

Financial Statements  
and Independent Auditors' Report  
Permanent University Fund  
*Years Ended August 31, 2021 and 2020*

Permanent University Fund

Financial Statements

Years Ended August 31, 2021 and 2020

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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 University Fund (the "PUF"), which comprise the statements of net position, as of August 31, 2021 and 2020, and the related statements of changes in 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 PUF'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 PUF'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 net position of the Permanent University Fund as of August 31, 2021 and 2020, and the changes in its 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 PUF are intended only to present the net position of the PUF as of August 31, 2021 and 2020, and the changes in its 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, 2021 or 2020, or the changes in its consolidated net position for the years then ended.

Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by UTIMCO and do not include the 2.1 million acres of land discussed in Note 1.

Our opinion is not modified with respect to these matters.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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 PUF'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 29, 2021

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

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the years ended August 31, 2021 and 2020. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of 17 institutions and 6 agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). 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 a Master 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 PUF's financial statements based upon currently known facts, decisions and conditions.

### Financial Highlights

The PUF's net position after distributions increased by \$7,588.7 million from \$24,380.6 million to \$31,969.3 million, or approximately 31.13% for the year ended August 31, 2021, compared to an increase of \$1,550.5 million or approximately 6.79% for the year ended August 31, 2020. The change in net position from year to year is mainly attributable to the following:

1. The PUF posted a net investment return of 31.59%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2021. Investments in infrastructure, private equity, and public equity, including U.S., and non-U.S. and emerging markets, were the biggest contributors to the 2021 return. For the year ended August 31, 2020, the PUF posted a net investment return of 9.50%. Investments in public equity, including global developed public equity and emerging markets public equity, and private equity were the biggest contributors to the 2020 returns.
2. Fiscal year 2021 contributions of PUF Lands mineral income increased by 27.00% from \$771.0 million to \$979.2 million and represented 3.47% of the average value of the PUF investments during the year, compared to fiscal year 2020 contributions which decreased by 24.86%, from \$1,026.1 million to \$771.0 million and represented 3.31% of the average value of the PUF investments during the year. PUF Lands expenses were \$23.6 million and \$25.4 million for the years ended August 31, 2021 and 2020, respectively. PUF Lands consist of more than 2.1 million acres in 19 counties primarily in West Texas.
3. The PUF's annual distribution to the Available University Fund (AUF) decreased by 15.18% in fiscal year 2021, compared to an increase of 29.33% in fiscal year 2020. In fiscal year 2020, the UT Board approved a one-time supplemental distribution of \$250 million.

## PERMANENT UNIVERSITY FUND

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### Use of Financial Statements and Notes

The PUF'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). PUF's activities are accounted for as an investment trust fund, therefore two financial statements are typically required under GASB: the statement of net position and statement of changes in net position.

In compliance with the reporting requirements of Section 66.05 of the Texas Education Code, we have included as supplementary information a schedule of changes in cost of investments and investment income.

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

### Statements of Net Position

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

The PUF 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 PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to supplement the endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the TAMU System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 32,056.6	\$ 24,603.5	\$ 23,026.7
Other Assets	800.0	595.1	531.3
<b>Total Assets</b>	<u>32,856.6</u>	<u>25,198.6</u>	<u>23,558.0</u>
<b>Total Liabilities</b>	<u>887.3</u>	<u>818.0</u>	<u>727.9</u>
<b>Net Position Restricted for Beneficiaries</b>	<u>\$ 31,969.3</u>	<u>\$ 24,380.6</u>	<u>\$ 22,830.1</u>

### Statements of Changes in Net Position

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

The net increase in fair value of investments of the PUF was \$7,642.2 million during the year compared to a net increase in fair value of investments of \$2,020.9 million for the year ended August 31, 2020. Investment expenses totaled \$128.8 million, \$98.5 million, and \$72.7 million, respectively, for the years ended August 31, 2021, 2020, and 2019.

The PUF's objectives are to maximize investment returns within the risk parameters specified in its investment policy statement without regard to the distribution rate.

Distributions to the AUF decreased by \$199.1 million, from \$1,311.4 million in fiscal year 2020 to \$1,112.3 million, in fiscal year 2021. The fiscal year 2020 distribution amount increased by \$297.4 million from the fiscal year 2019 distribution of \$1,014.0 million. The fiscal year 2020 amount included a one-time supplemental distribution of \$250 million. PUF distributions are determined by the UT Board as provided in the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. The annual amount is calculated based on the following formula:

1. Increase the prior year's distribution amount by the sum of the average inflation rate for the previous twelve-quarters plus 2.65%, unless further modified pursuant to 2 and 3 below.
2. If the inflationary increase in step 1 results in a distribution rate below 3.5% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution shall be increased to 3.5%.
3. If the inflationary increase in step 1 results in a distribution rate exceeding 6.0% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution increase shall be capped at 6.0%.

For the year ended August 31, 2021 the distribution was 5.50% of the trailing twenty-quarter net position of the PUF as of February 29, 2020. For the year ended August 31, 2020 the distribution, including the supplemental one-time amount, was 6.86% of the trailing twelve-quarter net position of the PUF as of February 28, 2019.

## PERMANENT UNIVERSITY FUND

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Distributions to the AUF are made at the discretion of the UT Board subject to the following overriding conditions of the Texas Constitution:

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7% of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Investment Income	\$ 7,874.4	\$ 2,215.0	\$ 1,035.3
Less Investment Expenses	128.8	98.5	72.7
PUF Lands Contributions	979.2	771.0	1,026.1
<b>Total Additions</b>	<u>8,724.8</u>	<u>2,887.5</u>	<u>1,988.7</u>
Administrative Expenses			
PUF Lands Expenses	23.6	25.4	21.5
UT System Oversight Fee	0.2	0.2	0.2
Distributions to AUF	1,112.3	1,311.4	1,014.0
<b>Total Deductions</b>	<u>1,136.1</u>	<u>1,337.0</u>	<u>1,035.7</u>
Change in Net Position	7,588.7	1,550.5	953.0
Net Position Restricted for Beneficiaries, Beginning of Year	24,380.6	22,830.1	21,877.1
<b>Net Position Restricted for Beneficiaries, End of Year</b>	<u>\$31,969.3</u>	<u>\$24,380.6</u>	<u>\$22,830.1</u>

### Contacting UTIMCO

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

# PERMANENT UNIVERSITY FUND

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## Statements of Net Position

August 31, 2021 and 2020

(in thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Investments, at Fair Value:		
Equity Securities	\$ 3,414,872	\$ 2,857,753
Preferred Stock	49,191	49,288
Debt Securities	3,294,357	2,256,703
Investment Funds	23,866,014	18,652,989
Purchased Options	31,166	9,937
Cash and Cash Equivalents	1,401,001	776,805
Total Investments	<u>32,056,601</u>	<u>24,603,475</u>
Collateral for Securities Loaned, at Fair Value	292,735	182,647
Deposits with Brokers for Derivative Contracts	42,636	30,769
Unrealized Gains on Foreign Exchange Contracts	13,059	25,890
Futures Contracts, at Fair Value	2,200	7,605
Swaps, at Fair Value	32,569	37,160
Receivables:		
Investment Securities Sold	397,562	293,877
Accrued Income	18,969	16,721
Other	311	504
Total Receivables	<u>416,842</u>	<u>311,102</u>
<b>Total Assets</b>	<u>32,856,642</u>	<u>25,198,648</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	292,735	182,647
Payable to Brokers for Collateral Held	69,187	58,895
Unrealized Losses on Foreign Exchange Contracts	13,456	29,938
Futures Contracts, at Fair Value	1,110	6,765
Swaps, at Fair Value	10,435	11,281
Options Written, at Fair Value	474	2,177
Payables:		
Investment Securities Purchased	476,055	484,124
Other	23,887	42,182
Total Payables	<u>499,942</u>	<u>526,306</u>
<b>Total Liabilities</b>	<u>887,339</u>	<u>818,009</u>
<b>Net Position Restricted for Beneficiaries</b>	<u><b>\$31,969,303</b></u>	<u><b>\$24,380,639</b></u>

