

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

*Years Ended August 31, 2010 and 2009*

# The University of Texas System Intermediate Term Fund

## Financial Statements

Years Ended August 31, 2010 and 2009

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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, 2010 and August 31, 2009, 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 and do not purport to, and do not, present the financial positions of UTIMCO or The University of Texas System as of August 31, 2010 or August 31, 2009, and the changes in their financial positions for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2, the financial statements include investments valued at \$1,836,134,292 (44.2% of net assets) and \$1,070,154,909 (30% of net assets) as of August 31, 2010 and August 31, 2009, 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, 2010 and August 31, 2009, 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 information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statement 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, 2010, August 31, 2009, August 31, 2008, and August 31, 2007 have been subjected to the audit procedures applied by us (with 2006 being subject to audit procedures by other auditors) in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

October 29, 2010

# THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND

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

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, 2010. 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 \$584.2 million from \$3,571.6 million to \$4,155.8 million or by approximately 16.4% for the year ended August 31, 2010. The change in net fiduciary assets from year to year is mainly attributable to the following:
  1. Net participant contributions to the Fund were \$296.7 million for the year ended August 31, 2010, compared to \$72.8 million for the year ended August 31, 2009.
  2. The Fund posted a net investment gain of 11.04%, calculated using the Modified Dietz Method as described by the CFA Institute, for the fiscal year ended August 31, 2010. Investments in hedge funds, real estate, natural resources, developed country and emerging markets equities, and investment grade and credit-related fixed income were positive contributors to the 2010 return. For the year ended August 31, 2009, the Fund posted a net investment loss of 7.07%. Investments in hedge funds, real estate, natural resources, and developed country and emerging markets equities were negative contributors to the 2009 return, while investment grade and credit-related fixed income were positive contributors to the 2009 return.
  3. The Fund's distribution rate was 3.0% per year, or .25% per month, for the fiscal year ended August 31, 2010 and 2009. Distributions from the Fund were \$119.3 million for the year ended August 31, 2010 compared to the \$98.0 million distributed for the year ended August 31, 2009.

# THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND

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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 fiscal year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the 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>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 4,135.9	\$ 3,597.2	\$ 4,221.0
Other Assets	233.5	213.7	381.8
<b>Total Assets</b>	<u>4,369.4</u>	<u>3,810.9</u>	<u>4,602.8</u>
<b>Total Liabilities</b>	213.6	239.3	728.0
<b>Net Assets Held in Trust</b>	<u>\$ 4,155.8</u>	<u>\$ 3,571.6</u>	<u>\$ 3,874.8</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 \$345.7 million during the year ended August 31, 2010 compared to the net decrease in appreciation of investments of \$344.6 million for the fiscal year ended August 31, 2009. Investment expenses totaled \$13.6 million, \$14.6 million and \$23.5 million respectively, for the years ended August 31, 2010, 2009 and 2008.

Distributions to participants totaled \$119.3 million, \$98.0 million and \$118.6 million, respectively, for the years ended August 31, 2010, 2009 and 2008. 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, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Investment Income (Loss)	\$ 420.5	\$ (263.3)	\$ (7.4)
Less Investment Expenses	(13.6)	(14.6)	(23.5)
Net Investment Income (Loss)	<u>406.9</u>	<u>(277.9)</u>	<u>(30.9)</u>
Participant Contributions	409.0	251.2	1,639.1
Total Additions	<u>815.9</u>	<u>(26.7)</u>	<u>1,608.2</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	112.3	178.4	1,335.3
Participant Distributions	119.3	98.0	118.6
Total Deductions	<u>231.7</u>	<u>276.5</u>	<u>1,454.0</u>
Change in Fiduciary Net Assets	584.2	(303.2)	154.2
Net Assets Held in Trust, Beginning of Period	<u>3,571.6</u>	<u>3,874.8</u>	<u>3,720.6</u>
Net Assets Held in Trust, End of Period	<u>\$ 4,155.8</u>	<u>\$ 3,571.6</u>	<u>\$ 3,874.8</u>

**Contacting UTIMCO**

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

**THE UNIVERSITY OF TEXAS SYSTEM  
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**Statements of Fiduciary Net Assets**

*August 31, 2010 and 2009*

*(Dollars in thousands, except for per unit amount)*

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Investments, at Fair Value:		
Equity Securities	\$ 528,002	\$ 452,114
Preferred Stock	14,662	2,848
Debt Securities	1,220,330	966,881
Convertible Securities	19	-
Investment Funds	2,017,078	1,738,964
Purchased Options	3,888	8,599
Cash and Cash Equivalents	351,907	427,769
<b>Total Investments</b>	<b>4,135,886</b>	<b>3,597,175</b>
Collateral for Securities Loaned, at Fair Value	116,475	108,451
Deposits with Brokers for Derivative Contracts	39,236	28,530
Futures Contracts, at Fair Value	5,693	34
Swaps, at Fair Value	1,485	2,471
Unrealized Gains on Foreign Currency Exchange Contracts	6,080	4,107
Receivables:		
Investment Securities Sold	48,677	57,993
Accrued Income	15,428	12,114
Other	598	52
<b>Total Receivables</b>	<b>64,703</b>	<b>70,159</b>
<b>Total Assets</b>	<b>4,369,558</b>	<b>3,810,927</b>
<b>Liabilities</b>		
Payable upon Return of Securities Loaned	116,475	108,451
Payable to Brokers for Collateral Held	6,670	10,068
Options Written, at Fair Value	1,261	136
Futures Contracts, at Fair Value	111	858
Swaps, at Fair Value	1,378	1,391
Unrealized Losses on Foreign Currency Exchange Contracts	4,000	3,478
Payables:		
Investment Securities Purchased	66,415	100,271
Distributions Payable	10,343	8,767
Other	7,099	5,940
<b>Total Payables</b>	<b>83,857</b>	<b>114,978</b>
<b>Total Liabilities</b>	<b>213,752</b>	<b>239,360</b>
<b>Net Assets Held in Trust (40,731,546 Units and 37,725,083 Units, respectively)</b>	<b>\$ 4,155,806</b>	<b>\$ 3,571,567</b>
<b>Net Asset Value Held in Trust Per Unit</b>	<b>\$ 102.029</b>	<b>\$ 94.674</b>

