

Financial Statements  
and Independent Auditor's Report

Permanent University Fund

*Years Ended August 31, 2025 and 2024*

Permanent University Fund

Financial Statements

Years Ended August 31, 2025 and 2024

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the financial statements of the Permanent University Fund (the "PUF"), as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the PUF, as of August 31, 2025 and 2024, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the PUF and do not purport to, and do not, present fairly the financial position of The University of Texas System, as of August 31, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by The University of Texas/Texas A&M Investment Management Company and do not include the 2.1 million acres of land discussed in Note 1.

Our opinion is not modified with respect to these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with GAAS, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the financial

statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Changes in Cost of Investments and Investment Income for the year ended August 31, 2025 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Changes in Cost of Investments and Investment Income is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

October 29, 2025

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

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the years ended August 31, 2025 and 2024. This discussion was prepared by The University of Texas/Texas A&M Investment Management Company (UTIMCO) and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of institutions and agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into a Master Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

### Financial Highlights

The PUF's net position after distributions increased by \$3,822.5 million from \$36,468.9 million to \$40,291.4 million, or approximately 10.5% for the year ended August 31, 2025, compared to an increase of \$3,458.7 million or approximately 10.5% for the year ended August 31, 2024. The change in net position from year to year is mainly attributable to the following:

1. The PUF posted a net investment gain of 10.0%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2025. Investments in developed public equity, infrastructure and directional and stable value hedge funds were the biggest contributors to the 2025 gain. For the year ended August 31, 2024, the PUF posted a net investment return of 10.5%. Investments in developed and emerging markets public equity, and directional and stable value hedge funds were the biggest contributors to the 2024 gain.
2. Fiscal year 2025 contributions of PUF Lands mineral income decreased by 7.1% from \$1,850.3 million to \$1,719.1 million and represented 4.5% of the average value of the PUF investments during the year, compared to fiscal year 2024 contributions which decreased by 0.8% from \$1,864.4 million to \$1,850.3 million and represented 5.3% of the average value of the PUF investments during the year. PUF Lands expenses were \$31.8 million and \$25.2 million for the years ended August 31, 2025 and 2024, respectively. PUF Lands consist of more than 2.1 million acres in 19 counties primarily in West Texas.
3. The PUF's annual distribution of \$1,524.9 to the Available University Fund (AUF) decreased by 18.5% in fiscal year 2025. The increase in fiscal year 2024 was 51.9%. Included in that amount is a one-time supplemental distribution approved by the UT Board of \$462.7 million that was made during the year, which comprised of 37.6% of the total increase.

## PERMANENT UNIVERSITY FUND

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### Use of Financial Statements and Notes

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

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

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

### Statements of Net Position

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

The PUF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies and attempts to supplement the endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the TAMU System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Assets</b>			
Investments, at Fair Value	\$ 40,521.4	\$ 36,379.0	\$ 33,320.4
Other Assets	1,333.5	1,370.6	895.2
<b>Total Assets</b>	<u>41,854.9</u>	<u>37,749.6</u>	<u>34,215.6</u>
<b>Total Liabilities</b>	<u>1,563.5</u>	<u>1,280.7</u>	<u>1,205.4</u>
<b>Net Position Restricted for Beneficiaries</b>	<u>\$ 40,291.4</u>	<u>\$ 36,468.9</u>	<u>\$ 33,010.2</u>

### Statements of Changes in Net Position

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

The net increase in fair value of investments of the PUF was \$3,338.5 million during the year compared to a net increase in fair value of investments of \$3,229.6 million for the year ended August 31, 2024. Investment expenses totaled \$61.5 million, \$76.7 million, and \$71.5 million, respectively, for the years ended August 31, 2025, 2024, and 2023.

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

Distributions to the AUF decreased by \$345.6 million from \$1,870.5 million in fiscal year 2024 to \$1,524.9 million in fiscal year 2025. The fiscal year 2024 distribution amount increased by \$639.4 million from the fiscal year 2023 distribution of \$1,231.1 million. The fiscal year 2024 amount included a one-time supplemental distribution of \$462.7 million. PUF distributions are determined by the UT Board as provided in the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. Unless otherwise approved by the UT Board, the annual amount is calculated based on the following formula:

1. Increase the prior year's distribution amount by the sum of the average inflation rate for the previous twelve-quarters plus 2.7%, unless further modified pursuant to 2 and 3 below.
2. If the inflationary increase in step 1 results in a distribution rate below 3.5% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution shall be increased to 3.5%.
3. If the inflationary increase in step 1 results in a distribution rate exceeding 6.0% of the trailing twenty-quarter average of the net position of the PUF for the quarter ending February of each year, the distribution increase shall be capped at 6.0%.

