

Financial Statements
and Independent Auditors' Report
The University of Texas System
Intermediate Term Fund

Years Ended August 31, 2011 and 2010

The University of Texas System Intermediate Term Fund

Financial Statements

Years Ended August 31, 2011 and 2010

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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 Intermediate Term Fund (the "Fund"), as of August 31, 2011 and August 31, 2010, 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 statements 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 as of August 31, 2011 or August 31, 2010, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the financial position of UTIMCO or The University of Texas System, as of August 31, 2011 or August 31, 2010, or the changes in its financial position for the years then ended.

As discussed in Note 2, the financial statements include investments valued at \$2,071,030,119 (44.4% of net assets) and \$1,836,134,292 (44.2% of net assets) as of August 31, 2011 and August 31, 2010, 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, 2011 and August 31, 2010, 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 such 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, 2011, August 31, 2010, August 31, 2009, August 31, 2008 and August 31, 2007 have been subjected to the audit procedures applied by us 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, 2011

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

Our discussion and analysis of The University of Texas System Intermediate Term Fund's (Fund) financial performance provides an overview of its activities for the year ended August 31, 2011. 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, created February 1, 2006, is an internal University of Texas System (UT System) pooled investment fund for the investment of operating funds and other intermediate and long-term funds held by the UT System institutions and UT System Administration. The Fund was created to improve the efficiency of operating funds management and to improve investment returns on UT System operating reserves. 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 net fiduciary assets, after contributions, withdrawals, and distributions increased by \$505.8 million from \$4,155.8 million to \$4,661.6 million or by approximately 12.2% for the year ended August 31, 2011. The change in net fiduciary assets from year to year is mainly attributable to the following:
 1. Net participant contributions to the Fund were \$159.7 million for the year ended August 31, 2011, compared to \$296.7 million for the year ended August 31, 2010.
 2. The Fund posted a net investment gain of 11.39%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2011. Investments in natural resources, investment grade fixed income and developed country equities investments were the biggest contributors to the 2011 return. Investments in credit-related fixed income, emerging market equities and real estate were the biggest contributors to the net investment gain of 11.04% for August 31, 2010.
 3. The Fund's distribution rate was 3.0% per year, or .25% per month, for the year ended August 31, 2011 and 2010. Distributions from the Fund were \$138.8 million for the year ended August 31, 2011 compared to the \$119.3 million distributed for the year ended August 31, 2010.

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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 typically 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 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 Policy Portfolio. The Policy Portfolio is the index or benchmark for the intermediate term funds that UTIMCO manages. The return of the 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 preserve the purchasing power of Fund assets by earning a compound annualized return over rolling three year-periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index plus 3%. In doing so, UTIMCO increases the operating resources available to the UT System institutions which invest in the Fund.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Investments, at Fair Value	\$ 4,584.0	\$ 4,135.9	\$ 3,597.2
Other Assets	324.4	233.5	213.7
Total Assets	<u>4,908.4</u>	<u>4,369.4</u>	<u>3,810.9</u>
Total Liabilities	246.8	213.6	239.3
Net Assets Held in Trust	<u>\$ 4,661.6</u>	<u>\$ 4,155.8</u>	<u>\$ 3,571.6</u>

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 withdrawals and distributions.

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The net increase in investments of the Fund was \$425.6 million during the year ended August 31, 2011 compared to the net increase in appreciation of investments of \$345.7 million for the year ended August 31, 2010. Investment expenses totaled \$16.8 million, \$13.6 million and \$14.6 million respectively, for the years ended August 31, 2011, 2010 and 2009.

Distributions to participants totaled \$138.8 million, \$119.3 million and \$98.0 million, respectively, for the years ended August 31, 2011, 2010 and 2009. Cash distributions are paid monthly based on a 3% annual distribution rate.

The following summarizes the statements of changes in fiduciary net assets (in millions) for the years ended August 31, 2011, 2010 and 2009:

	2011	2010	2009
Investment Income (Loss)	\$ 501.8	\$ 420.5	\$ (263.3)
Less Investment Expenses	(16.8)	(13.6)	(14.6)
Net Investment Income (Loss)	<u>485.0</u>	<u>406.9</u>	<u>(277.9)</u>
Participant Contributions	<u>328.2</u>	<u>409.0</u>	<u>251.2</u>
Total Additions	<u>813.2</u>	<u>815.9</u>	<u>(26.7)</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	168.5	112.3	178.4
Participant Distributions	138.8	119.3	98.0
Total Deductions	<u>307.4</u>	<u>231.7</u>	<u>276.5</u>
Change in Fiduciary Net Assets	505.8	584.2	(303.2)
Net Assets Held in Trust, Beginning of Period	<u>4,155.8</u>	<u>3,571.6</u>	<u>3,874.8</u>
Net Assets Held in Trust, End of Period	<u>\$ 4,661.6</u>	<u>\$ 4,155.8</u>	<u>\$ 3,571.6</u>

Contacting UTIMCO

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

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Statements of Fiduciary Net Assets

August 31, 2011 and 2010

(Dollars in thousands, except for per unit amount)

Assets	<u>2011</u>	<u>2010</u>
Investments, at Fair Value:		
Equity Securities	\$ 534,158	\$ 528,002
Preferred Stock	18,088	14,662
Debt Securities	1,282,454	1,220,330
Convertible Securities	1,224	19
Investment Funds	2,071,030	2,017,078
Physical Commodities	242,342	-
Purchased Options	42,844	3,888
Cash and Cash Equivalents	391,868	351,907
Total Investments	<u>4,584,008</u>	<u>4,135,886</u>
Collateral for Securities Loaned, at Fair Value	113,865	116,475
Deposits with Brokers for Derivative Contracts	54,974	39,236
Futures Contracts, at Fair Value	3,158	5,693
Swaps, at Fair Value	3,091	1,485
Unrealized Gains on Foreign Currency Exchange Contracts	9,879	6,080
Receivables:		
Investment Securities Sold	123,698	48,677
Accrued Income	15,721	15,428
Other	2	598
Total Receivables	<u>139,421</u>	<u>64,703</u>
Total Assets	<u>4,908,396</u>	<u>4,369,558</u>
 Liabilities		
Payable upon Return of Securities Loaned	113,865	116,475
Payable to Brokers for Collateral Held	26,330	6,670
Options Written, at Fair Value	21,106	1,261
Futures Contracts, at Fair Value	369	111
Swaps, at Fair Value	10,538	1,378
Unrealized Losses on Foreign Currency Exchange Contracts	9,219	4,000
Payables:		
Investment Securities Purchased	49,841	66,415
Distributions Payable	11,946	10,343
Other	3,605	7,099
Total Payables	<u>65,392</u>	<u>83,857</u>
Total Liabilities	<u>246,819</u>	<u>213,752</u>
 Net Assets Held in Trust (42,211,069 Units and 40,731,546 Units, respectively)	<u>\$ 4,661,577</u>	<u>\$ 4,155,806</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 110.435</u>	<u>\$ 102.029</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, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Additions		
Investment Income:		
Net Increase in Investments	\$ 425,577	\$ 345,678
Interest	59,683	59,394
Dividends	16,087	15,091
Securities Lending Income	392	370
Other Income	4	12
Total Investment Income	<u>501,743</u>	<u>420,545</u>
Less Investment Expenses:		
Investment Management Fees	11,866	9,977
UTIMCO Management Fee	3,065	2,234
Custodial Fees and Expenses	1,378	847
Accounting Fees	187	159
Analytical and Risk Measurement Fees	127	139
Consulting Fees	85	78
Legal Fees	48	68
Background Check Fees	22	14
Securities Lending Fees	6	62
Other Expenses	9	1
Total Investment Expenses	<u>16,793</u>	<u>13,579</u>
Net Investment Income	<u>484,950</u>	<u>406,966</u>
Participant Contributions	<u>328,188</u>	<u>408,978</u>
Total Additions	<u>813,138</u>	<u>815,944</u>
Deductions		
Administrative Expenses:		
UT System Oversight Fee	93	88
Participant Withdrawals	168,439	112,348
Participant Distributions	<u>138,835</u>	<u>119,269</u>
Total Deductions	<u>307,367</u>	<u>231,705</u>
Change in Fiduciary Net Assets	505,771	584,239
Net Assets Held in Trust, Beginning of Year	<u>4,155,806</u>	<u>3,571,567</u>
Net Assets Held in Trust, End of Year	<u>\$ 4,661,577</u>	<u>\$ 4,155,806</u>

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

Note 1 – Organization and Basis of Presentation

The University of Texas System Intermediate Term Fund (Fund) is a pooled fund established for the collective investment of operating funds and other short and intermediate term funds held by the 15 University of Texas System (UT System) institutions and UT System Administration. The Fund was established February 1, 2006, by the Board of Regents of UT System (UT Board). 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 financial statements of the Fund are prepared in accordance with the requirements 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 fair values are based on the New York Stock Exchange composite closing prices, if available. If not available, the fair 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).

