

Financial Statements

and Independent Auditor's Report

The University of Texas System

Intermediate Term Fund

*Years Ended August 31, 2022 and 2021*

The University of Texas System Intermediate Term Fund

Financial Statements

Years Ended August 31, 2022 and 2021

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## **INDEPENDENT AUDITOR'S 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

### **Opinion**

We have audited the financial statements of The University of Texas System Intermediate Term Fund (the "Fund"), as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of August 31, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of The University of Texas System, as of August 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

## **Supplementary Information**

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 purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information 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 GAAS. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

October 31, 2022

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

Our discussion and analysis of The University of Texas System Intermediate Term Fund's (Fund) financial performance provides an overview of its activities for the years ended August 31, 2022 and 2021. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund, created February 1, 2006, is an internal University of Texas System (UT System) pooled investment fund for the investment of operating funds and other intermediate and long-term funds held by the UT System institutions and UT System Administration. The Fund was created to improve the efficiency of operating funds management and to improve investment returns on UT System operating reserves. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into 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 Fund's financial statements based upon currently known facts, decisions and conditions.

**Financial Highlights**

The Fund's net position, after contributions, withdrawals, and distributions decreased by \$1,524.8 million from \$10,199.6 million to \$8,674.8 million or by approximately 14.95% for the year ended August 31, 2022, compared to an increase of \$988.7 million or approximately 10.73% for the year ended August 31, 2021. The change in net position from year to year is mainly attributable to the following:

1. Net participant withdrawals from the Fund were \$456.9 million for the year ended August 31, 2022, compared to net contributions of \$71.5 million for the year ended August 31, 2021.
2. The Fund posted a net investment loss of 7.79%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2022. Investments in public equity, strategic partnerships, and long treasuries, were the biggest contributors to the 2022 loss, and were offset by positive returns in infrastructure, real estate private investments and stable value hedge funds. For the year ended August 31, 2021, the Fund posted a net investment return of 13.38%. Investments in public equity were the biggest contributors for the year ended August 31, 2021.
3. The Fund's distribution rate was 3.0% per year, or 0.25% per month, for the years ended August 31, 2022 and 2021. Distributions from the Fund were \$290.6 million for the year ended August 31, 2022 compared to the \$287.3 million distributed for the year ended August 31, 2021.

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

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**Use of Financial Statements and Notes**

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

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

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Policy Portfolio. The Policy Portfolio is the index or benchmark for the intermediate term funds that UTIMCO manages. The return of the Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates the Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to preserve the purchasing power of Fund assets by earning a compound annualized return over rolling three year-periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index plus 3%. In doing so, UTIMCO increases the operating resources available to the UT System institutions which invest in the Fund.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 8,857.9	\$ 10,353.8	\$ 9,540.3
Other Assets	428.6	386.6	681.4
<b>Total Assets</b>	<u>9,286.5</u>	<u>10,740.4</u>	<u>10,221.7</u>
<b>Total Liabilities</b>	611.7	540.8	1,010.8
<b>Net Position Restricted for Participants</b>	<u>\$ 8,674.8</u>	<u>\$ 10,199.6</u>	<u>\$ 9,210.9</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 Fund. The purpose of these statements is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant withdrawals and distributions.

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The net decrease in fair value of investments of the Fund was \$830.1 million during the year ended August 31, 2022 compared to the net increase in fair value of investments of \$1,151.8 million for the year ended August 31, 2021. Investment expenses totaled \$21.2 million, \$32.0 million and \$31.7 million respectively, for the years ended August 31, 2022, 2021 and 2020.

Distributions to participants totaled \$290.6 million, \$287.3 million and \$269.5 million, respectively, for the years ended August 31, 2022, 2021 and 2020. Cash distributions are paid monthly based on a 3% annual distribution rate.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Investment Income	\$ (756.0)	\$ 1,236.6	\$ 806.7
Less Investment Expenses	21.2	32.0	31.7
<b>Net Investment Income</b>	<u>(777.2)</u>	<u>1,204.6</u>	<u>775.0</u>
Participant Contributions	1,078.5	2,372.6	493.4
<b>Total Additions</b>	<u>301.3</u>	<u>3,577.2</u>	<u>1,268.4</u>
UT System Oversight Fee	0.1	0.1	0.1
Participant Withdrawals	1,535.4	2,301.1	994.8
Participant Distributions	290.6	287.3	269.5
<b>Total Deductions</b>	<u>1,826.1</u>	<u>2,588.5</u>	<u>1,264.4</u>
<b>Change in Net Position</b>	(1,524.8)	988.7	4.0
<b>Net Position Restricted for Participants, Beginning of Year</b>	10,199.6	9,210.9	9,206.9
<b>Net Position Restricted for Participants, End of Year</b>	<u>\$ 8,674.8</u>	<u>\$ 10,199.6</u>	<u>\$ 9,210.9</u>

**Contacting UTIMCO**

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



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**Statements of Net Position**

*August 31, 2022 and 2021*

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

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Investments, at Fair Value:		
Equity Securities	\$ 331,569	\$ 427,001
Preferred Stock	8,309	10,371
Debt Securities	2,234,653	3,458,915
Convertible Securities	28	-
Investment Funds	5,644,784	5,832,900
Purchased Options	15,860	45,685
Cash and Cash Equivalents	622,734	578,947
Total Investments	<u>8,857,937</u>	<u>10,353,819</u>
Collateral for Securities Loaned, at Fair Value	244,498	96,550
Deposits with Brokers for Derivative Contracts	24,224	14,565
Futures Contracts, at Fair Value	1,124	7
Swaps, at Fair Value	25,113	13,212
Unrealized Gains on Foreign Exchange Contracts	25,147	12,354
Receivables:		
Investment Securities Sold	95,147	230,796
Accrued Income	13,238	19,080
Other	58	54
Total Receivables	<u>108,443</u>	<u>249,930</u>
<b>Total Assets</b>	<u>9,286,486</u>	<u>10,740,437</u>
<b>Liabilities</b>		
Payable upon Return of Securities Loaned	244,498	96,550
Payable to Brokers for Collateral Held	27,643	55,903
Options Written, at Fair Value	6,617	452
Futures Contracts, at Fair Value	1,663	147
Swaps, at Fair Value	44,171	8,903
Unrealized Losses on Foreign Exchange Contracts	9,299	11,342
Payables:		
Investment Securities Purchased	251,410	337,615
Distributions Payable	21,932	25,428
Other	4,459	4,499
Total Payables	<u>277,801</u>	<u>367,542</u>
<b>Total Liabilities</b>	<u>611,692</u>	<u>540,839</u>
<b>Net Position Restricted for Participants (68,479,787 Units and 72,028,666 Units, respectively)</b>	<u><b>\$ 8,674,794</b></u>	<u><b>\$ 10,199,598</b></u>
<b>Net Position Restricted for Participants Per Unit</b>	<u><b>\$ 126.677</b></u>	<u><b>\$ 141.605</b></u>