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

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## Statements of Changes in Net Position

Years Ended August 31, 2021 and 2020

(in thousands)

	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 7,642,202	\$ 2,020,855
Interest	59,805	62,265
Dividends	61,725	66,295
Income Distributions from Private Investment Funds	109,569	64,587
Securities Lending Income	1,111	1,015
Other	21	-
Total Investment Income	<u>7,874,433</u>	<u>2,215,017</u>
Less Investment Expenses:		
Investment Management Fees	97,211	69,824
UTIMCO Management Fee	27,875	25,422
Custodial Fees and Expenses	2,071	2,035
Analytical and Risk Measurement Fees	724	410
Accounting Fees	434	335
Legal Fees	168	103
Consulting Fees	150	152
Background Check Fees	127	164
Foreign Tax Consulting and Filing Fees	60	85
Other Expenses	3	21
Total Investment Expenses	<u>128,823</u>	<u>98,551</u>
Net Investment Income	7,745,610	2,116,466
Contributions from PUF Lands	979,180	770,972
<b>Total Additions</b>	<u>8,724,790</u>	<u>2,887,438</u>
<b>Deductions</b>		
Administrative Expenses:		
PUF Lands Expenses	23,656	25,384
UT System Oversight Fee	205	169
Total Administrative Expenses	<u>23,861</u>	<u>25,553</u>
Distributions to Available University Fund	1,112,265	1,311,390
<b>Total Deductions</b>	<u>1,136,126</u>	<u>1,336,943</u>
Change in Net Position	<u>7,588,664</u>	<u>1,550,495</u>
Net Position Restricted for Beneficiaries, Beginning of Year	<u>24,380,639</u>	<u>22,830,144</u>
<b>Net Position Restricted for Beneficiaries, End of Year</b>	<u><b>\$ 31,969,303</b></u>	<u><b>\$ 24,380,639</b></u>

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

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### *Notes to Financial Statements*

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#### **Note 1 – Organization and Basis of Presentation**

(A) The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System), the PUF beneficiaries. The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas, as well as an additional one million acres. Additional land grants to the PUF were completed in 1883 with the contribution of another one million acres. Today, the PUF contains over 2.1 million acres of land located primarily in 19 counties in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO).

(B) The accompanying financial statements report the investment in securities of the PUF, including the assets, liabilities, mineral contributions from the PUF Lands and investment income. Expenses related to the PUF's security investments and PUF Lands, as well as distributions from the PUF to the AUF, are also included. The PUF Lands value is not included in the accompanying financial statements because the statements are only intended to include the investment assets which are managed by UTIMCO.

The PUF financial statements represent the standalone investment activities included within UT System's financial statements. The PUF's inflows are primarily investment income and mineral contributions from the PUF Lands. For standalone purposes, the PUF financial statements are presented as an investment trust fund reporting under 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 accounting policies of the PUF conform to 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 the UT System are prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include the investment activity of the PUF. The accompanying financial statements of the PUF may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and the UT System standalone financial statements since certain activity is eliminated in consolidation.

The Supplemental Schedule of Changes in Cost of Investments and Investment Income has been prepared for the purpose of complying with the reporting requirements of Section 66.05 of the Texas Education Code.

(C) Management has evaluated subsequent events through October 29, 2021, 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.

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 based on market valuations provided by independent pricing services.

Debt securities, including corporate obligations and government and provincial obligations, held directly by the PUF 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.

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. Certain private investment funds that do not follow the practical expedient are categorized as Level 3.

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 latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

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*Notes to Financial Statements (cont.)*

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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 PUF are maintained in U.S. dollars. Investments in securities and other assets and liabilities 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 PUF does not isolate that portion of the results of the change in net position resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in the fair value of investments held on the statements of net position. Such fluctuations are included with the net increase in fair value of investments on the statements of changes in 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 based on average cost.

**(E) *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.

**(F) *Derivative Instruments*** -- Derivatives are financial instruments whose fair value is derived, in whole or part, from the fair value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The PUF from time to time uses various derivative instruments, as allowed under The University of Texas System Board of Regents (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 swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2.

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

- implement investment strategies in a low cost and efficient manner,
- alter the PUF'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,
- manage 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 PUF'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 the PUF'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 net position.

*Options Written* -- When the PUF writes an option, an amount equal to the premium received by the PUF 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 PUF 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 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 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 PUF has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the PUF.

The PUF 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 net position.

*Swaps* -- The PUF 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, on the statements of 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 instruments and counterparty. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of net position. Risks arise from the possible inability of

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*Notes to Financial Statements (cont.)*

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counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

*Futures Contracts* -- The PUF 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 PUF'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 net position. The PUF 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 PUF enters into forward foreign exchange contracts to manage 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 PUF 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 PUF'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 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 net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of 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.

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

**(H) *Contributions from PUF Lands*** -- The mineral income earned from PUF Lands is recorded as remitted by UT System administration and presented on the accompanying statements of changes in net position as an addition to net position.

**(I) *Net Position*** -- The net position of the PUF is restricted for the benefit of UT System and TAMU System.

# PERMANENT UNIVERSITY FUND

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, 2021 and 2020, respectively, as categorized by level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 1,616,064,611	\$ 1,616,064,611	\$ -	\$ -
Foreign Common Stock	1,791,728,757	1,791,713,064	15,693	-
Other Equities	7,078,580	7,078,580	-	-
<b>Total Equity Securities</b>	<b>3,414,871,948</b>	<b>3,414,856,255</b>	<b>15,693</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	2,734,155	-	2,734,155	-
Foreign Preferred Stock	46,456,325	46,456,325	-	-
<b>Total Preferred Stock</b>	<b>49,190,480</b>	<b>46,456,325</b>	<b>2,734,155</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,460,276,933	1,277,301,729	182,975,204	-
Foreign Government and Provincial Obligations	1,052,107,886	-	1,052,107,886	-
Corporate Obligations	776,571,196	-	776,571,196	-
Other	5,401,434	-	5,401,434	-
<b>Total Debt Securities</b>	<b>3,294,357,449</b>	<b>1,277,301,729</b>	<b>2,017,055,720</b>	<b>-</b>
<b>Purchased Options</b>	<b>31,166,258</b>	<b>31,057,142</b>	<b>109,116</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	373,508,180	-	-	373,508,180
U.S. Equity	45,549,937	45,549,937	-	-
Non U.S. Developed Equity	66,662,500	66,662,500	-	-
Emerging Markets	3,649,161	3,649,161	-	-
Fixed Income	83,247,443	83,247,443	-	-
<b>Total Investment Funds</b>	<b>572,617,221</b>	<b>199,109,041</b>	<b>-</b>	<b>373,508,180</b>
<b>Cash Equivalents</b>	<b>1,315,421,511</b>	<b>1,315,421,511</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>8,677,624,867</b>	<b>\$ 6,284,202,003</b>	<b>\$ 2,019,914,684</b>	<b>\$ 373,508,180</b>
<b>Cash</b>	<b>85,579,038</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>5,130,847,668</b>			
<b>Private Investments</b>	<b>12,086,273,053</b>			
<b>Public Markets</b>	<b>6,076,276,058</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>23,293,396,779</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 32,056,600,684</b>			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ (397,453)	\$ -	\$ (397,453)	\$ -
Futures Contracts	1,089,663	1,089,663	-	-
Swaps	22,134,846	-	22,134,846	-
Written Options	(473,777)	-	(473,777)	-
<b>Investment Derivatives</b>	<b>\$ 22,353,279</b>	<b>\$ 1,089,663</b>	<b>\$ 21,263,616</b>	<b>\$ -</b>