Physical commodities, specifically gold, are valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold.

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate, and natural resources investment funds and certain other private placements are fair valued by management based on net asset value information provided by the investment manager as well as consideration of any other information provided by the investment manager or other sources.

The statements of fiduciary net assets include investments valued at \$2,071,030,119 (44.4% of net assets) and \$1,836,134,292 (44.2% of net assets) as of August 31, 2011, and August 31, 2010, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values, as described above.

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Notes to Financial Statements (cont.)

(B) ***Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities 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 on the statements of changes in fiduciary net assets. Such fluctuations are included with the net increase in investments on the statements of changes in fiduciary net assets.

(C) ***Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2011 and 2010, interest and dividend withholding in the amounts of \$1,181,413 and \$768,298 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. Investment expenses are recorded on the accrual basis as incurred.

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

(E) ***Distributions to Participants*** -- Cash distributions to participants are paid monthly based on a percentage rate established by the UT Board. For the years ended August 31, 2011 and 2010 the annual distribution rate was 3.0%.

(F) ***Fund Valuation*** -- Valuation of the Fund's units occurs on a monthly 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.

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

(H) ***Participants' Net 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

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Notes to Financial Statements (cont.)

policy guidelines, and by guidelines established in contracts with external investment managers. Derivative instruments included under these policies and contracts include futures, forwards, swaps and all forms of options. Futures contracts are valued at closing market prices on the valuation date. Written options and swaps are valued by using broker quotes, or using models with primarily externally verifiable model inputs. Derivative instruments in the Fund are used to achieve the following objectives:

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

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

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments and are included in the net increase in investments in the statement of changes in fiduciary net assets. 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 and are included in the net increase in investments in the statements of changes in fiduciary net assets. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. Written options are marked to market on a daily basis, and are included as a liability on the statement 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 and 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 on 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

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Notes to Financial Statements (cont.)

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 on the statement 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 net increase in investments in the statement 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.

(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. 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. There were no securities sold short, as of and during the years ended August 31, 2011 and 2010.

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Notes to Financial Statements (cont.)

(L) **Cash and Cash Equivalents** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statements of fiduciary net assets.

(M) **Reclassification** -- Certain items in the 2010 financial statements and related notes have been reclassified to conform with the 2011 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. Risk disclosures relating to the Fund's investments in hedge funds and public market funds are discussed in Note 5.

(A) Credit Risk

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2011 and 2010:

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Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2011	2010	
Investments:			
U.S. Government Guaranteed	\$ -	\$ 154,050,897	Exempt from Disclosure
U.S. Government Guaranteed	213,244,722	-	AA
Total U.S. Government Guaranteed	\$ 213,244,722	\$ 154,050,897	
U.S. Government Non-Guaranteed:			
U.S. Agency	-	1,263,073	AAA
U.S. Agency	1,260,056	-	AA
U.S. Agency Asset Backed	31,560,312	133,941,998	AAA
U.S. Agency Asset Backed	102,363,385	-	AA
Total U.S. Government Non-Guaranteed	135,183,753	135,205,071	
Total U.S. Government	348,428,475	289,255,968	
Corporate Obligations:			
Domestic	31,762,697	36,998,421	AAA
Domestic	19,199,510	21,446,777	AA
Domestic	97,340,411	104,645,356	A
Domestic	56,753,464	91,507,163	BAA/BBB
Domestic	3,935,113	10,671,423	BA/BB
Domestic	5,333,226	14,748,880	B
Domestic	12,006,551	28,960,259	CAA/CCC
Domestic	3,350,650	6,476,562	CA/CC
Domestic	204,433	665,653	C
Domestic	344,241	66,375	D
Domestic	1,322,246	661,125	Not Rated
Foreign	88,112,700	110,764,611	AAA
Foreign	29,761,281	31,802,296	AA
Foreign	36,920,521	29,583,676	A
Foreign	19,881,732	24,100,312	BAA/BBB
Foreign	1,992,189	1,027,245	BA/BB
Foreign	327,752	849,875	B
Foreign	1,001,000	949,000	C
Foreign	-	991,501	Not Rated
Total Corporate Obligations	409,549,717	516,916,510	
Foreign Government and Provincial Obligations	270,378,998	226,082,493	AAA
Foreign Government and Provincial Obligations	45,665,128	69,464,614	AA
Foreign Government and Provincial Obligations	72,154,727	66,532,006	A
Foreign Government and Provincial Obligations	95,448,464	29,615,498	BAA/BBB
Foreign Government and Provincial Obligations	12,383,744	11,619,396	BA/BB
Foreign Government and Provincial Obligations	7,787,013	-	Not Rated
Total Foreign Government and Provincial Obligations	503,818,074	403,314,007	
Other Debt Securities	5,893,842	1,543,640	AA
Other Debt Securities	13,458,282	7,931,306	A
Other Debt Securities	204,099	1,368,781	BAA/BBB
Other Debt Securities	1,100,943	-	BA/BB
Total Other Debt Securities	20,657,166	10,843,727	
Total Debt Securities	\$ 1,282,453,432	\$ 1,220,330,212	
Convertible Securities	\$ 1,077,584	\$ -	Not Rated
Other Investment Funds - Debt	\$ -	\$ 137,089,885	AA
Cash and Cash Equivalents - Money Market Funds	\$ 382,702,479	\$ 344,970,531	AAA
Cash and Cash Equivalents - Money Market Funds	-	768	A
Cash and Cash Equivalents	9,165,410	6,935,693	Not Rated
Total Cash and Cash Equivalents	\$ 391,867,889	\$ 351,906,992	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ -	\$ 8,046,698	Exempt from Disclosure
U.S. Government Guaranteed	2,374,282	-	AA
Foreign Government and Provincial Obligations	10,603,464	-	BAA/BBB
Foreign Government and Provincial Obligations	732,717	-	Not Rated
Cash	14,933,784	24,519,064	Exempt from Disclosure
Total Net Deposit with Brokers for Derivative Contracts	\$ 28,644,247	\$ 32,565,762	

(B) Concentrations of Credit Risk

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

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the 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, 2011 and 2010, 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, 2011 and 2010:

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Investment Type	August 31,			
	2011		2010	
	Value	Modified Duration	Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 207,595,814	10.52	\$ 149,613,453	9.89
U.S. Treasury Strips	-	-	2,237,927	0.94
U.S. Treasury Bills	5,608,724	0.50	2,199,517	0.16
U.S. Agency Asset Backed	40,184	2.80	-	-
Total U.S. Government Guaranteed	<u>213,244,722</u>	10.26	<u>154,050,897</u>	9.62
U.S. Government Non-Guaranteed:				
U.S. Agency	1,260,056	6.69	1,263,073	7.36
U.S. Agency Asset Backed	133,923,697	3.22	133,941,998	2.32
Total U.S. Government Non-Guaranteed	<u>135,183,753</u>	3.26	<u>135,205,071</u>	2.36
Total U.S. Government	<u>348,428,475</u>	7.54	<u>289,255,968</u>	6.23
Corporate Obligations:				
Domestic	231,552,542	6.31	316,847,994	5.71
Foreign	177,997,175	5.43	200,068,516	5.08
Total Corporate Obligations	<u>409,549,717</u>	5.93	<u>516,916,510</u>	5.47
Foreign Government and Provincial Obligations	<u>503,818,074</u>	6.64	<u>403,314,007</u>	5.94
Other Debt Securities	<u>20,657,166</u>	12.75	<u>10,843,727</u>	12.70
Total Debt Securities	<u>1,282,453,432</u>	6.75	<u>1,220,330,212</u>	5.87
Convertible Securities	<u>1,077,584</u>	2.37	-	-
Other Investment Funds - Debt	<u>-</u>	-	<u>137,089,885</u>	5.97
Cash and Cash Equivalents	<u>391,867,889</u>	0.08	<u>351,906,992</u>	0.08
Total	<u>\$ 1,675,398,905</u>	5.19	<u>\$ 1,709,327,089</u>	4.68
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 2,374,282	0.43	\$ 8,046,698	1.71
Foreign Government and Provincial Obligations	11,336,181	6.91	-	-
Cash	<u>14,933,784</u>	-	<u>24,519,064</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 28,644,247</u>	2.77	<u>\$ 32,565,762</u>	0.42