For the year ended August 31, 2025 the distribution was 5.3% of the trailing twenty-quarter net position of the PUF as of February 29, 2024. For the year ended August 31, 2024 the distribution, including the supplemental one-time amount, was 7.0% of the trailing twenty-quarter net position of the PUF as of February 28, 2023.

## PERMANENT UNIVERSITY FUND

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

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7.0% of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Investment Income	\$ 3,722.0	\$ 3,581.1	\$ 1,575.3
Less Investment Expenses	61.5	76.7	71.5
PUF Lands Contributions	1,719.1	1,850.3	1,864.4
<b>Total Additions</b>	<u>5,379.6</u>	<u>5,354.7</u>	<u>3,368.2</u>
Administrative Expenses			
PUF Lands Expenses	31.8	25.2	15.3
UT System Oversight Fee	0.4	0.3	0.4
Distributions to AUF	1,524.9	1,870.5	1,231.1
<b>Total Deductions</b>	<u>1,557.1</u>	<u>1,896.0</u>	<u>1,246.8</u>
Change in Net Position	3,822.5	3,458.7	2,121.4
Net Position Restricted for Beneficiaries, Beginning of Year	36,468.9	33,010.2	30,888.8
<b>Net Position Restricted for Beneficiaries, End of Year</b>	<u>\$ 40,291.4</u>	<u>\$ 36,468.9</u>	<u>\$ 33,010.2</u>

### Contacting UTIMCO

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

# PERMANENT UNIVERSITY FUND

## Statements of Net Position

August 31, 2025 and 2024

(in thousands)

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Investments, at Fair Value:		
Equity Securities	\$ 3,076,054	\$ 3,690,008
Foreign Preferred Stock	34,263	41,872
Debt Securities	1,998,358	2,132,660
Investment Funds	33,784,409	29,805,526
Purchased Options	148	540
Cash and Cash Equivalents	1,628,173	708,385
Total Investments	<u>40,521,405</u>	<u>36,378,991</u>
Collateral for Securities Loaned, at Fair Value	336,786	467,670
Deposit with Brokers for Derivative Contracts	224,154	257,247
Unrealized Gains on Foreign Exchange Contracts	8,975	17,638
Futures Contracts, at Fair Value	3,407	6,356
Swaps, at Fair Value	111,613	100,011
Receivables:		
Investment Securities Sold	617,426	493,381
Accrued Income	30,745	27,929
Other	368	368
Total Receivables	<u>648,539</u>	<u>521,678</u>
<b>Total Assets</b>	<u>41,854,879</u>	<u>37,749,591</u>
<b>Liabilities</b>		
Payable Upon Return of Securities Loaned	336,786	467,670
Payable to Brokers for Collateral Held	38,777	14,410
Unrealized Losses on Foreign Exchange Contracts	14,354	18,421
Futures Contracts, at Fair Value	6,335	6,837
Swaps, at Fair Value	103,190	78,907
Options Written, at Fair Value	112	1,187
Payables:		
Investment Securities Purchased	1,052,230	671,802
Other	11,667	21,489
Total Payables	<u>1,063,897</u>	<u>693,291</u>
<b>Total Liabilities</b>	<u>1,563,451</u>	<u>1,280,723</u>
<b>Net Position Restricted for Beneficiaries</b>	<u><u>\$ 40,291,428</u></u>	<u><u>\$ 36,468,868</u></u>

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

# PERMANENT UNIVERSITY FUND

## Statements of Changes in Net Position

Years Ended August 31, 2025 and 2024

(in thousands)

	<u>2025</u>	<u>2024</u>
<b>Additions</b>		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 3,338,513	\$ 3,229,594
Interest	115,844	101,660
Dividends	92,876	87,967
Income Distributions from Private Investment Funds	173,558	160,107
Securities Lending Income	1,114	1,266
Other	160	504
Total Investment Income	<u>3,722,065</u>	<u>3,581,098</u>
Less Investment Expenses:		
UTIMCO Management Fee	35,262	36,668
Investment Management Fees	21,551	35,501
Custodial Fees and Expenses	2,906	2,895
Other Expenses	1,721	1,663
Total Investment Expenses	<u>61,440</u>	<u>76,727</u>
Net Investment Income	3,660,625	3,504,371
Contributions from PUF Lands	1,719,065	1,850,301
<b>Total Additions</b>	<u>5,379,690</u>	<u>5,354,672</u>
<b>Deductions</b>		
Administrative Expenses:		
PUF Lands Expenses	31,834	25,212
UT System Oversight Fee	371	351
Total Administrative Expenses	<u>32,205</u>	<u>25,563</u>
Distributions to Available University Fund	1,524,925	1,870,475
<b>Total Deductions</b>	<u>1,557,130</u>	<u>1,896,038</u>
Change in Net Position	<u>3,822,560</u>	<u>3,458,634</u>
Net Position Restricted for Beneficiaries, Beginning of Year	<u>36,468,868</u>	<u>33,010,234</u>
<b>Net Position Restricted for Beneficiaries, End of Year</b>	<u><u>\$ 40,291,428</u></u>	<u><u>\$ 36,468,868</u></u>