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

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

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**Statements of Changes in Net Position**

*Years Ended August 31, 2022 and 2021*

*(in thousands)*

<b>Additions</b>	<b>2022</b>	<b>2021</b>
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	\$ (830,056)	\$ 1,151,781
Interest	64,059	76,394
Dividends	9,471	8,147
Securities Lending Income	521	278
Other Income	8	3
<b>Total Investment Income (Loss)</b>	<b>(755,997)</b>	<b>1,236,603</b>
Less Investment Expenses:		
Investment Management Fees	10,731	19,961
UTIMCO Management Fee	9,313	10,663
Custodial Fees and Expenses	649	732
Other Expenses	562	645
<b>Total Investment Expenses</b>	<b>21,255</b>	<b>32,001</b>
Net Investment Income (Loss)	<b>(777,252)</b>	<b>1,204,602</b>
Participant Contributions	1,078,502	2,372,553
<b>Total Additions</b>	<b>301,250</b>	<b>3,577,155</b>
<b>Deductions</b>		
Administrative Fee for UT System Oversight	77	87
Participant Withdrawals	1,535,376	2,301,102
Participant Distributions	290,601	287,310
<b>Total Deductions</b>	<b>1,826,054</b>	<b>2,588,499</b>
Change in Net Position	(1,524,804)	988,656
Net Position Restricted for Participants, Beginning of Year	10,199,598	9,210,942
<b>Net Position Restricted for Participants, End of Year</b>	<b>\$ 8,674,794</b>	<b>\$ 10,199,598</b>

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

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

(A) The University of Texas System Intermediate Term Fund (Fund) is a pooled investment fund established for the collective investment of operating funds and other short and intermediate term funds held by the 13 University of Texas System (UT System) institutions and UT System Administration, the participants. The Fund was established February 1, 2006, by the Board of Regents of UT System (UT Board). Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas/Texas A&M Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

(B) The Fund financial statements represent the standalone investment activities included within UT System’s consolidated financial statements. The Fund’s inflows are primarily investment income and contributions from participants. For standalone purposes, the Fund 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 Fund conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the requirements of the Governmental Accounting Standards Board (GASB).

The annual consolidated financial statements of UT System are prepared in accordance with the Texas Comptroller of Public Accounts’ Annual Financial Reporting Requirements and include the investment activity of the Fund. The accompanying financial statements of the Fund may differ in presentation from the Texas Comptroller of Public Accounts’ Annual Financial Reporting Requirements and the UT System standalone consolidated financial statements since certain activity is eliminated in consolidation.

(C) Management has evaluated subsequent events through October 31, 2022, 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.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

Debt securities, including corporate obligations and government and provincial obligations, and convertible securities held directly by the Fund are fair valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt and convertible 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 they are 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.

Hedge funds and public market investment funds are fair valued by management based on net asset value information provided by the investment managers as well as consideration of any other information provided by the investment managers or other sources.

**(B) *Foreign Currency Translation*** -- The accounting records of the Fund 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 Fund 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 (decrease) 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 on the basis of average cost.

**(E) *Distributions to Participants*** -- Cash distributions to participants are paid monthly based on a percentage rate established by the UT Board. For the years ended August 31, 2022 and 2021, the annual distribution rate was 3.0%.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

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

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

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

**(J) Derivative Instruments** -- Derivatives are financial instruments whose fair value is derived, in whole or part, from the 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 Fund from time to time uses various derivative instruments, as allowed under the UT Board approved derivative investment policy guidelines. Derivative instruments included under these policies and contracts 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 Fund are used to achieve the following objectives:

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

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

*Options Written* -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments and are included in the net increase (decrease) 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 (decrease) 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 Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund.

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

*Swaps* -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity and 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 instrument 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 counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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

*Foreign Exchange Contracts* -- The Fund enters into forward foreign exchange contracts to 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 Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of net position. Realized and unrealized gains and losses are included in the net increase (decrease) 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.

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

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Notes to Financial Statements (cont.)

**Note 3 – Investments and Investment Derivatives**

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2022 and 2021, respectively, as categorized by the level of the fair value hierarchy:

	Fair Value as of August 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 140,708,309	\$ 140,708,309	\$ -	\$ -
Foreign Common Stock	189,896,663	189,891,706	4,957	-
Other Equities	964,183	964,183	-	-
<b>Total Equity Securities</b>	<b>331,569,155</b>	<b>331,564,198</b>	<b>4,957</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	1,308,331	-	1,308,331	-
Foreign Preferred Stock	7,000,416	6,709,306	291,110	-
<b>Total Preferred Stock</b>	<b>8,308,747</b>	<b>6,709,306</b>	<b>1,599,441</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,198,666,897	1,077,804,101	120,862,796	-
Foreign Government and Provincial Obligations	631,633,757	-	631,633,757	-
Corporate Obligations	398,266,252	-	398,266,252	-
Other	6,086,452	-	6,086,452	-
<b>Total Debt Securities</b>	<b>2,234,653,358</b>	<b>1,077,804,101</b>	<b>1,156,849,257</b>	<b>-</b>
<b>Purchased Options</b>	<b>15,860,626</b>	<b>15,307,858</b>	<b>552,768</b>	<b>-</b>
<b>Convertible Securities</b>	<b>27,732</b>	<b>-</b>	<b>27,732</b>	<b>-</b>
<b>Investment Funds:</b>				
U.S. Equity	199,767,027	199,767,027	-	-
Emerging Markets	415,371	415,371	-	-
<b>Total Investment Funds</b>	<b>200,182,398</b>	<b>200,182,398</b>	<b>-</b>	<b>-</b>
<b>Cash Equivalents</b>	<b>587,687,009</b>	<b>508,647,635</b>	<b>79,039,374</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>3,378,289,025</b>	<b>\$ 2,140,215,496</b>	<b>\$ 1,238,073,529</b>	<b>\$ -</b>
<b>Cash</b>	<b>35,047,145</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
<b>Hedge Funds</b>	<b>4,703,780,354</b>			
<b>Public Markets</b>	<b>740,821,492</b>			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>5,444,601,846</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 8,857,938,016</b>			