The Fund has purchased options on ten year constant maturity swaps, with expirations ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2011 these options had a notional value of \$1,867,000,000 and a fair value of \$8,356,710. As of August 31, 2010 these options had a notional value of \$784,000,000 and a fair value of \$2,711,469. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$10,216,310 as of August 31, 2011 and \$4,195,625 as of August 31, 2010. The Fund also purchased both puts and swaptions on the Japanese Yen with expirations ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2011 the puts and swaptions had a notional value of \$1,170,870,655 with a fair value of \$2,308,083 and a loss limited to \$6,525,163 which represents the premiums paid. It is estimated that these options would adjust the 2011 duration of total debt securities of 6.75 downward by approximately 0.17, and the total duration of 5.19 downward by approximately 0.22. It is estimated

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

that these options would adjust the 2010 duration of total debt securities of 5.87 downward by approximately 0.07, and the total duration of 4.68 downward by approximately 0.06. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of their portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

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

In accordance with the Fund's investment policy statement, 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, 2011 and 2010, 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 \$118,614,282 and \$195,012,518 as of August 31, 2011 and 2010, respectively.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$71,252,724 and \$63,951,299 as of August 31, 2011 and 2010, 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 \$14,678,002 and \$27,249,392 as of August 31, 2011 and 2010, respectively.

(F) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Fund's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the Fund's total fixed income and developed country equity exposures in the Fund's investment policy statement.

During the year ended 2010, one of the Fund's external managers employed an investment strategy in which they hedged their investments against the Euro dollar. In the following table the negative amounts shown for the Czech Koruna, Hong Kong Dollar, Norwegian Kroner, Swiss Franc, and the UK Pound in the cash and cash equivalents section reflect these strategies. The negative amounts offset long positions presented in the domestic and foreign common stock section.

The classification of domestic common stock and foreign common stock in the supplemental schedule, Comparison Summary of Investments, is based on the country of domicile of the issuer, not

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2011 and 2010:

Investment Type	August 31,	
	2011	2010
Foreign Common Stock:		
Australian Dollar	\$ 15,476,611	\$ 12,854,457
Brazilian Real	18,312,649	14,072,675
Canadian Dollar	18,608,545	13,803,205
Chilean Peso	964,629	746,344
Czech Koruna	550,861	624,759
Danish Krone	784,606	337,093
Egyptian Pound	380,307	965,085
Euro	24,194,933	42,781,889
Hong Kong Dollar	47,995,890	59,419,785
Hungarian Forint	468,847	664,391
Indian Rupee	8,662,034	3,109,512
Indonesian Rupian	4,091,021	4,087,556
Israeli Shekel	23,670	27,998
Japanese Yen	16,981,693	22,272,858
Malaysian Ringgit	5,977,508	6,695,840
Mexican Peso	5,289,824	3,788,600
Moroccan Dirham	171,155	109,731
Norwegian Kroner	720,707	630,684
Pakistani Rupee	158,343	282,645
Philippine Peso	1,405,777	754,025
Peruvian Nuevo Sol	11,708	7,921
Polish Zloty	3,106,024	2,641,172
Russian Ruble	520,988	-
Singapore Dollar	5,578,823	6,906,986
South African Rand	11,277,687	10,308,902
South Korean Won	27,197,675	22,505,276
Swedish Krona	4,627,102	3,355,497
Swiss Franc	4,095,668	8,113,646
Taiwan Dollar	11,511,188	7,343,043
Thai Baht	6,033,018	6,006,492
Turkish Lira	3,861,261	4,106,431
UK Pound	42,503,323	37,020,549
United Arab Emirates Dirham	350,919	-
Total Foreign Common Stock	291,894,994	296,345,047
Other - Equity Securities		
Malaysian Ringgit	1,037	-
Total Other - Equity Securities	1,037	-
Foreign Preferred Stocks:		
Brazilian Real	11,780,506	9,674,620
Euro	-	275,905
South Korean Won	63,966	-
Total Foreign Preferred Stocks Stock	11,844,472	9,950,525
Foreign Government and Provincial Obligations:		
Australian Dollar	32,590,184	27,653,492
Brazilian Real	74,173,296	12,386,908
Canadian Dollar	17,628,969	39,646,972
Euro	120,051,702	95,120,427
Hong Kong Dollar	254,073	202,519
Hungarian Forint	8,731,685	6,338,158
Indonesian Rupian	12,383,744	11,619,396
Japanese Yen	28,906,015	49,153,903

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2011	2010
Foreign Government and Provincial Obligations (continued):		
Malaysian Ringgit	\$ 17,207,184	\$ 17,199,889
Mexican Peso	31,666,676	10,890,433
New Zealand Dollar	29,171,516	12,042,566
Norwegian Kroner	15,299,305	-
Polish Zloty	21,278,962	20,735,559
Singapore Dollar	8,085,469	709,370
South African Rand	15,674,497	9,644,975
South Korean Won	16,681,623	15,517,641
Swedish Krona	-	14,505,401
UK Pound	56,690,696	54,010,710
Total Foreign Government and Provincial Obligations	506,475,596	397,378,319
Corporate Obligations:		
Australian Dollar	23,040,555	28,631,718
Brazilian Real	-	681,964
Canadian Dollar	2,556,392	2,647,558
Danish Krone	-	821,181
Euro	88,781,204	106,175,441
Hong Kong Dollar	-	309,537
Japanese Yen	3,961,556	3,722,803
UK Pound	16,743,133	9,677,970
Total Corporate Obligations	135,082,840	152,668,172
Convertible Securities:		
Brazilian Real	1,077,584	-
Swiss Franc	-	18,787
Total Convertible Securities	1,077,584	18,787
Investment Funds-Emerging Markets:		
Brazilian Real	1,907,997	362,464
Total Investment Funds-Emerging Market	1,907,997	362,464
Purchased Options:		
Australian Dollar	16,921,183	-
Euro	1,458,643	-
Japanese Yen	2,308,083	-
South Korean Won	13,712,772	-
Total Purchased Options	34,400,681	-
Cash and Cash Equivalents:		
Australian Dollar	1,424,988	449,387
Brazilian Real	624,564	424,107
Canadian Dollar	433,213	142,451
Chilean Peso	797	330
Czech Koruna	9	(96,943)
Danish Krone	202	58,628
Egyptian Pound	16,032	12,090
Euro	2,617,417	22,893,246
Hong Kong Dollar	116,554	(3,321,222)
Hungarian Forint	405	593
Indian Rupee	205,552	(6)
Indonesian Rupian	5,894	21,150
Israeli Shekel	9,729	38,640
Japanese Yen	14,203	84,240
Malaysian Ringgit	336,496	13,724
Mexican Peso	44,048	94,265

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2011	2010
Cash and Cash Equivalents (continued):		
Moroccan Dirham	\$ 11,174	\$ 4,447
New Zealand Dollar	463	624
Norwegian Kroner	230,236	(336,952)
Peruvian Nuevo Sol	358	-
Philippine Peso	10,409	472
Polish Zloty	7,470	91,587
Singapore Dollar	1,784	405
South African Rand	12,131	41,415
South Korean Won	63,611	19,994
Swedish Krona	1,057	6,002
Swiss Franc	7,443	(5,171,326)
Taiwan Dollar	299,425	239,822
Thai Baht	5,632	12,683
Turkish Lira	197	-
UK Pound	1,580,374	(54,377)
Total Cash and Cash Equivalents	<u>8,081,867</u>	<u>15,669,476</u>
Written Options:		
Australian Dollar	(10,370,464)	-
Euro	(49,145)	(47,176)
South Korean Won	(8,900,748)	-
UK Pound	-	(563)
Total Written Options	<u>(19,320,357)</u>	<u>(47,739)</u>
Swaps:		
Australian Dollar	-	139,281
Brazilian Real	62,066	21,092
Canadian Dollar	104,444	115,316
Euro	(24,405)	13,478
Japanese Yen	40,551	-
Mexican Peso	1,241,931	-
UK Pound	(506,924)	35,496
Total Swaps	<u>917,663</u>	<u>324,663</u>
Futures:		
Australian Dollar	82,581	-
Canadian Dollar	(57,125)	34,860
Euro	(164,975)	1,814,145
UK Pound	(337,103)	38,595
Total Futures	<u>(476,622)</u>	<u>1,887,600</u>
Total	<u>\$ 971,887,752</u>	<u>\$ 874,557,314</u>

(G) **Counterparty (Credit) Risk**

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

The Fund had gross counterparty exposure as of August 31, 2011 for options, swaps, and foreign currency exchange contracts as shown in the following table.