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



**THE UNIVERSITY OF TEXAS SYSTEM  
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**Statements of Changes in Fiduciary Net Assets**

*Years Ended August 31, 2010 and 2009*

*(in thousands)*

<b>Additions</b>	<u>2010</u>	<u>2009</u>
Investment Income:		
Net Increase (Decrease) in Investments	\$ 345,678	\$ (344,592)
Interest	59,394	56,504
Dividends	15,091	23,064
Securities Lending Income	370	1,654
Other	12	12
Total Investment Income (Loss)	<u>420,545</u>	<u>(263,358)</u>
Less Investment Expenses:		
Investment Management Fees	9,977	9,690
UTIMCO Management Fee	2,234	2,858
Custodial Fees and Expenses	847	742
Accounting Fees	159	169
Analytical and Risk Measurement Fees	139	114
Consulting Fees	78	85
Legal Fees	68	40
Securities Lending Fees	62	881
Other Expenses	15	5
Total Investment Expenses	<u>13,579</u>	<u>14,584</u>
Net Investment Income (Loss)	<u>406,966</u>	<u>(277,942)</u>
Participant Contributions	<u>408,978</u>	<u>251,201</u>
<b>Total Additions</b>	<u>815,944</u>	<u>(26,741)</u>
<b>Deductions</b>		
Administrative Expenses:		
UT System Oversight Fee	88	82
Participant Withdrawals	112,348	178,424
Participant Distributions	119,269	97,993
<b>Total Deductions</b>	<u>231,705</u>	<u>276,499</u>
Change in Fiduciary Net Assets	584,239	(303,240)
Net Assets Held in Trust, Beginning of Period	<u>3,571,567</u>	<u>3,874,807</u>
<b>Net Assets Held in Trust, End of Period</b>	<u><b>\$ 4,155,806</b></u>	<u><b>\$ 3,571,567</b></u>

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

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

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**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).

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 \$1,836,134,292 (44.2% of net assets) and \$1,070,154,909 (30.0% of net assets) as of August 31, 2010, and August 31, 2009, 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.)*

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

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

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

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

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

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

(C) ***Investment Income*** -- 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, 2010 and 2009, interest and dividend withholding in the amounts of \$768,298 and \$442,212 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Interest expense amounts paid on certain derivative settlements are netted against interest income in the statements of changes in fiduciary net assets.

(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 fiscal years ended August 31, 2010 and 2009 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.

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*Notes to Financial Statements (cont.)*

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(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 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 flow through 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. The difference between the premium and the amount paid on effecting a

## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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*Notes to Financial Statements (cont.)*

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*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 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. As of August 31, 2010 and 2009, the Fund had no securities sold short.

(L) ***Cash and Cash Equivalents*** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of derivative contracts held (see Notes 6, 7 and 8). Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statements of fiduciary net assets.

(M) ***Reclassifications*** -- Certain items in the 2009 financial statements and related notes have been reclassified to conform with the 2010 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.

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### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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#### (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, 2010 and 2009:

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*Notes to Financial Statements (cont.)*

Investment Type	August 31,		Rating
	2010	2009	
<b>Investments:</b>			
U.S. Government Guaranteed	\$ 154,050,897	\$ 105,542,384	Exempt from Disclosure
U.S. Government Non-Guaranteed:			
U.S. Agency	1,263,073	2,400,876	AAA
U.S. Agency Asset Backed	133,941,998	195,217,582	AAA
U.S. Agency Commercial Paper	-	599,567	AAA
Total U.S. Government Non-Guaranteed	<u>135,205,071</u>	<u>198,218,025</u>	
Total U.S. Government	<u>289,255,968</u>	<u>303,760,409</u>	
Corporate Obligations:			
Domestic	36,998,421	61,687,119	AAA
Domestic	21,446,777	20,898,635	AA
Domestic	104,645,356	94,719,617	A
Domestic	91,507,163	80,066,952	BAA/BBB
Domestic	10,671,423	11,903,679	BA/BB
Domestic	14,748,880	12,569,368	B
Domestic	28,960,259	36,994,005	CAA/CCC
Domestic	6,476,562	11,841,118	CA/CC
Domestic	665,653	2,962,341	C
Domestic	66,375	305,097	D
Domestic	661,125	555,000	Not Rated
Foreign	110,764,611	57,914,494	AAA
Foreign	31,802,296	13,716,676	AA
Foreign	29,583,676	18,847,717	A
Foreign	24,100,312	16,064,201	BAA/BBB
Foreign	1,027,245	347,282	BA/BB
Foreign	849,875	979,258	B
Foreign	-	252,000	CAA/CCC
Foreign	949,000	-	C
Foreign	991,501	310,650	Not Rated
Total Corporate Obligations	<u>516,916,510</u>	<u>442,935,209</u>	
Foreign Government and Provincial Obligations	226,082,493	137,809,537	AAA
Foreign Government and Provincial Obligations	69,464,614	15,355,843	AA
Foreign Government and Provincial Obligations	66,532,006	31,913,822	A
Foreign Government and Provincial Obligations	29,615,498	10,842,330	BAA/BBB
Foreign Government and Provincial Obligations	11,619,396	19,890,506	BA/BB
Total Foreign Government and Provincial Obligations	<u>403,314,007</u>	<u>215,812,038</u>	
Other Debt Securities	1,543,640	2,853,571	AA
Other Debt Securities	7,931,306	186,021	A
Other Debt Securities	1,368,781	1,333,791	BAA/BBB
Total Other Debt Securities	<u>10,843,727</u>	<u>4,373,383</u>	
Total Debt Securities	<u>\$ 1,220,330,212</u>	<u>\$ 966,881,039</u>	
Other Investment Funds - Debt	\$ -	\$ 1,191,716	AAA
Other Investment Funds - Debt	137,089,885	380,390,786	AA
Other Investment Funds - Debt	-	19,901,216	B
Total Other Investment Funds - Debt	<u>\$ 137,089,885</u>	<u>\$ 401,483,718</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 344,970,531	\$ 427,769,227	AAA
Cash and Cash Equivalents - Money Market Funds	768	-	A
Cash and Cash Equivalents	6,935,693	-	Not Rated
Total Cash and Cash Equivalents	<u>\$ 351,906,992</u>	<u>\$ 427,769,227</u>	
<b>Net Deposit with (from) Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 8,046,698	\$ 11,014,171	Exempt from Disclosure
Cash	24,519,064	7,447,494	Exempt from Disclosure
Total Net Deposit with (from) Brokers for Derivative Contracts	<u>\$ 32,565,762</u>	<u>\$ 18,461,665</u>	



## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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#### *(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, 2010 and 2009, 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, 2010 and 2009:

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

Investment Type	August 31,			
	2010		2009	
	Value	Modified Duration	Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 149,613,453	9.89	\$ 82,599,581	9.46
U.S. Treasury Strips	2,237,927	0.94	2,304,480	2.00
U.S. Treasury Bills	2,199,517	0.16	1,598,555	0.50
U.S. Treasury Inflation Protected	-	-	6,151,028	3.55
U.S. Agency Asset Backed	-	-	12,888,740	1.69
Total U.S. Government Guaranteed	<u>154,050,897</u>	9.62	<u>105,542,384</u>	7.87
U.S. Government Non-Guaranteed:				
U.S. Agency	1,263,073	7.36	2,400,876	0.12
U.S. Agency Asset Backed	133,941,998	2.32	195,217,582	3.49
U.S. Agency Commercial Paper	-	-	599,567	0.35
Total U.S. Government Non-Guaranteed	<u>135,205,071</u>	2.36	<u>198,218,025</u>	3.44
Total U.S. Government	<u>289,255,968</u>	6.23	<u>303,760,409</u>	4.98
Corporate Obligations:				
Domestic	316,847,994	5.71	334,502,931	5.35
Foreign	200,068,516	5.08	108,432,278	4.56
Total Corporate Obligations	<u>516,916,510</u>	5.47	<u>442,935,209</u>	5.16
Foreign Government and Provincial Obligations	<u>403,314,007</u>	5.94	<u>215,812,038</u>	6.08
Other Debt Securities	<u>10,843,727</u>	12.70	<u>4,373,383</u>	10.48
Total Debt Securities	<u>1,220,330,212</u>	5.87	<u>966,881,039</u>	5.33
Other Investment Funds - Debt	<u>137,089,885</u>	5.97	<u>401,483,718</u>	5.88
Cash and Cash Equivalents	<u>351,906,992</u>	0.08	<u>427,769,227</u>	0.08
Total	<u>\$ 1,709,327,089</u>	4.68	<u>\$ 1,796,133,984</u>	4.20
<b>Net Deposit with (from) Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 8,046,698	1.71	\$ 11,014,171	0.84
Cash	<u>24,519,064</u>	-	<u>7,447,494</u>	-
Total Net Deposit with (from) Brokers for Derivative Contracts	<u>\$ 32,565,762</u>	0.42	<u>\$ 18,461,665</u>	0.50

The Fund has purchased options on ten year constant maturity swaps, with expiries ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2010 and 2009, these options had a notional value of \$784,000,000 and a fair value of \$2,711,469 and \$6,673,198, respectively. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$4,195,625 as of August 31, 2010 and 2009. It is estimated 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. It is estimated that these options would adjust the 2009 duration of total debt securities of 5.33 downward by approximately 0.17, and the total duration of 4.20 downward by approximately 0.12. 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.

## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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#### *(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, 2010 and 2009, 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 \$195,012,518 and \$193,832,212 as of August 31, 2010 and 2009, 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 \$63,951,299 and \$135,053,677 as of August 31, 2010 and 2009, 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 \$27,249,392 and \$37,649,878 as of August 31, 2010 and 2009, 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 2009, one of the Fund's external managers employed an investment strategy in which they hedged their long non-U.S. investment positions back to the U.S. dollar by utilizing currency transactions in amounts equal to the long investment position. During the year ended August 31, 2010 they changed their strategy to hedge their investments to the Euro dollar. In the following table the negative amounts shown for the Czech Koruna, Danish Krone, Euro, Hong Kong Dollar, Norwegian Kroner, Swiss Franc, and the UK Pound in the cash and cash equivalents section reflect this strategy. 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 currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2010 and 2009:

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

Investment Type	August 31,	
	2010	2009
<b>Domestic Common Stock:</b>		
Canadian Dollar	\$ -	\$ 73,980
Total Domestic Common Stock	-	73,980
<b>Foreign Common Stock:</b>		
Australian Dollar	12,854,457	11,301,653
Brazilian Real	14,072,675	1,676,311
Canadian Dollar	13,803,205	6,805,921
Chilean Peso	746,344	-
Czech Koruna	624,759	125,264
Danish Krone	337,093	792,222
Egyptian Pound	965,085	737,831
Euro	42,781,889	49,069,573
Hong Kong Dollar	59,419,785	41,029,154
Hungarian Forint	664,391	433,764
Indian Rupee	3,109,512	-
Indonesian Rupian	4,087,556	1,275,366
Israeli Shekel	27,998	95,680
Japanese Yen	22,272,858	27,548,583
Malaysian Ringgit	6,695,840	1,167,874
Mexican Peso	3,788,600	1,110,551
Moroccan Dirham	109,731	109,523
Norwegian Kroner	630,684	133,303
Pakistani Rupee	282,645	252,677
Philippine Peso	754,025	731,399
Peruvian Nuevo Sol	7,921	-
Polish Zloty	2,641,172	380,659
Singapore Dollar	6,906,986	6,360,745
South African Rand	10,308,902	2,428,258
South Korean Won	22,505,276	4,586,458
Swedish Krona	3,355,497	936,501
Swiss Franc	8,113,646	10,189,341
Taiwan Dollar	7,343,043	-
Thai Baht	6,006,492	2,537,461
Turkish Lira	4,106,431	836,946
UK Pound	37,020,549	25,127,636
Total Foreign Common Stock	296,345,047	197,780,654
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	9,674,620	2,184,399
Euro	275,905	-
Total Foreign Preferred Stocks Stock	9,950,525	2,184,399
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	27,653,492	28,403,258
Brazilian Real	12,386,908	11,034,732
Canadian Dollar	39,646,972	15,690,497
Euro	95,120,427	53,717,167
Hong Kong Dollar	202,519	-
Hungarian Forint	6,338,158	-
Indonesian Rupian	11,619,396	8,855,774
Japanese Yen	49,153,903	5,888,083
Malaysian Ringgit	17,199,889	14,221,738
Mexican Peso	10,890,433	10,842,330
New Zealand Dollar	12,042,566	10,680,499
Norwegian Kroner	-	7,557,524
Polish Zloty	20,735,559	11,677,463
Singapore Dollar	709,370	-
South African Rand	9,644,975	4,217,399
South Korean Won	15,517,641	-
Swedish Krona	14,505,401	15,219,473
UK Pound	54,010,710	17,110,720
Total Foreign Government and Provincial Obligations	397,378,319	215,116,657