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	Fair Value Measurements Using			
	Fair Value as of August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 1,120,273,567	\$ 1,120,273,567	\$ -	\$ -
Foreign Common Stock	1,726,671,877	1,726,656,129	15,748	-
Other Equities	10,807,173	10,807,173	-	-
<b>Total Equity Securities</b>	<b>2,857,752,617</b>	<b>2,857,736,869</b>	<b>15,748</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	1,757,474	-	1,757,474	-
Foreign Preferred Stock	47,530,968	47,530,968	-	-
<b>Total Preferred Stock</b>	<b>49,288,442</b>	<b>47,530,968</b>	<b>1,757,474</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	854,592,699	546,346,949	308,245,750	-
Foreign Government and Provincial Obligations	699,635,890	-	699,635,890	-
Corporate Obligations	697,777,728	-	697,777,728	-
Other	4,696,493	-	4,696,493	-
<b>Total Debt Securities</b>	<b>2,256,702,810</b>	<b>546,346,949</b>	<b>1,710,355,861</b>	<b>-</b>
<b>Purchased Options</b>	<b>9,937,131</b>	<b>5,737,165</b>	<b>4,199,966</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	264,626,298	-	-	264,626,298
U.S. Equity	1,483,146	1,483,146	-	-
Global Equity	5,418,068	5,418,068	-	-
Emerging Markets	54,040,844	54,040,844	-	-
Fixed Income	146,267,988	146,267,988	-	-
<b>Total Investment Funds</b>	<b>471,836,344</b>	<b>207,210,046</b>	<b>-</b>	<b>264,626,298</b>
<b>Cash Equivalents</b>	<b>696,357,027</b>	<b>696,357,027</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>6,341,874,371</b>	<b>\$ 4,360,919,024</b>	<b>\$ 1,716,329,049</b>	<b>\$ 264,626,298</b>
<b>Cash</b>	<b>80,447,691</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>4,585,188,036</b>			
<b>Private Investments</b>	<b>8,850,145,160</b>			
<b>Public Markets</b>	<b>4,745,819,272</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>18,181,152,468</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 24,603,474,530</b>			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ (4,047,766)	\$ -	\$ (4,047,766)	\$ -
Futures Contracts	840,557	840,557	-	-
Swaps	25,878,687	-	25,878,687	-
Written Options	(2,176,940)	-	(2,176,940)	-
<b>Investment Derivatives</b>	<b>\$ 20,494,538</b>	<b>\$ 840,557</b>	<b>\$ 19,653,981</b>	<b>\$ -</b>

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

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the PUF'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, 2021 and 2020 is summarized in the tables below as they are included within the asset mix of the PUF.

Investment Funds:	Fair Value as of August 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 920,991,350	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,207,430,579	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	435,469,931	279,813,587	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>2,563,891,860</u>	<u>279,813,587</u>		
<b>Stable Value</b>				
Redeemable Within One Year	1,536,438,663	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	759,711,555	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	270,805,590	155,992,455	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>2,566,955,808</u>	<u>155,992,455</u>		
<b>Total Hedge Funds</b>	<u>5,130,847,668</u>	<u>435,806,042</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	2,799,334,299	1,900,790,104	Not Applicable	Not Applicable
Emerging Market Equity	1,383,464,387	193,372,873	Not Applicable	Not Applicable
Credit	654,285,236	429,145,536	Not Applicable	Not Applicable
Venture	3,127,178,356	573,960,746	Not Applicable	Not Applicable
Natural Resources	1,541,597,479	400,224,170	Not Applicable	Not Applicable
Infrastructure	687,863,556	570,775,612	Not Applicable	Not Applicable
Real Estate	1,892,549,740	1,299,066,622	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>12,086,273,053</u>	<u>5,367,335,663</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	1,294,728,603	-	Daily to Quarterly	5 - 60 Days
Redeemable Beyond One Year	767,619,068	37,313,334	Annually	90 - 105 Days
<b>Total U.S. Equity</b>	<u>2,062,347,671</u>	<u>37,313,334</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	829,295,505	-	Daily to Quarterly	5 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	1,488,205,910	-	Daily to Quarterly	5 - 60 Days
Redeemable Beyond One Year	504,089,811	-	Monthly	45 - 60 Days
<b>Total Global Developed Equity</b>	<u>1,992,295,721</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	1,039,033,884	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	113,805,397	-	Monthly to Quarterly	60 Days
Nonredeemable	37,043,375	67,648,837	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>1,189,882,656</u>	<u>67,648,837</u>		
<b>Fixed Income</b>				
Redeemable Within One Year	2,454,505	-	Daily	1 Day
<b>Total Public Markets</b>	<u>6,076,276,058</u>	<u>104,962,171</u>		
<b>Total Investment Funds</b>	<u>\$ 23,293,396,779</u>	<u>\$ 5,908,103,876</u>		

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 932,113,925	\$ -	Quarterly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,208,111,789	-	Quarterly to Annually	45 - 120 Days
Nonredeemable	344,540,068	297,840,155	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>2,484,765,782</u>	<u>297,840,155</u>		
<b>Stable Value</b>				
Redeemable Within One Year	951,437,045	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	931,137,229	-	Quarterly to Annually	45 - 100 Days
Nonredeemable	217,847,980	209,597,494	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>2,100,422,254</u>	<u>209,597,494</u>		
<b>Total Hedge Funds</b>	<u>4,585,188,036</u>	<u>507,437,649</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	1,688,171,925	2,040,518,331	Not Applicable	Not Applicable
Emerging Market Equity	1,016,993,226	197,093,998	Not Applicable	Not Applicable
Credit	531,376,430	386,726,259	Not Applicable	Not Applicable
Venture	2,036,408,640	598,043,996	Not Applicable	Not Applicable
Natural Resources	1,362,139,284	417,881,161	Not Applicable	Not Applicable
Infrastructure	654,892,524	429,623,062	Not Applicable	Not Applicable
Real Estate	1,560,163,131	1,371,437,809	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>8,850,145,160</u>	<u>5,441,324,616</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	1,030,531,039	-	Daily to Annually	10 - 90 Days
Redeemable Beyond One Year	640,605,574	46,867,309	Annually	90 Days
<b>Total U.S. Equity</b>	<u>1,671,136,613</u>	<u>46,867,309</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	598,229,532	-	Monthly to Quarterly	6 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	1,418,752,346	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	69,675,134	-	Monthly	45 Days
<b>Total Global Developed Equity</b>	<u>1,488,427,480</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	845,785,087	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	122,101,749	-	Monthly to Quarterly	60 - 90 Days
Nonredeemable	20,138,811	73,930,809	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>988,025,647</u>	<u>73,930,809</u>		
<b>Total Public Markets</b>	<u>4,745,819,272</u>	<u>120,798,118</u>		
<b>Total Investment Funds</b>	<u>\$ 18,181,152,468</u>	<u>\$ 6,069,560,383</u>		

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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The PUF invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures represent the PUF'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 \$1,163,548,811 of future funding to various hedge fund investments as of August 31, 2021 of which the PUF's pro-rata portion is \$435,806,042.

The PUF invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures for the years ended August 31, 2021 and 2020, represent the PUF's pro-rata share of these 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 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. The private investment pools have committed \$9,035,918,625 of future funding to various private market investments as of August 31, 2021 of which the PUF's pro-rata portion is \$5,367,335,663.

Public market funds are invested in publicly traded mutual 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 PUF. 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. 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 funding in the amount of \$189,982,510, of which the PUF's pro-rata portion is \$104,962,171, have been committed to certain public market funds as of August 31, 2021.

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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

Investments in hedge funds, 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 PUF'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 PUF'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 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 PUF then prevailing, taking into consideration the investment of all of the assets of the PUF rather than a single investment.