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2011</u>	<u>Fair Value as of August 31, 2011</u>	
\$ 5,840,666,161	\$ 1,467,286,593	\$ 30,447,618	\$ 16,226,132	A
3,762,798,934	277,963,572	12,372,257	4,831,188	AA
<u>\$ 9,603,465,095</u>	<u>\$ 1,745,250,165</u>	<u>\$ 42,819,875</u>	<u>\$ 21,057,320</u>	

Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2011</u>	<u>Fair Value as of August 31, 2011</u>	
\$ 54,321,941	\$ 181,568,162	\$ 1,430,497	\$ 10,454,283	A
2,101,585,979	5,900,000	1,660,814	83,218	AA
<u>\$ 2,155,907,920</u>	<u>\$ 187,468,162</u>	<u>\$ 3,091,311</u>	<u>\$ 10,537,501</u>	

Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2011</u>	<u>Fair Value as of August 31, 2011</u>	
\$ 723,393,604	\$ 640,201,641	\$ 7,265,450	\$ 5,325,230	A
173,028,810	117,409,270	2,613,624	3,893,891	AA
<u>\$ 896,422,414</u>	<u>\$ 757,610,911</u>	<u>\$ 9,879,074</u>	<u>\$ 9,219,121</u>	

The Fund had gross counterparty exposure as of August 31, 2010 for options, swaps, and foreign currency exchange contracts as shown in the following table.

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2010</u>	<u>Fair Value as of August 31, 2010</u>	
\$ 785,090,422	\$ 72,938,118	\$ 3,828,274	\$ 1,129,784	A
59,259	10,198,045	59,259	131,710	AA
<u>\$ 785,149,681</u>	<u>\$ 83,136,163</u>	<u>\$ 3,887,533</u>	<u>\$ 1,261,494</u>	

Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2010</u>	<u>Fair Value as of August 31, 2010</u>	
\$ 37,079,600	\$ 43,050,491	\$ 1,152,875	\$ 1,210,731	A
20,145,453	14,359,849	332,372	167,114	AA
<u>\$ 57,225,053</u>	<u>\$ 57,410,340</u>	<u>\$ 1,485,247</u>	<u>\$ 1,377,845</u>	

Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Counterparty Rating</u>
<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2010</u>	<u>Fair Value as of August 31, 2010</u>	
\$ 192,764,554	\$ 127,165,317	\$ 4,030,100	\$ 2,356,652	A
88,153,509	84,489,789	2,049,659	1,643,092	AA
<u>\$ 280,918,063</u>	<u>\$ 211,655,106</u>	<u>\$ 6,079,759</u>	<u>\$ 3,999,744</u>	

As of August 31, 2011 and 2010, the Fund also had investments in futures contracts and options on future contracts. Futures contracts and options on future contracts expose the Fund to minimal

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default, and therefore they are not presented in the table above.

Counterparty risk for swaps, options and foreign currency exchange contracts is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties for net assets is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2011 and 2010, the Fund held \$26,330,000 and \$6,670,000 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$26,006,181 and \$13,736,693, respectively as collateral related to derivative instruments other than futures.

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, net of rebates paid to borrowers, are included in investment expenses in the statements of changes in fiduciary net assets. 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, 2011 and 2010.

Securities on Loan	2011 Value	2010 Value	Type of Collateral	2011 Value of Collateral	2010 Value of Collateral
U.S. Government	\$ 26,031,079	\$ 16,463,147	Cash	\$ 26,556,856	\$ 16,727,934
Foreign					
Government	20,436,360	14,969,797	Cash	21,432,750	15,723,750
Corporate Bonds	22,586,383	21,984,043	Cash	23,194,806	22,509,108
Common Stock	40,996,525	58,793,087	Cash	42,680,792	61,513,805
Total	\$ 110,050,347	\$ 112,210,074	Total	\$ 113,865,204	\$ 116,474,597
U.S. Government	\$ 2,081,645	\$ -	Non-Cash	\$ 2,208,858	\$ -
Corporate Bonds	369,893	-	Non-Cash	392,498	-
Common Stock	465,570	1,058,931	Non-Cash	494,022	1,081,354
	\$ 2,917,108	\$ 1,058,931		\$ 3,095,378	\$ 1,081,354

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, the General Endowment Fund (GEF), 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

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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 is shown in the following table.

Description	August 31,					
	2011			2010		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
		No Rating			No Rating	
Repurchase Agreements	\$ 40,399,273	Available	1	\$ 83,717,970	Available	1
Commercial Paper	39,740,319	P	28	19,204,275	P	35
Floating Rate Notes	9,775,831	AA		4,267,716	AA	
Floating Rate Notes	11,751,580	A		4,234,440	A	
Total Floating Rate Notes	<u>21,527,411</u>		33	<u>8,502,156</u>		26
Interest Bearing Notes	537,892	AA	76	-		-
Certificates of Deposit	11,646,656	P	33	5,768,639	P	63
Other Receivables/Payables	13,653	Not Rated	-	(718,443)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 113,865,204</u>		20	<u>\$ 116,474,597</u>		12

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. Pool investments are valued at cost which because of the nature of these investments is indicative of fair value. 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, 2011 and 2010, 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.

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Notes to Financial Statements (cont.)

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, 2011 and 2010.

Note 5 – Investment Funds

Investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds, externally managed funds, limited partnerships, and corporate structures, which are generally unrated and may be unregulated. The composition of investment funds at August 31, 2011 and 2010, is summarized in the following table as they are classified within the asset mix of the Fund.

	August 31,	
	2011	2010
Investment Funds:		
Hedge Funds:		
Developed Country Equity	\$ 1,046,946,004	\$ 820,574,362
Credit Related Fixed Income	240,501,062	375,424,868
Investment Grade Fixed Income	154,827,403	90,335,406
Emerging Market Equity	132,082,960	117,846,110
Real Estate	34,232,638	30,127,133
Natural Resources	5,771,134	5,052,243
Total Hedge Funds	<u>1,614,361,201</u>	<u>1,439,360,122</u>
Public Markets:		
Developed Country Equity:		
Private Placements	231,743,586	222,733,931
Index Funds	-	5,907,404
Exchange Traded Funds	-	1,394,772
Total Developed Country Equity	<u>231,743,586</u>	<u>230,036,107</u>
Emerging Markets:		
Private Placements	159,947,176	122,406,961
Exchange Traded Funds	-	10,885,055
Index Funds	-	17,387,085
Total Emerging Markets	<u>159,947,176</u>	<u>150,679,101</u>
Real Estate:		
Index Funds	-	8,279,488
Total Real Estate	<u>-</u>	<u>8,279,488</u>
Natural Resources:		
Private Placements	64,978,156	51,633,278
Total Natural Resources	<u>64,978,156</u>	<u>51,633,278</u>
Fixed Income:		
Index Funds	-	137,089,885
Total Fixed Income	<u>-</u>	<u>137,089,885</u>
Total Public Markets	<u>456,668,918</u>	<u>577,717,859</u>
Total Investment Funds	<u>\$ 2,071,030,119</u>	<u>\$ 2,017,077,981</u>

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These

THE UNIVERSITY OF TEXAS SYSTEM

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Notes to Financial Statements (cont.)

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 typically one to three 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 pools have committed \$42,371,530 of future funding to various hedge fund investments as of August 31, 2011 of which the Fund's pro-rata portion is \$9,160,725.

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. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. 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.

The Fund, in conjunction with the PUF and the GEF, invests in certain long-only public markets managers in separate investment pools created in the name of the UT Board. The Fund, the PUF and the GEF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts. The net assets and the income, expenses, realized and unrealized gains and losses of these pools have been allocated based on the proportional unit ownership of the Fund, the PUF and the GEF, and the Fund's pro-rata share has been consolidated into the statements of fiduciary net assets, the statements of changes in fiduciary net assets, and the accompanying note disclosures.

