

Financial Statements

and Independent Auditors' Report

The University of Texas System

General Endowment Fund

Years Ended August 31, 2011 and 2010

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company

We have audited the accompanying Statements of Fiduciary Net Assets of The University of Texas System General Endowment Fund (the "Fund"), as of August 31, 2011 and August 31, 2010, and the related Statements of Changes in Fiduciary Net Assets for the years then ended. These financial statements are the responsibility of The University of Texas Investment Management Company ("UTIMCO" or "management"). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Fund are intended only to present the financial position of the Fund as of August 31, 2011 or August 31, 2010, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the financial position of UTIMCO or The University of Texas System, as of August 31, 2011 or August 31, 2010, or the changes in its financial position for the years then ended.

As discussed in Note 2, the financial statements include investments valued at \$4,811,582,613 (68.3% of net assets) and \$3,897,006,233 (64.6% of net assets) as of August 31, 2011 and August 31, 2010, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2011 and August 31, 2010, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management. The supplemental schedules as of and for the years ended August 31, 2011, August 31, 2010, August 31, 2009, August 31, 2008 and August 31, 2007 have been subjected to the audit procedures applied by us in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

October 31, 2011

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

Our discussion and analysis of The University of Texas System General Endowment Fund's (Fund) financial performance provides an overview of its activities for the year ended August 31, 2011. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is a pooled investment fund for the collective investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

- The Fund's fiduciary net assets, after contributions and withdrawals, increased by \$1,013.8 million from \$6,035.4 million to \$7,049.2 million or approximately 16.8% for the year ended August 31, 2011, compared to an increase of \$676.6 million or approximately 12.6% for the year ended August 31, 2010. The change in net fiduciary net assets from year to year is mainly attributable to the following:
 1. The Fund posted a net investment gain of 14.74%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2011. Investments in natural resources, developed country equities and credit-related fixed income were the biggest contributors to the 2011 return. Investments in credit-related fixed income, emerging market equities and real estate were the biggest contributors to the net investment gain of 13.02% for August 31, 2010.
 2. The PHF and LTF redeemed and purchased Fund units resulting in net contributions of \$92.9 million for the year ended August 31, 2011, compared to net withdrawals for the year ended August 31, 2010 of \$23.1 million.
 3. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The distributed net investment income and realized gain amounts increase the cost basis of the units of the Fund, and any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

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Use of Financial Statements and Notes

The Fund's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required under GASB: the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

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

Statements of Fiduciary Net Assets

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

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

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

Assets	2011	2010	2009
Investments, at Fair Value	\$ 7,042.1	\$ 5,997.5	\$ 5,346.8
Other Assets	257.1	192.7	188.8
Total Assets	<u>7,299.2</u>	<u>6,190.2</u>	<u>5,535.6</u>
Total Liabilities	250.0	154.8	176.8
Net Assets Held in Trust	<u>\$ 7,049.2</u>	<u>\$ 6,035.4</u>	<u>\$ 5,358.8</u>

Statements of Changes in Fiduciary Net Assets

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

The net increase in investments of the Fund was \$858.8 million during the year ended August 31, 2011 compared to the net increase in appreciation of investments of \$647.6 million for the year ended August 31, 2010. Expenses totaled \$15.8 million, \$14.3 million, and \$10.5 million, respectively, for the years ended August 31, 2011, 2010, and 2009.

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The net increase in fiduciary net assets totaled \$1,013.8 million for the year ended August 31, 2011 compared to a net increase in fiduciary net assets totaling \$676.6 million for the year ended August 31, 2010.

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

	2011	2010	2009
Investment Income (Loss)	\$ 936.7	\$ 714.1	\$ (835.2)
Less Investment Expenses	(15.8)	(14.3)	(10.5)
Net Investment Income (Loss)	920.9	699.8	(845.7)
Participant Contributions	432.3	285.3	184.8
Total Additions	1,353.2	985.1	(660.9)
Participant Withdrawals	339.4	308.5	290.7
Total Deductions	339.4	308.5	290.7
Change in Fiduciary Net Assets	1,013.8	676.6	(951.6)
Net Assets Held in Trust, Beginning of Year	6,035.4	5,358.8	6,310.4
Net Assets Held in Trust, End of Year	\$ 7,049.2	\$ 6,035.4	\$ 5,358.8

Contacting UTIMCO

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

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Statements of Fiduciary Net Assets

August 31, 2011 and 2010

(Dollars in thousands, except per unit amounts)

Assets	2011	2010
Investments, at Fair Value:		
Equity Securities	\$ 895,613	\$ 797,622
Preferred Stock	32,589	26,617
Purchased Options	92,847	5,492
Debt Securities	542,313	549,478
Convertible Securities	2,384	23
Investment Funds	4,818,502	4,049,289
Physical Commodities	365,031	-
Cash and Cash Equivalents	292,775	569,000
Total Investments	7,042,054	5,997,521
Collateral for Securities Loaned, at Fair Value	91,498	114,399
Deposits with Brokers for Derivative Contracts	78,401	45,074
Futures Contracts, at Fair Value	3,248	5,540
Swaps, at Fair Value	1,938	1,179
Unrealized Gains on Foreign Currency Exchange Contracts	4,686	2,253
Receivables:		
Investment Securities Sold	69,081	15,542
Accrued Income	7,888	7,994
Other	474	762
Total Receivables	77,443	24,298
Total Assets	7,299,268	6,190,264
Liabilities		
Payable Upon Return of Securities Loaned	91,498	114,399
Payable to Brokers for Collateral Held	49,670	6,210
Payable to Participants	4,647	6,689
Unrealized Losses on Foreign Currency Exchange Contracts	8,935	1,725
Future Contracts, at Fair Value	547	55
Swaps, at Fair Value	21,452	1,111
Options Written, at Fair Value	50,141	492
Payables:		
Investment Securities Purchased	19,522	14,175
Other	3,608	9,984
Total Payables	23,130	24,159
Total Liabilities	250,020	154,840
Net Assets Held in Trust	\$ 7,049,248	\$ 6,035,424
Number of Units:		
Permanent Health Fund (PHF)	5,054,800	5,294,171
The University of Texas System Long Term Fund (LTF)	30,840,825	30,006,442
Total	35,895,625	35,300,613
Net Asset Value Held in Trust Per Unit	\$ 196.382	\$ 170.972

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

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Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Additions		
Investment Income:		
Net Increase in Investments	\$ 858,838	\$ 647,596
Interest	30,267	30,700
Dividends	24,052	21,906
Income Distributions from Private Investment Funds	22,262	12,658
Securities Lending Income	374	444
Other Income	988	803
Total Investment Income	<u>936,781</u>	<u>714,107</u>
Less Investment Expenses:		
Investment Management Fees	13,549	12,533
Custodial Fees and Expenses	1,494	785
Legal Fees	273	327
Accounting Fees	248	210
Analytical and Risk Measurement Fees	184	211
Consulting Fees	118	145
Background Check Fees	70	40
Securities Lending Fees	(96)	30
Other Expenses	3	2
Total Investment Expenses	<u>15,843</u>	<u>14,283</u>
Net Investment Income	920,938	699,824
Participant Contributions	432,290	285,326
Total Additions	<u>1,353,228</u>	<u>985,150</u>
Deductions		
Participant Withdrawals	<u>339,404</u>	<u>308,513</u>
Change in Fiduciary Net Assets	1,013,824	676,637
Net Assets Held in Trust, Beginning of Year	6,035,424	5,358,787
Net Assets Held in Trust, End of Year	<u>\$ 7,049,248</u>	<u>\$ 6,035,424</u>

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

Note 1 – Organization and Basis of Presentation

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

Fiduciary responsibility for the Fund rests with the UT Board. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the UT Board.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the Fund are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB).

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

Note 2 – Significant Accounting Policies

(A) **Security Valuation** -- Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the Fund are valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security fair values are based on the New York Stock Exchange composite closing prices, if available. If not available, the fair value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

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

Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the investment's capital account balance at the closest available

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Notes to Financial Statements (cont.)

reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the last available reporting date as well as consideration of any other information which has been provided by the investment manager or other sources. In rare cases the private market funds are valued at cost, but only when management determines that it is the best approximation of value. As of August 31, 2011 and 2010, investments in private investment funds in the amount of \$1,781,268,007 and \$1,368,709,681 have been estimated by management.

