. Fees incurred by the Fund for the years ended August 31, 2008 and 2007 amounted to \$453,096 and \$283,848, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2008 and 2007, the Fund fees incurred by the Fund amounted to \$258,745 and \$304,484.

Accounting fees, in the amount of \$250,687 and \$108,717, were paid by the Fund during the years ended August 31, 2008 and 2007, respectively, for external and internal audit services.

The Fund incurs other expenses related to its operations primarily consisting of printing and graphic design expenses, and consultation fees.

Note 12 – Subsequent Events

Subsequent to August 31, 2008, the U.S. and international financial markets experienced significant volatility. This resulted in substantial declines in equity, fixed income and commodities markets in which the Fund invests directly, and indirectly, through its investments in various hedge funds, private investments and public markets. The financial results of the Fund are impacted by market volatility and, therefore, the Fund was negatively impacted as a result of these market conditions.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

Comparison Summary of Investments
August 31, 2008 and 2007
(in thousands)

	2008		2007	
	Value	% of Total Investments	Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 377,446	5.83%	\$ 539,702	8.15%
Foreign Common Stock	282,090	4.35%	302,245	4.57%
Other	-	0.00%	1,639	0.02%
Total Equity Securities	659,536	10.18%	843,586	12.74%
Preferred Stock				
Domestic Preferred Stock	2,624	0.04%	2,795	0.04%
Debt Securities				
U.S. Government Obligations	311,639	4.81%	616,341	9.31%
Corporate Obligations	254,558	3.93%	178,935	2.70%
Foreign Government and Provincial Obligations	137,815	2.13%	57,588	0.87%
Other	7,439	0.11%	2,810	0.04%
Total Debt Securities	711,451	10.98%	855,674	12.92%
Purchased Options	1,819	0.03%	6,002	0.09%
Convertible Securities	80	0.00%	2,509	0.04%
Investment Funds				
Hedge Funds	2,057,564	31.75%	1,832,231	27.67%
Private Investments	1,191,293	18.39%	796,638	12.03%
Real Estate	71,598	1.11%	-	0.00%
Developed Country Equity	589,849	9.10%	797,261	12.05%
Emerging Markets	608,873	9.40%	493,581	7.46%
Fixed Income	115,538	1.78%	99,647	1.51%
Total Investment Funds	4,634,715	71.53%	4,019,358	60.72%
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Derivative Contracts	384,345	5.93%	564,381	8.52%
Money Market Funds – Other	84,932	1.31%	326,331	4.93%
Total Cash and Cash Equivalents	469,277	7.24%	890,712	13.45%
Total Investment in Securities	\$ 6,479,502	100.00%	\$ 6,620,636	100.00%

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules (cont.)

Financial Highlights
Years Ended August 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Year	\$ 179.756	\$ 155.154	\$ 139.644	\$ 117.595	\$ 102.539
Income from Investment Operations					
Net Investment Income	2.696	3.131	2.846	2.826	2.247
Net Realized and Unrealized Gain (Loss) on Investments	(8.184)	21.471	12.664	19.223	12.809
Total Income (Loss) from Investment Operations	(5.488)	24.602	15.510	22.049	15.056
Net Asset Value, End of Year	<u>\$ 174.268</u>	<u>\$ 179.756</u>	<u>\$ 155.154</u>	<u>\$ 139.644</u>	<u>\$ 117.595</u>
Ratios and Supplemental Data					
Net Assets, End of Year (in thousands)	\$6,310,376	\$6,433,071	\$5,427,755	\$4,926,797	\$4,207,644
Ratio of Expenses to Average Net Assets	0.18%	0.20%	0.33%	0.26%	0.24%
Ratio of Net Investment Income to Average Net Assets	1.49%	1.88%	1.96%	2.20%	2.02%