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 PUF's investment policy does not provide specific requirements or limitations with regards to investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2021 and 2020:

# PERMANENT UNIVERSITY FUND

## Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2021	2020	
<b>Investments:</b>			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ -	\$ 212,929,167	AAA
U.S. Government Guaranteed	1,277,478,734	345,047,810	AA
Total U.S. Government Guaranteed	<u>1,277,478,734</u>	<u>557,976,977</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	29,269,226	70,105,651	AA
U.S. Agency Asset Backed	152,963,856	225,959,006	AA
U.S. Agency Asset Backed	565,117	-	BAA/BBB
U.S. Agency Asset Backed	-	551,065	BA/BB
Total U.S. Government Non-Guaranteed	<u>182,798,199</u>	<u>296,615,722</u>	
Total U.S. Government	<u>1,460,276,933</u>	<u>854,592,699</u>	
Corporate Obligations:			
Domestic	69,637,623	36,384,521	AAA
Domestic	44,668,209	42,978,056	AA
Domestic	153,922,062	191,314,053	A
Domestic	188,861,995	210,455,291	BAA/BBB
Domestic	23,918,962	17,958,368	BA/BB
Domestic	804,551	2,134,000	B
Domestic	3,370,995	2,801,162	CAA/CCC
Domestic	892,387	209,691	CA/CC
Domestic	641,782	49,200	D
Domestic	4,549,025	1,950,261	Not Rated
Foreign	98,088,608	56,006,798	AAA
Foreign	6,591,017	5,740,610	AA
Foreign	57,569,269	48,618,871	A
Foreign	84,228,703	58,182,756	BAA/BBB
Foreign	22,338,956	16,404,594	BA/BB
Foreign	5,985,740	4,605,980	B
Foreign	10,501,312	1,983,516	Not Rated
Total Corporate Obligations	<u>776,571,196</u>	<u>697,777,728</u>	
Foreign Government and Provincial Obligations	110,606,415	101,857,412	AAA
Foreign Government and Provincial Obligations	126,719,503	117,113,985	AA
Foreign Government and Provincial Obligations	151,770,462	171,383,622	A
Foreign Government and Provincial Obligations	185,476,668	176,661,295	BAA/BBB
Foreign Government and Provincial Obligations	103,731,497	39,488,874	BA/BB
Foreign Government and Provincial Obligations	373,803,341	93,130,702	Not Rated
Total Foreign Government and Provincial Obligations	<u>1,052,107,886</u>	<u>699,635,890</u>	
Other Debt Securities	334,804	-	AAA
Other Debt Securities	3,629,169	3,777,775	AA
Other Debt Securities	-	143,104	A
Other Debt Securities	1,437,461	775,614	BAA/BBB
Total Other Debt Securities	<u>5,401,434</u>	<u>4,696,493</u>	
Total Debt Securities	<u>\$ 3,294,357,449</u>	<u>\$ 2,256,702,810</u>	
Other Investment Funds			
Debt	\$ 25,598,765	\$ 23,775,288	BA/BB
Debt	60,103,183	122,492,700	Not Rated
Total Other Investments - Debt	<u>\$ 85,701,948</u>	<u>\$ 146,267,988</u>	
Cash Equivalents - Money Market Funds	\$ 1,315,421,511	\$ 696,357,027	AAA
Cash	85,579,038	80,447,691	Not Rated
Total Cash and Cash Equivalents	<u>\$ 1,401,000,549</u>	<u>\$ 776,804,718</u>	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 25,939,234	\$ 12,608,201	AA
Cash	(52,490,563)	(40,734,065)	Not Rated
<b>Total Net (Payable to)/Deposit with Brokers for Derivative Contracts</b>	<u>\$ (26,551,329)</u>	<u>\$ (28,125,864)</u>	

**(B) Concentrations of Credit Risk**

The PUF'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, 2021 and 2020, the PUF 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 PUF'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 PUF 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 PUF 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 PUF'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, 2021 and 2020, the PUF 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 PUF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the PUF's investments to changes in interest rates. The PUF has no specific policy statement limitations with respect to its overall modified duration.

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following table summarizes the PUF's modified duration in years by investment type at August 31, 2021 and 2020:

Investment Type	August 31,			
	2021		2020	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 14,197,210	0.39	\$ 63,979	-
U.S. Treasury Bonds and Notes	573,216,167	7.37	181,386,359	3.54
U.S. Treasury Inflation Protected	689,888,351	7.79	364,896,611	8.25
U.S. Agency Asset Backed	177,006	2.11	11,630,028	3.99
Total U.S. Government Guaranteed	<u>1,277,478,734</u>	7.52	<u>557,976,977</u>	6.63
U.S. Government Non-Guaranteed:				
U.S. Agency	29,269,226	3.69	70,105,651	2.39
U.S. Agency Asset Backed	153,528,973	3.29	226,510,071	2.97
Total U.S. Government Non-Guaranteed	<u>182,798,199</u>	3.36	<u>296,615,722</u>	2.84
Total U.S. Government	<u>1,460,276,933</u>	7.00	<u>854,592,699</u>	5.31
Corporate Obligations:				
Domestic	491,267,591	6.77	506,234,603	8.74
Foreign	285,303,605	3.92	191,543,125	4.42
Total Corporate Obligations	<u>776,571,196</u>	5.72	<u>697,777,728</u>	7.56
Foreign Government and Provincial Obligations	<u>1,052,107,886</u>	6.97	<u>699,635,890</u>	7.40
Other Debt Securities	<u>5,401,434</u>	7.95	<u>4,696,493</u>	8.12
Total Debt Securities	<u>3,294,357,449</u>	6.69	<u>2,256,702,810</u>	6.66
Other Investment Funds - Debt	<u>85,701,948</u>	2.46	<u>146,267,988</u>	5.52
Cash and Cash Equivalents	<u>1,401,000,549</u>	0.04	<u>776,804,718</u>	0.08
Total	<u>\$ 4,781,059,946</u>	4.67	<u>\$ 3,179,775,516</u>	5.00
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 24,499,288	0.61	\$ 8,374,939	0.61
U.S. Treasury Bonds and Notes	1,439,946	3.47	4,233,262	3.41
Total U.S. Government Guaranteed	<u>25,939,234</u>	0.77	<u>12,608,201</u>	-
Cash	<u>(52,490,563)</u>	-	<u>(40,734,065)</u>	-
Total Net (Payable to)/Deposit with Brokers for Derivative Contracts	<u>\$ (26,551,329)</u>	-	<u>\$ (28,125,864)</u>	-

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

The PUF may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The PUF 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, 2021 and 2020, the PUF'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 \$77,031,141 and \$46,394,935 as of August 31, 2021 and 2020, 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 \$153,215,478 and \$237,408,145 as of August 31, 2021 and 2020, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligee 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 \$39,652,004 and \$13,888,697 as of August 31, 2021 and 2020, respectively.