	Fair Value as of August 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ 15,848,038	\$ -	\$ 15,848,038	\$ -
Futures Contracts	(539,291)	(539,291)	-	-
Swaps	(19,057,600)	-	(19,057,600)	-
Written Options	(6,617,469)	-	(6,617,469)	-
<b>Investment Derivatives</b>	<b>\$ (10,366,322)</b>	<b>\$ (539,291)</b>	<b>\$ (9,827,031)</b>	<b>\$ -</b>



THE UNIVERSITY OF TEXAS SYSTEM  
INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

	Fair Value as of August 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 180,716,532	\$ 180,716,532	\$ -	\$ -
Foreign Common Stock	245,214,596	245,209,594	5,002	-
Other Equities	1,070,020	1,070,020	-	-
<b>Total Equity Securities</b>	<b>427,001,148</b>	<b>426,996,146</b>	<b>5,002</b>	<b>-</b>
<b>Preferred Stock:</b>				
Domestic Preferred Stock	3,015,329	-	3,015,329	-
Foreign Preferred Stock	7,355,173	7,355,173	-	-
<b>Total Preferred Stock</b>	<b>10,370,502</b>	<b>7,355,173</b>	<b>3,015,329</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,062,736,617	819,302,701	243,433,916	-
Foreign Government and Provincial Obligations	1,403,393,992	-	1,403,393,992	-
Corporate Obligations	983,865,573	-	983,865,573	-
Other	8,919,167	-	8,919,167	-
<b>Total Debt Securities</b>	<b>3,458,915,349</b>	<b>819,302,701</b>	<b>2,639,612,648</b>	<b>-</b>
<b>Purchased Options</b>	<b>45,685,481</b>	<b>45,532,314</b>	<b>153,167</b>	<b>-</b>
<b>Investment Funds:</b>				
U.S. Equity	21,810,334	21,810,334	-	-
Non U.S. Developed Equity	4,038	4,038	-	-
Emerging Markets	616,104	616,104	-	-
<b>Total Investment Funds</b>	<b>22,430,476</b>	<b>22,430,476</b>	<b>-</b>	<b>-</b>
<b>Cash Equivalents</b>	<b>554,971,536</b>	<b>554,971,536</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>4,519,374,492</b>	<b>\$ 1,876,588,346</b>	<b>\$ 2,642,786,146</b>	<b>\$ -</b>
<b>Cash</b>	<b>23,975,261</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
Hedge Funds	5,049,544,235			
Public Markets	760,925,130			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>5,810,469,365</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 10,353,819,118</b>			

	Fair Value as of August 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives</b>				
Foreign Exchange Contracts	\$ 1,012,722	\$ -	\$ 1,012,722	\$ -
Futures Contracts	(140,384)	(140,384)	-	-
Swaps	4,309,590	-	4,309,590	-
Written Options	(452,123)	-	(452,123)	-
<b>Investment Derivatives</b>	<b>\$ 4,729,805</b>	<b>\$ (140,384)</b>	<b>\$ 4,870,189</b>	<b>\$ -</b>

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

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment funds fair valued at net asset value per share or based on the Fund's ownership interest in partners' capital include externally managed funds, limited partnerships, and corporate structures, which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using a practical expedient at August 31, 2022 and 2021, is summarized in the following tables as they are included within the asset mix of the Fund.

Investment Funds:	Fair Value as of August 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 1,543,951,555	\$ -	Monthly to Annually	30 - 90 Days
Redeemable Beyond One Year	1,165,090,874	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	586,675,651	251,649,227	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>3,295,718,080</u>	<u>251,649,227</u>		
<b>Stable Value</b>				
Redeemable Within One Year	831,055,626	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	409,954,656	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	167,051,992	174,977,318	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>1,408,062,274</u>	<u>174,977,318</u>		
<b>Total Hedge Funds</b>	<u>4,703,780,354</u>	<u>426,626,545</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	216,443,022	-	Daily to Annually	10 - 105 Days
Redeemable Beyond One Year	67,830,672	2,310,920	Annually	90 - 105 Days
<b>Total U.S. Equity</b>	<u>284,273,694</u>	<u>2,310,920</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	95,631,717	-	Monthly to Quarterly	6 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	146,158,045	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	39,541,617	-	Monthly	45 - 60 Days
Nonredeemable	131,948	-	Not Applicable	Not Applicable
<b>Total Global Developed Equity</b>	<u>185,831,610</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	159,129,771	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	12,108,819	-	Monthly to Annually	60 Days
Nonredeemable	3,095,070	3,617,744	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>174,333,660</u>	<u>3,617,744</u>		
<b>Fixed Income</b>				
Redeemable Within One Year	750,811	-	Daily	1 Day
<b>Total Public Markets</b>	<u>740,821,492</u>	<u>5,928,664</u>		
<b>Total Investment Funds</b>	<u>\$ 5,444,601,846</u>	<u>\$ 432,555,209</u>		

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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	\$ 1,523,138,482	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	1,996,852,619	-	Quarterly to Annually	30 - 120 Days
Nonredeemable	720,181,584	276,004,292	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>4,240,172,685</u>	<u>276,004,292</u>		
<b>Stable Value</b>				
Redeemable Within One Year	476,997,575	-	Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	248,163,387	-	Quarterly to Semi-Annually	45 - 100 Days
Nonredeemable	84,210,588	153,868,818	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>809,371,550</u>	<u>153,868,818</u>		
<b>Total Hedge Funds</b>	<u>5,049,544,235</u>	<u>429,873,110</u>		
<b>Public Markets:</b>				
<b>U.S. Equity</b>				
Redeemable Within One Year	115,116,624	-	Daily to Quarterly	10 - 60 Days
Redeemable Beyond One Year	78,354,935	3,820,000	Annually	90 - 105 Days
<b>Total U.S. Equity</b>	<u>193,471,559</u>	<u>3,820,000</u>		
<b>Non-U.S. Developed Equity</b>				
Redeemable Within One Year	104,766,869	-	Monthly to Quarterly	10 - 30 Days
<b>Global Developed Public Equity</b>				
Redeemable Within One Year	194,801,107	-	Monthly to Quarterly	30 - 60 Days
Redeemable Beyond One Year	69,922,669	-	Monthly	45 - 60 Days
<b>Total Global Developed Equity</b>	<u>264,723,776</u>	<u>-</u>		
<b>Emerging Market Equity</b>				
Redeemable Within One Year	173,446,191	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	17,997,308	-	Monthly to Quarterly	60 Days
Nonredeemable	6,269,124	10,700,065	Not Applicable	Not Applicable
<b>Total Emerging Markets Equity</b>	<u>197,712,623</u>	<u>10,700,065</u>		
<b>Fixed Income</b>				
Redeemable Within One Year	250,303	-	Daily	1 Day
<b>Total Public Markets</b>	<u>760,925,130</u>	<u>14,520,065</u>		
<b>Total Investment Funds</b>	<u>\$ 5,810,469,365</u>	<u>\$ 444,393,175</u>		

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the 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 \$1,337,329,761 of future funding to various hedge fund investments as of August 31, 2022 of which the Fund's pro-rata portion is \$426,626,545.

