

Financial Statements
and Independent Auditors' Report
Permanent Health Fund
Years Ended August 31, 2019 and 2018

Permanent Health Fund

Financial Statements

Years Ended August 31, 2019 and 2018

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Audited Financial Statements of The University of Texas System General Endowment Fund



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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Texas System
To the Board of Directors of The University of Texas/Texas A&M Investment
Management Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Permanent Health Fund (the "Fund"), which comprise the statements of fiduciary net position as of August 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The University of Texas/Texas A&M Investment Management Company ("UTIMCO" or "management") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Permanent Health Fund as of August 31, 2019 and 2018, and the changes in its fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund are intended only to present the fiduciary net position of the Fund as of August 31, 2019 and 2018, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the consolidated net position of The University of Texas System, as of August 31, 2019 or 2018, or the changes in its consolidated net position for the years then ended.

Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of the Fund's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such schedule has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 30, 2019

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

Our discussion and analysis of the Permanent Health Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2019 and 2018. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes and the financial statements and notes of The University of Texas System General Endowment Fund (GEF). The Fund is a pooled investment fund for the collective investment of state endowment funds for health-related institutions of higher education. The University of Texas System Board of Regents (UT Board) established the Fund in August 1999 with proceeds from state tobacco litigation. The Texas Constitution and various state statutes designate the 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 GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The performance of the Fund is directly impacted by the performance of the GEF. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), which was also established by the UT Board. The Fund and the LTF purchase and redeem units in the GEF quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

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

Financial Highlights

The Fund's net fiduciary position after distributions remained relatively unchanged, increasing by \$0.3 million from \$1,203.7 million to \$1,204.0 million for the year ended August 31, 2019, compared to an increase of \$59.1 million or approximately 5.2% for the year ended August 31, 2018. The change in net fiduciary position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 4.45%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2019, compared to a net investment gain of 9.70% for the prior fiscal year. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in gold, private equity, private real estate and investment grade fixed income were the biggest contributors to the 2019 return. Investments in private equity, private real estate, private infrastructure, and global and U.S. public equity were the biggest contributors to the net investment return for the year ending August 31, 2018.
2. The Fund's distribution rate was increased by 1.5%, approximately the three-year average rate of inflation, for the year ended August 31, 2019. This equated to an increase in the 2019 rate to \$0.0628 per unit from the 2018 rate of \$0.0619 per unit. The 2018 rate was increased by 1.1% from the year ended August 31, 2017 rate. The fiscal year distributions represented 4.34% of the Fund's average net position for the year ended August 31, 2019, and 4.29% of the Fund's average net position for the year ended August 31, 2018.

PERMANENT HEALTH FUND

3. There were no participant contributions to the Fund or withdrawals from the Fund during the years ended August 31, 2019 and 2018.

Use of Financial Statements and Notes

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

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

Statements of Fiduciary Net Position

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

Since the Fund invests in only GEF units and a negligible amount of cash, the majority of the Fund's net position represents investment in GEF units.

As of August 31, 2019, the Fund owned 3,500,254 GEF units representing an ownership percentage of 9.52% compared to 3,655,303 GEF units representing an ownership percentage of 11.55% as of August 31, 2018. As of August 31, 2019 and 2018, the fair value of the GEF units was \$1,203.9 million and \$1,203.6 million, respectively.

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
GEF Units, at Fair Value	\$ 1,203.9	\$ 1,203.6	\$ 1,144.1
Cash and Cash Equivalents	0.1	0.1	0.5
Net Position Held in Trust	<u>\$ 1,204.0</u>	<u>\$ 1,203.7</u>	<u>\$ 1,144.6</u>

PERMANENT HEALTH FUND

Statements of Changes in Fiduciary Net Position

Changes in fiduciary net position as presented on the statements of changes in fiduciary net position are based on activity of the Fund. The purpose of these statements is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from administrative and investment expenses and participant distributions.

The net increase in fair value of investments of the Fund was \$42.1 million during the year compared to an increase in fair value of investments of \$101.5 million for the year ended August 31, 2018. The Fund's investment expenses totaled \$0.3 thousand, \$1.4 million and \$1.3 million, respectively, for the years ended August 31, 2019, 2018, and 2017.

Distributions to participants totaled \$51.5 million, \$50.7 million and \$50.2 million, respectively, for the years ended August 31, 2019, 2018, and 2017. The increase in distributions is a result of the UT Board increasing the distribution rate from \$0.0619 per unit to \$0.0628 per unit for fiscal year 2019. The increase for fiscal year 2018 is a result of the UT Board's increase of the distribution rate from \$0.0612 per unit to \$0.0619 per unit.

The Fund's objective is to maximize investment returns within the risk parameters as specified in its investment policy statement without regard to the distribution rate.

Fund distributions are determined by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual net investment return after and inflation. The Fund distributions are typically increased annually at a three year average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net position. As reported on the financial highlights schedule of the financial statements, the ratio of distributions to average net position (12-quarter average) has remained between 3.5% to 5.5%.

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

	2019	2018	2017
Investment Income	\$ 51.8	\$ 111.2	\$ 130.4
Less Investment Expenses	-	1.4	1.3
Net Investment Income	51.8	109.8	129.1
Participant Distributions	51.5	50.7	50.2
Change in Fiduciary Net Position	0.3	59.1	78.9
Net Position Held in Trust, Beginning of Year	1,203.7	1,144.6	1,065.7
Net Position Held in Trust, End of Year	\$ 1,204.0	\$ 1,203.7	\$ 1,144.6

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.

PERMANENT HEALTH FUND

Statements of Fiduciary Net Position

August 31, 2019 and 2018

(Dollars in thousands, except per unit amounts)

	<u>2019</u>	<u>2018</u>
Assets		
GEF Units, at Fair Value	\$ 1,203,911	\$ 1,203,617
Cash and Cash Equivalents	43	43
Other	<u>7</u>	<u>7</u>
Net Position Held in Trust (820,000,000 Units)	<u>\$ 1,203,961</u>	<u>\$ 1,203,667</u>
Net Position Held in Trust Per Unit	<u>\$ 1.468</u>	<u>\$ 1.468</u>

*The accompanying notes and the attached financial statements of the GEF
are an integral part of these financial statements.*

PERMANENT HEALTH FUND

Statements of Changes in Fiduciary Net Position

Years Ended August 31, 2019 and 2018

(in thousands)

	<u>2019</u>	<u>2018</u>
Additions		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 42,064	\$ 101,514
Allocation of GEF Net Investment Income	9,762	9,672
Interest	-	3
Total Investment Income	<u>51,826</u>	<u>111,189</u>
Less Investment Expenses:		
UTIMCO Management Fee	-	1,372
Other Expenses	<u>26</u>	<u>26</u>
Total Investment Expenses	<u>26</u>	<u>1,398</u>
Net Investment Income	51,800	109,791
Deductions		
Participant Distributions	51,496	50,758
Administrative Fee for UT System Oversight	10	9
Total Deductions	<u>51,506</u>	<u>50,767</u>
Change in Fiduciary Net Position	294	59,024
Net Position Held in Trust, Beginning of Year	<u>1,203,667</u>	<u>1,144,643</u>
Net Position Held in Trust, End of Year	<u>\$ 1,203,961</u>	<u>\$ 1,203,667</u>

The accompanying notes and the attached financial statements of the GEF
are an integral part of these financial statements.

PERMANENT HEALTH FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The Permanent Health Fund (Fund) is a pooled investment fund established for the collective investment of state endowment funds for health-related institutions of higher education, created August 30, 1999. The distributions from the Fund endowments support programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education. Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System (UT Board). The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

The General Endowment Fund (GEF), established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The performance of the Fund is directly impacted by the performance of the GEF. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), which was also established by the UT Board. The Fund and the LTF purchase and redeem units in the GEF quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources measurement 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The annual consolidated financial statements of The University of Texas 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 of the Fund may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Management has evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

Note 2 – Investment in GEF

The Fund only invests in GEF units and a negligible amount of cash. At August 31, 2019, the Fund is the minority participant in the GEF, with ownership of 3,500,254 units, which represents 9.52% of the GEF. At August 31, 2018, the Fund held 3,655,303 units, which represented 11.55% of the GEF.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

The GEF and the Fund have identical investment objectives. The financial statements of GEF are included elsewhere in this report and should be read with the Fund's financial statements. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders.