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate and natural resources investment funds, and certain other private placements are fair valued by management based on net asset value information provided by the investment manager as well as other relevant factors as indicated above. As of August 31, 2011 and 2010, investments in these funds in the amount of \$3,030,314,606 and \$2,528,296,552, respectively, have been estimated by management.

The statements of fiduciary net assets include investments in private investment funds and hedge funds as described above valued in the aggregate at \$4,811,582,613 (68.3% of net assets) and \$3,897,006,233 (64.6% of net assets) as of August 31, 2011, and August 31, 2010, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values.

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

(C) ***Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2011 and 2010, interest and dividend withholding in the amounts of \$1,635,032 and \$910,098 have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

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

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

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Notes to Financial Statements (cont.)

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

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

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

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

(J) **Derivative Instruments** -- Derivative securities are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The Fund from time to time uses various derivative instruments, as allowed under UT Board approved derivative investment policy guidelines. Futures contracts are valued at closing market prices on valuation date. Options and swaps are valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Derivative instruments included under these policies include futures, forwards, swaps and all forms of options. Derivative instruments in the Fund are used to achieve the following objectives:

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

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

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Notes to Financial Statements (cont.)

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

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity or equity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included at fair value in the statements of fiduciary net assets. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

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

Foreign Currency Contracts -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar

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Notes to Financial Statements (cont.)

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

(K) ***Securities Sold Short*** -- The Fund may sell securities it does not own in anticipation of a decline in the fair value of that security, or as a means to adjust the duration of certain fixed income portfolios. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale and provide collateral for its obligation to deliver the security upon conclusion of the sale. The Fund must pay dividends or interest on the securities sold short. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the market value reflected in the statement of fiduciary net assets. As of and during the years ended August 31, 2011 and 2010, the Fund had no securities sold short.

(L) ***Cash and Cash Equivalents*** -- Cash and Cash Equivalents consist of money market investments, foreign currencies and other overnight funds. 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 statement of fiduciary net assets.

(M) ***Reclassification*** -- Certain items in the 2010 financial statements and related notes have been reclassified to conform with the 2011 classification.

Note 3 – Investment Risk

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4. Risk disclosures relating to the Fund's investments in hedge funds, private investments, and public market funds are discussed in Note 5.

(A) ***Credit Risk***

Article VII, Section 11b of the Texas Constitution authorizes the UT Board, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the UT Board, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution

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Notes to Financial Statements (cont.)

requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the Fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the UT Board has elected the prudent investor standard to govern its management of the Fund.

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

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Notes to Financial Statements (cont.)

<u>Investment Type</u>	<u>August 31,</u>		<u>Rating</u>
	<u>2011</u>	<u>2010</u>	
U.S. Government Guaranteed	\$ -	\$ 63,055,226	Exempt from Disclosure
U.S. Government Guaranteed	81,322,070	-	AA
Total U.S. Government Guaranteed	<u>81,322,070</u>	<u>63,055,226</u>	
U.S. Government Non-Guaranteed:			
U.S. Agency	-	2,000,125	AAA
U.S. Agency	1,888,633	-	AA
U.S. Agency Asset Backed	10,356,250	61,272,354	AAA
U.S. Agency Asset Backed	39,190,922	-	AA
Total U.S. Government Non-Guaranteed	<u>51,435,805</u>	<u>63,272,479</u>	
Total U.S. Government	<u>132,757,875</u>	<u>126,327,705</u>	
Corporate Obligations:			
Domestic	11,911,823	20,816,447	AAA
Domestic	4,887,853	11,036,065	AA
Domestic	38,101,023	59,951,534	A
Domestic	26,937,705	58,045,997	BAA/BBB
Domestic	4,092,891	15,045,620	BA/BB
Domestic	2,910,775	6,440,910	B
Domestic	4,207,359	13,125,456	CAA/CCC
Domestic	1,592,036	4,130,959	CA/CC
Domestic	169,858	535,313	C
Domestic	297,432	93,681	D
Domestic	817,604	436,842	Not Rated
Foreign	27,860,847	54,868,705	AAA
Foreign	7,528,367	16,340,001	AA
Foreign	14,742,819	10,544,651	A
Foreign	9,962,774	10,398,098	BAA/BBB
Foreign	1,670,699	1,029,152	BA/BB
Foreign	750,688	454,441	B
Foreign	-	1,729,568	Not Rated
Total Corporate Obligations	<u>158,442,553</u>	<u>285,023,440</u>	
Foreign Government and Provincial Obligations	105,721,381	69,773,078	AAA
Foreign Government and Provincial Obligations	17,607,400	27,461,602	AA
Foreign Government and Provincial Obligations	26,357,087	22,314,993	A
Foreign Government and Provincial Obligations	78,424,453	10,199,849	BAA/BBB
Foreign Government and Provincial Obligations	4,732,556	3,995,266	BA/BB
Foreign Government and Provincial Obligations	11,378,872	-	Not Rated
Total Foreign Government and Provincial Obligations	<u>244,221,749</u>	<u>133,744,788</u>	
Other Debt Securities	407,718	-	AAA
Other Debt Securities	1,257,800	536,993	AA
Other Debt Securities	4,177,181	2,724,656	A
Other Debt Securities	341,385	1,120,432	BAA/BBB
Other Debt Securities	706,382	-	BA/BB
Total Other Debt Securities	<u>6,890,466</u>	<u>4,382,081</u>	
Total Debt Securities	<u>\$ 542,312,643</u>	<u>\$ 549,478,014</u>	
Convertible Securities	\$ 2,048,170	\$ -	Not Rated
Other Investment Funds - Debt	\$ -	\$ 59,804,461	AA
Other Investment Funds - Debt	6,919,098	6,127,671	BA/BB
Total Other Investment Funds - Debt	<u>\$ 6,919,098</u>	<u>\$ 65,932,132</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 282,452,528	\$ 566,557,046	AAA
Cash and Cash Equivalents - Money Market Funds	-	2,409	A
Cash and Cash Equivalents	10,321,999	2,440,341	Not Rated
Total Cash and Cash Equivalents	<u>\$ 292,774,527</u>	<u>\$ 568,999,796</u>	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	\$ -	\$ 10,373,514	Exempt from Disclosure
U.S. Government Guaranteed	815,959	-	AA
Foreign Government and Provincial Obligations	15,494,474	-	BAA/BBB
Foreign Government and Provincial Obligations	1,070,692	-	Not Rated
Cash	11,350,497	28,490,747	Exempt from Disclosure
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 28,731,622</u>	<u>\$ 38,864,261</u>	

(B) Concentrations of Credit Risk

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

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2011 and 2010, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration by investment type at August 31, 2011 and 2010:

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

Notes to Financial Statements (cont.)

Investment Type	August 31,			
	2011		2010	
	Value	Modified Duration	Value	Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 79,773,574	10.47	\$ 52,021,996	10.39
U.S. Treasury Strips	-	-	2,813,094	0.94
U.S. Treasury Bills	822,813	0.50	7,397,984	0.13
U.S. Agency Asset Backed	725,683	3.47	822,152	6.41
Total U.S. Government Guaranteed	<u>81,322,070</u>	10.31	<u>63,055,226</u>	8.71
U.S. Government Non-Guaranteed:				
U.S. Agency	1,888,633	9.11	2,000,125	9.22
U.S. Agency Asset Backed	49,547,172	2.83	61,272,354	2.28
Total U.S. Government Non-Guaranteed	<u>51,435,805</u>	3.06	<u>63,272,479</u>	2.50
Total U.S. Government	<u>132,757,875</u>	7.50	<u>126,327,705</u>	5.60
Corporate Obligations:				
Domestic	95,926,359	6.33	189,658,824	5.28
Foreign	62,516,194	5.10	95,364,616	4.31
Total Corporate Obligations	<u>158,442,553</u>	5.84	<u>285,023,440</u>	4.96
Foreign Government and Provincial Obligations	<u>244,221,749</u>	6.76	<u>133,744,788</u>	6.44
Other Debt Securities	<u>6,890,466</u>	11.87	<u>4,382,081</u>	11.96
Total Debt Securities	<u>542,312,643</u>	6.74	<u>549,478,014</u>	5.52
Convertible Securities	<u>2,048,170</u>	2.37	-	-
Other Investment Funds - Debt	<u>6,919,098</u>	7.50	<u>65,932,132</u>	6.14
Cash and Cash Equivalents	<u>292,774,527</u>	0.08	<u>568,999,796</u>	0.08
Total	<u>\$ 844,054,438</u>	4.42	<u>\$ 1,184,409,942</u>	2.94
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 815,959	0.28	\$ 9,967,144	0.27
U.S. Treasury Bonds and Notes	-	-	406,370	17.18
Total U.S. Government Guaranteed	<u>815,959</u>	0.28	<u>10,373,514</u>	0.93
Foreign Government and Provincial Obligations	<u>16,565,166</u>	6.91	-	-
Cash	<u>11,350,497</u>	-	<u>28,490,747</u>	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 28,731,622</u>	3.99	<u>\$ 38,864,261</u>	0.25