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 Fund. Some of these investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the 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 fundings in the amount of \$76,866,136, of which the Fund's pro-rata portion is \$5,928,664, have been committed to certain public market funds as of August 31, 2022.

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

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

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

#### **Note 4 – Investment Risk**

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

# THE UNIVERSITY OF TEXAS SYSTEM

## INTERMEDIATE TERM FUND

*Notes to Financial Statements (cont.)*

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### (A) *Credit Risk*

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy does not provide specific requirements or limitations regarding investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2022 and 2021:

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

Investment Type	August 31,		Rating
	2022	2021	
<b>Investments:</b>			
U.S. Government Guaranteed			
U.S. Government Guaranteed	\$ 1,078,279,675	\$ 820,012,082	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	22,310,875	40,044,116	AA
U.S. Agency Asset Backed	98,076,347	201,907,264	AA
U.S. Agency Asset Backed	-	773,155	BAA/BBB
Total U.S. Government Non-Guaranteed	120,387,222	242,724,535	
Total U.S. Government	1,198,666,897	1,062,736,617	
Corporate Obligations:			
Domestic	60,625,534	67,460,842	AAA
Domestic	15,542,915	57,568,031	AA
Domestic	82,193,853	211,414,343	A
Domestic	88,219,872	261,120,602	BAA/BBB
Domestic	6,860,418	35,464,547	BA/BB
Domestic	1,871,916	1,409,967	B
Domestic	3,668,211	5,461,404	CAA/CCC
Domestic	443,257	522,469	CA/CC
Domestic	84,767	80,787	D
Domestic	2,568,915	560,988	Not Rated
Foreign	39,319,476	107,369,774	AAA
Foreign	7,079,770	10,915,879	AA
Foreign	32,679,148	82,536,731	A
Foreign	44,465,167	102,552,133	BAA/BBB
Foreign	7,868,420	30,050,714	BA/BB
Foreign	2,840,851	7,678,912	B
Foreign	1,933,762	1,697,450	Not Rated
Total Corporate Obligations	398,266,252	983,865,573	
Foreign Government and Provincial Obligations	64,542,198	150,476,059	AAA
Foreign Government and Provincial Obligations	107,043,140	179,634,857	AA
Foreign Government and Provincial Obligations	57,037,595	211,474,026	A
Foreign Government and Provincial Obligations	92,451,842	251,197,741	BAA/BBB
Foreign Government and Provincial Obligations	66,883,870	137,125,565	BA/BB
Foreign Government and Provincial Obligations	243,675,112	473,485,744	Not Rated
Total Foreign Government and Provincial Obligations	631,633,757	1,403,393,992	
Other Debt Securities	10,106	34,142	AAA
Other Debt Securities	4,418,914	6,766,373	AA
Other Debt Securities	1,657,432	2,118,652	BAA/BBB
Total Other Debt Securities	6,086,452	8,919,167	
Total Debt Securities	\$ 2,234,653,358	\$ 3,458,915,349	
Convertible Securities	\$ 27,732	\$ -	Not Rated
Other Investment Funds			
Debt	\$ 750,810	\$ 250,303	Not Rated
Cash Equivalents	\$ 508,647,635	\$ 554,971,536	AAA
Cash Equivalents	79,039,374	-	Not Rated
Cash	35,047,145	23,975,261	Not Rated
Total Cash and Cash Equivalents	\$ 622,734,154	\$ 578,946,797	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 6,182,366	\$ 6,283,017	AA
Cash	(9,600,865)	(47,621,475)	Not Rated
<b>Total Net Deposit with/(Payable to) Brokers for Derivative Contracts</b>	<b>\$ (3,418,499)</b>	<b>\$ (41,338,458)</b>	

**(B) Concentrations of Credit Risk**

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2022 and 2021, the Fund does not hold any direct investments in any one issuer of corporate or municipal bonds that is 5% or more of the market value of the Fund's fixed income investments.

**(C) Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2022 and 2021, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

**(D) Interest Rate Risk**

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

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

*Notes to Financial Statements (cont.)*

The following table summarizes the Fund's modified duration in years by investment type at August 31, 2022 and 2021:

Investment Type	August 31,			
	2022		2021	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ -	-	\$ 32,728,581	0.09
U.S. Treasury Bonds and Notes	603,662,946	9.85	614,261,908	4.52
U.S. Treasury Inflation Protected	474,141,154	7.01	172,312,212	7.14
U.S. Agency Asset Backed	475,575	0.14	709,381	0.11
Total U.S. Government Guaranteed	<u>1,078,279,675</u>	8.59	<u>820,012,082</u>	4.90
U.S. Government Non-Guaranteed:				
U.S. Agency	22,310,875	7.07	40,044,116	3.69
U.S. Agency Asset Backed	98,076,347	7.39	202,680,419	3.61
Total U.S. Government Non-Guaranteed	<u>120,387,222</u>	7.33	<u>242,724,535</u>	3.63
Total U.S. Government	<u>1,198,666,897</u>	8.47	<u>1,062,736,617</u>	4.60
Corporate Obligations:				
Domestic	262,079,658	5.91	641,063,980	6.87
Foreign	136,186,594	3.12	342,801,593	4.00
Total Corporate Obligations	<u>398,266,252</u>	4.96	<u>983,865,573</u>	5.87
Foreign Government and Provincial Obligations	<u>631,633,757</u>	6.64	<u>1,403,393,992</u>	7.14
Other Debt Securities	<u>6,086,452</u>	4.92	<u>8,919,167</u>	8.27
Total Debt Securities	<u>2,234,653,358</u>	7.31	<u>3,458,915,349</u>	5.65
Convertible Securities	<u>27,732</u>	3.90	<u>-</u>	-
Other Investment Funds - Debt	<u>750,810</u>	-	<u>250,303</u>	2.29
Cash and Cash Equivalents	<u>622,734,154</u>	0.07	<u>578,946,797</u>	0.09
Total	<u>\$ 2,858,166,054</u>	5.73	<u>\$ 4,038,112,449</u>	5.15
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ -	-	\$ 3,077,529	0.24
U.S. Treasury Bonds and Notes	6,182,366	2.52	808,885	3.47
U.S. Treasury Inflation Protected	-	-	2,396,603	6.79
Total U.S. Government Guaranteed	<u>6,182,366</u>	2.52	<u>6,283,017</u>	3.15
Cash	<u>(9,600,865)</u>	-	<u>(47,621,475)</u>	-
Total Net Deposit with/(Payable to) Brokers for Derivative Contracts	<u>\$ (3,418,499)</u>	-	<u>\$ (41,338,458)</u>	-