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

## PERMANENT UNIVERSITY FUND

### *Notes to Financial Statements*

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

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

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

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

The PUF financial statements represent the standalone investment activities included within UT System's consolidated financial statements. The PUF's inflows are primarily investment income and mineral contributions from the PUF Lands. For standalone purposes, the PUF financial statements are presented as an investment trust fund reporting under the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The accounting policies of the PUF conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

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

(C) Management has evaluated subsequent events through October 29, 2025, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

## Note 2 – Significant Accounting Policies

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

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

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

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

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

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

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy. Certain private investment funds that do not follow the practical expedient are categorized as Level 3.

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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

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

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

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

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

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

**(F) *Derivative Instruments*** -- Derivatives are financial instruments whose fair value is derived, in whole or part, from the fair value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The PUF from time to time uses various derivative instruments, as allowed under The University of Texas System Board of Regents (UT Board) approved derivative investment policy guidelines. Derivative instruments included under these policies include futures, foreign exchange contracts, swaps and various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2.

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

- implement investment strategies in a low cost and efficient manner,
- alter the PUF's market (systematic) exposure without trading the underlying cash market securities, through purchases or short sales, or both, of appropriate derivatives,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- 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 PUF's investment in derivative instruments is to manage and implement investment strategies more effectively and at a lower cost than would be possible in the cash market. All the PUF's derivative instruments are considered investment derivatives, and therefore do not qualify for hedge accounting; all changes in fair value are included in the net increase in fair value of investments in the statements of changes in net position.

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

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

*Swaps* -- The PUF invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity or equity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included, at fair value, on the statements of net position. Initial margin requirements are satisfied by the segregation of specific securities as collateral for the account of the counterparty to the transaction. 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 terms of the particular swap agreement and varies based on instruments and counterparty. These instruments involve market and/or credit risk

## PERMANENT UNIVERSITY FUND

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

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

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

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

**(G) *Cash and Cash Equivalents*** -- Cash and cash equivalents consist of money market investments, cash held at the State Treasury, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the PUF's investment activities, and as such are included in the investments balance on the statements of net position. Investments in public money market funds are categorized as Level 1 and the remainder are categorized as level 2.

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

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

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

## Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2025 and 2024, respectively, as categorized by level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 1,459,447,623	\$ 1,459,447,623	\$ -	\$ -
Foreign Common Stock	1,616,582,708	1,616,576,869	5,839	-
Other Equities	23,051	23,051	-	-
<b>Total Equity Securities</b>	<b>3,076,053,382</b>	<b>3,076,047,543</b>	<b>5,839</b>	<b>-</b>
<b>Foreign Preferred Stock</b>	<b>34,263,316</b>	<b>34,263,316</b>	<b>-</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,463,691,201	1,226,108,499	237,582,702	-
Foreign Government and Provincial Obligations	347,494,029	-	347,494,029	-
Corporate Obligations	187,173,233	-	187,173,233	-
<b>Total Debt Securities</b>	<b>1,998,358,463</b>	<b>1,226,108,499</b>	<b>772,249,964</b>	<b>-</b>
<b>Purchased Options</b>	<b>147,620</b>	<b>-</b>	<b>147,620</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	156,207,428	-	-	156,207,428
Developed Public Equity	203,479,168	203,479,168	-	-
Emerging Markets Public Equity	63,666,781	63,666,781	-	-
Fixed Income	80,419,551	80,419,551	-	-
<b>Total Investment Funds</b>	<b>503,772,928</b>	<b>347,565,500</b>	<b>-</b>	<b>156,207,428</b>
<b>Cash Equivalents</b>	<b>1,527,284,032</b>	<b>1,503,407,735</b>	<b>23,876,297</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>7,139,879,741</b>	<b>\$ 6,187,392,593</b>	<b>\$ 796,279,720</b>	<b>\$ 156,207,428</b>
<b>Cash</b>	<b>100,888,677</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
Hedge Funds	9,500,440,348			
Private Investments	17,425,056,119			
Public Markets	6,260,824,513			
Other	94,315,414			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>33,280,636,394</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 40,521,404,812</b>			
<b>Fair Value Measurements Using</b>				
	Fair Value as of August 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives:</b>				
Foreign Exchange Contracts	\$ (5,379,666)	\$ -	\$ (5,379,666)	\$ -
Futures Contracts	(2,927,985)	(2,927,985)	-	-
Swaps	8,422,918	-	8,422,918	-
Written Options	(111,607)	-	(111,607)	-
<b>Total Investment Derivatives</b>	<b>\$ 3,660</b>	<b>\$ (2,927,985)</b>	<b>\$ 2,931,645</b>	<b>\$ -</b>