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

Investment Type	August 31, 2010	August 31, 2009
<b>Corporate Obligations:</b>		
Australian Dollar	\$ 28,631,718	\$ 14,945,413
Brazilian Real	681,964	-
Canadian Dollar	2,647,558	4,426,710
Danish Krone	821,181	50,742
Euro	106,175,441	34,576,185
Hong Kong Dollar	309,537	310,650
Japanese Yen	3,722,803	566,236
UK Pound	9,677,970	5,423,252
Total Corporate Obligations	152,668,172	60,299,188
<b>Convertible Securities:</b>		
Swiss Franc	18,787	-
Total Convertible Securities	18,787	-
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	362,464	-
Total Investment Funds-Emerging Market	362,464	-
<b>Purchased Options:</b>		
Euro	-	628,182
Indian Rupee	-	454,372
Swiss Franc	-	518,633
Total Purchased Options	-	1,601,187
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	449,387	429,685
Brazilian Real	424,107	26,309
Canadian Dollar	142,451	281,378
Chilean Peso	330	-
Czech Koruna	(96,943)	28,704
Danish Krone	58,628	(787,219)
Egyptian Pound	12,090	-
Euro	22,893,246	(30,134,061)
Hong Kong Dollar	(3,321,222)	(1,410,611)
Hungarian Forint	593	8,537
Indian Rupee	(6)	-
Indonesian Rupian	21,150	5,544
Israeli Shekel	38,640	4,507
Japanese Yen	84,240	233,138
Malaysian Ringgit	13,724	4,763
Mexican Peso	94,265	3,173
Moroccan Dirham	4,447	5,156
New Zealand Dollar	624	611
Norwegian Kroner	(336,952)	115
Philippine Peso	472	1,515
Polish Zloty	91,587	15
Singapore Dollar	405	406
South African Rand	41,415	1,416
South Korean Won	19,994	3,805
Swedish Krona	6,002	1,116
Swiss Franc	(5,171,326)	(10,888,994)
Taiwan Dollar	239,822	-
Thai Baht	12,683	5,275
Turkish Lira	-	26
UK Pound	(54,377)	(3,140,059)
Total Cash and Cash Equivalents	15,669,476	(45,315,750)
<b>Written Options:</b>		
Euro	(47,176)	-
UK Pound	(563)	-
Total Written Options	(47,739)	-

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

Investment Type	August 31, 2010	August 31, 2009
<b>Swaps:</b>		
Australian Dollar	\$ 139,281	\$ (188,601)
Brazilian Real	21,092	-
Canadian Dollar	115,316	1,569
Euro	13,478	220,452
Japanese Yen	-	155,503
Swedish Krona	-	24,134
UK Pound	35,496	308,569
Total Swaps	324,663	521,626
<b>Futures:</b>		
Canadian Dollar	34,860	-
Euro	1,814,145	19,447
Japanese Yen	-	(205,042)
UK Pound	38,595	4,624
Total Futures	1,887,600	(180,971)
Total	\$ 874,557,314	\$ 432,080,970

**(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, 2010 and 2009 for options, swaps, and foreign currency exchange contracts as shown in the following tables.

<b>Options</b>				
Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 785,090,422	\$ 72,938,118	\$ 3,828,274	\$ 1,129,784	
59,259	10,198,045	59,259	131,710	AA
\$ 785,149,681	\$ 83,136,163	\$ 3,887,533	\$ 1,261,494	
<b>Swaps</b>				
Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 37,079,600	\$ 43,050,491	\$ 1,152,875	\$ 1,210,731	
20,145,453	14,359,849	332,372	167,114	AA
\$ 57,225,052	\$ 57,410,340	\$ 1,485,247	\$ 1,377,845	
<b>Foreign Currency Exchange Contracts</b>				
Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 192,764,554	\$ 127,165,317	\$ 4,030,100	\$ 2,356,652	
88,153,509	84,489,789	2,049,659	1,643,092	AA
\$ 280,918,063	\$ 211,655,106	\$ 6,079,759	\$ 3,999,744	

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

<b>Options</b>				
<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, 2009</u>	<u>Fair Value as of August 31, 2009</u>	
\$ 1,170,585,575	\$ 26,600,000	\$ 8,599,455	\$ 119,128	A
-	1,300,000	-	16,975	AA
<u>\$ 1,170,585,575</u>	<u>\$ 27,900,000</u>	<u>\$ 8,599,455</u>	<u>\$ 136,103</u>	

  

<b>Swaps</b>				
<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, 2009</u>	<u>Fair Value as of August 31, 2009</u>	
\$ 139,685,524	\$ 98,310,714	\$ 2,465,530	\$ 1,300,337	A
1,000,000	1,500,000	5,754	90,265	AA
<u>\$ 140,685,524</u>	<u>\$ 99,810,714</u>	<u>\$ 2,471,284</u>	<u>\$ 1,390,602</u>	

  

<b>Foreign Currency Exchange Contracts</b>				
<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, 2009</u>	<u>Fair Value as of August 31, 2009</u>	
\$ 191,820,628	\$ 140,263,434	\$ 3,806,744	\$ 2,737,744	A
31,264,005	39,163,090	300,393	739,963	AA
<u>\$ 223,084,633</u>	<u>\$ 179,426,524</u>	<u>\$ 4,107,137</u>	<u>\$ 3,477,707</u>	

As of August 31, 2010 and 2009, the Fund also had investments in futures contracts. Futures contracts expose the Fund to minimal counterparty credit risk since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

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, 2010 and 2009, the Fund held \$6,670,000 and \$10,068,302 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$13,736,693 and \$264,756, respectively as collateral related to derivative instruments other than futures.

**Note 4 – Securities Lending**

The Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income and related expenses are included in investment expenses. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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, 2010 and 2009.