The Fund has purchased options on ten year constant maturity swaps, with expirations ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2011 these options had a notional value of \$2,782,000,000 and a fair value of \$12,464,378. As of August 31, 2010 these options had a notional value of \$1,160,000,000 and a fair value of \$4,011,866. The risk of loss on these options is limited to the premiums paid by the Fund upon the purchase of the options, which totaled \$15,228,033 as of August 31, 2011 and \$6,207,813 as of August 31, 2010. The Fund also purchased both puts and swaptions on the Japanese Yen, with expirations ranging from

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2011 these puts and swaptions had a notional value of \$3,770,709,494 with a fair value of \$7,034,444 and a loss limited to \$20,295,507 which represents the premiums paid. It is estimated that these options would adjust the 2011 duration of total debt securities of 6.74 downward by approximately 1.04, and the total duration of 4.42 downward by approximately 1.17. It is estimated that these options would adjust the 2010 duration of total debt securities of 5.52 downward by approximately 0.26, and the total duration of 2.94 downward by approximately 0.22. One of the Fund's external managers also uses options and interest rate and credit default swaps to modify the duration of their portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration of the Fund as presented above.

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

The Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2011 and 2010, the Fund's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$46,547,523 and \$135,109,035 as of August 31, 2011 and 2010, respectively.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to \$24,865,703 and \$21,575,973 as of August 31, 2011 and 2010, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to \$5,629,825 and \$15,533,900, as of August 31, 2011 and 2010, respectively.

(F) Foreign Currency Risk

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

During the year ended 2010, one of the Fund's external managers employed an investment strategy in which they hedged their investments against the Euro dollar. In the following table the negative amounts shown for the Canadian Dollar, Czech Koruna, Hong Kong Dollar, Norwegian Kroner,

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Swiss Franc, and the UK Pound in the cash and cash equivalents section reflect these strategies. The negative amounts offset long positions presented in the domestic and foreign common stock section.

The classification of domestic common stock and foreign common stock in the supplemental schedule, Comparison Summary of Investments, is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the Fund's exposure to non-U.S. dollar investments at August 31, 2011 and 2010:

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2011	2010
Foreign Common Stock:		
Australian Dollar	\$ 23,214,814	\$ 15,393,370
Brazilian Real	33,155,791	26,187,078
Canadian Dollar	23,233,847	18,105,406
Chilean Peso	1,423,456	1,534,443
Czech Koruna	952,302	1,493,472
Danish Krone	1,794,307	589,947
Egyptian Pound	679,351	1,909,476
Euro	44,723,449	61,850,875
Hong Kong Dollar	72,806,913	81,669,612
Hungarian Forint	745,097	1,187,881
Indian Rupee	13,854,998	5,773,168
Indonesian Rupian	7,401,794	7,392,549
Israeli Shekel	37,915	50,534
Japanese Yen	26,328,425	24,539,072
Malaysian Ringgit	10,586,845	12,000,198
Mexican Peso	9,354,058	8,068,074
Moroccan Dirham	344,441	273,349
Norwegian Kroner	1,780,333	1,278,021
Pakistani Rupee	341,297	650,775
Peruvian Nuevo Sol	48,846	30,075
Philippine Peso	2,048,729	1,166,299
Polish Zloty	5,326,058	4,691,388
Russian Ruble	977,505	-
Singapore Dollar	8,363,460	7,211,531
South African Rand	16,951,745	17,856,232
South Korean Won	48,545,693	40,804,601
Swedish Krona	9,349,327	4,735,272
Swiss Franc	9,261,514	12,969,499
Taiwan Dollar	18,810,544	14,407,028
Thai Baht	10,194,396	10,058,687
Turkish Lira	7,270,635	7,456,618
UK Pound	68,968,236	48,315,544
United Arab Emirates Dirham	802,394	-
Total Foreign Common Stock	479,678,515	439,650,074
Other - Equity Securities		
Canadian Dollar	89	-
Malaysian Ringgit	866	-
Total Other - Equity Securities	955	-
Foreign Preferred Stock:		
Brazilian Real	22,289,018	18,421,790
Euro	-	488,864
South African Rand	38,267	-
South Korean Won	138,793	-
Total Foreign Preferred Stock	22,466,078	18,910,654
Foreign Government and Provincial Obligations:		
Australian Dollar	12,007,977	9,447,354
Brazilian Real	94,142,429	4,301,502
Canadian Dollar	9,915,776	12,853,732
Euro	46,516,052	24,622,655
Hong Kong Dollar	581,932	317,280
Hungarian Forint	3,383,987	2,177,983
Indonesian Rupian	4,732,555	3,995,266
Japanese Yen	10,038,740	16,793,184
Malaysian Ringgit	6,477,825	5,934,401

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2011	2010
Foreign Government and Provincial Obligations (continued):		
Mexican Peso	\$ 8,842,074	\$ 3,720,365
New Zealand Dollar	10,587,209	4,160,918
Norwegian Kroner	6,122,311	2,413,091
Polish Zloty	7,770,490	7,132,979
Singapore Dollar	5,095,391	1,129,107
South African Rand	5,908,313	3,371,537
South Korean Won	6,101,644	5,345,331
Swedish Krona	-	5,005,878
UK Pound	20,888,322	20,114,764
Total Foreign Government and Provincial Obligations	259,113,027	132,837,327
Corporate Obligations:		
Australian Dollar	9,868,869	14,722,289
Brazilian Real	-	1,296,216
Canadian Dollar	2,212,686	2,619,752
Danish Krone	-	359,267
Euro	29,891,972	44,049,108
Hong Kong Dollar	-	433,352
Japanese Yen	1,627,375	1,671,685
UK Pound	5,715,620	3,831,894
Total Corporate Obligations	49,316,522	68,983,563
Convertible Securities:		
Brazilian Real	2,048,170	-
Swiss Franc	-	23,484
Total Convertible Securities	2,048,170	23,484
Purchased Options:		
Australian Dollar	39,634,973	-
Euro	2,217,290	-
Japanese Yen	7,034,445	-
South Korean Won	31,382,313	-
Total Purchased Options	80,269,021	-
Private Investment Funds:		
Canadian Dollar	7,363,628	2,751,793
Euro	113,942,858	91,678,382
UK Pound	5,742,940	-
Total Private Investment Funds	127,049,426	94,430,175
Investment Funds - Emerging Markets:		
Brazilian Real	3,626,543	688,940
Cash and Cash Equivalents:		
Australian Dollar	1,262,176	339,669
Brazilian Real	951,631	490,186
Canadian Dollar	75,824	(175,668)
Chilean Peso	1,176	850
Czech Koruna	14	(154,207)
Danish Krone	492	2,912
Egyptian Pound	-	29,760
Euro	1,066,648	21,002,513
Hong Kong Dollar	244,677	(5,136,450)
Hungarian Forint	48	88
Indian Rupee	343,653	34
Indonesian Rupian	12,070	71,016
Israeli Shekel	1,437	1,343
Japanese Yen	5,967	448,861
Malaysian Ringgit	138,251	24,251
Mexican Peso	16,926	70,733
Moroccan Dirham	11,920	9,184
New Zealand Dollar	592	30
Norwegian Kroner	100,840	(522,513)

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

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2011	2010
Cash and Cash Equivalents (continued):		
Peruvian Nuevo Sol	\$ 19,790	\$ 38
Philippine Peso	22,422	34,519
Polish Zloty	11,185	1,711
Singapore Dollar	2,415	365
South African Rand	14,084	48,125
South Korean Won	127,393	48,979
Swedish Krona	1,074	75,527
Swiss Franc	3	(8,000,950)
Taiwan Dollar	573,003	441,612
Thai Baht	10,328	22,060
Turkish Lira	136	4
UK Pound	4,701,137	(348,356)
Total Cash and Cash Equivalents	<u>9,717,312</u>	<u>8,826,226</u>
Written Options:		
Australian Dollar	(24,247,745)	-
Euro	(18,589)	(19,860)
South Korean Won	(20,369,773)	-
UK Pound	-	(211)
Total Written Options	<u>(44,636,107)</u>	<u>(20,071)</u>
Swaps:		
Australian Dollar	(1,126)	36,110
Brazilian Real	25,910	23,935
Canadian Dollar	-	13,810
Euro	(13,582)	24,260
Japanese Yen	18,835	259,586
Mexican Peso	489,535	-
UK Pound	(226,166)	57,421
Total Swaps	<u>293,406</u>	<u>415,122</u>
Futures:		
Australian Dollar	29,556	-
Canadian Dollar	(29,636)	-
Euro	288,990	655,944
UK Pound	(81,626)	8,120
Total Futures	<u>207,284</u>	<u>664,064</u>
Total	<u>\$ 989,150,152</u>	<u>\$ 765,409,558</u>

(G) Counterparty (Credit) Risk

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

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

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 4,708,376,223	\$ 1,185,246,368	\$ 67,467,734	\$ 39,044,810	
3,195,359,032	251,507,117	25,343,470	11,054,185	AA
<u>\$ 7,903,735,255</u>	<u>\$ 1,436,753,485</u>	<u>\$ 92,811,204</u>	<u>\$ 50,098,995</u>	

Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 39,836,179	\$ 277,604,187	\$ 1,257,787	\$ 21,401,264	
965,699,995	2,400,000	680,188	50,539	AA
<u>\$ 1,005,536,174</u>	<u>\$ 280,004,187</u>	<u>\$ 1,937,975</u>	<u>\$ 21,451,803</u>	

Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 313,899,249	\$ 269,308,632	\$ 3,515,872	\$ 2,042,720	
131,734,220	118,573,194	1,169,884	6,892,675	AA
<u>\$ 445,633,469</u>	<u>\$ 387,881,826</u>	<u>\$ 4,685,756</u>	<u>\$ 8,935,395</u>	

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

Options				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 1,161,416,719	\$ 27,885,758	\$ 5,437,246	\$ 350,354	
54,851	6,708,380	54,851	142,037	AA
<u>\$ 1,161,471,570</u>	<u>\$ 34,594,138</u>	<u>\$ 5,492,097</u>	<u>\$ 492,391</u>	

Swaps				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 22,973,979	\$ 34,912,304	\$ 839,454	\$ 855,465	
27,132,093	22,882,713	339,939	255,967	AA
<u>\$ 50,106,072</u>	<u>\$ 57,795,017</u>	<u>\$ 1,179,393</u>	<u>\$ 1,111,432</u>	

Foreign Currency Exchange Contracts				
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2010	Fair Value as of August 31, 2010	
\$ 67,945,116	\$ 44,127,913	\$ 1,505,591	\$ 843,730	
33,838,781	36,283,773	747,654	880,860	AA
<u>\$ 101,783,897</u>	<u>\$ 80,411,686</u>	<u>\$ 2,253,245</u>	<u>\$ 1,724,590</u>	

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

Notes to Financial Statements (cont.)

As of August 31, 2011 and 2010, the Fund also had investments in futures contracts and options on future contracts. Futures contracts and options on future contracts expose the Fund to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default, and therefore they are not presented in the table above.

Counterparty risk for swaps, options and foreign currency exchange contracts is mitigated by having master netting arrangements between the Fund and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the Fund to cover the Fund's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties for net assets is held by the Fund in one of its accounts at the Fund's custodian bank. As of August 31, 2011 and 2010, the Fund held \$49,670,000 and \$6,210,000 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$48,475,166 and \$19,297,878, respectively, as collateral related to derivative instruments other than futures.

Note 4 – Securities Lending

In accordance with the prudent investor investment standards, the Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income, and related expenses, net of rebates paid to borrowers, are included in investment expenses in the statement of changes in fiduciary net assets. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2011 and 2010:

Securities on Loan	2011 Value	2010 Value	Type of Collateral	2011 Value of Collateral	2010 Value of Collateral
U.S. Government	\$ 3,257,398	\$ 6,603,421	Cash	\$ 3,324,276	\$ 6,736,715
Foreign					
Government	8,181,146	5,166,079	Cash	8,580,024	5,426,268
Corporate Bonds	8,382,372	8,825,206	Cash	8,591,874	9,032,434
Common Stock	68,444,425	89,823,891	Cash	71,001,671	93,203,834
Total	\$ 88,265,341	\$ 110,418,597	Total	\$ 91,497,845	\$ 114,399,251
U.S. Government	\$ 810,921	\$ -	Non-Cash	\$ 860,478	\$ -
Corporate Bonds	144,105	-	Non-Cash	152,912	-
Common Stock	-	1,485,041	Non-Cash	-	1,516,488
	\$ 955,026	\$ 1,485,041		\$ 1,013,390	\$ 1,516,488

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 Intermediate Term Fund (ITF)

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

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

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2011 and 2010, is shown in the following table:

Description	August 31,					
	2011			2010		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
		No Rating			No Rating	
Repurchase Agreements	\$ 32,463,354	Available	1	\$ 82,226,281	Available	1
Commercial Paper	31,933,842	P	28	18,862,093	P	35
Floating Rate Notes	7,855,494	AA		4,191,674	AA	
Floating Rate Notes	9,443,133	A		4,158,991	A	
Total Floating Rate Notes	<u>17,298,627</u>		33	<u>8,350,665</u>		26
Interest Bearing Notes	432,231	AA	76	-		-
Certificates of Deposit	9,358,820	P	33	5,665,854	P	63
Other Receivables/Payables	10,971	Not Rated	-	(705,642)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 91,497,845</u>		20	<u>\$ 114,399,251</u>		12

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

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of fiduciary net assets. Pool investments are valued at cost which because of the nature of these investments is indicative of fair value. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

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

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Notes to Financial Statements (cont.)

As of August 31, 2011 and 2010, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2011 and 2010.

Note 5 – Investment Funds

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

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

	August 31,	
	2011	2010
Investment Funds:		
Hedge Funds:		
Developed Country Equity	\$ 1,361,638,100	\$ 1,053,568,949
Credit Related Fixed Income	312,823,107	482,023,087
Emerging Markets Equity	180,944,607	151,307,422
Investment Grade Fixed Income	201,495,471	115,985,308
Real Estate	44,500,782	38,681,453
Natural Resources	7,499,930	6,486,781
Total Hedge Funds	<u>2,108,901,997</u>	<u>1,848,053,000</u>
Private Investments:		
Developed Country Equity	856,433,176	633,259,214
Credit Related Fixed Income	477,137,480	443,064,946
Natural Resources	187,597,632	126,528,648
Emerging Markets Equity	164,539,356	112,927,103
Real Estate	95,560,363	52,929,770
Total Private Investments	<u>1,781,268,007</u>	<u>1,368,709,681</u>
Public Markets:		
Developed Country Equity:		
Private Placements	527,611,235	382,735,961
Index Funds	-	20,410,482
Exchange Traded Funds	-	2,218,256
Total Developed Country Equity	<u>527,611,235</u>	<u>405,364,699</u>
Emerging Markets:		
Private Placements	299,135,299	230,615,151
Index Funds	-	32,334,049
Exchange Traded Funds	-	23,324,246
Total Emerging Markets	<u>299,135,299</u>	<u>286,273,446</u>
Real Estate:		
Index Funds	-	8,063,631
Total Real Estate	<u>-</u>	<u>8,063,631</u>
Fixed Income:		
Index Funds	-	59,804,461
Publicly Traded Mutual Funds	6,919,098	6,127,671
Total Fixed Income	<u>6,919,098</u>	<u>65,932,132</u>
Natural Resources:		
Private Placements	94,666,075	66,892,440
Total Natural Resources	<u>94,666,075</u>	<u>66,892,440</u>
Total Public Markets	<u>928,331,707</u>	<u>832,526,348</u>
Total Investment Funds	<u>\$ 4,818,501,711</u>	<u>\$ 4,049,289,029</u>

The Fund invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures represent the Fund's pro-rata share of these investment pool assets. The hedge fund pools are invested in private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty.

THE UNIVERSITY OF TEXAS SYSTEM

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Notes to Financial Statements (cont.)

There are certain risks associated with these private placements, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$42,371,530 of future funding to various hedge fund investments as of August 31, 2011 of which the Fund's pro-rata portion is \$11,965,720.

The Fund invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the Fund's financial statements and related note disclosures for the years ending August 31, 2011 and 2010, represent the Fund's pro-rata share of the investment pool assets. The private investment pools are 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 may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. The private investment pools have committed \$3,086,712,651 of future funding to various private investments as of August 31, 2011 of which the Fund's pro-rata portion is \$1,116,618,302.

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

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

Hedge funds, 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:

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

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Notes to Financial Statements (cont.)

- *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 3, including custodial credit risk and foreign currency risk. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

Note 6 – Written Options

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Commodity					
	Copper Futures	1	12/7/11	\$ -	\$ 4,702
	Corn Futures	2	11/23/12	-	1,295
				-	5,997
Other					
	Forward Volatility Agreement	1,200,000	10/11/11	-	3,740
	Forward Volatility Agreement	2,200,000	11/14/11	-	22,318
				-	26,058
				\$ -	\$ 32,055

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2011 was an increase in the amount of \$7,198, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$80,686 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2011.

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

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

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2011	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	10,500,000	6/18/12	\$ -	\$ 6,626
	United States 3 month Libor	1,700,000	7/10/12	-	5
	United States 3 month Libor	13,200,000	9/24/12	-	13,783
				<u>-</u>	<u>20,414</u>
Commodity					
	Brent Crude Futures	5	11/10/11	-	1,222
	Corn Futures	4	11/23/12	-	7,948
	Crude Oil Futures	1	11/15/11	-	1,222
	Crude Oil Futures	2	11/17/15	-	15,998
				<u>-</u>	<u>26,390</u>
Currency					
	U.S. Dollar vs. Euro	1,700,000	9/27/11	-	18,589
Equity					
	Australia S&P/ASX 200 Index	64,784	6/21/12	-	11,926,228
	Australia S&P/ASX 200 Index	26,718	6/20/13	-	7,186,910
	Australia S&P/ASX 200 Index	33,274	8/15/13	-	5,134,608
	Dow Jones U.S. Real Estate Index	1,199,198	2/21/12	-	1,610,942
	MSCI Emerging Markets Index	1,664,150	2/21/12	-	1,790,801
	Korean KOSPI 200 Index	488,857,812	6/13/13	-	7,770,895
	Korean KOSPI 200 Index	1,128,718,418	8/8/13	-	12,598,878
	S&P Metals & Mining ETF	1,081,987	2/21/12	-	2,014,673
				<u>-</u>	<u>50,033,935</u>
Fixed Income					
	Euro-BOBL Futures	11	9/30/11	-	-
	U.S. 10 yr Treasury Note Futures	23	9/23/11	-	9,765
				<u>-</u>	<u>9,765</u>
				<u>\$ -</u>	<u>\$ 50,109,093</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2011 was a decrease in the amount of \$3,543,964, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$1,572,192 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2011.

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

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

Notes to Financial Statements (cont.)

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2010</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate Swap					
	United States 3 month Libor	5,700,000	10/29/10	\$ -	\$ 376,496
Credit Default Swap					
	British Petroleum	1,100,000	12/15/10	-	1,653
Currency					
	U.S. Dollar vs. Euro	3,000	9/9/10	-	167
	U.S. Dollar vs. Euro	9,000	9/22/10	-	7,174
	U.S. Dollar vs. Mexican Peso	3,000	9/22/10	-	-
	U.S. Dollar vs. South Korean Won	3,000	9/7/10	-	-
	U.S. Dollar vs. U.K. Pound	3,000	9/15/10	-	211
				-	7,552
Equity					
	MetroPCS Communications	80	11/20/10	-	6,000
				<u>\$ -</u>	<u>\$ 391,701</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open call options for the year ending August 31, 2010 was a decrease in the amount of \$322,121, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$514,392 on call options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

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

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GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2010	
				Assets	Liabilities
Interest Rate Swap					
	United States 3 month Libor	5,700,000	10/29/10	\$ -	\$ 61
	United States 3 month Libor	3,700,000	12/1/10	-	99
	United States 3 month Libor	11,200,000	6/18/12	-	73,993
	United States 3 month Libor	1,700,000	7/10/12	-	299
				<u>-</u>	<u>74,452</u>
Credit Default Swap					
	British Petroleum	1,100,000	12/15/10	-	4,451
Currency					
	U.S. Dollar vs. Euro	11,000	9/9/10	-	12,519
Equity					
	Devon Energy	14	10/16/10	-	2,128
	Papa John's International	33	10/16/10	-	1,485
	Walmart	14	9/18/10	-	5,656
				<u>-</u>	<u>9,269</u>
				<u>\$ -</u>	<u>\$ 100,691</u>

The fair value is included on the statements of fiduciary net assets as options written, at fair value. The change in fair value of open put options for the year ending August 31, 2010 was an increase in the amount of \$120,262, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund recognized gains in the amount of \$725,886 on put options written which are included in the net increase in investments on the statement of changes in fiduciary net assets for the year ended August 31, 2010.

Note 7 – Swaps

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

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

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2011	
					Assets	Liabilities
Interest Rate						
Australian Dollar						
		4.750%	100,000	12/15/2013	\$ -	\$ 1,126
UK Pound						
		2.500%	5,800,000	9/21/2013	-	226,166
Euro						
		2.000%	6,600,000	9/21/2016	-	76,642
		3.000%	800,000	9/21/2016	45,104	-
		3.000%	2,100,000	9/21/2021	37,207	-
Japanese Yen						
		0.250%	850,000,000	12/21/2013	18,835	-
U.S. Dollar						
		2.500%	400,000	6/15/2016	-	26,552
		3.250%	2,200,000	12/21/2021	-	147,858
		3.500%	2,400,000	6/15/2021	-	261,604
Mexican Peso						
		6.590%	5,800,000	12/8/2015	24,251	-
		6.750%	64,600,000	6/8/2016	308,815	-
		6.960%	13,800,000	7/27/2020	55,235	-
		7.500%	14,600,000	6/2/2021	101,234	-
Brazilian Real						
		11.245%	1,000,000	1/2/2012	-	1,990
		11.250%	1,600,000	1/2/2012	-	3,127
		11.360%	3,000,000	1/2/2012	31,027	-
					<u>621,708</u>	<u>745,065</u>
Credit Default						
Euro						
		0.250%	600,000	3/20/2016	-	8,361
		0.250%	700,000	6/20/2016	-	10,890
U.S. Dollar						
		0.230%	200,000	3/20/2012	-	143
		0.250%	2,300,000	12/20/2015	-	112,521
		0.250%	500,000	3/20/2016	-	26,443
		0.250%	2,400,000	9/20/2016	-	145,710
		0.590%	1,000,000	9/20/2014	822	-
		0.590%	1,000,000	9/20/2016	8,780	-
		0.700%	800,000	12/20/2018	26,436	-
		0.750%	1,000,000	9/20/2017	-	16,099
		0.770%	200,000	3/20/2012	-	829
		1.000%	3,900,000	12/20/2011	12,626	-
		1.000%	2,200,000	12/20/2012	-	24,582
		1.000%	1,900,000	6/20/2015	31,627	-
		1.000%	4,100,000	12/20/2015	-	11,932
		1.000%	1,600,000	3/20/2016	17,711	-
		1.000%	3,600,000	6/20/2016	33,349	-
		1.000%	1,500,000	9/20/2016	-	25,559
		1.000%	200,000	12/20/2020	-	10,675
		1.135%	500,000	9/20/2013	5,754	-
		1.160%	2,000,000	3/20/2013	-	20,696
		1.350%	200,000	6/20/2016	-	3,100
		1.380%	1,000,000	3/20/2017	-	34,613
		1.400%	400,000	3/20/2021	1,597	-

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GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2011	
					Assets	Liabilities
Credit Default						
U.S. Dollar (continued)						
		1.450%	1,000,000	6/20/2013	\$ -	\$ 17,066
		1.540%	100,000	6/20/2018	-	236
		1.743%	200,000	6/20/2013	-	3,723
		1.780%	200,000	6/20/2013	-	3,873
		1.820%	200,000	6/20/2013	-	4,034
		1.920%	1,000,000	3/20/2017	116,247	-
		2.870%	300,000	3/20/2021	8,617	-
		2.880%	600,000	12/20/2020	35,531	-
		2.900%	400,000	3/20/2021	12,261	-
		2.920%	400,000	3/20/2021	24,903	-
		2.930%	300,000	6/20/2015	-	13,349
		2.950%	700,000	12/20/2020	44,853	-
					<u>381,114</u>	<u>494,434</u>
Commodity						
U.S. Dollar						
		Uranium	332,555	4/30/2012	-	55,228
					<u>-</u>	<u>55,228</u>
Equity						
U.S. Dollar						
		Global Real Estate Index	25,243,210	2/9/2012	-	2,874,636
		Oil & Gas	21,736,179	9/26/2011	858,007	-
		MSCI Europe Index	39,199,484	2/22/2012	-	2,215,076
		MSCI Japan Index	10,999,995	2/8/2012	77,146	-
		MSCI Japan Index	12,498,516	2/22/2012	-	500,528
		S&P 400 Index	35,539,213	2/21/2012	-	3,946,845
		S&P 500 Index	90,495,203	8/20/2012	-	7,754,461
		U.S. Real Estate Index	35,496,006	8/20/2012	-	2,865,530
					<u>935,153</u>	<u>20,157,076</u>
Total					\$ 1,937,975	\$ 21,451,803

The change in fair value of open swap positions for the year ending August 31, 2011 was a decrease in the amount of \$19,635,207, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

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GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

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

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
				Assets	Liabilities
Interest Rate					
Australian Dollar	6.000%	700,000	12/15/2020	\$ 36,110	\$ -
Brazilian Real	11.29%	7,500,000	1/2/2012	-	-
Canadian Dollar	2.500%	2,500,000	6/18/2013	13,810	-
Japanese Yen	1.500%	560,000,000	12/15/2020	259,586	-
U.S. Dollar	3.500%	5,400,000	9/2/2020	-	497,440
				<u>309,506</u>	<u>497,440</u>
Credit Default					
U.S. Dollar	0.210%	200,000	6/20/2011	-	56
	0.230%	200,000	3/20/2012	227	-
	0.290%	200,000	3/20/2011	-	262
	0.510%	200,000	6/20/2011	408	-
	0.590%	1,000,000	9/20/2014	26,547	-
	0.590%	1,000,000	9/20/2016	9,493	-
	0.700%	800,000	12/20/2018	22,129	-
	0.750%	1,000,000	9/20/2017	7,887	-
	0.770%	200,000	3/20/2012	368	-
	0.940%	200,000	6/20/2018	13,378	-
	1.000%	4,300,000	6/20/2015	78,041	-
	1.135%	500,000	9/20/2013	318	-
	1.160%	2,000,000	3/20/2013	-	570
	1.290%	200,000	6/20/2011	-	534
	1.380%	1,000,000	3/20/2017	-	43,314
	1.450%	1,000,000	6/20/2013	-	13,158
	1.540%	100,000	6/20/2018	-	2,126
	1.743%	200,000	6/20/2013	-	5,046
	1.780%	200,000	6/20/2013	-	5,268
	1.820%	200,000	6/20/2013	-	5,505
	1.920%	1,000,000	3/20/2017	70,223	-
	2.930%	300,000	6/20/2015	-	18,867
	3.460%	400,000	6/20/2017	-	45,633
				<u>229,019</u>	<u>140,339</u>
Commodity					
U.S. Dollar	Sugar #11	553,000	9/14/2010	103,320	-
				<u>103,320</u>	<u>-</u>

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

Notes to Financial Statements (cont.)

	Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2010	
					Assets	Liabilities
Equity						
UK Pound						
		Rio Tinto plc	351,681	9/10/2012	\$ 57,422	\$ -
Euro						
		Ryanair Holdings	495,859	9/10/2012	30,307	-
		Telefonica	306,268	9/10/2012	-	5,712
		Ryanair Holdings	14,657	8/4/2020	-	335
U.S. Dollar						
		Alerian MLP Basket	18,736,581	11/26/2010	-	202,657
		State Bank of India	530,464	12/1/2010	-	14,664
		MSCI Australia	22,282,713	5/16/2011	-	240,149
		MSCI Canada	27,132,093	5/16/2011	339,939	-
		Bank of Baroda	399,399	9/10/2012	46,676	-
		Union Bank of India	174,274	9/10/2012	7,339	-
		United Spirits Ltd.	335,769	9/10/2012	24,581	-
		Union Bank of India	248,271	11/11/2019	-	10,137
		Bank of Baroda	426,996	12/11/2019	7,350	-
Brazilian Real						
		Eletrabras	200,472	9/10/2012	23,935	-
					537,549	473,654
Total					\$ 1,179,394	\$ 1,111,433

The change in fair value of open swap positions for the year ending August 31, 2010 was an increase in the amount of \$122,077, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

Note 8 – Futures Contracts

During the years ended August 31, 2011 and 2010, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the years ending August 31, 2011 and 2010, were an increase in the amount of \$2,700,374 and \$5,485,638, respectively, which is included in the net increase in investments on the statement of changes in fiduciary net assets. The Fund had \$29,926,456 and \$25,776,383 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2011 and 2010, respectively. Short futures may be used by the Fund to hedge the Fund's interest rate or currency risk associated with security positions. The amount of net realized gains on the futures contracts, which is included in the net increase in investments on the statement of changes in fiduciary net assets, was \$51,404,063 and \$39,582,912 for the years ended August 31, 2011 and 2010, respectively.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The carrying and fair value, for August 31, 2011, shown in the table below for these open contracts do not include amount previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$270,670 as of August 31, 2011.

During the years ended August 31, 2011 and 2010, certain of the Fund's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract

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Notes to Financial Statements (cont.)

positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2011 and 2010.

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

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2011		Carrying and Fair Value at August 31, 2011	
			Long	Short	Assets	Liabilities
Commodities						
Aluminum Hg	-	Oct-11	\$ 674,369	\$ 674,369	\$ 64,388	\$ -
Aluminum Hg	118	Dec-11	8,600,341	1,263,088	-	75,863
Aluminum Hg	11	Dec-12	719,967	-	-	40,450
Brent Crude Oil	14	Sep-11	1,572,430	-	109,274	-
Brent Crude Oil	85	Nov-11	9,656,000	-	-	-
Brent Crude Oil	3	May-12	-	306,709	6,716	-
Coffee 'C'	12	Dec-11	1,405,219	131,549	-	12,841
Coffee 'C'	21	Mar-12	2,288,475	-	-	-
Coffee Robusta	6	Nov-11	134,864	-	5,459	-
Copper	102	Dec-11	12,283,394	-	122,914	-
Copper	3	Dec-12	705,361	-	33,951	-
Corn	353	Dec-11	13,564,043	-	297,362	-
Cotton No. 2	46	Dec-11	2,419,660	-	-	67,958
Crude Oil	9	Sep-11	810,608	-	42,544	-
Crude Oil	47	Nov-11	4,244,651	-	-	19,114
Crude Oil	16	May-12	1,495,075	-	-	13,171
Crude Oil	78	Nov-12	7,193,971	-	-	84,188
Gas Oil	13	Sep-11	1,243,979	-	61,074	-
Gasoline RBOB	11	Oct-11	1,322,366	-	2,926	-
Gasoline RBOB	34	Nov-11	4,123,203	107,527	-	5,492
Gold 100 Oz	137	Dec-11	25,028,256	-	1,231,318	-
Heating Oil	1	Sep-11	118,226	-	-	1,277
Heating Oil	3	Oct-11	434,394	-	1,057	-
Heating Oil	25	Nov-11	3,511,204	316,527	-	17,191
Heating Oil	17	May-12	2,159,422	-	-	-
Lead	9	Dec-11	722,015	113,435	82,064	-
Lean Hogs	93	Dec-11	3,085,212	-	-	2,741
Live Cattle	3	Oct-11	138,767	-	-	3,416
Live Cattle	63	Dec-11	2,906,256	-	-	19,391
Live Cattle	59	Feb-12	2,845,676	-	43	-
Mill Wheat	27	Nov-11	407,173	-	-	31,956
Natural Gas	10	Sep-11	-	341,794	15,462	11,395
Natural Gas	5	Oct-11	-	169,446	-	19,300
Natural Gas	-	Nov-11	200,165	180,047	-	38,320
Natural Gas	192	Dec-11	8,628,104	-	-	56,564
Natural Gas	114	Dec-12	5,840,582	-	-	11,773
Nickel	-	Nov-11	799,092	799,092	132,480	-
Nickel	22	Dec-11	2,989,687	-	-	14,882
Platinum	6	Oct-11	564,745	-	14,586	-
Platinum	3	Jan-12	282,722	-	161	-
Silver	35	Dec-11	7,327,143	-	46,257	-
Soybean	100	Nov-11	7,283,902	-	118,015	-
Soybean	65	Jul-12	4,763,688	-	-	-
Soybean Oil	82	Oct-11	2,887,548	-	-	-
Soybean Oil	29	Dec-11	1,027,818	-	-	-
Sugar #11 World	76	Sep-11	2,511,782	-	101,736	-
Sugar #11 World	39	Feb-12	1,261,478	-	-	-
Sugar #11 World	29	Jun-12	851,626	-	-	-
Sugar #11 World	6	Sep-12	173,241	-	27,129	-
Wheat	83	Dec-11	3,289,678	-	58,622	-

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

Notes to Financial Statements (cont.)

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2011</u>		<u>Carrying and Fair Value at August 31, 2011</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Commodities (continued)						
Wheat	11	Dec-11	\$ 503,759	\$ -	\$ 55,606	\$ -
Wheat	80	Mar-12	3,308,000	-	-	-
Zinc	13	Dec-11	746,606	-	74,457	-
Zinc	46	Jun-12	2,691,288	-	-	-
			<u>173,747,231</u>	<u>4,403,583</u>	<u>2,705,601</u>	<u>547,283</u>
Foreign Fixed Income						
Australian 3yr Bond	29	Sep-11	-	3,296,861	2,726	-
Canada 10yr Bond	35	Dec-11	4,635,527	-	11,453	-
Euro-Bobl	1	Sep-11	175,281	-	54,864	-
Euro-Bund	8	Sep-11	1,549,916	-	190,244	-
UK Long Gilt	21	Dec-11	4,324,420	-	12,099	-
			<u>10,685,144</u>	<u>3,296,861</u>	<u>271,386</u>	<u>-</u>
Total			<u>\$ 184,432,375</u>	<u>\$ 7,700,444</u>	<u>\$ 2,976,987</u>	<u>\$ 547,283</u>

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

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Notes to Financial Statements (cont.)

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2010		Carrying and Fair Value at August 31, 2010		
			Long	Short	Assets	Liabilities	
Domestic Fixed Income							
U.S. 10 Year Treasury Notes	228	Dec-10	\$ 28,642,500	\$ -	\$ 78,375	\$ -	
			28,642,500	-	78,375	-	
Domestic Equity							
S&P 500 Index	111	Sep-10	29,090,325	-	88,800	-	
			29,090,325	-	88,800	-	
Commodities							
Aluminum Hg	41	Jan-11	6,465,625	4,344,900	439,615	-	
Aluminum Hg	47	Mar-11	3,691,113	1,247,700	225,900	-	
Brent Crude Oil	7	Dec-10	529,060	-	-	-	
Coffee 'C'	22	Dec-10	1,472,212	-	-	-	
Coffee 'C'	12	Mar-11	803,250	-	-	-	
Coffee 'C'	9	May-11	598,219	-	-	-	
Copper	79	Dec-10	6,655,750	-	-	-	
Corn	106	Dec-10	2,328,025	-	-	-	
Corn	86	Mar-11	1,944,675	-	-	-	
Corn	102	Jul-11	2,368,950	-	-	-	
Cotton No. 2	21	Dec-10	905,100	-	-	-	
Cotton No. 2	28	Mar-11	1,186,360	-	-	-	
Crude Oil	5	Dec-10	375,500	-	-	-	
Crude Oil	69	Dec-11	5,591,760	-	-	-	
Crude Oil	59	Jun-12	4,858,650	-	-	-	
Gasoline RBOB	28	Oct-10	2,184,302	-	-	-	
Gasoline RBOB	7	Dec-10	550,574	-	-	-	
Gold 100 Oz	1,552	Dec-10	194,046,560	-	1,643,912	-	
Heating Oil	33	Jun-11	2,915,728	-	-	-	
Lean Hogs	72	Dec-10	2,110,320	-	-	-	
Live Cattle	10	Oct-10	389,100	-	-	-	
Live Cattle	81	Jun-11	3,191,400	-	-	-	
Natural Gas	39	Jan-11	1,815,060	-	-	-	
Natural Gas	8	Jan-12	442,320	-	-	-	
Natural Gas	101	Apr-12	5,123,730	-	-	-	
Nickel	-	Feb-11	1,119,042	1,119,042	120,720	-	
Nickel	13	Jun-11	1,740,312	124,308	-	42,636	
Nickel	6	Nov-11	737,280	-	-	-	
Silver	32	Dec-10	3,109,120	-	-	-	
Soybean	31	Nov-10	1,565,500	-	-	-	
Soybean	76	Jan-11	3,873,150	-	-	-	
Soybean	29	May-11	1,489,150	-	-	-	
Soybean Oil	41	Oct-10	975,636	-	-	-	
Soybean Oil	62	Dec-10	1,489,860	-	-	-	
Soybean Oil	8	May-11	196,032	-	-	-	
Sugar #11 World	60	Mar-11	1,298,304	-	-	-	
Sugar #11 World	27	Jul-11	522,547	-	-	-	
Wheat	111	Dec-10	3,805,913	-	-	-	
Wheat	39	Jul-11	1,358,663	-	-	-	
Zinc	-	Sep-10	5,916,000	5,916,000	2,266,888	-	
Zinc	40	Aug-11	2,544,000	424,000	-	-	
			284,283,852	13,175,950	4,697,035	42,636	
Foreign Fixed Income							
90 Day Euro Dollar	456	Mar-11	-	113,458,500	660,776	-	
Euro-Bobl	11	Sep-10	1,714,143	-	7,374	-	
Euro-Bund	40	Sep-10	6,834,152	-	-	12,206	
UK Long Gilt	8	Dec-10	1,540,097	-	8,120	-	
			10,088,392	113,458,500	676,270	12,206	
Total			\$ 352,105,069	\$ 126,634,450	\$ 5,540,480	\$ 54,842	

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GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 9 – Foreign Currency Exchange Contracts

The following tables summarize by currency the contractual amounts of the Fund’s foreign currency exchange contracts at August 31, 2011 and 2010. Foreign currency amounts are translated at exchange rates as of August 31, 2011 and 2010. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

<u>Currency</u>	<u>Net Buy</u> <u>August 31, 2011</u>	<u>Net Sell</u> <u>August 31, 2011</u>	<u>Unrealized Gains</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>August 31, 2011</u>	<u>Unrealized Losses</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>August 31, 2011</u>
Australian Dollar	\$ -	\$ 45,685,041	\$ 414,661	\$ 482,961
Brazilian Real	-	4,617,300	84,375	1,305
Canadian Dollar	-	943,037	52,632	27,478
Chinese Yuan Renminbi	7,627,462	-	163,203	47,398
Danish Krone	1,616,491	-	25,714	3,056
Euro	-	34,434,489	156,590	509,876
Hong Kong Dollar	-	2,446,676	20	1,282
Indian Rupee	6,036,105	-	187,145	5,961
Indonesian Rupian	2,698,400	-	201,084	42
Japanese Yen	32,145,794	-	1,276,892	7,081,969
Malaysian Ringgit	134,543	-	7,095	194
Mexican Peso	3,185,260	-	242,297	199,940
New Zealand Dollar	-	16,326,783	186,718	58,722
Norwegian Kroner	-	5,401,385	604	143,628
Philippine Peso	77,675	-	57,746	42,497
Polish Zloty	-	72,382	244	9,973
Singapore Dollar	304,215	-	23,393	3,041
South African Rand	5,534,991	-	163,648	50,628
South Korean Won	5,638,552	-	493,179	13,348
Swedish Krona	1,602,836	-	23,148	3,954
Swiss Franc	-	8,258,255	649,527	67,273
Taiwan Dollar	11,787,271	-	7,289	84,858
Thai Baht	178,330	-	10,555	4
Turkish Lira	5,122,378	-	120,445	-
UK Pound	-	1,609,761	137,552	96,007
	<u>\$ 83,690,303</u>	<u>\$ 119,795,109</u>	<u>\$ 4,685,756</u>	<u>\$ 8,935,395</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2011 was a decrease in the amount of \$4,249,639, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

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

Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Net Buy August 31, 2010</u>	<u>Net Sell August 31, 2010</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2010</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2010</u>
Australian Dollar	\$ -	\$ 10,887,276	\$ 126,150	\$ 86,813
Brazilian Real	81,845	-	328	115
Canadian Dollar	-	1,544,164	66,210	14,318
Chinese Yuan Renminbi	4,499,174	-	21,464	186,600
Danish Krone	534,903	-	16,087	-
Egyptian Pound	-	3	720	28
Euro	-	14,394,982	163,843	374,595
Hong Kong Dollar	-	119,665	116	51
Hungarian Forint	-	-	72,265	35,169
Indian Rupee	261,825	-	-	1,375
Indonesian Rupian	619,559	-	68,924	75
Japanese Yen	9,255,850	-	875,458	528,155
Malaysian Ringgit	806,852	-	25,899	1,290
Mexican Peso	139,075	-	34,088	54,562
New Zealand Dollar	1,731,292	-	60,838	4,864
Norwegian Kroner	4,546,408	-	70,887	-
Philippine Peso	-	-	40	-
Polish Zloty	50,147	-	86	-
Singapore Dollar	254,192	-	8,554	1,269
South African Rand	522,857	-	23,002	944
South Korean Won	1,652,117	-	8,182	46,554
Swedish Krona	1,994,964	-	39,314	226,523
Swiss Franc	1,976,734	-	70,550	24,094
Taiwan Dollar	671,792	-	-	10,005
Thai Baht	288,393	-	13,244	2,319
Turkish Lira	4,194,211	-	242,086	224
UK Pound	8,543,129	-	244,910	124,648
	<u>\$ 42,625,319</u>	<u>\$ 26,946,090</u>	<u>\$ 2,253,245</u>	<u>\$ 1,724,590</u>

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2010 was an increase in the amount of \$528,655, which is included in the net increase in investments on the statement of changes in fiduciary net assets.

Note 10 – Purchase Agreement

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

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.07% to 1.50%. In addition to quarterly investment management fees, the Fund may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net assets represent only those paid directly from the Fund, and do not include fees incurred and charged by general partners in private investments, fees charged by mutual fund managers, and fees charged by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement. For the years ended August 31, 2011 and 2010, custodial fees and expenses incurred by the Fund amounted to \$1,494,125 and \$784,650, respectively.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers. Fees incurred by the Fund for the years ended August 31, 2011 and 2010, amounted to \$272,991 and \$326,574, respectively.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund. For the years ended August 31, 2011 and 2010, the fees incurred by the Fund amounted to \$184,015 and \$211,439.

Accounting fees, in the amount of \$248,084 and \$209,739, were paid by the Fund during the years ended August 31, 2011 and 2010, respectively, for external and UT System internal audit services and for foreign tax consulting services.

Consulting fees, in the amount of \$118,410 and \$145,531, respectively, for the years ending August 31, 2011 and 2010, were incurred for investment strategy and other investment planning services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of hiring new investment managers. Fees in the amount of \$69,787 and \$40,371 were incurred for the years ending August 31, 2011 and 2010, respectively.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

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

	2011		2010	
	Value	% of Total Investments	Value	% of Total Investments
Equity Securities				
Domestic Common Stock	\$ 311,456	4.42%	\$ 250,246	4.17%
Foreign Common Stock	584,102	8.30%	546,274	9.11%
Other Equity Securities	55	0.00%	1,102	0.02%
Total Equity Securities	895,613	12.72%	797,622	13.30%
Preferred Stock				
Domestic Preferred Stock	1,998	0.03%	2,042	0.03%
Foreign Preferred Stock	30,591	0.43%	24,575	0.41%
Total Preferred Stock	32,589	0.46%	26,617	0.44%
Debt Securities				
U.S. Government Obligations	132,758	1.88%	126,328	2.11%
Foreign Government and Provincial Obligations	244,222	3.47%	133,745	2.23%
Corporate Obligations	158,443	2.25%	285,023	4.75%
Other	6,890	0.10%	4,382	0.07%
Total Debt Securities	542,313	7.70%	549,478	9.16%
Purchased Options	92,847	1.32%	5,492	0.09%
Convertible Securities	2,384	0.03%	23	0.00%
Investment Funds				
Hedge Funds	2,108,902	29.95%	1,848,053	30.81%
Private Investments	1,781,268	25.30%	1,368,710	22.82%
Real Estate	-	0.00%	8,064	0.14%
Developed Country Equity	527,611	7.49%	405,365	6.76%
Emerging Markets Equity	299,136	4.25%	286,273	4.77%
Fixed Income	6,919	0.10%	65,932	1.10%
Natural Resources	94,666	1.34%	66,892	1.12%
Total Investment Funds	4,818,502	68.43%	4,049,289	67.52%
Physical Commodities - Gold	365,031	5.18%	-	0.00%
Cash and Cash Equivalents	292,775	4.16%	569,000	9.49%
Total Cash and Cash Equivalents	292,775	4.16%	569,000	9.49%
Total Investments	\$ 7,042,054	100.00%	\$ 5,997,521	100.00%

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules (cont.)

Financial Highlights
Years Ended August 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Year	\$ 170.972	\$ 151.333	\$ 174.268	\$ 179.756	\$ 155.154
Income from Investment Operations					
Net Investment Income (A)	1.709	1.467	1.645	2.696	3.131
Net Realized and Unrealized Gain (Loss) on Investments	<u>23.701</u>	<u>18.172</u>	<u>(24.580)</u>	<u>(8.184)</u>	<u>21.471</u>
Total Income (Loss) from Investment Operations	<u>25.410</u>	<u>19.639</u>	<u>(22.935)</u>	<u>(5.488)</u>	<u>24.602</u>
Net Asset Value, End of Year	<u>\$ 196.382</u>	<u>\$ 170.972</u>	<u>\$ 151.333</u>	<u>\$ 174.268</u>	<u>\$ 179.756</u>
Ratios and Supplemental Data					
Net Assets, End of Year (in thousands)	\$7,049,248	\$6,035,424	\$5,358,787	\$6,310,376	\$6,433,071
Ratios to Average Net Assets					
Expenses	0.24%	0.25%	0.19%	0.18%	0.20%
Net Investment Income (A)	0.92%	0.91%	1.14%	1.49%	1.88%

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