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	Fair Value Measurements Using			
	Fair Value as of August 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 1,999,687,181	\$ 1,999,687,181	\$ -	\$ -
Foreign Common Stock	1,690,319,891	1,690,318,429	1,462	-
Other Equities	1,182	1,182	-	-
<b>Total Equity Securities</b>	<b>3,690,008,254</b>	<b>3,690,006,792</b>	<b>1,462</b>	<b>-</b>
<b>Foreign Preferred Stock</b>	<b>41,871,897</b>	<b>41,871,897</b>	<b>-</b>	<b>-</b>
<b>Debt Securities:</b>				
U.S. Government Obligations	1,633,391,545	1,472,391,989	160,999,556	-
Foreign Government and Provincial Obligations	327,082,050	-	327,082,050	-
Corporate Obligations	172,130,910	-	172,130,910	-
Other	55,328	-	55,328	-
<b>Total Debt Securities</b>	<b>2,132,659,833</b>	<b>1,472,391,989</b>	<b>660,267,844</b>	<b>-</b>
<b>Purchased Options</b>	<b>540,230</b>	<b>272,939</b>	<b>267,291</b>	<b>-</b>
<b>Investment Funds:</b>				
Private Investments	203,193,487	-	-	203,193,487
Developed Public Equity	174,674,472	174,674,472	-	-
Emerging Markets Public Equity	1,318,346	1,318,346	-	-
Fixed Income	98,192,808	98,192,808	-	-
<b>Total Investment Funds</b>	<b>477,379,113</b>	<b>274,185,626</b>	<b>-</b>	<b>203,193,487</b>
<b>Cash Equivalents</b>	<b>631,880,991</b>	<b>613,527,474</b>	<b>18,353,517</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>6,974,340,318</b>	<b>\$ 6,092,256,717</b>	<b>\$ 678,890,114</b>	<b>\$ 203,193,487</b>
<b>Cash</b>	<b>76,503,680</b>			
<b>Investments Funds Fair Valued Using Practical Expedient:</b>				
Hedge Funds	7,715,271,325			
Private Investments	15,199,699,433			
Public Markets	6,381,915,648			
Other	31,260,263			
<b>Investments Funds Fair Valued Using Practical Expedient</b>	<b>29,328,146,669</b>			
<b>Total Investments, at Fair Value</b>	<b>\$ 36,378,990,667</b>			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment Derivatives:</b>				
Foreign Exchange Contracts	\$ (782,797)	\$ -	\$ (782,797)	\$ -
Futures Contracts	(481,440)	(481,440)	-	-
Swaps	21,104,261	-	21,104,261	-
Written Options	(1,186,877)	-	(1,186,877)	-
<b>Total Investment Derivatives</b>	<b>\$ 18,653,147</b>	<b>\$ (481,440)</b>	<b>\$ 19,134,587</b>	<b>\$ -</b>

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

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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

The composition of investment funds that are fair valued using a practical expedient at August 31, 2025 and 2024 is summarized in the tables below as they are included within the asset mix of the PUF.