Note 3 – Significant Accounting Policies

(A) Valuation of Investments -- The Fund records its investment in GEF at fair value. The notes to GEF's financial statements included elsewhere in this report provide information about GEF's valuation policy and its period-end security valuations. The Fund's investment in the GEF is fair valued at \$1,203,910,844 and \$1,203,617,526, as of August 31, 2019 and 2018, respectively.

(B) Transactions -- A gain or loss is recognized on GEF unit sales on the basis of average cost, and is included in the net increase in fair value of investments on the statements of changes in fiduciary net assets.

(C) Distributions to Participants -- Cash distributions to participants are paid quarterly based on a per unit payout established by the UT Board. For the year ended August 31, 2019, the quarterly rate was \$0.015700 per unit which equates to an annual rate of \$0.0628 per unit and for the year ended August 31, 2018, the quarterly rate was \$0.015475 per unit which equated to an annual rate of \$0.0619 per unit. The ratio of distributions to average net position (12-quarter average) was 4.37% as of August 31, 2019, and 4.50% as of August 31, 2018. For the years ended August 31, 2019 and 2018, the annual payout was adjusted by the average consumer price index of the prior 36 months.

(D) Fund Valuation -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net position by the number of units outstanding on the valuation date.

(E) Purchases and Redemption of Units -- Unit purchases occur on the first business day of each fiscal quarter. Unit redemptions occur on the last business day of each fiscal quarter. The value of participating units, upon admission to the Fund, is based upon the market value of net position held as of the quarterly valuation date. Redemptions from the Fund will also be made at the market value price per unit at the quarterly valuation date at the time of the redemption. There are no transaction costs incurred by participants for the purchase or redemption of units. There were no purchase or redemption of Fund units during the years ended August 31, 2019 and 2018.

(F) Participants' Net Position -- All participants in the Fund have a proportionate interest in the Fund's net position.

(G) 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 materially from these estimates.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

(H) Cash and Cash Equivalents -- Cash and cash equivalents consist of money market investments and other overnight funds.

Note 4 – Fees and Expenses

In prior years, the Fund was assessed a management fee by UTIMCO to cover the costs of managing the Fund and providing day-to-day operations. For the year ended August 31, 2019, the fee was paid by the GEF. These fees are based on a budget prepared by management and approved by the UT Board. The fees assessed for the year ended August 31, 2018 were \$1,372,125.

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, 2019 and 2018, the fees amounted to \$9,588 and \$9,480, respectively.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, legal and custodial fees.

PERMANENT HEALTH FUND

Supplemental Schedule

Financial Highlights

Years Ended August 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 1.468	\$ 1.396	\$ 1.300	\$ 1.312	\$ 1.358
Income from Investment Operations					
Net Investment Income (A)	0.012	0.010	0.010	0.010	0.008
Net Realized and Unrealized Gains on Investments	0.051	0.124	0.147	0.039	0.006
Total Income from Investment Operations	0.063	0.134	0.157	0.049	0.014
Less Distributions					
From Net Investment Income	0.012	0.010	0.010	0.010	0.008
From Net Realized Gain	0.051	0.052	0.051	0.051	0.052
Total Distributions	0.063	0.062	0.061	0.061	0.060
Net Position, End of Year	<u>\$ 1.468</u>	<u>\$ 1.468</u>	<u>\$ 1.396</u>	<u>\$ 1.300</u>	<u>\$ 1.312</u>
Ratios and Supplemental Data					
Net Position, End of Year (in thousands)	\$ 1,203,961	\$ 1,203,667	\$ 1,144,643	\$ 1,065,748	\$ 1,075,710
Ratios to Average Net Position					
Distributions (5-quarter average)	4.34%	4.29%	4.56%	4.74%	4.44%
Distributions (12-quarter average)	4.37%	4.50%	4.58%	4.55%	4.50%

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

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2019 and 2018

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Texas System
To the Board of Directors of The University of Texas/Texas A&M Investment
Management Company

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas System General Endowment Fund (the "Fund"), which comprise the statements of fiduciary net position as of August 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The University of Texas/Texas A&M Investment Management Company ("UTIMCO" or "management") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of The University of Texas System General Endowment Fund as of August 31, 2019 and 2018, and the changes in its fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund are intended only to present the fiduciary net position of the Fund as of August 31, 2019 and 2018, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the consolidated net position of The University of Texas System, as of August 31, 2019 or 2018, or the changes in its consolidated net position for the years then ended.

Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of the Fund's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such schedule has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 30, 2019

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

Our discussion and analysis of The University of Texas System General Endowment Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2019 and 2018. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into 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 and conditions.

Financial Highlights

The Fund's fiduciary net position, after contributions and withdrawals, increased by \$2,222.9 million from \$10,418.7 million to \$12,641.6 million or approximately 21.3% for the year ended August 31, 2019, compared to an increase of \$1,049.6 million or approximately 11.2% for the year ended August 31, 2018. The change in net fiduciary net position from year to year is mainly attributable to the following:

1. The Fund posted a net investment return of 4.51%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2019. Investments in gold, private equity, private real estate, and investment grade fixed income were the biggest contributors to the 2019 return. Investments in private equity, private real estate, private infrastructure, and global and U.S. public equities were the biggest contributors to the net investment gain of 9.61% for August 31, 2018.
2. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$1,673.8 million for the year ended August 31, 2019, compared to net contributions for the year ended August 31, 2018 of \$122.6 million.
3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The allocated net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any allocated realized losses reduce the cost basis of the units in the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

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

Use of Financial Statements and Notes

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

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

Statements of Fiduciary Net Position

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

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

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

Assets	2019	2018	2017
Investments, at Fair Value	\$ 12,757.4	\$ 10,487.4	\$ 9,377.6
Other Assets	304.3	195.9	268.5
Total Assets	13,061.7	10,683.3	9,646.1
Total Liabilities	420.1	264.6	277.0
Net Position Held in Trust	\$ 12,641.6	\$ 10,418.7	\$ 9,369.1

Statements of Changes in Fiduciary Net Position

Changes in fiduciary net position as presented on the statements of changes in fiduciary net position are based on activity of the Fund. The purpose of these statements is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant distributions and investment expenses.

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The net increase in fair value of investments of the Fund was \$453.1 million during the year ended August 31, 2019 compared to the net increase in fair value of investments of \$845.1 million for the year ended August 31, 2018. Expenses totaled \$37.8 million, \$33.1 million, and \$40.2 million, respectively, for the years ended August 31, 2019, 2018, and 2017.

The net increase in fiduciary net position totaled \$2,222.9 million for the year ended August 31, 2019 compared to a net increase in fiduciary net position totaling \$1,049.6 million for the year ended August 31, 2018.