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

The Fund may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2022 and 2021, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$58,483,484 and \$72,814,351 as of August 31, 2022 and 2021, 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 \$79,024,869 and \$202,450,979 as of August 31, 2022 and 2021, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$22,045,686 and \$20,877,624 as of August 31, 2022 and 2021, respectively.

**(F) Foreign Currency Risk**

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

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2022 and 2021:

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2022	2021
<b>Foreign Common Stock:</b>		
Australian Dollar	\$ 685,988	\$ 593,555
Brazilian Real	12,910,727	17,910,368
Canadian Dollar	2,791,446	2,205,986
Chilean Peso	36,268	25,542
Chinese Yuan Renminbi	10,743,287	47,910,364
Czech Koruna	4,353	9,265
Danish Krone	2,456,125	1,216,125
Egyptian Pound	55,160	117,120
Euro	25,430,798	30,456,421
Hong Kong Dollar	4,670,819	9,887,411
Hungarian Forint	38,794	75,342
Indian Rupee	3,179,575	8,792,809
Indonesian Rupiah	1,781,495	1,480,860
Israeli Shekel	78,620	-
Japanese Yen	20,821,536	32,643,056
Malaysian Ringgit	421,404	757,982
Mexican Peso	75,728	981,027
New Zealand Dollar	29,886	-
Norwegian Krone	1,175,549	585,080
Peruvian Sol	8,505	7,745
Philippine Peso	68,185	59,816
Polish Zloty	431,566	1,038,513
Qatari Riyal	130,596	87,602
Singapore Dollar	115,253	-
South African Rand	231,183	2,021,091
South Korean Won	11,622,925	28,371,021
Swedish Krona	1,015,767	1,449,953
Swiss Franc	4,375,444	4,905,054
Taiwan Dollar	20,068,919	7,158,306
Thai Baht	1,108,248	1,435,215
Turkish Lira	196,212	647,907
UK Pound	16,530,563	11,078,066
United Arab Emirates Dirham	164,674	579,095
Total Foreign Common Stock	143,455,598	214,487,697
<b>Other - Equity Securities:</b>		
Indian Rupee	1,239	-
Swiss Franc	3,968	2,908
Total Other - Equity Securities	5,207	2,908
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	4,565,780	3,857,086
Euro	329,356	154,629
South African Rand	6,152	6,322
South Korean Won	2,099,128	3,337,136
Total Foreign Preferred Stock	7,000,416	7,355,173

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**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2022	2021
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 26,153,826	\$ 81,163,229
Brazilian Real	28,894,995	36,458,327
Canadian Dollar	23,562,510	45,554,676
Chinese Yuan Renminbi	26,481,245	94,797,127
Colombian Peso	28,533,570	44,370,894
Czech Koruna	3,005,923	-
Euro	84,911,554	161,071,731
Hungarian Forint	2,520,048	4,816,294
Indonesian Rupiah	10,307,349	55,248,572
Israeli Shekel	10,253,734	25,687,420
Japanese Yen	147,926,733	335,012,506
Malaysian Ringgit	10,922,171	53,475,209
Mexican Peso	71,532,258	121,099,703
New Zealand Dollar	4,689,930	5,630,030
Norwegian Krone	14,511,943	17,507,276
Peruvian Sol	4,655,833	6,901,198
Polish Zloty	12,583,028	6,487,466
Romanian Leu	2,993,150	4,420,023
Russian Ruble	3,794,247	14,530,392
Singapore Dollar	19,381,202	52,630,209
South African Rand	23,494,338	56,296,345
South Korean Won	41,441,338	94,570,305
UK Pound	16,963,778	38,635,812
Total Foreign Government and Provincial Obligations	619,514,703	1,356,364,744
<b>Corporate Obligations:</b>		
Australian Dollar	1,266,292	1,292,147
Brazilian Real	42,817	83,524
Canadian Dollar	9,272,371	270,239
Danish Krone	10,991,187	60,550,637
Euro	17,640,129	41,949,673
Indian Rupee	133	9,084,920
UK Pound	31,021,017	53,290,078
Total Corporate Obligations	70,233,946	166,521,218
<b>Purchased Options:</b>		
Brazilian Real	13,176	8,944
Euro	362,302	152,845
Swiss Franc	-	607
Total Purchased Options	375,478	162,396
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	488,930	1,759,990

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2022	2021
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	\$ 83,721	\$ 182,145
Brazilian Real	547,393	1,758,302
Canadian Dollar	113,444	270,061
Chilean Peso	1,158	561
Chinese Yuan Renminbi	658,651	8,133,883
Colombian Peso	152,831	662,894
Czech Koruna	12,147	21,572
Danish Krone	8,824	2,261
Egyptian Pound	73	1,617
Euro	3,667,850	921,146
Hong Kong Dollar	174,086	84,635
Hungarian Forint	2	3
Indian Rupee	30,633	10,257
Indonesian Rupiah	490,239	79
Israeli Shekel	1,706	303
Japanese Yen	1,361,220	300,537
Malaysian Ringgit	329,560	835,540
Mexican Peso	22,580	12,327
New Zealand Dollar	36,258	1,330
Norwegian Krone	51,315	287,381
Peruvian Sol	-	938
Philippine Peso	305	747
Polish Zloty	721	1,375
Qatari Riyal	527	1,409
Romanian Leu	68	78
Russian Ruble	6	56,070
Singapore Dollar	132,510	165,979
South African Rand	1,171,049	2,302,103
South Korean Won	544,848	662,962
Swedish Krona	25,273	11,506
Swiss Franc	247,843	177,593
Taiwan Dollar	106,441	107,736
Thai Baht	118	175
Turkish Lira	49	108
UK Pound	927,425	214,107
United Arab Emirates Dirham	725	3,965
Total Cash and Cash Equivalents	10,901,599	17,193,685
<b>Written Options:</b>		
Brazilian Real	(18,164)	(24,768)
Euro	(473,361)	(130,929)
UK Pound	(16,651)	(196,827)
Total Written Options	(508,176)	(352,524)