Investment Funds:	Fair Value as of August 31, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 2,326,935,019	\$ -	Monthly to Annually	1 - 90 Days
Redeemable Beyond One Year	679,650,578	-	Monthly to Annually	45 - 90 Days
Nonredeemable	577,800,734	458,043,048	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>3,584,386,331</u>	<u>458,043,048</u>		
<b>Stable Value</b>				
Redeemable Within One Year	3,627,616,421	-	Monthly to Semi-Annually	1 - 120 Days
Redeemable Beyond One Year	1,594,637,503	-	Quarterly to Semi-Annually	60 - 100 Days
Nonredeemable	693,800,093	527,463,175	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>5,916,054,017</u>	<u>527,463,175</u>		
<b>Total Hedge Funds</b>	<u>9,500,440,348</u>	<u>985,506,223</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	6,685,595,560	4,868,684,545	Not Applicable	Not Applicable
Emerging Market Equity	535,085,003	83,156,338	Not Applicable	Not Applicable
Credit	505,419,674	566,211,487	Not Applicable	Not Applicable
Venture	3,227,806,293	1,155,005,072	Not Applicable	Not Applicable
Natural Resources	988,192,333	290,716,358	Not Applicable	Not Applicable
Infrastructure	1,905,771,168	1,279,604,864	Not Applicable	Not Applicable
Real Estate	3,577,186,088	2,455,669,874	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>17,425,056,119</u>	<u>10,699,048,538</u>		
<b>Public Markets:</b>				
<b>Developed Public Equity</b>				
Redeemable Within One Year	4,597,046,267	-	Daily to Quarterly	5 - 45 Days
Redeemable Beyond One Year	216,322,466	-	Monthly	45 Days
Nonredeemable	33,649,566	-	Not Applicable	Not Applicable
<b>Total Developed Public Equity</b>	<u>4,847,018,299</u>	<u>-</u>		
<b>Emerging Markets Public Equity</b>				
Redeemable Within One Year	1,389,596,246	-	Daily to Quarterly	1 - 120 Days
Nonredeemable	24,209,968	-	Not Applicable	Not Applicable
<b>Total Emerging Markets Public Equity</b>	<u>1,413,806,214</u>	<u>-</u>		
<b>Total Public Markets</b>	<u>6,260,824,513</u>	<u>-</u>		
<b>Other</b>				
Redeemable Within One Year	16,588,217	-	Quarterly	90 Days
Redeemable Beyond One Year	5,529,406	-	Quarterly	90 Days
Nonredeemable	72,197,791	2,456,879	Not Applicable	Not Applicable
<b>Total Other</b>	<u>94,315,414</u>	<u>2,456,879</u>		
<b>Total Investment Funds</b>	<u>\$ 33,280,636,394</u>	<u>\$ 11,687,011,640</u>		

# PERMANENT UNIVERSITY FUND

## Notes to Financial Statements (cont.)

Investment Funds:	Fair Value as of August 31, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Hedge Funds:</b>				
<b>Directional</b>				
Redeemable Within One Year	\$ 1,568,920,477	\$ -	Monthly to Annually	45 - 90 Days
Redeemable Beyond One Year	691,455,623	-	Monthly to Annually	45 - 90 Days
Nonredeemable	477,888,835	480,159,375	Not Applicable	Not Applicable
<b>Total Directional</b>	<u>2,738,264,935</u>	<u>480,159,375</u>		
<b>Stable Value</b>				
Redeemable Within One Year	2,300,346,654	-	Monthly to Semi-Annually	1 - 100 Days
Redeemable Beyond One Year	2,024,546,427	-	Monthly to Semi-Annually	5 - 100 Days
Nonredeemable	652,113,309	450,796,578	Not Applicable	Not Applicable
<b>Total Stable Value</b>	<u>4,977,006,390</u>	<u>450,796,578</u>		
<b>Total Hedge Funds</b>	<u>7,715,271,325</u>	<u>930,955,953</u>		
<b>Private Investments (Nonredeemable):</b>				
Private Equity	5,429,574,717	4,214,160,173	Not Applicable	Not Applicable
Emerging Market Equity	657,850,212	117,155,158	Not Applicable	Not Applicable
Credit	616,485,421	388,896,362	Not Applicable	Not Applicable
Venture	2,664,267,730	1,390,227,599	Not Applicable	Not Applicable
Natural Resources	1,132,624,190	357,816,475	Not Applicable	Not Applicable
Infrastructure	1,625,811,636	1,001,205,630	Not Applicable	Not Applicable
Real Estate	3,073,085,527	2,206,288,340	Not Applicable	Not Applicable
<b>Total Private Investments</b>	<u>15,199,699,433</u>	<u>9,675,749,737</u>		
<b>Public Markets:</b>				
<b>Developed Public Equity</b>				
Redeemable Within One Year	4,582,815,922	-	Daily to Quarterly	5 - 60 Days
Redeemable Beyond One Year	223,730,659	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	5,506,520	8,310,230	Not Applicable	Not Applicable
<b>Total Developed Public Equity</b>	<u>4,812,053,101</u>	<u>8,310,230</u>		
<b>Emerging Markets Public Equity</b>				
Redeemable Within One Year	1,490,083,905	-	Daily to Quarterly	1 - 120 Days
Redeemable Beyond One Year	54,777,212	-	Monthly	60 Days
Nonredeemable	25,001,430	-	Not Applicable	Not Applicable
<b>Total Emerging Markets Public Equity</b>	<u>1,569,862,547</u>	<u>-</u>		
<b>Total Public Markets</b>	<u>6,381,915,648</u>	<u>8,310,230</u>		
<b>Other</b>				
Redeemable Within One Year	6,715,772	-	Quarterly	90 Days
Redeemable Beyond One Year	20,147,316	-	Quarterly	90 Days
Nonredeemable	4,397,175	4,356,115	Not Applicable	Not Applicable
<b>Total Other</b>	<u>31,260,263</u>	<u>4,356,115</u>		
<b>Total Investment Funds</b>	<u>\$ 29,328,146,669</u>	<u>\$ 10,619,372,035</u>		