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

	2019	2018	2017
Investment Income	\$ 586.9	\$ 960.1	\$ 1,101.7
Less Investment Expenses	37.8	33.1	40.2
Net Investment Income	549.1	927.0	1,061.5
Participant Contributions	2,211.7	578.2	272.8
Total Additions	2,760.8	1,505.2	1,334.3
Participant Withdrawals	537.9	455.6	465.4
Total Deductions	537.9	455.6	465.4
Change in Fiduciary Net Position	2,222.9	1,049.6	868.9
Net Position Held in Trust, Beginning of Year	10,418.7	9,369.1	8,500.2
Net Position Held in Trust, End of Year	\$ 12,641.6	\$ 10,418.7	\$ 9,369.1

Contacting UTIMCO

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

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Statements of Fiduciary Net Position

August 31, 2019 and 2018

(Dollars in thousands, except per unit amounts)

Assets	2019	2018
Investments, at Fair Value:		
Equity Securities	\$ 1,534,192	\$ 1,219,530
Preferred Stock	31,502	24,865
Purchased Options	2,344	725
Debt Securities	1,211,228	758,153
Convertible Securities	-	486
Investment Funds	9,457,628	7,769,285
Physical Commodities	182,236	165,354
Cash and Cash Equivalents	338,251	548,974
Total Investments	12,757,381	10,487,372
Collateral for Securities Loaned, at Fair Value	107,186	87,535
Deposits with Brokers for Derivative Contracts	13,374	8,491
Futures Contracts, at Fair Value	76	1,900
Swaps, at Fair Value	11,520	7,380
Unrealized Gains on Foreign Exchange Contracts	11,574	9,001
Receivables:		
Investment Securities Sold	148,446	72,123
Accrued Income	11,816	9,184
Other	267	261
Total Receivables	160,529	81,568
Total Assets	13,061,640	10,683,247
Liabilities		
Payable Upon Return of Securities Loaned	107,186	87,535
Payable to Brokers for Collateral Held	17,043	6,135
Payable to Participants	8,007	8,080
Unrealized Losses on Foreign Exchange Contracts	8,924	6,960
Futures Contracts, at Fair Value	42	8,339
Swaps, at Fair Value	12,606	3,054
Options Written, at Fair Value	427	89
Payables:		
Investment Securities Purchased	254,744	139,235
Other	11,109	5,156
Total Payables	265,853	144,391
Total Liabilities	420,088	264,583
Net Position Held in Trust	\$ 12,641,552	\$ 10,418,664
Number of Units:		
Permanent Health Fund (PHF)	3,500,254	3,655,303
The University of Texas System Long Term Fund (LTF)	33,253,836	27,985,455
Total	36,754,090	31,640,758
Net Position Held in Trust Per Unit	\$ 343.950	\$ 329.280

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

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Statements of Changes in Fiduciary Net Position

Years Ended August 31, 2019 and 2018

(in thousands)

	<u>2019</u>	<u>2018</u>
Additions		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 453,058	\$ 845,079
Interest	46,869	28,071
Dividends	34,617	30,543
Income Distributions from Private Investment Funds	51,694	55,397
Securities Lending Income	649	895
Other Income	-	142
Total Investment Income	<u>586,887</u>	<u>960,127</u>
Less Investment Expenses:		
Investment Management Fees	24,890	29,902
UTIMCO Management Fees	10,891	-
Custodial Fees and Expenses	1,290	2,622
Accounting Fees	259	252
Background Check Fees	136	95
Consulting Fees	117	118
Legal Fees	82	41
Analytical and Risk Measurement Fees	70	73
Foreign Tax Consulting and Filing Fees	32	32
Other Expenses	23	-
Total Investment Expenses	<u>37,790</u>	<u>33,135</u>
Net Investment Income	549,097	926,992
Participant Contributions	2,211,716	578,233
Total Additions	<u>2,760,813</u>	<u>1,505,225</u>
Deductions		
Participant Withdrawals	<u>537,925</u>	<u>455,658</u>
Change in Fiduciary Net Position	2,222,888	1,049,567
Net Position Held in Trust, Beginning of Year	10,418,664	9,369,097
Net Position Held in Trust, End of Year	<u>\$ 12,641,552</u>	<u>\$ 10,418,664</u>

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

Note 1 – Organization and Basis of Presentation

The University of Texas System General Endowment Fund (Fund), created March 1, 2001, is a pooled investment fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (UT Board). The Fund is organized as a pooled investment fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund provides for greater diversification of investments than would be possible if each account were managed separately.

Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to 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 generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

Management has evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

Note 2 – Significant Accounting Policies

(A) Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

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Notes to Financial Statements (cont.)

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities, including corporate obligations and governmental and provincial obligations, held directly by the Fund are fair valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise they would be categorized as Level 3.

Equity securities, including common and preferred stock, and publicly traded mutual fund fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded, or a closing price is unavailable on a national or international exchange, the last available price per the exchange would be utilized and the security would be categorized as Level 2.

Physical commodities, specifically gold, are fair valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold and are categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and distributions subsequent to the last available reporting date as well as consideration of any other information which has been provided by the investment manager or other sources.

Hedge funds, public market investment funds, and certain other private placements are fair valued by management based on net asset value information provided by the investment managers as well as other relevant factors as indicated above.

(B) Foreign Currency Translation -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities are fair valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The Fund does not isolate that portion of the results of the change in fiduciary net position resulting from

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Notes to Financial Statements (cont.)

changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held on the statements of changes in fiduciary net position. Such fluctuations are included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

(C) *Investment Income and Investment Expenses* -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

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

(E) *Allocations to Participants* -- The Fund, for accounting purposes, allocates its net investment income and realized gain or loss to the PHF and LTF monthly, based on their ownership of Fund units at month end. The allocated investment income and realized gain amounts increase the cost basis of the units of the Fund, and any allocated realized losses reduce the cost basis of the units of the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are issued.

(F) *Fund Valuation* -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net position by the number of units outstanding on the valuation date.

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

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

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

(J) *Derivative Instruments* -- Derivatives are financial instruments whose fair value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The Fund from time to time uses various derivative instruments, as allowed under the UT Board approved derivative investment policy guidelines. Derivative instruments included under these policies include futures, forwards, swaps and various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and

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Notes to Financial Statements (cont.)

swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Purchased options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2.

Derivative instruments in the Fund are used to achieve the following objectives:

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

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

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

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

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity or equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis and are included at fair value in the statements of fiduciary net position. 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 based on instrument and counterparty. These instruments involve market and/or credit risk in

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Notes to Financial Statements (cont.)

excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

Futures Contracts -- The Fund enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the Fund's agent in acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are fair valued at the close of business each day, and a gain or loss is recorded between the fair value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts and is included on the statements of fiduciary net position. The Fund executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

Foreign Exchange Contracts -- The Fund enters into forward foreign exchange contracts to hedge against foreign exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a foreign exchange contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of fiduciary net position. Realized and unrealized gains and losses are included in the net increase in fair value of investments in the statements of changes in fiduciary net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

(K) *Cash and Cash Equivalents* -- Cash and cash equivalents consist of money market investments, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statements of fiduciary net position. Investments in public money market funds are categorized as Level 1.

(L) *Reclassification* -- During the year ended August 31, 2019, management reclassified the categorizations of the investment funds to align with revisions made to the investment strategy used by management in managing the Fund, effective September 1, 2018. This reclassification was approved by the UT Board and is reflected in the presentation of the investment funds in *Note 3 – Investments and Investment Derivatives*. Accordingly, the August 31, 2018 investment funds categorization was reclassified from the 2018 audited financial statements to conform to the current year presentation.

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Notes to Financial Statements (cont.)

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2019 and 2018, respectively, as categorized by level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 432,711,017	\$ 432,711,017	\$ -	\$ -
Foreign Common Stock	1,083,919,088	1,083,910,669	8,419	-
Other Equities	17,561,662	14,892,310	2,669,352	-
Total Equity Securities	1,534,191,767	1,531,513,996	2,677,771	-
Preferred Stock:				
Domestic Preferred Stock	505,932	-	505,932	-
Foreign Preferred Stock	30,996,153	30,996,153	-	-
Total Preferred Stock	31,502,085	30,996,153	505,932	-
Debt Securities:				
U.S. Government Obligations	416,012,141	223,308,751	192,703,390	-
Foreign Government and Provincial Obligations	455,284,006	-	455,284,006	-
Corporate Obligations	338,465,136	-	338,465,136	-
Other	1,466,970	-	1,466,970	-
Total Debt Securities	1,211,228,253	223,308,751	987,919,502	-
Purchased Options	2,343,999	665,754	1,678,245	-
Investment Funds:				
Private Investments	146,222,896	-	-	146,222,896
U.S. Equity	22,493,499	22,493,499	-	-
Fixed Income	12,229,785	12,229,785	-	-
Total Investment Funds	180,946,180	34,723,284	-	146,222,896
Physical Commodities - Gold	182,235,930	182,235,930	-	-
Cash Equivalents	292,925,582	292,925,582	-	-
Total Investments by Fair Value Level	3,435,373,796	\$ 2,296,369,450	\$ 992,781,450	\$ 146,222,896
Cash	45,325,616			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	2,486,254,424			
Private Investments	4,785,583,572			
Public Markets	2,004,843,363			
Investments Funds Fair Valued Using Practical Expedient	9,276,681,359			
Total Investments, at Fair Value	\$ 12,757,380,771			
Investment Derivatives				
Foreign Exchange Contracts	\$ 2,649,934	\$ -	\$ 2,649,934	\$ -
Futures Contracts	34,761	34,761	-	-
Swaps	(1,085,865)	-	(1,085,865)	-
Written Options	(426,863)	-	(426,863)	-
Investment Derivatives	\$ 1,171,967	\$ 34,761	\$ 1,137,206	\$ -