Securities on Loan	2010 Value	2009 Value	Type of Collateral	2010 Value of Collateral	2009 Value of Collateral
U.S. Government	\$ 16,463,147	\$ 43,571,924	Cash	\$ 16,727,934	\$ 44,459,170
Foreign Government	14,969,797	6,384,850	Cash	15,723,750	6,786,002
Corporate Bonds	21,984,043	6,474,727	Cash	22,509,108	6,627,340
Common Stock	58,793,087	48,782,750	Cash	61,513,805	50,578,938
<b>Total</b>	<b>\$112,210,074</b>	<b>\$105,214,251</b>	<b>Total</b>	<b>\$116,474,597</b>	<b>\$108,451,450</b>
Common Stock	\$ 1,058,931	-	Non-Cash	\$ 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 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,					
	2010			2009		
Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days	
	No Rating			No Rating		
Repurchase Agreements	\$ 83,717,970	Available	1	\$ 71,922,058	Available	1
Commercial Paper	19,204,275	P	35	19,148,028	P	44
Floating Rate Notes	-	AAA		1,986,745	AAA	
Floating Rate Notes	4,267,716	AA		7,018,774	AA	
Floating Rate Notes	4,234,440	A		-	A	
Total Floating Rate Notes	8,502,156		26	9,005,519		21
Certificates of Deposit	5,768,639	P	63	8,520,840	P	68
Other Receivables/Payables	(718,443)	Not Rated	-	(144,995)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 116,474,597</u>		12	<u>\$ 108,451,450</u>		16



## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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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, 2010 and 2009, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2010 and 2009.

#### **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, 2010 and 2009, is summarized in the following table as they are classified within the asset mix of the Fund.

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

	<b>August 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Investment Funds:</b>		
<b>Hedge Funds:</b>		
Developed Country Equity	\$ 820,574,362	\$ 500,951,896
Credit Related Fixed Income	375,424,868	212,843,090
Emerging Market Equity	117,846,110	69,141,472
Investment Grade Fixed Income	90,335,406	40,268,232
Real Estate	30,127,133	8,810,971
Natural Resources	5,052,243	4,211,910
Total Hedge Funds	<u>1,439,360,122</u>	<u>836,227,571</u>
<b>Public Markets:</b>		
<b>Developed Country Equity:</b>		
Private Placements	222,733,931	145,265,740
Index Funds	5,907,404	93,729,859
Exchange Traded Funds	1,394,772	21,754,448
Total Developed Country Equity	<u>230,036,107</u>	<u>260,750,047</u>
<b>Emerging Markets:</b>		
Private Placements	122,406,961	88,661,598
Exchange Traded Funds	10,885,055	67,738,779
Index Funds	17,387,085	30,263,177
Total Emerging Markets	<u>150,679,101</u>	<u>186,663,554</u>
<b>Real Estate:</b>		
Index Funds	8,279,488	53,838,936
Total Real Estate	<u>8,279,488</u>	<u>53,838,936</u>
<b>Natural Resources:</b>		
Private Placements	51,633,278	-
Total Natural Resources	<u>51,633,278</u>	<u>-</u>
<b>Fixed Income:</b>		
Index Funds	137,089,885	400,292,002
Publicly Traded Mutual Funds	-	1,191,716
Total Fixed Income	<u>137,089,885</u>	<u>401,483,718</u>
Total Public Markets	<u>577,717,859</u>	<u>902,736,255</u>
<b>Total Investment Funds</b>	<u><u>\$ 2,017,077,981</u></u>	<u><u>\$ 1,738,963,826</u></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 of both domestic and international issuers. Included in emerging market equity under hedge funds is an August 31, 2009 investment in the amount of \$4,010,000 to the emerging market equity pool which was not invested in the underlying hedge fund pool investment until September 1, 2009. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$27,579,189 of future funding to various hedge fund investments as of August 31, 2010 of which the Fund's pro-rata portion is \$6,081,211.

## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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 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 of the net assets and have 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 Fund's general partners and investment managers are not registered with the Securities and Exchange Commission or other domestic or international regulators, and therefore are not subject to regulatory controls.
- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the Fund's investment funds may impose 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.

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

**Note 6 – Written Options**

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:

	Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Calls</b>						
	<b>Interest Rate Swap</b>					
		United States 3 month Libor	15,300,000	10/29/10	\$ -	\$ 1,010,596
	<b>Credit Default Swap</b>					
		British Petroleum	2,800,000	12/15/10	-	4,207
	<b>Currency</b>					
		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
	<b>Equity</b>					
		MetroPCS Communications	51	11/20/10	-	3,825
					<b>\$ -</b>	<b>\$ 1,037,514</b>

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 (decrease) 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 (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

The Fund also wrote put options on Treasury note and Euro Bund futures, domestic and international equities, interest rate 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:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	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>
<b>Credit Default Swap</b>					
	British Petroleum	2,800,000	12/15/10	-	11,331
<b>Currency</b>					
	U.S. Dollar vs. Euro	26,000	9/9/10	-	28,853
<b>Equity</b>					
	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 (decrease) 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 (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

For the year ended August 31, 2009, the Fund wrote call options on Treasury note futures, commodities, domestic and international equities, interest rate swaps, equity indexes and exchange traded funds. The Fund recognized losses of \$5,319,939 on call options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2009. There were no written call options outstanding as of August 31, 2009.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

The Fund also wrote put options on Treasury note futures, commodities, domestic and international equities, interest rate swaps, equity indexes and exchange traded funds for the year ended August 31, 2009. The following discloses the contracts outstanding, the expiration date, and the fair values of the outstanding written put options contracts as of August 31, 2009:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2009	
				Assets	Liabilities
<b>Interest Rate Swap</b>					
	United States 3 month Libor	23,100,000	11/23/09	\$ -	\$ 104,038
	United States 3 month Libor	2,000,000	12/15/09	-	1,496
	United States 3 month Libor	5,100,000	8/31/10	-	30,569
				<u>\$ -</u>	<u>\$ 136,103</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, 2009 was an increase in the amount of \$127,245, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$3,814,626 on put options written which are included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2009.