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2022	2021
<b>Swaps:</b>		
Australian Dollar	\$ 1,342,161	\$ 1,465,370
Canadian Dollar	(2,275,701)	(153,179)
Chinese Yuan Renminbi	77,519	-
Czech Koruna	(53,838)	648
Euro	(14,164,889)	212,100
Indian Rupee	49,289	-
Japanese Yen	(74,950)	54,549
Malaysian Ringgit	82,406	-
Mexican Peso	(121,546)	(58,164)
New Zealand Dollar	(379,675)	(5,411)
Norwegian Krone	-	33,181
Singapore Dollar	(14,387)	(64,423)
South African Rand	4,709	43,980
South Korean Won	(524,455)	76,103
Swedish Krona	(97,900)	42,952
Swiss Franc	(1,702,930)	24,758
Thai Baht	135,179	-
UK Pound	(4,368,756)	(63,341)
Total Swaps	(22,087,764)	1,609,123
<b>Futures:</b>		
Australian Dollar	28,363	-
Brazilian Real	(280)	3,682
Canadian Dollar	14,832	-
Euro	507,299	-
Hong Kong Dollar	-	-
Japanese Yen	10,633	-
UK Pound	418,373	-
Total Futures	979,220	3,682
Total	\$ 830,359,157	\$ 1,765,108,092

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

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

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**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

The Fund had gross counterparty exposure as of August 31, 2022 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 49,428,260	\$ 58,200,951	\$ 15,301,347	\$ 4,038,557	AA
Options	-	47,962,941	-	116,558	A
Swaps	26,697,440	270,101,364	874,185	3,489,695	AA
Swaps	31,858,653	23,488,081	1,498,098	2,997,652	A
Foreign Exchange Contracts	475,960,408	178,429,805	10,502,974	2,917,731	AA
Foreign Exchange Contracts	500,565,304	291,961,476	14,643,843	6,381,048	A
			<u>\$ 42,820,447</u>	<u>\$ 19,941,241</u>	

The Fund had gross counterparty exposure as of August 31, 2021 for options, swaps, and foreign exchange contracts as shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ -	\$ 1,180,450	\$ -	\$ 113,754	AA
Options	192,068,581	127,737,000	45,322,401	208,399	A
Swaps	41,546,339	46,796,309	1,061,140	384,081	AA
Swaps	26,015,972	42,333,684	2,882,384	2,082,723	A
Foreign Exchange Contracts	358,708,110	211,484,053	3,014,776	2,367,831	AA
Foreign Exchange Contracts	960,091,912	978,869,229	9,339,428	8,973,650	A
			<u>\$ 61,620,129</u>	<u>\$ 14,130,438</u>	

As of August 31, 2022 and 2021, the Fund also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore, they are not presented in the table above.

Counterparty risk for swaps, options and foreign exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2022 and 2021, the Fund held \$27,642,525 and \$55,903,360 respectively, of collateral related to derivative instruments other than futures and had on deposit with brokers \$23,555,026 and \$11,211,326 respectively as collateral related to derivative instruments other than futures.

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INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders’ fees. These fees are included in investment income in the statements of changes in net position. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned and the fair value of collateral held are as follows at August 31, 2022 and 2021:

Securities on Loan	2022 Fair Value	2021 Fair Value	Type of Collateral	2022 Fair Value of Collateral	2021 Fair Value of Collateral
U.S. Government	\$ 115,389,556	\$ 5,028,439	Cash	\$ 117,872,354	\$ 5,133,526
Corporate Bonds	25,893,095	61,284,510	Cash	26,868,411	62,936,781
Common Stock	28,052,474	26,905,971	Cash	28,860,945	27,799,940
Sovereign Debt	64,741,487	620,752	Cash	70,896,255	679,783
<b>Total</b>	<b>\$ 234,076,612</b>	<b>\$ 93,839,672</b>	<b>Total</b>	<b>\$ 244,497,965</b>	<b>\$ 96,550,030</b>
U.S. Government	\$ 13,039,178	\$ 39,843,955	Non-Cash	\$ 13,307,807	\$ 40,696,578
Corporate Bonds	636,531	2,335,557	Non-Cash	650,992	2,388,200
Common Stock	6,562,364	19,248,502	Non-Cash	6,935,702	19,837,929
<b>Total</b>	<b>\$ 20,238,073</b>	<b>\$ 61,428,014</b>	<b>Total</b>	<b>\$ 20,894,501</b>	<b>\$ 62,922,707</b>

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

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INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2022 and 2021 is shown in the following table:

Description	2022			2021		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 120,540,141	No Rating Available		\$ 43,150,877	No Rating Available	1
Repurchase Agreements	15,644,117	A		-		
<b>Total Repurchase Agreements</b>	<b>136,184,258</b>		<b>1</b>	<b>43,150,877</b>		
Agencies	-			1,633,095	A	99
Commercial Paper	42,523,394	A	13	31,802,214	A	64
Floating Rate Notes	31,774,660	AA		7,385,006	AA	
Floating Rate Notes	25,363,178	A		11,539,843	A	
Floating Rate Notes	11,425,133	P		-		
Floating Rate Notes	3,559,961	Not Rated		-		
<b>Total Floating Rate Notes</b>	<b>72,122,932</b>		<b>1</b>	<b>18,924,849</b>		<b>30</b>
Certificates of Deposit	-			1,053,691	P	160
Other Receivables/Payables	(6,332,619)	Not Rated		(14,696)	Not Rated	
<b>Total Collateral Pool Investment</b>	<b>\$ 244,497,965</b>		<b>3</b>	<b>\$ 96,550,030</b>		<b>31</b>

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2022 and 2021, respectively, as categorized by the level of the fair value hierarchy:

	Fair Value as of August 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 136,184,258	\$ -	\$ 136,184,258	\$ -
Commercial Paper	42,523,394	-	42,523,394	-
Floating Rate Notes	72,122,932	-	72,122,932	-
<b>Total by Fair Value Level</b>	<b>250,830,584</b>	<b>\$ -</b>	<b>\$ 250,830,584</b>	<b>\$ -</b>
Other Receivables/Payables	(6,332,619)			
<b>Total Collateral Pool Investments</b>	<b>\$ 244,497,965</b>			