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GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

	Fair Value Measurements Using			
	Fair Value as of August 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	\$ 323,934,305	\$ 323,934,305	\$ -	\$ -
Foreign Common Stock	877,826,696	877,818,291	8,405	-
Other Equities	17,769,322	16,624,692	1,144,630	-
Total Equity Securities	1,219,530,323	1,218,377,288	1,153,035	-
Preferred Stock:				
Domestic Preferred Stock	602,800	-	602,800	-
Foreign Preferred Stock	24,262,547	24,262,547	-	-
Total Preferred Stock	24,865,347	24,262,547	602,800	-
Debt Securities:				
U.S. Government Obligations	229,870,025	195,129,855	34,740,170	-
Foreign Government and Provincial Obligations	318,161,538	-	318,161,538	-
Corporate Obligations	208,941,794	-	208,941,794	-
Other	1,179,789	-	1,179,789	-
Total Debt Securities	758,153,146	195,129,855	563,023,291	-
Purchased Options	724,405	694,744	29,661	-
Convertible Securities	485,783	-	485,783	-
Investment Funds:				
Private Investments	110,351,954	-	-	110,351,954
U.S. Equity	30,962,723	30,962,723	-	-
Fixed Income	10,989,102	10,989,102	-	-
Global Developed Public Equity	110,985	110,985	-	-
Total Investment Funds	152,414,764	42,062,810	-	110,351,954
Physical Commodities - Gold	165,353,460	165,353,460	-	-
Cash Equivalents	519,710,222	519,710,222	-	-
Total Investments by Fair Value Level	2,841,237,450	\$ 2,165,590,926	\$ 565,294,570	\$ 110,351,954
Cash	29,263,901			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	1,929,561,397			
Private Investments	4,067,430,271			
Public Markets	1,619,878,539			
Investments Funds Fair Valued Using Practical Expedient	7,616,870,207			
Total Investments, at Fair Value	\$ 10,487,371,558			
	Fair Value Measurements Using			
	Fair Value as of August 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivatives				
Foreign Exchange Contracts	\$ 2,040,862	\$ -	\$ 2,040,862	\$ -
Futures Contracts	(6,439,249)	(6,439,249)	-	-
Swaps	4,326,171	-	4,326,171	-
Written Options	(89,127)	-	(89,127)	-
Investment Derivatives	\$ (161,343)	\$ (6,439,249)	\$ 6,277,906	\$ -

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

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Notes to Financial Statements (cont.)

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

The composition of investment funds that are fair valued using a practical expedient at August 31, 2019 and 2018 is summarized in the following tables as they are included within the asset mix of the Fund.

Investment Funds:	Fair Value as of August 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	\$ 653,605,806	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	722,067,901	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	167,390,350	202,680,083	Not Applicable	Not Applicable
Total Directional	<u>1,543,064,057</u>	<u>202,680,083</u>		
Stable Value				
Redeemable Within One Year	529,551,252	-	Monthly to Annually	5 - 65 Days
Redeemable Beyond One Year	312,151,495	-	Quarterly to Annually	45 - 90 Days
Nonredeemable	101,487,620	46,983,905	Not Applicable	Not Applicable
Total Stable Value	<u>943,190,367</u>	<u>46,983,905</u>		
Total Hedge Funds	<u>2,486,254,424</u>	<u>249,663,988</u>		
Private Investments (Nonredeemable):				
Private Equity	894,955,092	752,267,219	Not Applicable	Not Applicable
Emerging Market Equity	606,957,615	129,650,536	Not Applicable	Not Applicable
Credit	210,787,619	310,219,045	Not Applicable	Not Applicable
Venture	934,821,448	351,649,776	Not Applicable	Not Applicable
Natural Resources	860,146,992	208,617,758	Not Applicable	Not Applicable
Infrastructure	275,046,718	205,411,992	Not Applicable	Not Applicable
Real Estate	1,002,868,088	765,786,458	Not Applicable	Not Applicable
Total Private Investments	<u>4,785,583,572</u>	<u>2,723,602,784</u>		
Public Markets:				
U.S. Equity				
Redeemable Within One Year	339,519,200	-	Daily to Annually	1 - 90 Days
Redeemable Beyond One Year	269,544,019	56,449,837	Annually	1 - 90 Days
Total U.S. Equity	<u>609,063,219</u>	<u>56,449,837</u>		
Non-U.S. Developed Equity				
Redeemable Within One Year	268,982,306	-	Monthly to Quarterly	6 - 30 Days
Global Developed Public Equity				
Redeemable Within One Year	608,492,038	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	51,736,191	-	Monthly	60 Days
Total Global Developed Equity	<u>660,228,229</u>	<u>-</u>		
Emerging Market Equity				
Redeemable Within One Year	392,495,286	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	57,411,523	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	16,662,800	18,833,548	Not Applicable	Not Applicable
Total Emerging Markets Equity	<u>466,569,609</u>	<u>18,833,548</u>		
Total Public Markets	<u>2,004,843,363</u>	<u>75,283,385</u>		
Total Investment Funds	<u>\$ 9,276,681,359</u>	<u>\$ 3,048,550,157</u>		

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

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Directional				
Redeemable Within One Year	\$ 803,026,360	\$ -	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	536,429,561	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	152,657,984	145,840,892	Not Applicable	Not Applicable
Total Directional	<u>1,492,113,905</u>	<u>145,840,892</u>		
Stable Value				
Redeemable Within One Year	246,834,386	-	Monthly to Annually	5 - 75 Days
Redeemable Beyond One Year	148,020,410	-	Quarterly to Annually	45 - 75 Days
Nonredeemable	42,592,696	75,721,612	Not Applicable	Not Applicable
Total Stable Value	<u>437,447,492</u>	<u>75,721,612</u>		
Total Hedge Funds	<u>1,929,561,397</u>	<u>221,562,504</u>		
Private Investments (Nonredeemable):				
Private Equity	808,120,516	348,177,569	Not Applicable	Not Applicable
Emerging Market Equity	512,743,118	137,494,834	Not Applicable	Not Applicable
Credit	183,340,375	50,220,036	Not Applicable	Not Applicable
Venture	671,000,297	264,588,008	Not Applicable	Not Applicable
Natural Resources	906,666,804	234,527,080	Not Applicable	Not Applicable
Infrastructure	175,784,880	157,583,770	Not Applicable	Not Applicable
Real Estate	809,774,281	467,806,285	Not Applicable	Not Applicable
Total Private Investments	<u>4,067,430,271</u>	<u>1,660,397,582</u>		
Public Markets:				
U.S. Equity				
Redeemable Within One Year	554,906,213	-	Monthly to Annually	1 - 90 Days
Redeemable Beyond One Year	99,650,938	8,687,250	Quarterly to Annually	1 - 90 Days
Total U.S. Equity	<u>654,557,151</u>	<u>8,687,250</u>		
Non-U.S. Developed Equity				
Redeemable Within One Year	211,343,682	-	Monthly to Quarterly	6 - 30 Days
Global Developed Equity				
Redeemable Within One Year	317,753,395	-	Monthly to Quarterly	45 - 60 Days
Redeemable Beyond One Year	26,583,545	-	Monthly	60 Days
Total Global Developed Equity	<u>344,336,940</u>	<u>-</u>		
Emerging Market Equity				
Redeemable Within One Year	347,044,115	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	45,513,626	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	17,083,025	38,186,807	Not Applicable	Not Applicable
Total Emerging Markets Equity	<u>409,640,766</u>	<u>38,186,807</u>		
Total Public Markets	<u>1,619,878,539</u>	<u>46,874,057</u>		
Total Investment Funds	<u>\$ 7,616,870,207</u>	<u>\$ 1,928,834,143</u>		

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,092,693,121 of future funding to various hedge fund investments as of August 31, 2019 of which the Fund's pro-rata portion is \$249,663,988.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures for the years ended August 31, 2019 and 2018, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over the next seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager of the limited liability companies. The private investment pools have committed \$7,523,764,596 of future funding to various private investments as of August 31, 2019 of which the Fund's pro-rata portion is \$2,723,602,784.