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

Investments in hedge funds and public market funds are also subject to the investment risks discussed in Note 3, including custodial credit risk and foreign currency risk. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

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Notes to Financial Statements (cont.)

Note 6 – Written Options

For the year ended August 31, 2011, the Fund wrote call options on commodities and volatility. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2011:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Commodity					
	Copper Futures	1	12/7/11	\$ -	\$ 3,146
	Corn Futures	1	11/23/12	-	866
				-	4,012
Other					
	Forward Volatility Agreement	2,800,000	10/11/11	-	8,727
	Forward Volatility Agreement	5,300,000	11/14/11	-	53,765
				-	62,492
				\$ -	\$ 66,504

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2011 was an increase in the amount of \$11,781, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$53,037 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2011.

The Fund also wrote put options on commodities, Treasury note and Euro Bund futures, domestic and international equities and indices, interest rate swaps, commodities and various currencies for the year ended August 31, 2011. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2011:

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INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	25,000,000	6/18/12	\$ -	\$ 15,774
	United States 3 month Libor	3,100,000	7/10/12	-	10
	United States 3 month Libor	31,700,000	9/24/12	-	33,098
				<u>-</u>	<u>48,882</u>
Commodity					
	Brent Crude Futures	4	11/10/11	-	3,112
	Corn Futures	3	11/23/12	-	5,317
	Crude Oil Futures	1	11/15/11	-	817
	Crude Oil Futures	1	11/17/15	-	10,702
				<u>-</u>	<u>19,948</u>
Currency					
	U.S. Dollar vs. Euro	4,500,000	9/27/11	-	49,146
Equity					
	Australia S&P/ASX 200 Index	27,091	6/21/12	-	4,987,241
	Australia S&P/ASX 200 Index	11,672	6/20/13	-	3,139,667
	Australia S&P/ASX 200 Index	14,539	8/15/13	-	2,243,556
	Dow Jones U.S. Real Estate Index	1,270,641	2/21/12	-	1,616,125
	Korean KOSPI 200 Index	213,610,632	6/13/13	-	3,395,559
	Korean KOSPI 200 Index	493,203,234	8/8/13	-	5,505,189
				<u>-</u>	<u>20,887,337</u>
Fixed Income					
	Euro-BOBL Futures	28	9/30/11	-	-
	U.S. 10 yr Treasury Note Futures	59	9/23/11	-	25,078
				<u>-</u>	<u>25,078</u>
Other					
	CPI Urban Consumer Not Seasonally Adj.	700,000	9/29/10	-	3,292
	CPI Urban Consumer Not Seasonally Adj.	800,000	10/13/20	-	6,171
				<u>-</u>	<u>9,463</u>
				<u>\$ -</u>	<u>\$ 21,039,854</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2011 was a decrease in the amount of \$652,334, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$1,110,999 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2011.

For the year ended August 31, 2010, the Fund wrote call options on Treasury note and Euro Bund futures, domestic and international equities, interest rate swaps and various currencies. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written call options contracts as of August 31, 2010:

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INTERMEDIATE TERM FUND
Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	15,300,000	10/29/10	\$ -	\$ 1,010,596
Credit Default Swap					
	British Petroleum	2,800,000	12/15/10	-	4,207
Currency					
	U.S. Dollar vs. Euro	8,000	9/9/10	-	445
	U.S. Dollar vs. Euro	22,000	9/22/10	-	17,878
	U.S. Dollar vs. Mexican Peso	5,000	9/22/10	-	-
	U.S. Dollar vs. South Korean Won	5,000	9/7/10	-	-
	U.S. Dollar vs. U.K. Pound	8,000	9/15/10	-	563
				-	18,886
Equity					
	MetroPCS Communications	51	11/20/10	-	3,825
				<u>\$ -</u>	<u>\$ 1,037,514</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2010 was a decrease in the amount of \$877,451, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$703,407 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

The Fund also wrote put options on Treasury note and Euro Bund futures, domestic and international equities, interest rate and credit default swaps and various currencies for the year ended August 31, 2010. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2010:

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	15,300,000	10/29/10	\$ -	\$ 164
	United States 3 month Libor	7,200,000	12/1/10	-	192
	United States 3 month Libor	26,800,000	6/18/12	-	176,994
	United States 3 month Libor	3,100,000	7/10/12	-	544
				<u>\$ -</u>	<u>\$ 177,894</u>
Credit Default Swap					
	British Petroleum	2,800,000	12/15/10	-	11,331
Currency					
	U.S. Dollar vs. Euro	26,000	9/9/10	-	28,853
Equity					
	Devon Energy	9	10/16/10	-	1,368
	Papa John's International	20	10/16/10	-	900
	Walmart	9	9/18/10	-	3,636
				<u>-</u>	<u>5,904</u>
				<u>\$ -</u>	<u>\$ 223,982</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2010 was an increase in the amount of \$284,901, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$1,614,562 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

Note 7 – Swaps

During the years ended August 31, 2011 and 2010, the Fund entered into interest rate, credit default, inflation, equity and commodity swap contracts. The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2011:

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Interest Rate					
UK Pound					
	2.500%	13,000,000	9/21/2013	\$ -	\$ 506,924
Canadian Dollar					
	5.750%	1,000,000	12/19/2028	104,444	-
Euro					
	2.000%	16,800,000	9/21/2016	-	195,089
	3.000%	2,300,000	9/21/2016	129,673	-
	3.000%	5,300,000	9/21/2021	93,905	-
Japanese Yen					
	0.250%	1,830,000,000	12/21/2013	40,551	-
U.S. Dollar					
	3.250%	6,300,000	12/21/2021	-	423,412
	3.500%	7,700,000	6/15/2021	-	839,312
Mexican Peso					
	6.590%	15,100,000	12/8/2015	63,136	-
	6.750%	167,800,000	6/8/2016	802,153	-
	6.960%	35,200,000	7/27/2020	140,890	-
	7.500%	34,000,000	6/2/2021	235,752	-
Brazilian Real					
	11.245%	2,400,000	1/2/2012	-	4,776
	11.250%	3,900,000	1/2/2012	-	7,622
	11.360%	7,200,000	1/2/2012	74,464	-
				<u>1,684,968</u>	<u>1,977,135</u>
Credit Default					
Euro					
	0.250%	3,400,000	6/20/2016	-	52,894
U.S. Dollar					
	0.210%	100,000	9/20/2011	-	39
	0.250%	7,300,000	12/20/2015	-	357,133
	0.250%	1,100,000	3/20/2016	-	58,174
	0.250%	2,900,000	9/20/2016	-	176,066
	0.450%	1,000,000	9/20/2014	-	4,418
	0.460%	100,000	9/20/2011	-	80
	0.510%	800,000	3/20/2018	-	3,539
	0.550%	300,000	9/20/2011	-	309
	0.770%	300,000	3/20/2012	-	1,243
	0.990%	1,000,000	9/20/2015	-	8,840
	1.000%	9,300,000	12/20/2011	30,188	-
	1.000%	1,700,000	9/20/2012	5,525	-
	1.000%	5,400,000	12/20/2012	-	60,337
	1.000%	7,100,000	6/20/2015	118,185	-
	1.000%	11,900,000	12/20/2015	-	66,831
	1.000%	4,700,000	3/20/2016	57,337	-
	1.000%	7,500,000	6/20/2016	43,937	-
	1.000%	3,800,000	9/20/2016	-	63,063
	1.000%	400,000	12/20/2016	58,240	-
	1.000%	1,600,000	12/20/2020	-	85,401
	1.060%	780,000	3/20/2018	81,761	-
	1.170%	1,000,000	6/20/2013	-	7,146
	1.450%	1,000,000	6/20/2013	-	17,066
	1.530%	100,000	9/20/2016	2,141	-
	1.540%	800,000	12/20/2013	73,365	-
	1.540%	100,000	6/20/2018	-	236
	1.600%	900,000	3/20/2021	4,891	-
	1.620%	1,000,000	6/20/2012	22,194	-

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INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Credit Default					
U.S. Dollar (continued)					
	1.630%	800,000	3/20/2021	\$ 6,046	\$ -
	1.743%	300,000	6/20/2013	-	5,585
	1.780%	300,000	6/20/2013	-	5,810
	1.820%	200,000	6/20/2013	-	4,034
	1.970%	700,000	3/20/2021	12,467	-
	2.150%	900,000	3/20/2021	27,129	-
	2.950%	1,700,000	12/20/2020	108,930	-
	5.000%	700,000	9/20/2015	114,439	-
				<u>766,775</u>	<u>978,244</u>
Commodity					
U.S. Dollar					
	Uranium	222,460	4/30/2012	-	36,944
				<u>-</u>	<u>36,944</u>
Equity					
U.S. Dollar					
	MSCI Canada Index	6,185,979	5/16/2012	136,597	-
	MSCI Europe Index	10,301,394	2/22/2012	-	582,109
	MSCI Japan Index	3,302,486	2/22/2012	-	132,255
	Oil & Gas	12,741,941	9/26/2011	502,971	-
	S&P 400 Index	9,345,419	2/21/2012	-	1,037,865
	S&P 500 Index	23,794,896	8/20/2012	-	2,038,965
	U.S. Real Estate Index	46,501,507	8/20/2012	-	3,753,984
				<u>639,568</u>	<u>7,545,178</u>
Total				\$ 3,091,311	\$ 10,537,501

The change in fair value of open swap positions for the year ending August 31, 2011 was a decrease in the amount of \$7,981,498, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

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Notes to Financial Statements (cont.)