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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The PUF invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures represent the PUF's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$2,574,488,773 of future funding to various hedge fund investments as of August 31, 2025 of which the PUF's pro-rata portion is \$985,506,223.

The PUF invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures for the years ended August 31, 2025 and 2024, represent the PUF's pro-rata share of these investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager. The private investment pools have committed \$18,011,866,225 of future funding to various private market investments as of August 31, 2025 of which the PUF's pro-rata portion is \$10,699,048,538.

Public market and other funds are invested in publicly traded mutual funds and private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers, and carbon credit related investments. These funds are characterized as public market funds based on individual risk/return characteristics. Some of these investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future funding in the amount of \$4,148,732, of which the PUF's pro-rata portion is \$2,456,879, have been committed to certain public market funds as of August 31, 2025.

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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

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

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

### **Note 4 – Investment Risk**

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

#### **(A) Credit Risk**

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The PUF's investment policy does not provide specific requirements or limitations with regards to investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2025 and 2024:

# PERMANENT UNIVERSITY FUND

## Notes to Financial Statements (cont.)

Investment Type	August 31,		Rating
	2025	2024	
<b>Investments:</b>			
U.S. Government Guaranteed	\$ 1,300,457,195	\$ 1,513,759,249	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	950,623	-	AAA
U.S. Agency	655,455	-	AA
U.S. Agency Asset Backed	161,627,928	119,632,296	AA
Total U.S. Government Non-Guaranteed	163,234,006	119,632,296	
Total U.S. Government	1,463,691,201	1,633,391,545	
Corporate Obligations:			
Domestic	20,993,918	35,732,039	AAA
Domestic	830,250	882,870	AA
Domestic	21,920,500	22,182,239	A
Domestic	29,146,935	8,981,891	BAA/BBB
Domestic	12,526,943	2,760,470	BA/BB
Domestic	14,619	684,299	B
Domestic	745,748	911,451	CAA/CCC
Domestic	1,536,673	632,537	CA/CC
Domestic	180,499	2,517,327	Not Rated
Foreign	28,033,304	31,070,945	AAA
Foreign	4,445,238	3,746,945	AA
Foreign	28,470,615	23,564,731	A
Foreign	35,455,463	32,579,976	BAA/BBB
Foreign	2,857,415	5,625,985	B
Foreign	15,113	257,205	Not Rated
Total Corporate Obligations	187,173,233	172,130,910	
Foreign Government and Provincial Obligations	2,395,320	2,465,419	AAA
Foreign Government and Provincial Obligations	55,813,334	28,068,726	AA
Foreign Government and Provincial Obligations	118,893,420	22,410,204	A
Foreign Government and Provincial Obligations	63,131,118	47,698,126	BAA/BBB
Foreign Government and Provincial Obligations	31,660,231	63,149,007	BA/BB
Foreign Government and Provincial Obligations	75,600,606	163,290,568	Not Rated
Total Foreign Government and Provincial Obligations	347,494,029	327,082,050	
Other Debt Securities	-	55,328	A
Total Debt Securities	\$ 1,998,358,463	\$ 2,132,659,833	
Other Investment Funds			
Debt	\$ 31,171,868	\$ 27,039,930	BA/BB
Debt	49,247,683	71,152,878	Not Rated
Total Other Investments - Debt	\$ 80,419,551	\$ 98,192,808	
Cash Equivalents	\$ 1,503,407,735	\$ 613,527,474	AAA
Cash Equivalents	23,876,297	18,353,517	Not Rated
Cash	100,888,677	76,503,680	Not Rated
Total Cash and Cash Equivalents	\$ 1,628,172,709	\$ 708,384,671	
<b>Net Deposit with Brokers for Derivative Contracts:</b>			
U.S. Government Guaranteed	\$ 164,378,339	\$ 82,602,647	AA
Cash	20,999,339	160,233,805	Not Rated
<b>Total Net Deposit with Brokers for Derivative Contracts</b>	<b>\$ 185,377,678</b>	<b>\$ 242,836,452</b>	

**(B) Concentrations of Credit Risk**

The PUF's investment policy statement contains the limitation that no more than 5.0% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2025 and 2024, the PUF does not hold any direct investments in any one issuer of corporate or municipal bonds that is 5.0% or more of the market value of the PUF's fixed income investments.