### Note 7 – Swaps

During the fiscal year ended August 31, 2010 and 2009, 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, 2010:

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

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
				Assets	Liabilities
<b>Interest Rate</b>					
<b>Australian Dollar</b>	6.000%	2,700,000	12/15/2020	\$ 139,281	\$ -
<b>Brazilian Real</b>	11.33%	17,900,000	1/2/2012	-	-
<b>Canadian Dollar</b>	2.500%	12,100,000	6/18/2013	66,841	-
	5.750%	1,000,000	12/19/2028	48,475	-
<b>U.S. Dollar</b>	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>
<b>Credit Default</b>					
<b>UK Pound</b>	0.530%	1,000,000	9/20/2010	-	1,554
<b>Euro</b>	1.400%	1,000,000	6/20/2011	-	2,162
<b>U.S. Dollar</b>	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>

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

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
					Assets	Liabilities
<b>Commodity</b>						
	U.S. Dollar	Sugar #11				
			353,920	9/14/2010	\$ 66,125	\$ -
					<u>66,125</u>	<u>-</u>
<b>Equity</b>						
	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					
		Eletrabras	129,246	9/10/2012	21,092	-
					<u>346,664</u>	<u>303,699</u>
<b>Total</b>					<b>\$ 1,485,248</b>	<b>\$ 1,377,846</b>

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 (decrease) in investments on the statement of changes in fiduciary net assets.



# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

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, 2009:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
				Assets	Liabilities
<b>Interest Rate</b>					
<b>Australian Dollar</b>					
	4.500%	9,800,000	12/15/2011	\$ -	\$ 105,236
	5.000%	19,500,000	12/15/2011	-	134,521
	6.500%	21,600,000	6/15/2012	51,156	-
<b>UK Pound</b>					
	3.500%	1,000,000	3/17/2015	-	18,141
	3.500%	600,000	5/17/2015	-	10,885
	4.500%	7,600,000	3/17/2020	340,497	-
<b>Canadian Dollar</b>					
	5.750%	1,000,000	12/19/2028	1,569	-
<b>Euro</b>					
	3.400%	16,100,000	9/15/2011	142,614	-
<b>Japanese Yen</b>					
	1.000%	470,000,000	12/16/2010	26,347	-
	1.000%	2,100,000,000	12/16/2014	129,156	-
<b>Swedish Krona</b>					
	4.500%	2,000,000	3/18/2014	24,134	-
				<u>715,473</u>	<u>268,783</u>
<b>Credit Default</b>					
<b>UK Pound</b>					
	0.530%	1,000,000	9/20/2010	-	2,902
<b>Euro</b>					
	2.020%	400,000	3/20/2014	-	23,980
<b>U.S. Dollar</b>					
	0.165%	300,000	3/20/2011	1,147	-
	0.210%	300,000	9/20/2011	412	-
	0.290%	300,000	3/20/2011	-	568
	0.310%	300,000	12/20/2011	712	-
	0.390%	300,000	6/20/2010	603	-
	0.450%	1,000,000	9/20/2014	-	341
	0.450%	1,000,000	6/20/2017	5,754	-
	0.460%	300,000	9/20/2011	11,859	-
	0.460%	300,000	3/20/2012	21,812	-
	0.460%	300,000	12/20/2016	15,981	-
	0.510%	300,000	6/20/2011	1,517	-
	0.510%	800,000	3/20/2018	-	2,970
	0.550%	300,000	9/20/2011	11,272	-
	0.630%	200,000	9/20/2011	-	2,017
	0.740%	700,000	3/20/2018	-	20,885
	0.770%	300,000	3/20/2012	-	3,624
	0.820%	1,000,000	3/20/2018	29,111	-
	0.840%	1,756,800	12/20/2017	75,482	-
	0.850%	600,000	12/20/2009	-	1,530
	0.940%	700,000	9/20/2014	28,452	-
	0.940%	1,000,000	6/20/2016	-	22,103
	0.950%	1,000,000	12/20/2015	60,267	-
	0.950%	500,000	9/20/2018	-	9,076
	0.990%	1,000,000	9/20/2015	-	31,922
	1.030%	2,000,000	3/20/2013	-	34,288
	1.060%	1,000,000	3/20/2018	-	51,255
	1.170%	1,000,000	6/20/2013	4,183	-

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

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2009	
					Assets	Liabilities
<b>Credit Default (Continued)</b>						
<b>U.S. Dollar (Continued)</b>						
		1.290%	200,000	6/20/2011	\$ -	\$ 957
		1.320%	1,000,000	3/20/2017	45,728	-
		1.000%	200,000	6/20/2014	-	4,405
		1.000%	400,000	12/20/2016	35,880	-
		1.000%	2,800,000	6/20/2019	22,168	-
		1.450%	1,000,000	6/20/2013	-	7,167
		1.530%	500,000	9/20/2016	-	14,656
		1.500%	1,200,000	6/20/2010	-	9,129
		1.540%	1,000,000	12/20/2013	275,045	-
		1.540%	100,000	6/20/2018	-	725
		1.500%	2,342,400	6/20/2018	-	13,964
		1.620%	1,000,000	6/20/2012	217,399	-
		1.600%	1,000,000	3/20/2013	-	37,836
		1.720%	300,000	12/20/2013	-	1,389
		1.743%	300,000	6/20/2013	-	5,248
		1.780%	300,000	6/20/2013	-	5,674
		1.820%	200,000	6/20/2013	-	4,086
		2.250%	500,000	3/20/2014	-	25,942
		2.980%	500,000	3/20/2019	-	70,852
		3.460%	600,000	6/20/2017	-	57,095
		4.230%	500,000	12/20/2013	-	62,875
					<u>864,784</u>	<u>529,461</u>
<b>Inflation</b>						
<b>Euro</b>						
		1.948%	600,000	3/15/2012	19,383	-
		1.960%	600,000	3/30/2012	18,757	-
		2.080%	1,900,000	6/15/2012	69,421	-
					<u>107,561</u>	<u>-</u>
<b>Equity</b>						
<b>Euro</b>						
			516,631	8/4/2010	-	5,743
<b>U.S. Dollar</b>						
			38,282,783	11/5/2009	783,466	-
			50,638,817	11/23/2009	-	586,615
					<u>783,466</u>	<u>592,358</u>
<b>Total</b>					<b>\$ 2,471,284</b>	<b>\$ 1,390,602</b>

The change in fair value of open swap positions for the year ending August 31, 2009 was an increase in the amount of \$1,080,682, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets.