The following discloses the type, coupon rate, notional amount (presented in local currency), maturity date, and the fair values of the outstanding swap contracts as of August 31, 2010:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
				Assets	Liabilities
Interest Rate					
Australian Dollar	6.000%	2,700,000	12/15/2020	\$ 139,281	\$ -
Brazilian Real	11.33%	17,900,000	1/2/2012	-	-
Canadian Dollar	2.500%	12,100,000	6/18/2013	66,841	-
	5.750%	1,000,000	12/19/2028	48,475	-
U.S. Dollar	3.250%	1,000,000	9/2/2020	69,260	-
	3.500%	9,600,000	9/2/2020	-	884,338
				<u>323,857</u>	<u>884,338</u>
Credit Default					
UK Pound	0.530%	1,000,000	9/20/2010	-	1,554
Euro	1.400%	1,000,000	6/20/2011	-	2,162
U.S. Dollar	0.165%	300,000	3/20/2011	-	34
	0.210%	300,000	9/20/2011	515	-
	0.290%	300,000	3/20/2011	-	393
	0.450%	1,000,000	9/20/2014	-	2,533
	0.460%	300,000	9/20/2011	2,787	-
	0.460%	300,000	3/20/2012	7,551	-
	0.510%	300,000	6/20/2011	612	-
	0.510%	800,000	3/20/2018	3,383	-
	0.550%	300,000	9/20/2011	2,448	-
	0.740%	700,000	3/20/2018	507	-
	0.770%	300,000	3/20/2012	553	-
	0.990%	1,000,000	9/20/2015	17,951	-
	1.000%	1,700,000	9/20/2012	-	9,555
	1.000%	9,800,000	6/20/2015	174,882	-
	1.000%	400,000	12/20/2016	45,708	-
	1.030%	2,000,000	3/20/2013	128,920	-
	1.060%	900,000	3/20/2018	17,986	-
	1.170%	1,000,000	6/20/2013	-	8,260
	1.290%	200,000	6/20/2011	-	534
	1.320%	1,000,000	3/20/2017	17,736	-
	1.450%	1,000,000	6/20/2013	-	13,158
	1.530%	500,000	9/20/2016	8,536	-
	1.540%	1,000,000	12/20/2013	124,713	-
	1.540%	100,000	6/20/2018	-	2,126
	1.600%	1,000,000	3/20/2013	49,834	-
	1.620%	1,000,000	6/20/2012	62,988	-
	1.720%	300,000	12/20/2013	-	865
	1.743%	300,000	6/20/2013	-	7,568
	1.780%	300,000	6/20/2013	-	7,902
	1.820%	200,000	6/20/2013	-	5,505
	3.460%	600,000	6/20/2017	-	68,449
	4.230%	500,000	12/20/2013	-	59,211
	5.000%	700,000	9/20/2015	80,992	-
				<u>748,602</u>	<u>189,809</u>

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INTERMEDIATE TERM FUND**

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
					Assets	Liabilities
Commodity						
	U.S. Dollar	Sugar #11				
			353,920	9/14/2010	\$ 66,125	\$ -
					<u>66,125</u>	<u>-</u>
Equity						
	UK Pound					
		Rio Tinto plc	226,908	9/10/2012	37,050	-
	Euro					
		Ryanair Holdings	319,751	9/10/2012	19,541	-
		Telefonica	197,575	9/10/2012	-	3,685
		Ryanair Holdings	9,460	8/4/2020	-	216
	U.S. Dollar					
		Alerian MLP Basket	12,727,953	11/26/2010	-	137,667
		State Bank of India	342,042	12/1/2010	-	9,455
		MSCI Australia	13,559,849	5/16/2011	-	146,140
		MSCI Canada	17,045,453	5/16/2011	213,563	-
		Bank of Baroda	257,529	9/10/2012	30,096	-
		Union Bank of India	112,370	9/10/2012	4,732	-
		United Spirits Ltd.	216,521	9/10/2012	15,851	-
		Union Bank of India	160,075	11/11/2019	-	6,536
		Bank of Baroda	275,322	12/11/2019	4,739	-
	Brazilian Real					
		Eletrobras	129,246	9/10/2012	21,092	-
					<u>346,664</u>	<u>303,699</u>
Total					<u>\$ 1,485,248</u>	<u>\$ 1,377,846</u>

The change in fair value of open swap positions for the year ending August 31, 2010 was a decrease in the amount of \$173,957, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

Note 8 – Futures Contracts

During the years ended August 31, 2011 and 2010, the asset classes that used futures included domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the years ending August 31, 2011 and 2010 were an increase in the amount of \$2,788,795 and \$5,582,137 respectively, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund had \$28,968,066 and \$25,499,069 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2011 and 2010, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized gains on the futures contracts was \$41,282,916 for the year ended August 31, 2011, which is included in the net increase in investments on the statements of changes in fiduciary net assets. The amount of net realized gains on the futures contracts was \$36,612,616 for the year ended August 31, 2010.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The carrying and fair value, for August 31, 2011, shown in the table below for these open contracts do not include amount previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$181,063 as of August 31, 2011.

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

During the years ended August 31, 2011 and 2010, certain of the Fund's external investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2011.

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2011, for futures contracts:

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2011		Carrying and Fair Value at August 31, 2011		
			Long	Short	Assets	Liabilities	
Domestic Equity							
S&P 500 Index	4	Sep-11	\$ 1,217,700	\$ -	\$ 12,900	\$ -	
			1,217,700	-	12,900	-	
Commodities							
Aluminum Hg	-	Oct-11	735,675	735,675	69,731	-	
Aluminum Hg	103	Dec-11	6,687,088	305,940	-	50,748	
Aluminum Hg	7	Dec-12	463,811	-	-	27,059	
Brent Crude Oil	9	Sep-11	1,012,977	-	73,098	-	
Brent Crude Oil	75	Nov-11	8,520,000	-	-	-	
Brent Crude Oil	2	May-12	-	197,586	4,492	-	
Coffee 'C'	11	Dec-11	1,297,125	84,746	-	8,590	
Coffee 'C'	19	Mar-12	2,070,525	-	-	-	
Coffee Robusta	4	Nov-11	86,881	-	3,651	-	
Copper	88	Dec-11	10,227,782	-	82,222	-	
Copper	2	Dec-12	454,401	-	22,712	-	
Corn	303	Dec-11	11,630,849	-	198,918	-	
Cotton No 2	39	Dec-11	2,077,685	-	-	45,460	
Crude Oil	6	Sep-11	522,203	-	28,459	-	
Crude Oil	44	Nov-11	3,951,470	-	-	12,786	
Crude Oil	11	May-12	963,144	-	-	8,811	
Crude Oil	63	Nov-12	5,769,527	-	-	56,317	
Gas Oil	8	Sep-11	801,385	-	40,855	-	
Gasoline RBOB	8	Oct-11	994,710	-	1,958	-	
Gasoline RBOB	31	Nov-11	3,769,786	69,270	-	3,674	
Gold 100 Oz	113	Dec-11	20,678,428	-	823,680	-	
Heating Oil	1	Sep-11	76,162	-	-	855	
Heating Oil	2	Oct-11	279,842	-	707	-	
Heating Oil	23	Nov-11	3,251,115	203,910	-	11,500	
Heating Oil	14	May-12	1,778,347	-	-	-	
Lead	6	Dec-11	467,935	75,881	54,896	-	
Lean Hogs	2	Oct-11	68,400	-	-	-	
Lean Hogs	79	Dec-11	2,635,159	-	-	1,833	
Live Cattle	2	Oct-11	89,396	-	-	2,285	
Live Cattle	49	Dec-11	2,286,846	-	-	12,971	
Live Cattle	54	Feb-12	2,596,780	-	29	-	
Mill Wheat Euro	17	Nov-11	262,306	-	-	21,377	
Natural Gas	6	Sep-11	-	220,188	10,343	7,623	
Natural Gas	3	Oct-11	-	109,159	-	12,911	
Natural Gas	-	Nov-11	128,948	115,988	-	25,634	
Natural Gas	174	Dec-11	7,835,156	-	-	37,838	
Natural Gas	95	Dec-12	4,882,764	-	-	7,875	
Nickel	-	Nov-11	665,910	665,910	112,260	-	
Nickel	20	Dec-11	2,607,749	-	-	9,955	
Platinum	4	Oct-11	363,815	-	9,757	-	
Platinum	2	Jan-12	182,280	-	108	-	
Silver	30	Dec-11	6,248,493	-	30,944	-	
Soybean	85	Nov-11	6,162,601	-	78,945	-	
Soybean	58	Jul-12	4,250,675	-	-	-	
Soybean Oil	75	Oct-11	2,641,050	-	-	-	
Soybean Oil	24	Dec-11	850,608	-	-	-	