**(F) *Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the PUF'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 PUF's total fixed income and non-U.S. equity exposures in the PUF'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 PUF's exposure to non-U.S. dollar investments at August 31, 2021 and 2020:

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Foreign Common Stock:</b>		
Australian Dollar	\$ 4,663,606	\$ 3,608,319
Brazilian Real	109,889,883	127,588,195
Canadian Dollar	19,568,550	3,576,005
Chilean Peso	152,220	123,597
Chinese Yuan Renminbi	291,664,632	440,212,094
Czech Koruna	55,218	-
Danish Krone	14,062,878	4,429,449
Egyptian Pound	702,561	2,417,422
Euro	193,549,889	131,171,845
Hong Kong Dollar	101,712,262	121,685,711
Hungarian Forint	1,250,833	1,502,040
Indian Rupee	58,188,798	33,793,021
Indonesian Rupiah	13,293,454	8,830,122
Japanese Yen	251,015,514	246,483,036
Malaysian Ringgit	4,517,343	5,682,822
Mexican Peso	10,139,207	11,740,024
Norwegian Krone	4,298,359	12,386,061
Peruvian Sol	46,160	48,189
Philippine Peso	255,132	431,429
Polish Zloty	7,395,056	2,817,269
Qatari Riyal	522,079	439,046
Singapore Dollar	643,590	-
South African Rand	14,742,938	13,757,440
South Korean Won	185,304,309	154,215,349
Swedish Krona	14,828,808	10,757,498
Swiss Franc	41,222,361	24,351,264
Taiwan Dollar	60,469,402	63,901,312
Thai Baht	10,956,264	3,627,524
Turkish Lira	3,876,288	14,461,044
UK Pound	91,271,306	68,886,918
United Arab Emirates Dirham	3,479,044	5,470,394
Total Foreign Common Stock	<u>1,513,737,944</u>	<u>1,518,394,439</u>
<b>Other - Equity Securities:</b>		
Swiss Franc	21,361	-
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	23,944,537	24,661,132
Euro	2,619,724	267,001
South African Rand	37,679	43,179
South Korean Won	19,854,385	22,559,656
Total Foreign Preferred Stock	<u>46,456,325</u>	<u>47,530,968</u>

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 84,267,708	\$ 37,045,835
Brazilian Real	30,144,268	20,647,143
Canadian Dollar	30,837,382	43,889,329
Chinese Yuan Renminbi	70,552,339	22,688,992
Colombian Peso	32,435,737	27,044,147
Euro	119,790,764	149,352,200
Hungarian Forint	3,521,876	-
Indonesian Rupiah	40,393,064	26,042,956
Israeli Shekel	22,500,537	529,252
Japanese Yen	239,325,649	129,654,325
Malaysian Ringgit	38,822,831	26,161,433
Mexican Peso	88,527,602	85,926,822
New Zealand Dollar	3,917,325	1,146,178
Norwegian Krone	12,802,370	4,797,906
Peruvian Sol	5,025,786	3,998,009
Polish Zloty	4,741,836	7,637,774
Romanian Leu	3,232,107	5,043,276
Russian Ruble	10,645,251	2,751,082
Singapore Dollar	38,370,606	36,684,824
South African Rand	41,151,492	18,841,731
South Korean Won	69,132,179	3,762,427
UK Pound	29,636,651	18,282,206
Total Foreign Government and Provincial Obligations	1,019,775,360	671,927,847
<b>Corporate Obligations:</b>		
Australian Dollar	810,483	817,187
Brazilian Real	494,711	-
Canadian Dollar	162,143	177,559
Danish Krone	45,123,081	34,035,033
Euro	35,416,277	24,209,236
Indian Rupee	6,643,666	502
UK Pound	36,645,799	24,197,034
Total Corporate Obligations	125,296,160	83,436,551
<b>Purchased Options:</b>		
Brazilian Real	52,973	682,606
Canadian Dollar	-	19,759
Euro	108,876	7,892,591
Swiss Franc	4,367	96,755
Total Purchased Options	166,216	8,691,711
<b>Private Investments:</b>		
Australian Dollar	84,822,405	80,563,735
Canadian Dollar	126,737,763	115,532,795
Euro	402,448,549	295,419,164
Japanese Yen	23,090,117	-
Swedish Krona	64,397,595	10,271,726
UK Pound	97,794,261	62,663,205
Total Private Investments	799,290,690	564,450,626
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	10,424,357	13,253,741

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	\$ 935,644	\$ 45,351
Brazilian Real	10,455,624	9,614,970
Canadian Dollar	10,617,817	5,012,118
Chilean Peso	3,349	-
Chinese Yuan Renminbi	45,132,968	35,284,133
Colombian Peso	484,748	3,231
Czech Koruna	15,764	46,000
Danish Krone	16,363	14,006
Egyptian Pound	9,630	1,194,617
Euro	9,389,808	1,781,122
Hong Kong Dollar	993,185	173,917
Hungarian Forint	1	40,323
Indian Rupee	58,020	459,156
Indonesian Rupiah	470	87,567
Israeli Shekel	188	270
Japanese Yen	3,394,487	3,482,342
Malaysian Ringgit	630,054	30,756
Mexican Peso	8,514	77,100
New Zealand Dollar	1,157	740
Norwegian Krone	48,021	351
Peruvian Sol	5,589	-
Philippine Peso	4,452	4,480
Polish Zloty	5,131	57,446
Qatari Riyal	8,397	18,459
Romanian Leu	216	-
Russian Ruble	44,031	21,773
Singapore Dollar	127,926	10,702
South African Rand	1,681,589	871,372
South Korean Won	3,973,962	4,059,425
Swedish Krona	3,318	15,693
Swiss Franc	129,010	(254,797)
Taiwan Dollar	642,053	391,479
Thai Baht	1,057	(26)
Turkish Lira	116	11,894
UK Pound	1,593,567	1,442,713
United Arab Emirates Dirham	19,776	41,170
Total Cash and Cash Equivalents	<u>90,436,002</u>	<u>64,039,853</u>
<b>Written Options:</b>		
Brazilian Real	(146,700)	(109,540)
Canadian Dollar	-	(56,623)
Euro	(97,272)	(103,537)
UK Pound	(147,808)	-
Total Written Options	<u>(391,780)</u>	<u>(269,700)</u>

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2021	2020
<b>Swaps:</b>		
Australian Dollar	\$ 33,591	\$ 39,400
Canadian Dollar	(150,733)	908,560
Chinese Yuan Renminbi	-	24,590
Czech Koruna	501	20,804
Euro	282,989	310,480
Israeli Shekel	-	113,113
Japanese Yen	(15,463)	(112,065)
Mexican Peso	(39,307)	(6,578)
New Zealand Dollar	(4,058)	-
Norwegian Krone	24,749	-
Polish Zloty	-	44,362
Singapore Dollar	(46,783)	-
South African Rand	43,295	53,731
South Korean Won	7,529	146,520
Swedish Krona	33,936	49,266
Swiss Franc	66,470	(704)
UK Pound	(170,683)	(1,759,904)
Total Swaps	66,033	(168,425)
<b>Futures:</b>		
Australian Dollar	-	332,078
Brazilian Real	21,809	(61,389)
Canadian Dollar	(23,025)	(368,105)
Euro	116,013	(1,469,943)
Hong Kong Dollar	(108,527)	-
Japanese Yen	367,601	6,432
UK Pound	(176,370)	891,818
Total Futures	197,501	(669,109)
Total	\$ 3,605,476,169	\$ 2,970,618,502

## (G) Counterparty (Credit) Risk

The derivative instruments utilized by the PUF 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 net position. The PUF 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 PUF had gross counterparty exposure as of August 31, 2021 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ -	\$ 826,315	\$ -	\$ 79,628	AA
Options	120,031,953	96,425,250	29,304,502	158,350	A
Swaps	407,728,135	83,727,542	10,477,993	2,704,712	AA
Swaps	106,800,358	112,060,163	14,227,084	4,590,048	A
Foreign Exchange Contracts	403,842,449	363,287,983	3,913,332	3,957,172	AA
Foreign Exchange Contracts	966,893,774	1,008,161,090	9,145,891	9,499,504	A
			\$ 67,068,802	\$ 20,989,414	

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The PUF had gross counterparty exposure as of August 31, 2020 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 52,519,653	\$ 4,858,785	\$ 2,704,347	\$ 14,046	AA
Options	64,862,282	25,773,618	4,049,231	168,832	A
Swaps	137,171,605	115,587,451	7,338,194	2,101,858	AA
Swaps	472,954,979	68,073,819	28,751,552	2,700,050	A
Foreign Exchange Contracts	114,247,081	223,572,193	2,780,957	7,184,794	AA
Foreign Exchange Contracts	792,867,792	1,097,222,250	23,109,519	22,753,448	A
			<u>\$ 68,733,800</u>	<u>\$ 34,923,028</u>	

As of August 31, 2021 and 2020, the PUF 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 PUF 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 PUF and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the PUF to cover the PUF's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the PUF in one of its accounts at the PUF's custodian bank. As of August 31, 2021 and 2020, the PUF held \$69,186,794 and \$58,894,506 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$26,756,934 and \$20,958,562, respectively, as collateral related to derivative instruments other than futures.