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, including related derivatives, 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 leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager of the limited liability companies. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future fundings in the amount of \$253,820,746, of which the Fund's pro-rata portion is \$75,283,385 has been committed to certain public market funds as of August 31, 2019.

Hedge funds, private investments, 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:

- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the Fund's investment funds may impose lock-up periods which would cause the Fund to incur penalties to redeem its units or prevent the Fund from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* -- As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investments in hedge funds, private investments, and public market funds are also subject to the investment risks discussed in Note 4. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

Note 4 – Investment Risk

The investment risk disclosure that follows relates to the Fund’s investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 5. Risk disclosures relating to the Fund’s investments in hedge funds, private investments, and public market funds are discussed in Note 3.

(A) Credit Risk

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy does not provide specific requirements or limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2019 and 2018:

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

Investment Type	August 31,		Rating
	2019	2018	
Investments:			
U.S. Government Guaranteed	\$ 224,942,020	\$ 197,057,077	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	112,020,185	99,831	AA
U.S. Agency Asset Backed	78,362,654	32,188,703	AA
U.S. Agency Asset Backed	209,987	180,529	A
U.S. Agency Asset Backed	477,295	343,885	B
Total U.S. Government Non-Guaranteed	191,070,121	32,812,948	
Total U.S. Government	416,012,141	229,870,025	
Corporate Obligations:			
Domestic	14,379,820	7,684,716	AAA
Domestic	18,247,993	14,298,039	AA
Domestic	106,179,616	56,453,248	A
Domestic	98,604,752	57,462,333	BAA/BBB
Domestic	4,400,617	2,600,506	BA/BB
Domestic	354,100	724,190	B
Domestic	1,539,137	788,764	CAA/CCC
Domestic	241,138	241,450	CA/CC
Domestic	24,780	53,880	D
Domestic	899,324	244,105	Not Rated
Foreign	28,983,773	22,619,258	AAA
Foreign	8,279,021	6,486,442	AA
Foreign	21,501,058	14,094,757	A
Foreign	30,088,764	16,306,357	BAA/BBB
Foreign	2,607,852	2,230,244	BA/BB
Foreign	2,133,158	1,640,981	B
Foreign	-	96,743	CAA/CCC
Foreign	233	4,915,781	Not Rated
Total Corporate Obligations	338,465,136	208,941,794	
Foreign Government and Provincial Obligations	78,495,834	76,587,269	AAA
Foreign Government and Provincial Obligations	44,162,083	47,528,982	AA
Foreign Government and Provincial Obligations	85,605,481	86,551,171	A
Foreign Government and Provincial Obligations	121,074,095	76,717,073	BAA/BBB
Foreign Government and Provincial Obligations	36,590,373	22,958,830	BA/BB
Foreign Government and Provincial Obligations	-	367,282	B
Foreign Government and Provincial Obligations	89,356,140	7,450,931	Not Rated
Total Foreign Government and Provincial Obligations	455,284,006	318,161,538	
Other Debt Securities	198,966	145,816	AAA
Other Debt Securities	576,702	321,162	AA
Other Debt Securities	691,302	603,977	A
Other Debt Securities	-	108,834	BAA/BBB
Total Other Debt Securities	1,466,970	1,179,789	
Total Debt Securities	\$ 1,211,228,253	\$ 758,153,146	
Convertible Securities	\$ -	\$ 25,914	B
Convertible Securities	-	459,869	Not Rated
Total Convertible Securities	\$ -	\$ 485,783	
Other Investment Funds - Debt	\$ 12,229,785	\$ 10,989,102	BA/BB
Cash Equivalents - Money Market Funds	\$ 292,925,582	\$ 519,710,222	AAA
Cash	45,325,616	29,263,901	Not Rated
Total Cash and Cash Equivalents	\$ 338,251,198	\$ 548,974,123	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ -	\$ 989,693	AA
Cash	(3,669,529)	1,366,550	Not Rated
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	\$ (3,669,529)	\$ 2,356,243	

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2019 and 2018, the Fund does not hold any direct investments in any one issuer of corporate or municipal bonds that is 5% or more of the market value of the Fund's fixed income investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2019, and 2018, 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 fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration in years by investment type at August 31, 2019 and 2018:

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

Investment Type	August 31,			
	2019		2018	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 60,975,208	0.41	\$ -	-
U.S. Treasury Bonds and Notes	152,128,133	10.44	189,332,364	6.58
U.S. Treasury Inflation Protected	10,205,410	10.93	5,797,491	11.00
U.S. Agency Asset Backed	1,633,269	1.85	1,927,222	4.43
Total U.S. Government Guaranteed	<u>224,942,020</u>	7.68	<u>197,057,077</u>	6.69
U.S. Government Non-Guaranteed:				
U.S. Agency	112,020,185	2.89	99,831	0.08
U.S. Agency Asset Backed	79,049,936	2.26	32,713,117	6.28
Total U.S. Government Non-Guaranteed	<u>191,070,121</u>	2.63	<u>32,812,948</u>	6.26
Total U.S. Government	<u>416,012,141</u>	5.36	<u>229,870,025</u>	6.63
Corporate Obligations:				
Domestic	244,871,277	5.03	140,551,231	4.31
Foreign	93,593,859	5.95	68,390,563	4.51
Total Corporate Obligations	<u>338,465,136</u>	5.29	<u>208,941,794</u>	4.37
Foreign Government and Provincial Obligations	<u>455,284,006</u>	4.01	<u>318,161,538</u>	4.25
Other Debt Securities	<u>1,466,970</u>	10.56	<u>1,179,789</u>	8.79
Total Debt Securities	<u>1,211,228,253</u>	4.84	<u>758,153,146</u>	5.01
Convertible Securities	<u>-</u>	-	<u>485,783</u>	0.26
Other Investment Funds - Debt	<u>12,229,785</u>	7.50	<u>10,989,102</u>	6.70
Cash and Cash Equivalents	<u>338,251,198</u>	0.07	<u>548,974,123</u>	0.08
Total	<u>\$ 1,561,709,236</u>	3.82	<u>\$ 1,318,602,154</u>	2.97
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ -	-	\$ 989,693	0.30
Cash	(3,669,529)	-	1,366,550	-
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	<u>\$ (3,669,529)</u>	-	<u>\$ 2,356,243</u>	0.13

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

The Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2019 and 2018, 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 \$20,135,110 and \$13,352,328 as of August 31, 2019 and 2018, 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 \$80,239,919 and to \$33,748,572 as of August 31, 2019 and 2018, 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 \$4,122,750 and \$3,217,017 as of August 31, 2019 and 2018, respectively.