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2011		Carrying and Fair Value at August 31, 2011		
			Long	Short	Assets	Liabilities	
Commodities (continued)							
Sugar #11 World	65	Sep-11	\$ 2,175,596	\$ -	\$ 68,056	\$ -	
Sugar #11 World	35	Feb-12	1,132,096	-	-	-	
Sugar #11 World	24	Jun-12	704,794	-	-	-	
Sugar #11 World	4	Sep-12	111,604	-	18,148	-	
Wheat	78	Dec-11	3,149,707	-	76,412	-	
Wheat	70	Mar-12	2,894,500	-	-	-	
Zinc	27	Dec-11	1,545,819	-	49,807	-	
Zinc	40	Jun-12	2,340,250	-	-	-	
			<u>147,382,155</u>	<u>2,784,253</u>	<u>1,860,188</u>	<u>366,102</u>	
Foreign Fixed Income							
Australia 3 Year Bond	81	Sep-11	-	9,208,473	36,608	-	
Canada 10 Year Bond	69	Dec-11	9,138,610	-	29,382	-	
Euro-Bobl	49	Sep-11	-	8,588,781	104,242	-	
Euro-Bund	51	Sep-11	9,880,714	-	489,562	-	
Euro-Bund	18	Dec-11	3,446,622	-	-	3,357	
UK Long Gilt	48	Dec-11	9,884,389	-	270,410	-	
			<u>32,350,335</u>	<u>17,797,254</u>	<u>930,204</u>	<u>3,357</u>	
Foreign Equity							
DAX Index Future	14	Sep-11	2,919,015	-	76,320	-	
FTSE 100 Index Future	43	Sep-11	3,770,994	-	97,579	-	
			<u>6,690,009</u>	<u>-</u>	<u>173,899</u>	<u>-</u>	
Total			<u>\$ 187,640,199</u>	<u>\$ 20,581,507</u>	<u>\$ 2,977,191</u>	<u>\$ 369,459</u>	

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2010, for futures contracts:

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2010		Carrying and Fair Value at August 31, 2010		
			Long	Short	Assets	Liabilities	
Domestic Fixed Income							
U.S. 10 Year Treasury Notes	215	Dec-10	\$ 27,009,375	\$ -	\$ 73,963	\$ -	
			<u>27,009,375</u>	<u>-</u>	<u>73,963</u>	<u>-</u>	
Domestic Equity							
S&P 500 Index	41	Sep-10	10,745,075	-	32,800	-	
			<u>10,745,075</u>	<u>-</u>	<u>32,800</u>	<u>-</u>	
Commodities							
Aluminum Hg	26	Jan-11	4,965,600	3,620,750	357,499	-	
Aluminum Hg	52	Mar-11	4,107,013	1,403,663	254,138	-	
Brent Crude Oil	5	Dec-10	377,900	-	-	-	
Coffee 'C'	11	Mar-11	736,312	-	-	-	
Coffee 'C'	7	May-11	465,281	-	-	-	
Coffee 'C'	20	Dec-10	1,338,375	-	-	-	
Copper	71	Dec-10	5,981,750	-	-	-	
Corn	95	Dec-10	2,086,437	-	-	-	
Corn	78	Mar-11	1,763,775	-	-	-	
Corn	90	Jul-11	2,090,250	-	-	-	
Cotton No 2	19	Dec-10	818,900	-	-	-	
Cotton No 2	25	Mar-11	1,059,250	-	-	-	
Crude Oil	4	Dec-10	300,400	-	-	-	
Crude Oil	64	Dec-11	5,186,560	-	-	-	
Crude Oil	53	Jun-12	4,364,550	-	-	-	
Gasoline RBOB	25	Oct-10	1,950,270	-	-	-	
Gasoline RBOB	7	Dec-10	550,574	-	-	-	
Gold 100 Oz	1,084	Dec-10	135,532,520	-	1,132,202	-	
Heating Oil	29	Jun-11	2,562,307	-	-	-	
Lean Hogs	64	Dec-10	1,875,840	-	-	-	
Live Cattle	9	Oct-10	350,190	-	-	-	
Live Cattle	73	Jun-11	2,876,200	-	-	-	
Natural Gas	37	Jan-11	1,721,980	-	-	-	
Natural Gas	7	Jan-12	387,030	-	-	-	
Natural Gas	91	Apr-12	4,616,430	-	-	-	
Nickel	-	Feb-11	870,366	870,366	87,090	-	
Nickel	12	Jun-11	1,616,004	124,308	-	42,636	
Nickel	5	Nov-11	614,400	-	-	-	
Silver	29	Dec-10	2,817,640	-	-	-	
Soybean	27	Nov-10	1,363,500	-	-	-	
Soybean	68	Jan-11	3,465,450	-	-	-	
Soybean	26	May-11	1,335,100	-	-	-	
Soybean Oil	36	Oct-10	856,656	-	-	-	
Soybean Oil	55	Dec-10	1,321,650	-	-	-	
Soybean Oil	8	May-11	196,032	-	-	-	
Sugar #11 World	54	Mar-11	1,168,474	-	-	-	
Sugar #11 World	23	Jul-11	445,133	-	-	-	
Wheat	101	Dec-10	3,463,038	-	-	-	
Wheat	34	Jul-11	1,184,475	-	-	-	
Zinc	-	Sep-10	5,253,000	5,253,000	1,799,481	-	
Zinc	36	Aug-11	2,279,000	371,000	-	-	
			<u>216,315,612</u>	<u>11,643,087</u>	<u>3,630,410</u>	<u>42,636</u>	
Foreign Fixed Income							
90 Day Eurodollar	1,324	Mar-11	-	329,427,750	1,882,604	-	
Canada 10 Year Bond	32	Dec-10	3,789,825	-	34,860	-	
Euro-Bund	55	Sep-10	9,396,959	-	-	68,459	
UK Long Gilt	38	Dec-10	7,315,460	-	38,595	-	
			<u>20,502,244</u>	<u>329,427,750</u>	<u>1,956,059</u>	<u>68,459</u>	
Total			<u>\$ 274,572,306</u>	<u>\$ 341,070,837</u>	<u>\$ 5,693,232</u>	<u>\$ 111,095</u>	

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Notes to Financial Statements (cont.)