### (H) COVID

Certain impacts to public health conditions particular to the coronavirus (COVID) outbreak that occurred may have a significant impact on the valuation of the PUF's investment. The extent of the impact to the PUF will depend on future developments, including the duration and spread of the outbreak, the restrictions and advisories, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

### Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income in the statements of changes in net position. The PUF 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, 2021 and 2020:

<u>Securities on Loan</u>	<u>2021 Fair Value</u>	<u>2020 Fair Value</u>	<u>Type of Collateral</u>	<u>2021 Fair Value of Collateral</u>	<u>2020 Fair Value of Collateral</u>
U.S. Government	\$ 18,027,572	\$ 1,586,194	Cash	\$ 18,401,310	\$ 1,618,609
Corporate Bonds	48,158,415	61,193,165	Cash	49,465,606	62,710,496
Common Stock	216,227,668	113,912,355	Cash	223,321,448	117,363,777
Sovereign Debt	1,448,516	931,655	Cash	1,546,860	954,180
<b>Total</b>	<u>\$ 283,862,171</u>	<u>\$ 177,623,369</u>	<b>Total</b>	<u>\$ 292,735,224</u>	<u>\$ 182,647,063</u>
U.S. Government	\$ 28,157,050	\$ 20,228,197	Non-Cash	\$ 28,752,540	\$ 20,645,883
Corporate Bonds	1,707,621	544,874	Non-Cash	1,746,111	557,871
Common Stock	154,110,442	101,837,207	Non-Cash	158,790,534	104,182,584
<b>Total</b>	<u>\$ 183,975,113</u>	<u>\$ 122,610,278</u>	<b>Total</b>	<u>\$ 189,289,185</u>	<u>\$ 125,386,338</u>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the PUF, The University of Texas System General Endowment Fund (GEF), The University of Texas System Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities by the securities lending agent. The pool is managed in accordance with investment guidelines established in the securities lending contract between the PUF 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 for interest on the cash collateral received. The income remaining after the borrower rebates is then shared by the PUF and the securities 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 PUF and the securities lending agent in the same proportion as income is shared.

The PUF's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2021 and 2020 is shown in the following table:

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Description	2021			2020		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 130,831,464	No Rating Available	1	\$ 110,478,744	No Rating Available	1
Agencies	-			2,006,664	AA	
Agencies	4,951,469	A		5,642,110	A	
<b>Total Agencies</b>	<u>4,951,469</u>		99	<u>7,648,774</u>		1
Commercial Paper	96,422,842	A	64	15,983,922	A	82
Floating Rate Notes	22,390,993	AA		25,274,313	AA	
Floating Rate Notes	34,988,270	A		18,034,890	A	
<b>Total Floating Rate Notes</b>	<u>57,379,263</u>		30	<u>43,309,203</u>		41
Interest Bearing Notes	-			459,361	AAA	
Interest Bearing Notes	-			1,043,249	AA	
Interest Bearing Notes	-			1,623,587	A	
<b>Total Interest Bearing Notes</b>	<u>-</u>			<u>3,126,197</u>		67
Certificates of Deposit	-			3,059,995	A	12
Certificates of Deposit	3,194,741	P	160	-		
Other Receivables/Payables	(44,556)	Not Rated		(959,772)	Not Rated	
<b>Total Collateral Pool Investment</b>	<u>\$ 292,735,223</u>		31	<u>\$ 182,647,063</u>		19

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2021 and 2020, respectively, as categorized by level of the fair value hierarchy:

	Fair Value as of August 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 130,831,465	\$ -	\$ -	\$ 130,831,465	\$ -
Agencies	4,951,469	-	-	4,951,469	-
Commercial Paper	96,422,842	-	-	96,422,842	-
Floating Rate Notes	57,379,263	-	-	57,379,263	-
Certificates of Deposit	3,194,741	-	-	3,194,741	-
<b>Total by Fair Value Level</b>	<u>292,779,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,779,780</u>	<u>\$ -</u>
Other Receivables/Payables	(44,556)				
<b>Total Collateral Pool Investments</b>	<u>\$ 292,735,224</u>				

	Fair Value as of August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 110,478,744	\$ -	\$ -	\$ 110,478,744	\$ -
Agencies	7,648,774	-	-	7,648,774	-
Commercial Paper	15,983,922	-	-	15,983,922	-
Floating Rate Notes	43,309,203	-	-	43,309,203	-
Interest Bearing Notes	3,126,197	-	-	3,126,197	-
Certificates of Deposit	3,059,995	-	-	3,059,995	-
<b>Total by Fair Value Level</b>	<u>183,606,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,606,835</u>	<u>\$ -</u>
Other Receivables/Payables	(959,772)				
<b>Total Collateral Pool Investments</b>	<u>\$ 182,647,063</u>				

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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Collateral pool investments are uninsured, and are held by the PUF's securities lending agent, in its name, on behalf of the PUF, 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 PUF 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 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 PUF 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 PUF from any loss due to borrower default.

As of August 31, 2021 and 2020, the PUF had no credit risk exposure to borrowers because the amounts the PUF owed to borrowers exceeded the amounts the borrowers owed the PUF.

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, 2021 and 2020.

### Note 6 – Written Options

The following table discloses the fair values of the PUF's written call option contracts outstanding as of August 31, 2021 and 2020:

Type	Fair Value at August 31, 2021		Fair Value at August 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Equity	\$ -	\$ -	\$ -	\$ 415,381
Currency	-	51,673	-	75,947
Commodity	-	-	-	1,513,160
Interest Rate Swap	-	3,527	-	54,102
Other	-	-	-	2,471
	<u>\$ -</u>	<u>\$ 55,200</u>	<u>\$ -</u>	<u>\$ 2,061,061</u>

The fair values are included on the statements of net position as options written, at fair value. The changes in fair value of open call options were increases and decreases in the amounts of \$26,420 and \$1,140,713 for the years ended August 31, 2021 and August 31, 2020, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

**PERMANENT UNIVERSITY FUND**

*Notes to Financial Statements (cont.)*

The following table discloses the fair values of the PUF's written put option contracts as of August 31, 2021 and 2020:

Type	at August 31, 2021		at August 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ -	\$ -	\$ 1,493
Equity	-	146,700	-	82,004
Interest Rate Swap	-	240,007	-	25,117
Credit Default Swap	-	31,846	-	-
Other	-	24	-	7,265
	<u>\$ -</u>	<u>\$ 418,577</u>	<u>\$ -</u>	<u>\$ 115,879</u>

The fair values are included on the statements of net position as options written, at fair value. The changes in fair value of open put options for the years ended August 31, 2021 and 2020 were increases in the amounts of \$15,377 and \$616,227, respectively, which are included in the net increase in fair value of investments on the statements of changes in 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, 2021:

Type	Notional Value	Fair Value at August 31, 2021	
		Assets	Liabilities
Interest Rate	\$ 543,390,434	\$ 4,989,928	\$ 3,515,720
Equity	673,532,157	24,655,646	5,796,626
Credit Default	84,824,173	2,152,523	267,831
Currency	8,667,185	39,407	58,326
Volatility	46,683,102	110,726	79,879
Inflation	16,758,663	621,106	716,108
Total		<u>\$ 32,569,336</u>	<u>\$ 10,434,490</u>

The change in fair value of open swap positions for the year ended August 31, 2021 was an increase in the amount of \$24,611,446, which is included in the net increase in fair value of investments on the statements of changes in net position.