(F) Foreign Currency Risk

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

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2019 and 2018:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2019	2018
Domestic Common Stock:		
Australian Dollar	\$ -	\$ 49,615
Foreign Common Stock:		
Australian Dollar	1,641,071	1,090,748
Brazilian Real	123,223,864	81,785,958
Canadian Dollar	2,773,384	5,473,492
Chilean Peso	983,509	468,208
Chinese Yuan Renminbi	190,673,405	121,258,741
Colombian Peso	123,463	63,225
Czech Koruna	191,825	2,416,972
Danish Krone	5,939,452	5,466,170
Egyptian Pound	4,238,855	6,004,842
Euro	78,261,345	85,911,015
Hong Kong Dollar	64,273,220	43,131,411
Hungarian Forint	1,212,928	505,140
Indian Rupee	26,658,430	29,691,742
Indonesian Rupiah	10,978,154	10,626,188
Japanese Yen	120,806,460	105,404,339
Malaysian Ringgit	7,318,227	8,568,238
Mexican Peso	34,613,435	34,672,912
Norwegian Krone	6,929,593	993,827
Peruvian Sol	33,247	33,848
Philippine Peso	608,383	412,286
Polish Zloty	3,959,612	1,440,522
Qatari Riyal	1,247,495	2,528,196
Saudi Riyal	906,317	-
Singapore Dollar	4,781,059	7,128,304
South African Rand	12,626,435	11,743,751
South Korean Won	107,814,495	125,439,840
Sri Lankan Rupee	984,039	2,373,411
Swedish Krona	2,547,343	-
Swiss Franc	10,143,998	6,270,850
Taiwan Dollar	50,693,932	41,376,633
Thai Baht	8,100,138	11,077,555
Turkish Lira	14,041,901	4,977,376
UK Pound	46,411,764	32,733,516
United Arab Emirates Dirham	10,823,207	9,746,798
Vietnamese Dong	6,120,722	4,079,372
Total Foreign Common Stock	962,684,707	804,895,426
Other - Equity Securities:		
Australian Dollar	-	1,047
Chinese Yuan Renminbi	1,142,572	-
Malaysian Ringgit	5,522	9,969
Taiwan Dollar	3,007	-
Total Other - Equity Securities	1,151,101	11,016
Foreign Preferred Stock:		
Brazilian Real	20,393,894	13,210,779
Colombian Peso	68,330	-
Euro	-	2,798,695
South African Rand	35,304	28,502
South Korean Won	10,498,625	8,224,571
Total Foreign Preferred Stock	30,996,153	24,262,547

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2019	2018
Foreign Government and Provincial Obligations:		
Australian Dollar	\$ 15,472,444	\$ 27,789,615
Brazilian Real	23,291,185	13,126,951
Canadian Dollar	26,955,075	17,857,372
Colombian Peso	18,022,088	6,826,666
Euro	88,537,455	59,869,294
Hungarian Forint	2,904,929	-
Indonesian Rupiah	12,742,029	8,066,398
Japanese Yen	101,612,856	33,921,575
Malaysian Ringgit	17,214,622	16,783,430
Mexican Peso	59,627,767	38,405,499
New Zealand Dollar	-	14,049,098
Norwegian Krone	5,127,842	4,388,322
Peruvian Sol	3,451,947	5,435,808
Polish Zloty	21,772,329	21,726,810
Romanian Leu	1,904,945	764,471
Russian Ruble	179,452	-
Singapore Dollar	16,922,593	14,263,586
South African Rand	12,962,232	9,339,779
South Korean Won	2,426,360	4,187,894
Thai Baht	-	2,567,456
Turkish Lira	-	492,100
UK Pound	5,531,181	6,387,474
Total Foreign Government and Provincial Obligations	436,659,331	306,249,599
Corporate Obligations:		
Australian Dollar	73,526	334,593
Canadian Dollar	68,237	75,713
Danish Krone	15,885,146	9,155,872
Euro	8,696,390	4,893,562
Indian Rupee	233	1,576,752
South African Rand	654,849	1,264,155
Swedish Krona	349,138	5,438,418
UK Pound	11,691,103	6,585,866
Total Corporate Obligations	37,418,622	29,324,931
Purchased Options:		
Australian Dollar	10	-
Brazilian Real	54,384	151,075
Euro	1,728,188	24,234
Japanese Yen	1,619	-
Swiss Franc	132,953	-
Total Purchased Options	1,917,154	175,309
Private Investment Funds:		
Australian Dollar	49,993,014	40,037,642
Canadian Dollar	89,021,488	95,451,499
Euro	129,367,193	132,300,794
UK Pound	32,599,825	18,988,378
Total Private Investment Funds	300,981,520	286,778,313
Investment Funds - Emerging Markets:		
Brazilian Real	6,450,884	7,898,967
Convertible Securities:		
Brazilian Real	-	459,486

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2019	2018
Cash and Cash Equivalents:		
Australian Dollar	\$ 9,059	\$ (1,806)
Brazilian Real	2,256,422	1,076,844
Canadian Dollar	130,213	1,311,028
Chilean Peso	9,373	79
Chinese Yuan Renminbi	8,168,800	19,052,938
Colombian Peso	255,819	177,583
Czech Koruna	15,667	17
Danish Krone	(45,624)	5,699
Egyptian Pound	3,056	4,413
Euro	925,409	100,137
Hong Kong Dollar	805,824	117,963
Hungarian Forint	19,730	14,882
Indian Rupee	150,133	53,005
Indonesian Rupiah	46,489	52,471
Israeli Shekel	35	168
Japanese Yen	7,321,356	3,611,893
Malaysian Ringgit	36,118	140,049
Mexican Peso	336,043	650,365
New Zealand Dollar	1,046	30,628
Norwegian Krone	301,366	278
Peruvian Sol	2,681	-
Philippine Peso	5,548	3,266
Polish Zloty	135,769	52,503
Qatari Rial	87,155	-
Romanian Leu	99	-
Russian Ruble	(82)	-
Singapore Dollar	9,892	304,042
South African Rand	365,419	542,289
South Korean Won	2,339,011	2,448,778
Swedish Krona	2,203	159
Swiss Franc	6,067	517
Taiwan Dollar	455,281	296,760
Thai Baht	19,260	8,806
Turkish Lira	38,265	25,818
UK Pound	(254,377)	201,492
United Arab Emirates Dirham	12,807	(924)
Total Cash and Cash Equivalents	<u>23,971,332</u>	<u>30,282,140</u>
Written Options:		
Australian Dollar	(13,409)	(1,494)
Brazilian Real	(172,683)	(39)
Euro	-	(7,135)
Japanese Yen	(1,276)	-
UK Pound	-	(19,269)
Total Written Options	<u>(187,368)</u>	<u>(27,937)</u>
Swaps:		
Australian Dollar	2,292,227	-
Canadian Dollar	379,813	77,265
Chinese Yuan Renminbi	87,218	-
Czech Koruna	10,929	-
Euro	5,920,550	681,552

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2019	2018
Swaps (Continued):		
Israeli Shekel	\$ 124,801	\$ -
Japanese Yen	157,527	(48,765)
Mexican Peso	24,105	14,919
New Zealand Dollar	7,236	48,012
Polish Zloty	15,818	-
South African Rand	36,457	(37,068)
South Korean Won	130,969	4,019
Swedish Krona	16,728	-
UK Pound	(718,560)	1,401,434
Total Swaps	<u>8,485,818</u>	<u>2,141,368</u>
Futures:		
Canadian Dollar	-	(6,533)
Euro	(21,333)	(34,204)
Total Futures	<u>(21,333)</u>	<u>(40,737)</u>
Total	<u>\$ 1,810,507,921</u>	<u>\$ 1,492,460,043</u>

(G) Counterparty (Credit) Risk

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

The Fund had gross counterparty exposure as of August 31, 2019 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 27,335,939	\$ -	\$ 1,510,252	\$ -	AA
Options	5,690,437	7,755,625	49,662	42,757	A
Swaps	19,547,149	6,354,045	2,023,218	1,240,121	AA
Swaps	99,078,139	198,959,793	7,026,817	8,392,029	A
Foreign Exchange Contracts	186,001,086	74,853,560	4,130,929	939,337	AA
Foreign Exchange Contracts	499,004,709	466,237,129	7,442,825	7,984,483	A
			<u>\$ 22,183,703</u>	<u>\$ 18,598,727</u>	

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

Notes to Financial Statements (cont.)