**Note 8 – Futures Contracts**

During the years ended August 31, 2010 and 2009, 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 year ending August 31, 2010 was an increase in the amount of \$5,582,137, which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The change in fair value of open futures contracts as of August 31,

## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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2009 for the year ending August 31, 2009 was a decrease in the amount of \$823,581 which is included in the net increase (decrease) in investments on the statement of changes in fiduciary net assets. The Fund had \$25,499,069 and \$28,265,211 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2010 and 2009, respectively. Short futures were used by internal managers and may be used by a limited number of external managers of the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized gains on the futures contracts was \$36,612,616 for the year ended August 31, 2010. The amount of net realized losses on the futures contracts was \$51,533,224 for the year ended August 31, 2009.

During the year ended August 31, 2010, one of the Fund's 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, 2010.

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:

# THE UNIVERSITY OF TEXAS SYSTEM

## 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
<b>Domestic Fixed Income</b>						
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>
<b>Domestic Equity</b>						
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>
<b>Commodities</b>						
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>
<b>Foreign Fixed Income</b>						
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>
<b>Total</b>			<u>\$ 274,572,306</u>	<u>\$ 341,070,837</u>	<u>\$ 5,693,232</u>	<u>\$ 111,095</u>

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

The following discloses the type, number of contracts, expiration date, notional value, and the carrying and fair values at August 31, 2009, for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2009		Carrying and Fair Value at August 31, 2009	
			Long	Short	Assets	Liabilities
<b>Domestic Fixed Income</b>						
U.S. 10 Year Treasury Notes	29	Dec-09	\$ 3,399,344	\$ -	\$ 9,965	\$ -
			<u>3,399,344</u>	<u>-</u>	<u>9,965</u>	<u>-</u>
<b>Domestic Equity</b>						
S&P 500 Index	339	Sep-09	86,419,575	-	-	652,575
			<u>86,419,575</u>	<u>-</u>	<u>-</u>	<u>652,575</u>
<b>Commodities</b>						
Aluminum Hg	50	Oct-09	2,357,500	-	-	-
Aluminum Hg	74	Jan-11	3,722,200	-	-	-
Brent Crude Oil	23	Oct-09	1,601,950	-	-	-
Coffee 'C'	41	Dec-09	1,880,363	-	-	-
Coffee 'C'	9	May-10	428,962	-	-	-
Copper	133	Dec-09	9,398,112	-	-	-
Copper	8	May-10	565,400	-	-	-
Corn	178	Dec-09	2,934,775	-	-	-
Corn	20	Mar-10	342,500	-	-	-
Cotton No 2	66	Dec-09	1,971,420	-	-	-
Crude Oil	55	Dec-09	3,925,900	-	-	-
Crude Oil	58	Mar-10	4,244,440	-	-	-
Crude Oil	64	Feb-11	4,929,280	-	-	-
Gasoline RBOB	31	Oct-09	2,356,490	-	-	-
Gasoline RBOB	26	Nov-09	1,967,566	-	-	-
Gold 100 Oz	68	Dec-09	6,483,800	-	-	-
Heating Oil	38	Oct-10	3,263,820	-	-	-
Lean Hogs	68	Oct-09	1,309,680	-	-	-
Live Cattle	43	Apr-10	1,540,690	-	-	-
Live Cattle	45	Jun-10	1,545,300	-	-	-
Natural Gas	83	Nov-09	3,318,340	-	-	-
Natural Gas	21	Apr-11	1,308,300	-	-	-
Natural Gas	21	Aug-11	1,351,350	-	-	-
Nickel	21	Sep-09	2,402,190	-	-	-
Nickel	7	Feb-11	785,442	-	-	-
Silver	38	Dec-09	2,835,370	-	-	-
Soybean	111	Nov-09	5,436,225	-	-	-
Soybean Oil	96	Dec-09	2,050,560	-	-	-
Sugar #11 World	32	Mar-10	925,389	-	-	-
Sugar #11 World	69	May-10	1,870,176	-	-	-
Sugar #11 World	61	Jul-10	1,537,883	-	-	-
Wheat	106	Mar-10	2,746,725	-	-	-
Wheat	3	Jul-10	81,525	-	-	-
Zinc	69	Sep-10	3,303,375	-	-	-
			<u>86,722,998</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Foreign Fixed Income</b>						
3 Month Euro Euribor	19	Sep-10	6,696,517	-	2,704	-
3 Month Euro Euribor	39	Dec-10	13,699,310	-	5,543	-
90 Day Euro Dollar	112	Jun-10	27,693,400	-	11,200	-
90 Day Sterling Libor	101	Sep-10	20,150,297	-	4,097	-
90 Day Sterling Libor	3	Dec-10	595,468	-	122	-
90 Day Sterling Libor	10	Mar-11	1,975,929	-	405	-
			<u>70,810,921</u>	<u>-</u>	<u>24,071</u>	<u>-</u>
<b>Foreign Equity</b>						
TOPIX Index	235	Sep-09	24,370,184	-	-	205,042
			<u>24,370,184</u>	<u>-</u>	<u>-</u>	<u>205,042</u>
<b>Total</b>			<u>\$ 271,723,022</u>	<u>\$ -</u>	<u>\$ 34,036</u>	<u>\$ 857,617</u>

**THE UNIVERSITY OF TEXAS SYSTEM**

**INTERMEDIATE TERM FUND**

*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, 2010 and 2009. Foreign currency amounts are translated at exchange rates as of August 31, 2010 and 2009. 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.

<u>Currency</u>	<u>Net Buy August 31, 2010</u>	<u>Net Sell August 31, 2010</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2010</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2010</u>
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
	<u>\$ 116,818,701</u>	<u>\$ 88,565,484</u>	<u>\$ 6,079,758</u>	<u>\$ 3,999,744</u>

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 (decrease) in investments on the statement of changes in fiduciary net assets.