The following table discloses the notional amount and the fair values of the types of outstanding swap contracts as of August 31, 2020:

Type	Notional Value	Fair Value at August 31, 2020	
		Assets	Liabilities
Interest Rate	\$ 428,185,017	\$ 4,224,274	\$ 6,161,948
Equity	688,316,310	32,331,347	4,463,726
Fixed Income	30,941,967	396,759	70,370
Credit Default	17,950,685	5,627	379,775
Currency	8,720,255	42,931	46,340
Volatility	11,188,010	128,706	79,576
Inflation	8,801,490	30,021	79,243
Total		<u>\$ 37,159,665</u>	<u>\$ 11,280,978</u>

The change in fair value of open swap positions for the year ended August 31, 2020 was an increase in the amount of \$25,369,334, which is included in the net increase in fair value of investments on the statements of changes in net position.

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

## Note 8 – Futures Contracts

The changes in fair value of open futures contracts for the years ended August 31, 2021 and 2020 were increases in the amounts of \$12,616,243 and \$18,203,166, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The PUF had \$15,878,530 and \$9,810,080 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2021 and 2020, respectively. Short futures may be used by the PUF to manage the PUF's interest rate or currency risk associated with security positions.

Futures contracts are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for some of these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2021 and 2020, 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 \$11,526,580 and \$17,362,608 as of August 31, 2021 and 2020, respectively.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2021:

Contract	Notional Value at August 31, 2021		Fair Value at August 31, 2021	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 363,112,687	\$ 403,088,722	\$ 345,919	\$ 202,629
Foreign Fixed Income	110,209,006	222,963,047	489,138	69,246
Domestic Equities	279,052,298	1,169,280	985,369	236,497
Foreign Equities	194,634,867	8,807,529	379,146	601,537
<b>Total</b>	<b>\$ 947,008,858</b>	<b>\$ 636,028,578</b>	<b>\$ 2,199,572</b>	<b>\$ 1,109,909</b>

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2020:

Contract	Notional Value at August 31, 2020		Fair Value at August 31, 2020	
	Long	Short	Assets	Liabilities
Commodities	\$ 32,283,478	\$ -	\$ 3,467,033	\$ -
Domestic Fixed Income	118,437,804	129,860,005	1,610,548	1,463,437
Foreign Fixed Income	112,869,270	115,676,890	2,463,437	2,755,017
Domestic Equities	197,290,425	5,217,177	53,298	2,157,776
Foreign Equities	25,291,107	11,692,382	11,129	388,658
<b>Total</b>	<b>\$ 486,172,084</b>	<b>\$ 262,446,454</b>	<b>\$ 7,605,445</b>	<b>\$ 6,764,888</b>

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

### Note 9 – Foreign Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF’s foreign exchange contracts at August 31, 2021 and 2020. Foreign currency amounts are translated at exchange rates as of August 31, 2021 and 2020. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy		Net Sell		Unrealized Gains	Unrealized Losses
	August 31, 2021	August 31, 2021	August 31, 2021	August 31, 2021	on Foreign Exchange Contracts August 31, 2021	on Foreign Exchange Contracts August 31, 2021
Australian Dollar	\$ -	\$ 95,400,354	\$ 1,724,416	\$ 1,041,431		
Brazil Real	-	9,663,744	106,420	453,061		
Canadian Dollar	-	43,417,363	730,221	480,962		
Chilean Peso	31,771,759	-	96,421	1,606,675		
Chinese Yuan Renminbi (Offshore)	-	20,243,991	285	103,357		
Chinese Yuan Renminbi	-	49,717,359	272,493	39,443		
Colombian Peso	-	22,023,798	57,112	703,093		
Czech Koruna	3,683,551	-	27,541	-		
Danish Krone	-	47,480,165	382,913	9,107		
Euro	-	268,181,229	1,797,089	2,091,889		
Hong Kong Dollar	563,691	-	-	173		
Hungarian Forint	9,778,626	-	320,763	23,036		
Indian Rupee	-	5,985,849	88,507	205,031		
Indonesian Rupiah	-	34,783,195	129,099	1,003,175		
Israeli Shekel	-	31,226,082	23,606	557,408		
Japanese Yen	-	358,182,198	1,359,778	791,064		
Malaysian Ringgit	-	5,529,456	-	115,869		
Mexican Peso	-	52,389,106	91,594	547,794		
New Zealand Dollar	-	26,655,825	892,091	281,785		
Norwegian Krone	21,428,671	-	388,126	360,679		
Peruvian Sol	-	10,368,229	542,417	147,750		
Philippines Peso	-	2,977,046	31,297	108,742		
Polish Zloty	27,834,533	-	284,229	1,682		
Romanian Leu	-	2,594,101	19,353	-		
Russian Ruble	21,559,623	-	256,054	85,291		
Singapore Dollar	-	38,754,980	14,193	456,286		
South African Rand	-	39,608,682	173,749	886,700		
South Korean Won	-	48,008,701	619,296	226,324		
Swedish Krona	19,193,954	-	373,658	128,154		
Swiss Franc	-	24,905,929	254,712	95,072		
Taiwan Dollar	-	3,644,983	18,924	27,464		
Thailand Baht	-	10,877,272	647,259	151,604		
Turkish Lira	2,316,973	-	172,661	99,056		
UK Pound	-	76,530,763	1,162,946	627,519		
	\$ 138,131,381	\$ 1,329,150,400	\$ 13,059,223	\$ 13,456,676		

The change in fair value of open foreign exchange contracts for the year ended August 31, 2021 was a decrease in the amount of \$397,453, which is included in the net increase in fair value of investments on the statements of changes in net position.

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2020	Net Sell August 31, 2020	Unrealized Gains on Foreign Exchange Contracts August 31, 2020	Unrealized Losses on Foreign Exchange Contracts August 31, 2020
Australian Dollar	\$ -	\$ 34,501,378	\$ 894,008	\$ 1,729,139
Brazil Real	-	6,946,744	274,292	177,270
Canadian Dollar	-	14,877,942	524,911	927,414
Chilean Peso	12,262,853	-	295,424	30,572
Chinese Yuan Renminbi	-	22,976,007	239,751	948,148
Colombian Peso	-	6,752,748	386,712	13,972
Czech Koruna	10,982,712	-	591,283	-
Danish Krone	-	34,716,061	9,036	1,827,946
Egyptian Pound	-	1,119,868	-	5,894
Euro	-	259,803,025	3,655,715	8,900,179
Hong Kong Dollar	1,494,424	-	33,098	39,408
Hungarian Forint	11,544,538	-	5,706	68,273
Indonesian Rupiah	-	12,350,954	212,620	246,865
Israeli Shekel	111,125	-	41,579	51,828
Japanese Yen	-	218,059,755	5,566,747	620,546
Malaysian Ringgit	-	927,858	2,387	28,503
Mexican Peso	-	51,279,354	298,359	1,538,497
New Zealand Dollar	-	37,802,498	459,139	1,180,237
Norwegian Krone	5,294,655	-	4,690,524	2,552,323
Peruvian Sol	-	15,683,638	113,404	155,487
Polish Zloty	14,251,970	-	1,183,906	707,641
Qatari Riyal	-	15,655	-	63
Romanian Leu	-	5,180,097	-	106,958
Russian Ruble	13,449,497	-	27,372	86,645
Singapore Dollar	-	36,224,861	-	526,607
South African Rand	-	20,644,768	57,380	693,425
South Korean Won	18,577,251	-	113,285	74,062
Swedish Krona	24,723,208	-	2,834,194	635,319
Swiss Franc	-	29,437,342	51,047	712,361
Taiwan Dollar	-	888,145	14,633	5,553
Thailand Baht	-	15,628,784	24,757	124,586
Turkish Lira	488,575	-	16,995	815
Uae Dirham	-	18,924	-	2
UK Pound	-	35,946,152	3,272,212	5,221,704
	<u>\$ 113,180,808</u>	<u>\$ 861,782,558</u>	<u>\$ 25,890,476</u>	<u>\$ 29,938,242</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2020 was an decrease in the amount of \$4,044,612 which is included in the net increase in fair value of investments on the statements of changes in net position.