The Fund had gross counterparty exposure as of August 31, 2018 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ -	\$ 1,100,000	\$ -	\$ 10,107	AA
Options	2,239,402	13,358,579	161,061	36,424	A
Swaps	1,463,501	1,406,993	363,266	149,321	AA
Swaps	189,903,804	76,680,003	5,973,497	2,856,957	A
Foreign Exchange Contracts	170,066,553	399,731,057	3,882,385	4,393,509	AA
Foreign Exchange Contracts	231,901,876	298,803,470	5,109,952	2,541,961	A
Foreign Exchange Contracts	361,390	377,162	8,471	24,475	BBB
			<u>\$ 15,498,632</u>	<u>\$ 10,012,754</u>	

As of August 31, 2019, and 2018, the Fund also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore, they are not presented in the table above.

Counterparty risk for swaps, options and foreign exchange contracts which are traded over-the-counter is mitigated by 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 is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2019, and 2018, the Fund held \$17,043,440 and \$6,135,139 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$12,413,911 and \$7,083,689, respectively, as collateral related to derivative instruments other than futures.

Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income in the statements of changes in fiduciary net position. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned, and the fair value of collateral held are as follows at August 31, 2019 and 2018:

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

Notes to Financial Statements (cont.)

<u>Securities on Loan</u>	<u>2019 Fair Value</u>	<u>2018 Fair Value</u>	<u>Type of Collateral</u>	<u>2019 Fair Value of Collateral</u>	<u>2018 Fair Value of Collateral</u>
U.S. Government	\$ 29,174,985	\$ 11,050,747	Cash	\$ 29,932,481	\$ 11,284,333
Corporate Bonds	27,996,141	21,323,978	Cash	28,710,815	21,847,341
Common Stock	46,191,408	52,381,870	Cash	48,542,266	54,403,214
Total	<u>\$ 103,362,534</u>	<u>\$ 84,756,595</u>	Total	<u>\$ 107,185,562</u>	<u>\$ 87,534,888</u>
U.S. Government	\$ 27,453,215	\$ 13,861,761	Non-Cash	\$ 28,017,689	\$ 14,163,281
Common Stock	61,883,989	38,467,530	Non-Cash	63,921,365	40,142,133
Total	<u>\$ 89,337,204</u>	<u>\$ 52,329,291</u>	Total	<u>\$ 91,939,054</u>	<u>\$ 54,305,414</u>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the PUF, The University of Texas System Intermediate Term Fund and other UT Board accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower is made from the Fund and the securities lending agent in the same proportion as the income is shared.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2019 and 2018, is shown in the following table:

<u>Description</u>	<u>2019</u>			<u>2018</u>		
	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity In Days</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity In Days</u>
Repurchase Agreements	\$ 66,973,243	No Rating Available	3	\$ 30,449,476	No Rating Available	4
Agencies	-	-	-	1,512,040	AA	7
Commercial Paper	2,911,696	P	58	27,713,065	P	24
Floating Rate Notes	21,299,986	AA		15,234,930	AA	
Floating Rate Notes	16,023,653	A		15,270,080	A	
Total Floating Rate Notes	<u>37,323,639</u>		40	<u>30,505,010</u>		27
Other Receivables/Payables	(23,016)	Not Rated	-	(2,644,703)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 107,185,562</u>		17	<u>\$ 87,534,888</u>		19

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2019 and 2018, respectively, as categorized by level of the fair value hierarchy:

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GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

	Fair Value as of August 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 66,973,243	\$ -	\$ 66,973,243	\$ -
Commercial Paper	2,911,696	-	2,911,696	-
Floating Rate Notes	37,323,639	-	37,323,639	-
Total by Fair Value Level	107,208,578	\$ -	\$ 107,208,578	\$ -
Other Receivables/Payables	(23,016)			
Total Collateral Pool Investments	\$ 107,185,562			

	Fair Value as of August 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 30,449,476	\$ -	\$ 30,449,476	\$ -
Agencies	1,512,040	-	1,512,040	-
Commercial Paper	27,713,065	-	27,713,065	-
Floating Rate Notes	30,505,010	-	30,505,010	-
Total by Fair Value Level	90,179,591	\$ -	\$ 90,179,591	\$ -
Other Receivables/Payables	(2,644,703)			
Total Collateral Pool Investments	\$ 87,534,888			

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 position. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, the Fund has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the Fund from any loss due to borrower default.

As of August 31, 2019, and 2018, 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, 2019 and 2018.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 6 – Written Options

The following table discloses the fair values of the Fund’s written call option contracts outstanding as of August 31, 2019 and 2018:

Type	Fair Value at August 31, 2019		Fair Value at August 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity	\$ -	\$ -	\$ -	\$ 299
Currency	-	19,895	-	20,399
Equity	-	156,923	-	42,297
Interest Rate Swap	-	-	-	939
Other	-	58,711	-	-
	<u>\$ -</u>	<u>\$ 235,529</u>	<u>\$ -</u>	<u>\$ 63,934</u>

The fair values are included on the statements of fiduciary net position as options written, at fair value. The changes in fair value of open call options for the years ended August 31, 2019 and 2018 were a decrease and an increase in the amounts of \$123,833 and \$68,706, respectively, which are included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

The following table discloses the fair values of the Fund’s written put option contracts as of August 31, 2019 and 2018:

Type	Fair Value at August 31, 2019		Fair Value at August 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 22,836	\$ -	\$ 23,013
Equity	-	32,930	-	-
Credit Default Swap	-	26	-	1,819
Interest Rate Swap	-	139,604	-	361
Other	5,211	1,149	-	-
	<u>\$ 5,211</u>	<u>\$ 196,545</u>	<u>\$ -</u>	<u>\$ 25,193</u>

The fair values are included on the statements of fiduciary net position as options written, at fair value. The changes in fair value of open put options for the years ended August 31, 2019 and 2018 were increases in the amounts of \$92,080 and \$11,218, respectively, which are included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

Note 7 – Swaps

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2019:

Type	Notional Value	Fair Value at August 31, 2019	
		Assets	Liabilities
Credit Default	\$ 54,523,875	\$ 923,440	\$ 633,687
Currency	9,963,242	4,943,644	5,029,492
Equity	274,244,775	1,645,575	4,012,108
Fixed Income	2,900,000	-	262,766
Interest Rate	683,984,936	4,007,564	2,547,606
Volatility	1,300,000	-	120,429
Total		<u>\$ 11,520,223</u>	<u>\$ 12,606,088</u>

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

Notes to Financial Statements (cont.)

The change in fair value of open swap positions for the year ended August 31, 2019 was a decrease in the amount of \$1,909,056, which is included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2018:

Type	Notional Value	Fair Value at August 31, 2018	
		Assets	Liabilities
Interest Rate	\$ 357,150,154	\$ 2,309,226	\$ 536,437
Credit Default	18,898,100	284,996	117,511
Commodity	2,262,591	145,100	72,069
Currency	2,267,775	1,158,207	1,098,000
Volatility	1,600,000	-	17,130
Equity	243,832,036	3,482,673	1,212,884
Total		\$ 7,380,202	\$ 3,054,031

The change in fair value of open swap positions for the year ended August 31, 2018 was an increase in the amount of \$4,574,641, which is included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

Note 8 – Futures Contracts

The changes in fair value of open futures contracts for the years ended August 31, 2019 and 2018, were increases in the amounts of \$844,253 and \$6,175,605, respectively, which are included in the net increase in fair value of investments on the statements of changes in fiduciary net position. The Fund had \$960,000 and \$1,407,693 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2019 and 2018, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2019 and 2018, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$809,492 and \$12,614,854, respectively, as of August 31, 2019 and 2018.