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

Currency	Net Buy August 31, 2009	Net Sell August 31, 2009	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2009	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2009
Australian Dollar	\$ -	\$ 22,284,912	\$ -	\$ 263,682
Brazilian Real	1,990,612	-	104,478	-
Bulgarian Lev	-	504,965	-	11,736
Canadian Dollar	-	2,682,351	98,368	162,023
Chinese Yuan Renminbi	4,237,205	-	6,470	152,826
Danish Krone	1,025,070	-	24,459	-
Estonia Kroon	-	740,277	-	19,442
Euro	9,598,750	-	499,107	751,378
Hong Kong Dollar	-	290,281	-	6
Hungarian Forint	633	-	45	-
Indian Rupee	14,594	-	17	104
Indonesian Rupian	-	-	40,071	-
Japanese Yen	18,112,942	-	1,420,747	1,090,898
Malaysian Ringgit	434,227	-	5,856	25
Mexican Peso	631,653	-	60,871	-
New Zealand Dollar	-	2,918,682	486	84,255
Norwegian Kroner	915,961	-	371,301	239,350
Philippines Peso	4,261	-	-	21
Singapore Dollar	404,773	-	4,540	32
South African Rand	531,081	-	100,984	-
South Korean Won	17,403,471	-	135,265	30,342
Swedish Krona	1,515,106	-	698,664	200,976
Taiwan Dollar	1,016,578	-	2,246	2,356
Thailand Baht	455,898	-	4,366	-
Turkish Lira	2,797,728	-	126,053	-
UK Pound	37,532,485	-	402,743	468,255
	\$ 98,623,028	\$ 29,421,468	\$ 4,107,137	\$ 3,477,707

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2009 was an increase in the amount of \$682,515, which is included in the net increase (decrease) 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 \$3,666,850,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

**Note 11 – Fees and Expenses**

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.07% to 1.50%. In addition to

## THE UNIVERSITY OF TEXAS SYSTEM

### INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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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 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. The fee for the year ended August 31, 2009 was \$2,858,015.

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, 2010 and 2009 were \$846,700 and \$741,784, 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, 2010 and 2009 the fees incurred totaled \$67,961 and \$39,954, 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, 2010 and 2009, the fees amounted to \$88,300 and \$81,950, 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, 2010 and 2009, were \$138,529 and \$114,619, respectively.

The Fund incurs accounting fees for external and UT System internal audit services. For the years ended August 31, 2010 and 2009, fees in the amount of \$159,001 and \$168,805, respectively, were paid by the Fund.

Consulting fees, in the amount of \$78,369 and \$85,069, respectively, for the years ending August 31, 2010 and 2009, were incurred for investment strategy and other investment planning services.

The Fund incurs other expenses related to its operations primarily consisting of fees to perform background checks on potential external investment manager personnel.



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

**Comparison Summary of Investments**  
*August 31, 2010 and 2009*  
*(in thousands)*

	2010		2009	
	Value	% of Total Investments	Value	% of Total Investments
<b>Equity Securities</b>				
Domestic Common Stock	\$ 166,426	4.02%	\$ 212,596	5.91%
Foreign Common Stock	361,076	8.74%	239,518	6.66%
Other Equity Securities	500	0.01%	-	0.00%
<b>Total Equity Securities</b>	<b>528,002</b>	<b>12.77%</b>	<b>452,114</b>	<b>12.57%</b>
<b>Preferred Stock</b>				
Domestic Preferred Stock	901	0.02%	44	0.00%
Foreign Preferred Stock	13,761	0.33%	2,804	0.08%
<b>Total Preferred Stock</b>	<b>14,662</b>	<b>0.35%</b>	<b>2,848</b>	<b>0.08%</b>
<b>Debt Securities</b>				
U.S. Government Obligations	289,256	6.99%	303,761	8.44%
Corporate Obligations	516,917	12.50%	442,935	12.31%
Foreign Government and Provincial Obligations	403,314	9.75%	215,812	6.00%
Other	10,843	0.26%	4,373	0.12%
<b>Total Debt Securities</b>	<b>1,220,330</b>	<b>29.50%</b>	<b>966,881</b>	<b>26.87%</b>
<b>Purchased Options</b>	<b>3,888</b>	<b>0.09%</b>	<b>8,599</b>	<b>0.24%</b>
<b>Convertible Securities</b>	<b>19</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Investment Funds</b>				
Hedge Funds	1,439,360	34.80%	836,228	23.25%
Developed Country Equity	230,036	5.56%	260,750	7.25%
Emerging Markets	150,679	3.64%	186,663	5.19%
Real Estate	8,280	0.20%	53,839	1.50%
Natural Resources	51,633	1.25%	-	0.00%
Fixed Income	137,090	3.32%	401,484	11.16%
<b>Total Investment Funds</b>	<b>2,017,078</b>	<b>48.77%</b>	<b>1,738,964</b>	<b>48.35%</b>
<b>Cash and Cash Equivalents</b>				
Money Market Funds Maintained to Back Derivative Contracts	227,990	5.52%	266,264	7.40%
Money Market Funds - Other	123,917	3.00%	161,505	4.49%
<b>Total Cash and Cash Equivalents</b>	<b>351,907</b>	<b>8.52%</b>	<b>427,769</b>	<b>11.89%</b>
<b>Total Investments</b>	<b>\$ 4,135,886</b>	<b>100.00%</b>	<b>\$ 3,597,175</b>	<b>100.00%</b>

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

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**Financial Highlights**

*Years Ended August 31, 2010, 2009, 2008, 2007 and For the Period from Inception (February 1, 2006) to August 31, 2006*

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Selected Per Unit Data</b>					
Net Asset Value, Beginning of Period	\$ 94.674	\$ 104.957	\$ 108.986	\$ 101.560	\$ 100.000
Income From Investment Operations					
Net Investment Income	1.532	1.774	2.510	2.669	1.493
Net Realized and Unrealized Gain (Loss) on Investments	8.810	(9.448)	(3.202)	7.943	1.817
Total Income (Loss) from Investment Operations	10.342	(7.674)	(0.692)	10.612	3.310
Less Distributions					
From Net Investment Income	1.532	1.774	2.510	2.669	1.493
From Net Realized Gain	1.455	0.835	0.827	0.517	0.257
Total Distributions	2.987	2.609	3.337	3.186	1.750
Net Asset Value, End of Period	<u>\$ 102.029</u>	<u>\$ 94.674</u>	<u>\$ 104.957</u>	<u>\$ 108.986</u>	<u>\$ 101.560</u>
<b>Ratios and Supplemental Data</b>					
Net Assets, End of Period (in thousands)	\$ 4,155,806	\$ 3,571,567	\$ 3,874,807	\$ 3,720,557	\$ 3,048,842
Ratio of Expenses to Average Net Assets	0.35%	0.44%	0.31%	0.27%	0.18%
Ratio of Net Investment Income to Average Net Assets	1.55%	1.99%	2.27%	2.54%	1.50%
Ratio of Distributions to Average Net Assets	3.02%	2.93%	3.04%	3.01%	1.75%

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