Note 9 – Foreign Currency Exchange Contracts

The following table summarizes by currency the contractual amounts of the Fund’s foreign currency exchange contracts at August 31, 2011 and 2010. Foreign currency amounts are translated at exchange rates as of August 31, 2011 and 2010. 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, 2011	Net Sell August 31, 2011	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2011	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2011
Australian Dollar	\$ -	\$ 84,595,369	\$ 1,099,116	\$ 283,538
Brazilian Real	-	12,016,234	233,070	2,083
Canadian Dollar	12,547,819	-	329,684	92,698
Chinese Yuan Renminbi	20,124,590	-	398,038	118,962
Danish Krone	4,127,134	-	63,660	7,934
Euro	-	95,475,832	539,109	1,956,672
Hong Kong Dollar	-	1,493,423	20	757
Indian Rupee	3,503,422	-	96,591	7,701
Indonesian Rupian	2,015,691	-	137,320	177
Japanese Yen	90,052,772	-	2,536,713	4,979,644
Malaysian Ringgit	571,718	-	19,312	146
Mexican Peso	-	5,530,587	778,496	473,270
New Zealand Dollar	-	42,874,338	485,968	155,643
Norwegian Kroner	-	14,262,357	1,329	373,120
Philippines Peso	408,290	-	151,342	98,510
Polish Zloty	423,931	-	191	23,919
Singapore Dollar	630,759	-	49,178	3,295
South African Rand	-	465,045	317,181	141,583
South Korean Won	5,146,997	-	258,891	12,405
Swedish Krona	3,807,346	-	60,034	9,473
Swiss Franc	-	22,318,359	1,675,249	159,682
Taiwan Dollar	7,003,066	-	17,046	44,690
Thailand Baht	406,977	-	18,360	-
Turkish Lira	13,382,113	-	314,660	-
UK Pound	10,979,221	-	298,516	273,219
	\$ 175,131,846	\$ 279,031,544	\$ 9,879,074	\$ 9,219,121

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2011 was an increase in the amount of \$659,953, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2010	Net Sell August 31, 2010	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2010	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2010
Australian Dollar	\$ -	\$ 19,473,043	\$ 368,679	\$ 260,380
Brazilian Real	153,023	-	1,305	155
Canadian Dollar	-	5,232,599	194,968	37,792
Chinese Yuan Renminbi	11,934,733	-	32,585	410,100
Danish Krone	1,271,099	-	38,227	-
Egyptian Pound	9,164	-	-	15
Euro	-	63,399,984	858,909	785,429
Hong Kong Dollar	148,251	-	116	8
Hungarian Forint	-	-	210,250	102,321
Indian Rupee	41,436	-	-	711
Indonesian Rupian	1,152,477	-	123,706	-
Japanese Yen	20,435,194	-	2,153,050	1,029,149
Malaysian Ringgit	747,417	-	36,761	725
Mexican Peso	-	393,790	66,367	108,895
New Zealand Dollar	4,993,259	-	178,222	8,932
Norwegian Kroner	19,590,655	-	194,520	120,239
Philippines Peso	-	-	76	-
Polish Zloty	-	66,068	117	164
Singapore Dollar	411,115	-	15,499	1,230
South African Rand	618,217	-	34,490	365
South Korean Won	3,008,413	-	11,585	89,700
Swedish Krona	5,400,365	-	81,362	656,224
Swiss Franc	5,318,403	-	154,618	15,554
Taiwan Dollar	1,084,668	-	-	17,411
Thailand Baht	618,968	-	23,204	4,061
Turkish Lira	12,395,743	-	701,495	-
UK Pound	27,486,101	-	599,647	350,184
	\$ 116,818,701	\$ 88,565,484	\$ 6,079,758	\$ 3,999,744

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2010 was an increase in the amount of \$2,080,014, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

Note 10 – Purchase Agreement

UTIMCO, as investment manager of the funds under the control and management of the UT Board, has entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,528,030,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

each individual investment manager and currently range from 0.07% to 1.50%. 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 accordance with standard industry practice.

UTIMCO assesses the Fund a management fee to cover the costs of managing the Fund and providing day to day operations. The fee for the year ended August 31, 2011 was \$3,064,771. The fee assessed for the year ended August 31, 2010 was \$2,234,314, net of a rebate of \$647,036 of excess reserves from UTIMCO to the Fund.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. Fees incurred for the years ended August 31, 2011 and 2010 were \$1,378,513 and \$846,700, 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. For the years ended August 31, 2011 and 2010 the fees incurred totaled \$48,081 and \$67,961, respectively.

The Fund is assessed a fee to cover costs associated with UT System personnel in their effort to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the years ended August 31, 2011 and 2010, the fees amounted to \$93,250 and \$88,300, respectively.

Analytical and risk measurement fees are also incurred to maintain a sophisticated risk measurement system for the Fund. Fees incurred for the years ended August 31, 2011 and 2010, were \$127,393 and \$138,529, respectively.

The Fund incurs accounting fees for external and UT System internal audit services and foreign tax consulting. For the years ended August 31, 2011 and 2010, fees in the amount of \$186,866 and \$159,001, respectively, were paid by the Fund.

Consulting fees, in the amount of \$84,548 and \$78,369, respectively, for the years ending August 31, 2011 and 2010, were incurred for investment strategy and other investment planning services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring new investment managers. Fees in the amount of \$21,601 and \$14,050, were incurred for the years ending August 31, 2011 and 2010, respectively.

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INTERMEDIATE TERM FUND
Supplemental Schedules

Comparison Summary of Investments
August 31, 2011 and 2010
(in thousands)

	2011		2010	
	Value	% of Total Investments	Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 181,430	3.96%	\$ 166,426	4.02%
Foreign Common Stock	352,719	7.69%	361,076	8.74%
Other Equity Securities	9	0.00%	500	0.01%
Total Equity Securities	534,158	11.65%	528,002	12.77%
Preferred Stock				
Domestic Preferred Stock	923	0.02%	901	0.02%
Foreign Preferred Stock	17,165	0.37%	13,761	0.33%
Total Preferred Stock	18,088	0.39%	14,662	0.35%
Debt Securities				
U.S. Government Obligations	348,429	7.60%	289,256	6.99%
Corporate Obligations	409,550	8.93%	516,917	12.50%
Foreign Government and Provincial Obligations	503,818	10.99%	403,314	9.75%
Other	20,657	0.45%	10,843	0.26%
Total Debt Securities	1,282,454	27.97%	1,220,330	29.50%
Purchased Options	42,844	0.93%	3,888	0.09%
Convertible Securities	1,224	0.03%	19	0.00%
Investment Funds				
Hedge Funds	1,614,361	35.22%	1,439,360	34.80%
Developed Country Equity	231,744	5.06%	230,036	5.56%
Emerging Markets	159,947	3.49%	150,679	3.64%
Natural Resources	64,978	1.42%	51,633	1.25%
Real Estate	-	0.00%	8,280	0.20%
Fixed Income	-	0.00%	137,090	3.32%
Total Investment Funds	2,071,030	45.19%	2,017,078	48.77%
Physical Commodities - Gold	242,342	5.29%	-	0.00%
Cash and Cash Equivalents	391,868	8.55%	351,907	8.52%
Total Investments	\$ 4,584,008	100.00%	\$ 4,135,886	100.00%

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
Supplemental Schedules (cont.)

Financial Highlights

Years Ended August 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 102.029	\$ 94.674	\$ 104.957	\$ 108.986	\$ 101.560
Income From Investment Operations					
Net Investment Income (A)	1.413	1.532	1.774	2.510	2.669
Net Realized and Unrealized Gain (Loss) on Investments	10.301	8.810	(9.448)	(3.202)	7.943
Total Income (Loss) from Investment Operations	<u>11.714</u>	<u>10.342</u>	<u>(7.674)</u>	<u>(0.692)</u>	<u>10.612</u>
Less Distributions					
From Net Investment Income	1.413	1.532	1.774	2.510	2.669
From Net Realized Gain	<u>1.895</u>	<u>1.455</u>	<u>0.835</u>	<u>0.827</u>	<u>0.517</u>
Total Distributions	<u>3.308</u>	<u>2.987</u>	<u>2.609</u>	<u>3.337</u>	<u>3.186</u>
Net Asset Value, End of Period	<u>\$ 110.435</u>	<u>\$ 102.029</u>	<u>\$ 94.674</u>	<u>\$ 104.957</u>	<u>\$ 108.986</u>
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$ 4,661,577	\$ 4,155,806	\$ 3,571,567	\$ 3,874,807	\$ 3,720,557
Ratios to Average Net Assets					
Expenses	0.37%	0.35%	0.44%	0.31%	0.27%
Net Investment Income (A)	1.30%	1.55%	1.99%	2.27%	2.54%
Distributions	3.05%	3.02%	2.93%	3.04%	3.01%

(A) Net investment income is comprised of investment income (excluding the net increase in investments) and investment expenses as presented on the statement of changes in fiduciary net assets.