During the years ended August 31, 2019 and 2018, certain 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 fair value as of August 31, 2018. As of August 31, 2019, there were no open long or short positions or associated pending cash settlement amounts.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2019:

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Contract	Notional Value at August 31, 2019		Fair Value at August 31, 2019	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 139,862,925	\$ -	\$ 56,094	\$ -
Foreign Fixed Income	166,533,124	31,123,733	20,263	41,596
Total	\$ 306,396,049	\$ 31,123,733	\$ 76,357	\$ 41,596

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2018:

Contract	Notional Value at August 31, 2018		Fair Value at August 31, 2018	
	Long	Short	Assets	Liabilities
Commodities	\$ 148,119,836	\$ 49,239,983	\$ 1,832,767	\$ 8,184,449
Domestic Fixed Income	141,065,292	111,125,425	-	-
Foreign Fixed Income	107,898,943	45,308,626	66,755	100,959
Domestic Equities	11,753,505	-	405	-
Foreign Equities	7,302,116	-	-	53,768
Total	\$ 416,139,692	\$ 205,674,034	\$ 1,899,927	\$ 8,339,176

Note 9 – Foreign Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 2019 and 2018. Foreign currency amounts are translated at exchange rates as of August 31, 2019 and 2018. 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.

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

Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Net Buy August 31, 2019</u>	<u>Net Sell August 31, 2019</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2019</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2019</u>
Argentina Peso	\$ -	\$ -	\$ 6,014	\$ 44,445
Australian Dollar	-	7,648,084	145,974	151,456
Brazilian Real	-	12,735,581	1,045,548	630,730
Canadian Dollar	-	25,549,319	211,134	182,090
Chilean Peso	8,672,972	-	2,638	349,827
Chinese Yuan Renminbi	-	2,127,839	90,559	103,313
Colombian Peso	-	3,196,009	464,452	82,258
Czech Koruna	2,662,551	-	-	142,039
Danish Krone	-	21,314,114	348,830	17,454
Euro	-	177,033,326	3,503,771	455,676
Hong Kong Dollar	-	3,558,208	33,119	15,110
Hungarian Forint	-	10,411,556	390,200	68,785
Indian Rupee	-	14,970	169,652	72,199
Indonesian Rupiah	-	5,407,871	78,760	43,750
Israeli Shekel	-	118,755	718	-
Japanese Yen	-	158,503,630	41,443	3,178,400
Malaysian Ringgit	-	795,869	8,378	1
Mexican Peso	-	31,579,608	1,215,465	120,253
New Zealand Dollar	-	6,181,169	434,884	214,388
Norwegian Kroner	5,534,976	-	467,854	704,135
Peruvian Sol	-	11,320,617	139,387	8,909
Polish Zloty	-	7,224,863	446,071	200,020
Qatari Riyal	-	87,155	-	332
Romanian Leu	-	1,889,250	80,559	19,488
Russian Ruble	2,799,807	-	-	49,619
Singapore Dollar	-	19,745,515	207,747	54,667
South African Rand	-	14,067,183	239,623	141,850
South Korean Won	9,733,744	-	112,053	352,446
Swedish Krona	14,955,182	-	207,154	845,444
Swiss Franc	-	13,337,664	161,428	189,202
Taiwan Dollar	-	3,573,185	3,487	31,667
Thai Baht	-	13,995,144	-	133,414
UK Pound	-	25,799,093	1,316,852	320,453
	<u>\$ 44,359,232</u>	<u>\$ 577,215,577</u>	<u>\$ 11,573,754</u>	<u>\$ 8,923,820</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2019 was an increase in the amount of \$2,650,013, which is included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

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

Currency	Net Buy August 31, 2018	Net Sell August 31, 2018	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2018	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2018
Argentina Peso	\$ 251,378	\$ -	\$ 108,712	\$ 165,169
Australian Dollar	-	22,044,653	275,991	70,171
Brazilian Real	-	7,823,628	746,979	86,767
Canadian Dollar	-	7,227,791	87,540	238,015
Chilean Peso	3,986,815	-	-	16,027
Chinese Yuan Renminbi	-	689,094	36,132	239,958
Colombian Peso	5,560,764	-	120,373	268,312
Czech Koruna	3,071	-	-	918
Danish Krone	-	10,080,282	32,032	31,913
Euro	-	143,680,205	682,170	414,676
Hong Kong Dollar	-	4,350,001	49,214	-
Hungarian Forint	-	5,582,781	-	4,980
Indian Rupee	-	610,750	93,640	77,901
Indonesian Rupiah	-	6,063,425	81,738	70,412
Israeli Shekel	1,326	-	3,795	4
Japanese Yen	-	101,623,003	3,279,269	341,263
Malaysian Ringgit	-	120,398	-	12,432
Mexican Peso	-	5,899,917	145,012	437,424
New Zealand Dollar	-	20,424,559	230,086	27,671
Norwegian Kroner	10,629,187	-	33,624	314,137
Peruvian Sol	-	1,518,106	11,986	-
Polish Zloty	-	6,969,361	42,597	131,654
Romanian Leu	-	1,439,211	366	8,116
Russian Ruble	1,323,829	-	-	80,623
Singapore Dollar	-	20,224,698	367,556	34,699
South African Rand	-	2,384,278	629,891	465,418
South Korean Won	-	8,460,818	4,093	80,001
Swedish Krona	20,927,599	-	65,554	1,390,414
Swiss Franc	-	6,100,187	20,788	2,006
Taiwan Dollar	-	4,034,576	76,879	11,182
Thai Baht	-	7,546,913	1,345	42,976
Turkish Lira	-	460,918	1,244,618	1,324,732
UK Pound	-	25,925,818	528,828	569,975
	\$ 42,683,969	\$ 421,285,371	\$ 9,000,808	\$ 6,959,946

The change in fair value of open foreign exchange contracts for the year ended August 31, 2018 was an increase in the amount of \$2,115,434, which is included in the net increase in fair value of investments on the statements of changes in fiduciary net position.

Note 10 – Purchase Agreement

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,876,205,000 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 0.10% to 1.50%. In addition to quarterly investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net position represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2019 and 2018 were \$24,890,041 and \$29,901,837, respectively.

Beginning during the year ended August 31, 2019, UTIMCO will assess the Fund a management fee to cover the costs of managing the Fund and providing day to day operations. These fees are based on a budget prepared by management and approved by the UT Board. In prior years these management fees were paid by the PHF and LTF. The fee for the year ended August 31, 2019 was \$10,891,051.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. For the years ended August 31, 2019 and 2018, custodial fees and expenses incurred by the Fund amounted to \$1,290,341 and \$2,622,490, respectively.

Accounting fees, in the amounts of \$258,517 and \$251,590, were incurred by the Fund during the years ended August 31, 2019 and 2018, respectively, for external and UT System internal audit services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring of investment managers. Fees in the amounts of \$136,319 and \$94,747 were incurred for the years ended August 31, 2019 and 2018, respectively.

Consulting fees, in the amounts of \$117,113 and \$117,850, for the years ended August 31, 2019 and 2018, respectively, were incurred for investment strategy and other investment planning services.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. Fees incurred by the Fund for the years ended August 31, 2019 and 2018, amounted to \$81,512 and \$40,748, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2019 and 2018, the fees incurred by the Fund amounted to \$70,146 and \$73,365, respectively.

Foreign tax consulting and filing fees are incurred by the Fund for investment managers domiciled in certain foreign countries and for those that invest in securities issued in certain foreign countries. Fees in the amounts of \$32,443 and \$31,758 were incurred for the years ended August 31, 2019 and 2018, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedule

Financial Highlights
Years Ended August 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Selected Per Unit Data					
Net Position, Beginning of Year	\$ 329.280	\$ 299.806	\$ 266.535	\$ 256.223	\$ 253.505
Income from Investment Operations					
Net Investment Income (A)	2.719	2.591	2.421	2.253	1.741
Net Realized and Unrealized Gain on Investments	<u>11.951</u>	<u>26.883</u>	<u>30.850</u>	<u>8.059</u>	<u>0.977</u>
Total Income from Investment Operations	<u>14.670</u>	<u>29.474</u>	<u>33.271</u>	<u>10.312</u>	<u>2.718</u>
Net Position, End of Year	<u><u>\$ 343.950</u></u>	<u><u>\$ 329.280</u></u>	<u><u>\$ 299.806</u></u>	<u><u>\$ 266.535</u></u>	<u><u>\$ 256.223</u></u>

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