## Note 10 – Purchase Agreements

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 PUF, to purchase up to \$3,821,085,000 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 the funds may be required to provide for the amount noted.

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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The PUF also has an agreement with the TAMU System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

### **Note 11 – Distributions to the Available University Fund**

The Texas Constitution allows for (a) distributions to the AUF from the “total return” on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted annual distributions to the AUF and preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF’s net position in any fiscal year, except as necessary to pay debt service on PUF bonds. Distributions from the PUF to the AUF for the years ended August 31, 2021 and 2020, were \$1,112,265,000 and \$1,311,390,000, respectively.

### **Note 12 – Fees and Expenses**

The PUF incurs investment management fees from various external managers of the PUF. 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 the investment management fees, the PUF 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 net position represent only those paid directly from the PUF, and do not include fees incurred and charged by general partners in private investments, by mutual fund managers, and 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 PUF for the years ended August 31, 2021 and 2020, were \$97,211,010 and \$69,823,618 respectively.

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fees assessed for the years ended August 31, 2021 and 2020, were \$27,874,913 and \$25,421,875, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the PUF’s assets. Fees are based on the number of accounts, market value of the PUF, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement, risk measurement and on-line communication services per the contractual agreement. The fees assessed for the years ended August 31, 2021 and 2020, were \$2,071,262 and \$2,034,537, respectively.

Analytical and risk measurement fees, in the amounts of \$724,285 and \$410,532, were also incurred during the years ended August 31, 2021 and 2020, respectively, to maintain a sophisticated risk measurement system for the PUF.

## PERMANENT UNIVERSITY FUND

### *Notes to Financial Statements (cont.)*

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Accounting fees, in the amounts of \$433,865 and \$335,381, were incurred by the PUF during the years ended August 31, 2021 and 2020, respectively, for external and UT System internal audit services.

The PUF incurs legal fees associated with the review of new investment manager agreements and with due diligence efforts undertaken as part of the hiring of new investment managers. For the years ended August 31, 2021 and 2020, fees incurred were \$167,834 and \$103,180, respectively.

Consulting fees, in the amounts of \$149,654 and \$152,253, respectively, for the years ended August 31, 2021 and 2020 were incurred for investment strategy and other investment consulting services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of the hiring of investment managers. Fees in the amounts of \$126,609 and \$163,625 were incurred for the years ended August 31, 2021 and 2020, respectively.

Foreign tax consulting and filing fees are incurred by the PUF 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 \$60,290 and \$84,794 were incurred for the years ended August 31, 2021 and 2020, respectively.

The PUF is assessed a fee by UT System to cover expenses related to the management of the PUF Lands. The fees assessed for the years ended August 31, 2021 and 2020, were \$23,656,329 and \$25,384,412, respectively. Fees are also assessed to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. Fees in the amounts of \$204,680 and \$168,740 were charged to the PUF for the years ended August 31, 2021 and 2020, respectively.

# PERMANENT UNIVERSITY FUND

## Supplemental Schedule

### Schedule of Changes in Cost of Investments and Investment Income

Year Ended August 31, 2021

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities, Redemptions & Distributions	Gains (Losses)	Reclass	Effects of Pooled Account Rebalancing Activity ***	Ending Cost	Investment Income
<b>Equity Securities</b>								
Domestic Common Stock	\$ 898,827	\$ 1,655,059	\$ (1,689,771)	\$ 374,676	\$ 50,945	\$ (16,562)	\$ 1,273,174	\$ 18,274
Foreign Common Stock	1,343,326	1,500,573	(1,775,026)	366,885	2,932	(27,383)	1,411,307	32,382
Other	8,338	27,971	(38,651)	10,371	466	(205)	8,290	243
<b>Total Equity Securities</b>	<u>2,250,491</u>	<u>3,183,603</u>	<u>(3,503,448)</u>	<u>751,932</u>	<u>54,343</u>	<u>(44,150)</u>	<u>2,692,771</u>	<u>50,899</u>
<b>Preferred Stock</b>								
Domestic Preferred Stock	1,692	899	-	-	-	-	2,591	111
Foreign Preferred Stock	39,054	38,387	(54,421)	9,804	-	(1,228)	31,596	2,648
<b>Total Preferred Stock</b>	<u>40,746</u>	<u>39,286</u>	<u>(54,421)</u>	<u>9,804</u>	<u>-</u>	<u>(1,228)</u>	<u>34,187</u>	<u>2,759</u>
<b>Debt Securities</b>								
U. S. Government Obligations	838,444	6,354,779	(5,780,802)	24,734	-	15,415	1,452,570	9,142
Foreign Government and Provincial Obligations	709,495	968,897	(651,907)	4,935	-	47,929	1,079,349	29,061
Corporate Obligations	648,202	485,490	(446,206)	22,704	-	37,061	747,251	21,370
Other	4,498	1,122	(397)	11	-	(1)	5,233	128
<b>Total Debt Securities</b>	<u>2,200,639</u>	<u>7,810,288</u>	<u>(6,879,312)</u>	<u>52,384</u>	<u>-</u>	<u>100,404</u>	<u>3,284,403</u>	<u>59,701</u>
<b>Purchased Options</b>	<u>10,660</u>	<u>20,939</u>	<u>(34,398)</u>	<u>6,934</u>	<u>11,252</u>	<u>(48)</u>	<u>15,339</u>	<u>-</u>
<b>Convertible Securities</b>	<u>-</u>	<u>36</u>	<u>(54)</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Investment Funds</b>								
Hedge Funds	3,913,203	1,157,663	(1,283,124)	281,292	(21,771)	-	4,047,263	-
Private Markets	8,222,640	2,902,967	(3,840,003)	2,141,113	(43,824)	-	9,382,893	109,569
U.S. Equity	1,182,885	245,114	(336,949)	142,362	-	(2,167)	1,231,245	1,175
Non-U.S. Developed Equity	475,050	131,264	(9,185)	17,511	-	(709)	613,931	-
Global Developed Equity	1,074,749	127,542	(71,917)	60,769	-	(1,480)	1,189,663	396
Emerging Markets Equity	751,080	186,907	(370,181)	221,396	-	(1,606)	787,596	1,903
Fixed Income	141,045	103,881	(163,554)	7,369	-	(3,064)	85,677	3,820
<b>Total Investment Funds</b>	<u>15,760,652</u>	<u>4,855,338</u>	<u>(6,074,913)</u>	<u>2,871,812</u>	<u>(65,595)</u>	<u>(9,026)</u>	<u>17,338,268</u>	<u>116,863</u>
<b>Cash and Cash Equivalents</b>	<u>774,987</u>	<u>-</u>	<u>225,309 *</u>	<u>232,059 **</u>	<u>-</u>	<u>168,101</u>	<u>1,400,456</u>	<u>250</u>
<b>Other</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,759</u>
<b>Total Investment in Securities</b>	<u>\$ 21,038,175</u>	<u>\$ 15,909,490</u>	<u>\$ (16,321,237)</u>	<u>\$ 3,924,943</u>	<u>\$ -</u>	<u>\$ 214,053</u>	<u>\$ 24,765,424</u>	<u>\$ 232,231</u>

\* Net decrease in cash and money markets during the year.

\*\* Includes net realized gains (losses) on futures contracts, written options, swaps and foreign currency contracts.

\*\*\* The amounts shown in this column represent the change in the PUF's pro-rata cost basis of the securities held in long-only public markets manager's accounts that are invested through separate investment pools created in the name of the UT Board. The PUF, GEF and ITF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts.