

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

FINANCIAL STATEMENTS

**For the Period from Inception (March 1, 2001)
to August 31, 2001**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statement of assets and liabilities, and the summary of investment in securities of The University of Texas System General Endowment Fund (Fund) as of August 31, 2001, the related statement of operations and changes in net assets for the period from inception (March 1, 2001) to August 31, 2001, and the financial highlights for the period from inception (March 1, 2001) to August 31, 2001. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2001, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position and the investment in securities of the Fund as of August 31, 2001, the results of its operations and the changes in its net assets for the period from inception (March 1, 2001) to August 31, 2001 and the financial highlights for the period from inception (March 1, 2001) to August 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 19, 2001

Deloitte
Touche
Tohmatsu

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

Financial Highlights

For the Period from Inception (March 1, 2001) to August 31, 2001

Selected Per Unit Data

Net Asset Value, Beginning of Period	\$ 100.000
Income from Investment Operations	
Net Investment Income	1.200
Net Realized and Unrealized Loss on Investments	<u>(3.389)</u>
Total Income from Investment Operations	<u>(2.189)</u>
Net Asset Value, End of Period	<u>\$ 97.811</u>

Ratios and Supplemental Data

Net Assets, End of Period (in thousands)	\$ 3,723,912
Ratio of Expenses to Average Net Assets	0.09%
Ratio of Net Investment Income to Average Net Assets	1.22%

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

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

Summary of Investment in Securities, at Value

August 31, 2001

(in thousands)

Equity Securities

Index Funds	\$ 881,803
Domestic Common Stock	733,637
Commingled Investments	640,911
Limited Partnerships	366,491
Foreign Common Stocks	116,147
Other	<u>1,093</u>
Total Equity Securities	<u>2,740,082</u>

Debt Securities

U.S. Government Obligations (Direct and Guaranteed)	204,349
U.S. Government Agencies (Non-Guaranteed)	303,343
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	4,417
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	62,569
Municipal and County Bonds	9,105
Corporate Bonds	230,395
Foreign Corporate Bonds	14,861
Commingled Investment	11,690
Other	<u>3,331</u>
Total Debt Securities	<u>844,060</u>

Preferred Stock

Domestic Preferred Stock	12,842
Foreign Preferred Stock	<u>1,305</u>
Total Preferred Stock	<u>14,147</u>

Convertible Securities

2,915

Cash and Cash Equivalents

Money Markets	<u>320,832</u>
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Total Investment in Securities **\$ 3,922,036**

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part of these financial statements.*

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

Statement of Assets and Liabilities

August 31, 2001

(Dollars in thousands, except per unit amounts)

Assets

Investment in Securities, at Value (Cost \$3,967,110)	\$ 3,922,036
Collateral for Securities Loaned, at Value	116,812
Deposit with Broker for Futures Contracts	14,129
Unrealized Gains on Foreign Currency Exchange Contracts	2,694
Receivables	
Investment Securities Sold	26,861
Accrued Income	10,351
Other	<u>552</u>
Total Assets	<u>4,093,435</u>

Liabilities

Payable to Participants	17,142
Payable Upon Return of Securities Loaned	116,812
Unrealized Losses on Foreign Currency Exchange Contracts	935
Payables	
Investment Securities Purchased	233,316
Other	<u>1,318</u>
Total Liabilities	<u>369,523</u>

Net Assets **\$ 3,723,912**

Net Assets Consist Of:

Participant Contributions (Net of Withdrawals)	\$ 3,818,165
Net Unrealized Depreciation of Investments including Translation of Assets and Liabilities in Foreign Currencies	<u>(94,253)</u>

Net Assets **\$ 3,723,912**

Number of Units:

Permanent Health Fund (PHF)	9,009,891
The University of Texas System Long Term Fund (LTF)	<u>29,062,538</u>
Total	<u><u>38,072,429</u></u>

Net Asset Value Per Unit **\$ 97.811**

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part of these financial statements.*

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

Statement of Operations and Changes in Net Assets

For the Period from Inception (March 1, 2001) to August 31, 2001

(in thousands)

Investment Income	
Interest	\$ 29,790
Dividends	17,308
Income Distributions from Limited Partnerships	1,631
Other	<u>1,187</u>
Total Investment Income	<u>49,916</u>
Expenses	
Investment Management and Consulting Fees	3,076
Custodial Fees and Expenses	298
Other	<u>28</u>
Total Expenses	<u>3,402</u>
Net Investment Income	<u>46,514</u>
Realized and Unrealized Loss on Investments	
Net Realized Loss on Investments Securities and Foreign Currency Related Transactions	(36,860)
Net Unrealized Depreciation on Investment Securities and Foreign Currency Related Transactions	<u>(94,253)</u>
Net Loss on Investments	<u>(131,113)</u>
Net Decrease in Net Assets Resulting From Operations	\$ (84,599)
Net Assets	
Beginning of Period	-
Participant Contributions:	
Initial Contributions on March 1, 2001	3,839,708
Subsequent Contributions (including reinvestments of \$9,654)	81,198
Participant Withdrawals	(102,741)
Distributions of Net Investment Income and Net Realized Loss	<u>(9,654)</u>
End of Period	<u>\$ 3,723,912</u>

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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements

Note 1 Organization

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 (Board of Regents). The Fund is organized as a mutual 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 Board of Regents. 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 Board of Regents.

The accompanying financial statements follow the form and content of investment company financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America. The principles followed will differ from the principles applied in governmental and fund accounting. The annual combined financial statements of The University of Texas System are prepared in accordance with 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 governmental accounting principles or the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 Significant Accounting Policies

(A) **Security Valuation** -- Investments 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 Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market 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).

Limited Partnerships and Other are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors.

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

Stocks traded on security exchanges are valued at closing market prices on the valuation date.

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

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

Commingled funds are valued based on the net asset value per share provided by the investment company.

(B) Foreign Currency Translation -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities and securities sold short 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 operations resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Security classifications on the summary of investment in securities, at value are based on currency.

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

(D) Security Transactions -- Security transactions are recorded on a trade date basis for most securities. International index fund transactions are recorded on a settle date basis due to trading practices which impose restrictions in acquiring per unit information on the trade date. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(E) Distributions to Participants -- The Fund distributes 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 distributed amounts are reinvested as contributions. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

(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 -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. 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 undivided interest in the Fund's net assets.

(I) Federal Income Taxes -- The Fund is not subject to federal income tax.

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

(J) 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.

(K) Foreign Currency Contracts -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward 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 statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of assets and liabilities. 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.

(L) Cash and Cash Equivalents -- Cash and Cash Equivalents consist of money markets and other overnight funds.

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

Note 3 Acquisitions and Dispositions of Investments

On March 1, 2001, the Fund received initial contributions of investment assets of \$922,338,502 and \$2,917,369,473 from the PHF and LTF, respectively. The PHF's and LTF's contribution of investments, excluding limited partnerships and certain other equity investments, totaled \$3,384,493,785 at fair value. The Fund recorded the book value of these investments equal to their fair value and the PHF and LTF recognized gains or losses upon the sale of these investments to the Fund. The limited partnerships and certain other equity investments were also contributed at fair value by the PHF and LTF in the amount of \$455,214,190. The Fund, however, for purposes of subsequent reporting of realized gains, will consider the PHF and LTF's historical cost of \$405,891,674 as the Fund's cost. The PHF and LTF did not record a realized gain or loss on these securities contributed.

Acquisitions and dispositions (including sales, maturities and prepayments) of securities, other than short-term securities, and the associated net realized gains are as follows for the period from inception (March 1, 2001) through August 31, 2001:

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

Acquisitions	\$ 6,281,959,888
Dispositions	(2,606,891,798)
Net Realized Loss on Investments	(36,859,866)

The net realized loss on investments includes \$15,863,982 of capital losses incurred on the index and mutual funds. Also included in net realized loss are \$5,647,083 of currency exchanges losses.

Note 4 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 0.01% to 1.0%. In addition to quarterly investment management fees, the Fund may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. In addition, the Fund incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

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.

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

Note 5 Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the United States and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P 400 Mid-Cap Index.

The Russell 2000 Index Fund B's objective is approximating as closely as practicable the capitalization weighted total return of the segment of the U.S. market for publicly traded common stocks represented by the Russell 2000 Index.

The Provisional EAFE Index is a temporary fund established to accommodate the reconstitution of the current MSCI EAFE Index (Morgan Stanley Capital International Europe, Australia and Far East Index). The MSCI EAFE does not fully represent the international equity markets and is being reconstituted to create a more representative benchmark. The Provisional EAFE Index will be folded into the standard

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

MSCI EAFE Index upon completion of the reconstitution and final transition in May 2002.

When deemed appropriate, a portion of the index funds may invest in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Mid-Cap Index Fund B Lendable is majority-owned by the Fund and the Permanent University Fund. The market values of the Fund's interests in these index funds are as follows at August 31, 2001:

Equity Index Fund B Lendable	\$ 251,876,195
Mid-Cap Index Fund B Lendable	345,172,117
Russell 2000 Index Fund B	74,981,968
Provisional EAFE Index	<u>209,772,510</u>
	<u>\$ 881,802,790</u>

Note 6 Commingled Investments

The commingled investments consist of investments in other entities in which the Fund has an ownership percentage, shares or limited partnership interest. The market values of the commingled investments consist of the following:

Equity Commingled Investments:

Emerging Market Mutual Funds	\$ 119,003,366
Small Capitalization International Stock Fund	95,384,536
Merger Arbitrage and Special Situation Funds	261,547,201
Hedge Fund	164,386,371
Growth-Oriented, Capital Appreciation Fund	<u>589,041</u>

Total Equity Commingled Investments \$ 640,910,515

Debt Commingled Investment:

High Yield Bond Fund	<u>\$ 11,690,404</u>
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The merger arbitrage and special situation funds invest in merger arbitrage, corporate restructuring, distressed investments, distressed convertibles and liquidations. The hedge fund invests primarily in medium and large capitalization U.S. equities in which performance is driven by long and short security selection with a low net exposure to market risk.

Note 7 Securities Lending

The Fund loaned securities to certain brokers who paid the Fund negotiated lenders' fees. These fees are included in investment income. 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 United States issuers and a market value of 105% for loaned securities of non-United States issuers. If the market value of the collateral held in connection with loans of securities of United States 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-United States 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 UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2001:

<u>Securities On Loan</u>	<u>Value</u>	<u>Type of Collateral</u>	<u>Value of Collateral</u>
U.S. Government	\$ 94,429,956	Cash	\$ 95,780,461
Foreign Government	1,311,727	Cash	1,380,200
Corporate Bonds	12,726,663	Cash	13,035,000
Common Stock	<u>6,224,026</u>	Cash	<u>6,616,357</u>
Total	<u>\$ 114,692,372</u>	Total	<u>\$ 116,812,018</u>
U.S. Government	<u>\$ 8,394,625</u>	Non-Cash	<u>\$ 8,859,374</u>

Cash received as collateral for securities lending activities is recorded as an asset with an equal and offsetting liability to return the collateral. 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.

Note 8 Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of \$329,013,133 as of August 31, 2001.

Note 9 Written Options

During the period ended August 31, 2001, the Fund wrote put options on short-term interest rate futures contracts. At August 31, 2001, there were 577 contracts on short-term interest rate futures contracts outstanding with a principal notional value of \$577,000,000. The principal notional value is used as a mechanism to determine the day-to-day fluctuations in the value of the options written, and is not indicative of the risk of loss to the Fund. At option expiry, for each basis point the underlying futures price is below the contract strike price, the Fund is subject to a \$25 reduction in the value of each outstanding contract. For example, if the Fund had written the 577 put options on short-term interest rate futures contracts at 4.00% (i.e., a eurodollar futures price of 96.00), and interest rates increased to 4.50% (i.e., a eurodollar futures price of 95.50), the Fund would recognize a loss in an amount equal to \$721,250 (577 X \$25 X 50 basis points) less the premium received at the time the contract was written.

The 577 contracts outstanding as of August 31, 2001 represent contracts on 90 Day Eurodollar futures with a weighted average interest rate of 4.59%. As of October 19, 2001, the current rate on the December Eurodollar Futures was 2.29% (i.e., a price of 97.71), indicating that it would be highly improbable that the outstanding put options outstanding will be exercised, and therefore the Fund would recognize as realized gain the premium received of \$232,528 upon expiration of the put options in December 2001.

Transactions in put options written during the period ended August 31, 2001 were as follows:

	<u>Number of Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2000	-	\$ -
Options Written	810	340,978
Options Expired	<u>(233)</u>	<u>(108,450)</u>
Put Options Outstanding at August 31, 2001	<u>577</u>	<u>\$ 232,528</u>

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

The fair value of the put options outstanding as of August 31, 2001, was \$6,143. This amount is included in Other Liabilities on the statement of assets and liabilities. The Fund recognized gains in the amount of \$108,450 on put options written during the period. As of August 31, 2001, no securities were held as collateral for the put options written by the Fund.

The Fund also wrote call options on Treasury bond futures contracts during the period ended August 31, 2001. As of August 31, 2001 the principal notional value of the 69 Treasury bond futures contracts outstanding was \$7,348,500 based on an August 31, 2001 price of \$106.50. The Fund held positions in the underlying futures contracts as of August 31, 2001, thus reducing its risk of loss.

Transactions in call options written during the period ended August 31, 2001 were as follows:

	<u>Number of Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2000	-	\$ -
Options Written	341	147,149
Options Expired	<u>(272)</u>	<u>(112,419)</u>
Call Options Outstanding at August 31, 2001	<u>69</u>	<u>\$ 34,730</u>

The fair value of the call options outstanding as of August 31, 2001 was \$48,594. This amount is included in Other Liabilities on the statement of assets and liabilities. During the period the Fund recognized gains in the amount of \$112,419 on call options written.

Note 10 Futures Contracts

The Fund's activities include trading in derivatives such as futures contracts. Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the Fund. The asset classes that used futures during the year include domestic and foreign equities, and domestic and foreign debt. The Fund had \$14,129,014 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2001. It is the intention of the Fund not to utilize leverage when entering into these contracts and to maintain cash balances that, when combined with the collateral deposit with a broker, exceed the notional value of the futures contracts held. Short futures may be used by a limited number of the Fund's external managers to hedge the Fund's interest rate or country risk associated with security positions. Futures 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. The amount of net realized loss on the futures contracts was \$7,049,629 during the period from inception (March 1, 2001) to August 31, 2001. 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 manager's various trading and credit monitoring techniques.

The following discloses the notional, carrying and fair values at August 31, 2001, and the average carrying and fair values for the period from inception (March 1, 2001) to August 31, 2001, for futures contracts:

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

	Notional Value at		Carrying and Fair Value at		Average Carrying And Fair Value for the Period from Inception (March 1, 2001) to August 31, 2001	
	August 31, 2001		August 31, 2001			
	Long	Short	Assets	Liabilities	Assets	Liabilities
Domestic Fixed Income Futures	\$37,538,750	\$75,938,875	\$ 62,813	\$ 53,417	\$ 138,805	\$ 139,065
International Fixed Income Futures	42,728,035	18,291,341	71,554	34,653	66,278	59,556
Domestic Equity Futures	80,308,325	3,753,200	410,350	3,600	411,329	469,780
International Equity Futures	14,904,283	9,919,416	111,004	154,748	154,540	157,005

Note 11 Foreign Currency Exchange Contracts

The table below summarizes by currency the contractual amounts of the Fund's foreign currency exchange contracts at August 31, 2001. Foreign currency amounts are translated at exchange rates as of August 31, 2001. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2001	Net Sell August 31, 2001	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2001	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2001
Euro	\$ 47,605,814	\$ -	\$ 194,048	\$ 306,807
UK Pound	17,001,757	-	243,896	22,159
New Zealand Dollar	-	6,885,606	4,345	241,288
Swiss Franc	6,388,659	-	222,998	103,231
Canadian Dollar	-	7,493,594	72,373	19,113
Norwegian Krone	18,325,246	-	474,752	-
Japanese Yen	31,459,953	-	1,288,813	72,585
Australian Dollar	9,129,945	-	117,311	1,732
Swedish Krona	-	16,129,949	-	69,142
Singapore Dollar	-	4,300,065	347	98,971
Danish Krone	1,186,533	-	74,762	-
	<u>\$ 131,097,907</u>	<u>\$ 34,809,214</u>	<u>\$ 2,693,645</u>	<u>\$ 935,028</u>