	Fair Value as of August 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 43,150,877	\$ -	\$ 43,150,877	\$ -
Agencies	1,633,095	-	1,633,095	-
Commercial Paper	31,802,214	-	31,802,214	-
Floating Rate Notes	18,924,849	-	18,924,849	-
Certificates of Deposit	1,053,691	-	1,053,691	-
<b>Total by Fair Value Level</b>	<b>96,564,726</b>	<b>\$ -</b>	<b>\$ 96,564,726</b>	<b>\$ -</b>
Other Receivables/Payables	(14,696)			
<b>Total Collateral Pool Investments</b>	<b>\$ 96,550,030</b>			



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**INTERMEDIATE TERM FUND**

*Notes to Financial Statements (cont.)*

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the Fund, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third-party custodian not affiliated with the Fund or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or the counterparties' trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of net position. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

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

As of August 31, 2022 and 2021, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2022 and 2021.

**Note 6 – Written Options**

The following table discloses the fair values of the Fund's written call option contracts outstanding as of August 31, 2022 and 2021:

<u>Type</u>	<u>Fair Value</u> <u>at August 31, 2022</u>		<u>Fair Value</u> <u>at August 31, 2021</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency	\$ -	\$ 17	\$ -	\$ 66,163
Equity	45	3,699,398	-	-
Interest Rate Swap	15,905	65,555	-	4,698
Other	23	5,070	-	-
	<u>\$ 15,973</u>	<u>\$ 3,770,040</u>	<u>\$ -</u>	<u>\$ 70,861</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open call options for the years ended August 31, 2022 and 2021 were increases in the amounts of \$7,713,866 and \$36,268, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

The following table discloses the fair values of the Fund's written put option contracts as of August 31, 2022 and 2021:

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Notes to Financial Statements (cont.)

Type	Fair Value at August 31, 2022		Fair Value at August 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 2,086	\$ -	\$ -
Credit Default Swap	-	-	-	31,500
Interest Rate Swap	-	2,832,422	-	324,963
Equity	-	16,222	-	24,768
Other	-	12,672	-	31
	<u>\$ -</u>	<u>\$ 2,863,402</u>	<u>\$ -</u>	<u>\$ 381,262</u>

The fair values are included on the statements of net position as options written. The change in fair value of open put options for the year ended August 31, 2022 and 2021 were a decrease in the amount of \$2,312,127 and an increase in the amount of \$76,400, respectively, which are included in the net increase (decrease) 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, 2022:

Type	Notional Value	Fair Value at August 31, 2022	
		Assets	Liabilities
Commodity	\$ 71,259,311	\$ -	\$ 152,024
Credit Default	76,872,294	1,022,277	191,012
Currency	13,259,240	1,352,321	1,487,813
Equity	205,162,158	296,800	4,208,232
Fixed Income	2,597,472	257,370	2,667
Inflation	3,640,977	-	761,913
Interest Rate	1,152,303,446	21,380,849	36,868,531
Volatility	69,115,734	803,921	498,946
Total		<u>\$ 25,113,538</u>	<u>\$ 44,171,138</u>

The change in fair value of open swap positions for the year ended August 31, 2022 was a decrease in the amount of \$18,446,696, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

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	\$ 795,947,401	\$ 5,872,099	\$ 5,450,784
Credit Default	119,248,681	2,639,572	375,042
Equity	81,782,008	2,282,466	533,239
Volatility	74,537,473	182,073	104,272
Currency	13,694,120	1,472,737	1,499,549
Inflation	15,483,965	763,048	939,519
Commodity	21,000,000	-	-
Total		<u>\$ 13,211,995</u>	<u>\$ 8,902,405</u>

The change in fair value of open swap positions for the year ended August 31, 2021 was an increase in the amount of \$8,153,522, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

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**INTERMEDIATE TERM 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, 2022 and 2021 were increases in the amounts of \$7,680,496 and \$1,723,708 respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in net position. The Fund had \$669,000 and \$3,353,576 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2022 and 2021, respectively. Short futures may be used by the Fund to manage the Fund’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 these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2022 and 2021, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open contracts amounted to \$8,219,787 and \$1,864,092 as of August 31, 2022 and 2021, respectively.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2022:

<b>Contract</b>	<b>Notional Value at August 31, 2022</b>		<b>Fair Value at August 31, 2022</b>	
	<b>Long</b>	<b>Short</b>	<b>Assets</b>	<b>Liabilities</b>
Domestic Fixed Income	\$ 243,839,694	\$ 65,178,168	\$ 31,893	\$ 1,550,404
Foreign Fixed Income	64,831,653	184,408,745	1,091,715	112,495
Foreign Equities	-	-	-	-
<b>Total</b>	<b>\$ 308,671,347</b>	<b>\$ 249,586,913</b>	<b>\$ 1,123,608</b>	<b>\$ 1,662,899</b>

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

<b>Contract</b>	<b>Notional Value at August 31, 2021</b>		<b>Fair Value at August 31, 2021</b>	
	<b>Long</b>	<b>Short</b>	<b>Assets</b>	<b>Liabilities</b>
Domestic Fixed Income	\$ 206,989,238	\$ 41,711,549	\$ 3,251	\$ 147,317
Foreign Fixed Income	89,391,828	166,663,625	2,837	-
Foreign Equities	-	61,364	845	-
<b>Total</b>	<b>\$ 296,381,066</b>	<b>\$ 208,436,538</b>	<b>\$ 6,933</b>	<b>\$ 147,317</b>

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

**Note 9 – Foreign Exchange Contracts**

The following tables summarize by currency the contractual amounts of the Fund’s foreign exchange contracts at August 31, 2022 and 2021. Foreign currency amounts are translated at exchange rates as of August 31, 2022 and 2021. 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 on Foreign Currency Exchange Contracts		Unrealized Losses on Foreign Currency Exchange Contracts	
	August 31, 2022		August 31, 2022		August 31, 2022		August 31, 2022	
Australian Dollar	\$	-	\$	32,711,197	\$	1,704,020	\$	297,668
Brazil Real		-		19,528,599		103,749		1,426,275
Canadian Dollar		-		40,925,222		942,279		78,705
Chilean Peso		15,965,306		-		730,284		411,892
Chinese Yuan Renminbi		-		56,748,045		1,530,824		217,076
Colombian Peso		-		19,335,170		245,063		260,692
Czech Koruna		-		3,035,644		129,673		1,898
Danish Krone		-		11,040,000		165,994		24,441
Euro		-		120,466,008		2,643,346		292,929
Hong Kong Dollar		-		7,357		-		-
Hungarian Forint		5,644,682		-		103,498		353,825
Indonesian Rupiah		-		10,803,794		68,191		98,652
Israeli Shekel		-		18,022,355		343,993		418,057
Japanese Yen		-		116,409,700		7,226,611		2,280,938
Malaysian Ringgit		-		101,647		775,053		149,127
Mexican Peso		-		61,009,747		95,401		456,880
New Zealand Dollar		-		11,187,963		1,249,553		191,980
Norwegian Krone		-		2,719,313		185,485		246,376
Peruvian Sol		-		6,888,989		146,235		236,248
Polish Zloty		-		8,747,800		181,587		88,184
Romanian Leu		-		3,061,506		89,289		-
Singapore Dollar		-		18,543,592		86,688		4,009
South African Rand		-		23,342,770		975,232		75,621
South Korean Won		-		36,121,664		1,769,733		25,790
Swedish Krona		21,530,759		-		1,288		717,143
Swiss Franc		-		13,392,064		200,399		41,354
Thailand Baht		-		4,957,348		794,259		362,750
UK Pound		-		57,535,027		2,659,090		540,269
	\$	43,140,747	\$	696,642,521	\$	25,146,817	\$	9,298,779

The change in fair value of open foreign exchange contracts for the year ended August 31, 2022 was an increase in the amount of \$15,848,038, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

THE UNIVERSITY OF TEXAS SYSTEM

INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Currency	Net Buy	Net Sell	Unrealized Gains	Unrealized Losses
	August 31, 2021	August 31, 2021	on Foreign Currency Exchange Contracts August 31, 2021	on Foreign Currency Exchange Contracts August 31, 2021
Australian Dollar	\$ -	\$ 85,614,009	\$ 1,785,824	\$ 469,914
Brazilian Real	-	10,529,582	-	292,364
Canadian Dollar	-	53,112,353	392,522	30,657
Chilean Peso	37,405,291	-	85,627	2,168,864
Chinese Yuan Renminbi (Offshore)	-	27,694,722	390	141,398
Chinese Yuan Renminbi	-	66,939,305	315,625	43,621
Colombian Peso	-	30,129,953	25,134	901,969
Danish Krone	-	60,592,724	483,170	776
Euro	-	332,566,421	1,597,965	611,402
Hong Kong Dollar	-	9,254	-	-
Hungarian Forint	11,342,698	-	373,423	-
Indian Rupee	-	9,161,140	-	197,995
Indonesian Rupiah	-	46,652,834	112,564	1,265,115
Israeli Shekel	-	34,073,549	7,178	631,212
Japanese Yen	-	361,528,322	889,281	498,701
Malaysian Ringgit	-	7,927,740	-	159,112
Mexican Peso	-	72,516,136	59,845	733,550
New Zealand Dollar	-	39,858,525	1,106,427	46,075
Norwegian Krone	28,637,846	-	520,258	228,704
Peruvian Sol	-	14,213,528	787,833	123,415
Polish Zloty	34,247,993	-	316,429	2,378
Romanian Leu	-	4,549,970	15,882	-
Russian Ruble	23,272,975	-	289,879	103,205
Singapore Dollar	-	53,910,762	19,436	600,804
South African Rand	-	50,209,131	208,901	1,013,546
South Korean Won	-	68,898,913	776,962	281,174
Swedish Krona	21,668,133	-	295,816	-
Swiss Franc	-	33,193,069	54,980	51,534
Taiwan Dollar	-	65,152	1,057	-
Thailand Baht	-	12,553,378	761,930	-
Turkish Lira	9,541	-	9	-
UK Pound	-	107,026,884	1,069,856	743,996
	<u>\$ 156,584,477</u>	<u>\$ 1,583,527,356</u>	<u>\$ 12,354,203</u>	<u>\$ 11,341,481</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2021 was a decrease in the amount of \$1,012,722, which is included in the net increase (decrease) in fair value of investments on the statements of changes in net position.

**Note 10 – Purchase Agreement**

UTIMCO, as investment manager of the funds under the control and management of the UT Board, has entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the Fund, to purchase up to \$3,774,660,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

**Note 11 – Fees and Expenses**

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.10% to 1.50%. In addition to the investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in net position represent only those paid directly from the Fund, and do not include fees charged by mutual fund managers or fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the Fund for the years ended August 31, 2022 and 2021, were \$10,730,849 and \$19,960,753, respectively.

UTIMCO assesses the Fund a management fee to cover the costs of managing the Fund and providing day to day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fee for the years ended August 31, 2022 was \$9,312,856, net of a rebate of \$1,022,808 of prior year reserves from UTIMCO to the Fund. The fee assessed for the year ended August 31, 2021 was \$10,662,670.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. Fees incurred for the years ended August 31, 2022 and 2021, were \$649,405 and \$732,121, respectively.

The Fund also incurs other investment expenses related to services including, but not limited to, analytical and risk measurement, accounting, legal, and consulting.

The Fund is assessed a fee to cover costs associated with UT System personnel in their effort to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the years ended August 31, 2022 and 2021, the fees amounted to \$76,760 and \$86,680, respectively.

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

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**Financial Highlights**

*Years Ended August 31,*

	2022	2021	2020	2019	2018
<b>Selected Per Unit Data</b>					
Net Position, Beginning of Year	\$ 141.605	\$ 128.585	\$ 121.709	\$ 119.124	\$ 119.018
Income From Investment Operations					
Net Investment Income (A)	0.735	0.745	0.904	1.146	1.010
Net Realized and Unrealized Gain (Loss) on Investments	(11.616)	16.335	9.652	4.996	2.712
Total Income (Loss) from Investment Operations	(10.881)	17.080	10.556	6.142	3.722
Less Distributions	4.047	4.060	3.680	3.557	3.616
Net Position, End of Year	<u>\$ 126.677</u>	<u>\$ 141.605</u>	<u>\$ 128.585</u>	<u>\$ 121.709</u>	<u>\$ 119.124</u>
<b>Ratios and Supplemental Data</b>					
Net Position, End of Year (in thousands)	\$ 8,674,793	\$ 10,199,598	\$ 9,210,942	\$ 9,206,904	\$ 9,935,105
Distribution Ratios to Average Net Position	3.02%	2.97%	2.95%	2.96%	3.02%

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