**(C) Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the PUF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the PUF will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the PUF's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. All PUF investments are held by the PUF's custodian bank in the name of the UT Board. Uninvested cash is invested in overnight money market funds that are also held in the name of the UT Board. Required collateral is posted unilaterally by the PUF and each counterparty to segregated accounts established at the PUF's custodian bank. As all investments and collateral deposits are held in the name of the UT Board or in segregated accounts in the name of the UT Board as of August 31, 2025 and 2024, the PUF has minimal exposure to custodial credit risk.

**(D) Interest Rate Risk**

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

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following table summarizes the PUF's modified duration in years by investment type at August 31, 2025 and 2024:

Investment Type	August 31,			
	2025		2024	
	Fair Value	Modified Duration	Fair Value	Modified Duration
<b>Investments:</b>				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ -	-	\$ 1,130,665	0.09
U.S. Treasury Bonds and Notes	1,200,780,236	13.00	1,403,182,851	12.36
U.S. Treasury Strips	7,958,291	-	6,775,355	-
U.S. Treasury Inflation Protected	17,369,971	4.06	61,303,117	4.86
U.S. Agency Asset Backed	74,348,697	3.82	41,367,261	3.16
Total U.S. Government Guaranteed	<u>1,300,457,195</u>	12.27	<u>1,513,759,249</u>	11.74
U.S. Government Non-Guaranteed:				
U.S. Agency	1,606,078	5.74	-	-
U.S. Agency Asset Backed	161,627,928	3.59	119,632,296	3.82
Total U.S. Government Non-Guaranteed	<u>163,234,006</u>	3.61	<u>119,632,296</u>	3.82
Total U.S. Government	<u>1,463,691,201</u>	11.31	<u>1,633,391,545</u>	11.16
Corporate Obligations:				
Domestic	87,896,085	3.23	75,285,123	3.07
Foreign	99,277,148	2.93	96,845,787	3.64
Total Corporate Obligations	<u>187,173,233</u>	3.07	<u>172,130,910</u>	3.39
Foreign Government and Provincial Obligations	<u>347,494,029</u>	8.31	<u>327,082,050</u>	5.27
Other Debt Securities	<u>-</u>	-	<u>55,328</u>	0.17
Total Debt Securities	<u>1,998,358,463</u>	10.01	<u>2,132,659,833</u>	9.63
Other Investment Funds - Debt	<u>80,419,551</u>	4.66	<u>98,192,808</u>	4.37
Cash and Cash Equivalents	<u>1,628,172,709</u>	0.08	<u>708,384,671</u>	0.07
Total	<u>\$ 3,706,950,723</u>	5.53	<u>\$ 2,939,237,312</u>	7.15
<b>Net Deposit with Brokers for Derivative Contracts:</b>				
U.S. Government Guaranteed	\$ 164,378,339	14.59	\$ 82,602,647	0.11
Cash	20,999,339	-	160,233,805	-
Total Net Deposit with Brokers for Derivative Contracts	<u>\$ 185,377,678</u>	12.94	<u>\$ 242,836,452</u>	-

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

The PUF may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The PUF also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2025 and 2024, the PUF's investments include the following investments that are highly sensitive to interest rate changes:

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$21,813,985 and \$30,950,316 as of August 31, 2025 and 2024, 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. In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$233,982,648 and \$160,312,768 as of August 31, 2025 and 2024, respectively.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligee of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. In periods of rising interest rates, the fair value of these securities would be expected to decrease. These securities amounted to \$6,087,112 and \$17,905,713 as of August 31, 2025 and 2024, respectively.

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

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

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the PUF's exposure to non-U.S. dollar investments at August 31, 2025 and 2024:

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2025	2024
<b>Domestic Common Stock:</b>		
Euro	\$ -	\$ 1,515,523
UK Pound	11,070,748	1,050,476
Total Domestic Common Stock	11,070,748	2,565,999
<b>Foreign Common Stock:</b>		
Australian Dollar	39,076,821	5,864,713
Brazilian Real	1,722,442	54,653,728
Canadian Dollar	27,875,617	9,797,207
Chilean Peso	609,213	94,102
Chinese Yuan Renminbi	32,195	16,704,987
Colombian Peso	117,971	-
Czech Koruna	242,989	134,749
Danish Krone	33,310,421	45,258,114
Egyptian Pound	19,346	36,051
Euro	365,536,459	233,737,660
Hong Kong Dollar	356,457	88,120,194
Hungarian Forint	367,010	951,975
Indian Rupee	39,070,057	100,803,995
Indonesian Rupiah	4,817,369	17,108,526
Israeli Shekel	478,155	-
Japanese Yen	140,857,478	52,874,523
Kuwaiti Dinar	713,699	-
Malaysian Ringgit	1,506,054	6,030,289
Mexican Peso	1,508,516	7,471,984
New Zealand Dollar	1,611,220	250,062
Norwegian Krone	116,394	4,077,935
Peruvian Sol	-	23,445
Philippine Peso	464,153	1,021,810
Polish Zloty	656,454	3,287,286
Qatari Riyal	691,168	2,302,208
Russian Ruble	3	98
Saudi Arabian Riyal	2,485,692	8,422,050
Singapore Dollar	13,144,703	3,352,440
South African Rand	2,487,652	10,207,573
South Korean Won	120,030,813	129,956,867
Swedish Krona	29,371,703	11,663,220
Swiss Franc	98,668,887	78,202,564
Taiwan Dollar	75,058,635	263,068,462
Thai Baht	1,315,285	4,874,759
Turkish Lira	238,849	5,619,906
UK Pound	131,517,190	165,614,577
United Arab Emirates Dirham	4,479,507	7,792,828
Total Foreign Common Stock	1,140,556,577	1,339,380,887
<b>Other - Equity Securities:</b>		
Malaysian Ringgit	23,051	-
South Korean Won	-	1,182
Total Other - Equity Securities	23,051	1,182
<b>Foreign Preferred Stocks:</b>		
Brazilian Real	4,812,501	10,769,333
Colombian Peso	101,646	-
Euro	-	112,973
South Korean Won	29,349,170	30,259,797
Total Foreign Preferred Stock	34,263,317	41,142,103

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2025	2024
<b>Foreign Government and Provincial Obligations:</b>		
Australian Dollar	\$ 11,775,282	\$ 467,398
Brazilian Real	26,350,934	15,817,195
Canadian Dollar	14,274,287	12,445,841
Colombian Peso	-	31,434,035
Euro	96,097,722	51,453,645
Indian Rupee	842,063	870,887
Japanese Yen	72,533,667	112,502,169
Malaysian Ringgit	5,247,989	3,650,897
Mexican Peso	39,654,610	39,268,422
New Zealand Dollar	-	4,314,159
Peruvian Sol	3,844,113	-
Polish Zloty	32,641,306	-
Russian Ruble	874,315	775,454
Singapore Dollar	2,723,105	3,049,702
South African Rand	4,322,768	15,021,393
South Korean Won	1,426,476	12,316,377
Thai Baht	4,705,092	-
UK Pound	5,574,173	2,254,505
Total Foreign Government and Provincial Obligations	<u>322,887,902</u>	<u>305,642,079</u>
<b>Corporate Obligations:</b>		
Australian Dollar	4,034,140	2,961,049
Brazilian Real	-	208,509
Danish Krone	68	65
Euro	4,778,261	10,438,752
Indian Rupee	-	8
Japanese Yen	179,492	-
Peruvian Sol	580,099	-
UK Pound	5,894,932	8,639,109
Total Corporate Obligations	<u>15,466,992</u>	<u>22,247,492</u>
<b>Purchased Options:</b>		
Australian Dollar	1,430	-
Brazilian Real	-	19
Euro	85,879	-
Total Purchased Options	<u>87,309</u>	<u>19</u>
<b>Investment Funds-Emerging Markets:</b>		
Brazilian Real	587,788	589,180
Thai Baht	-	118,832
Total Investment Funds-Emerging Markets	<u>587,788</u>	<u>708,012</u>
<b>Private Investments:</b>		
Australian Dollar	39,022,725	41,352,103
Canadian Dollar	82,890,602	108,443,668
Euro	818,720,844	664,663,654
Japanese Yen	14,302,549	21,327,700
Swedish Krona	11,161,539	10,049,421
UK Pound	238,245,927	208,018,637
Total Private Investments	<u>1,204,344,186</u>	<u>1,053,855,183</u>

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	August 31,	
	2025	2024
<b>Cash and Cash Equivalents:</b>		
Australian Dollar	\$ 243,833	\$ (1,208,427)
Brazilian Real	698,968	6,852,607
Canadian Dollar	(374,273)	(2,105,097)
Chilean Peso	-	5,135
Chinese Yuan Renminbi	1,811	124,261
Colombian Peso	89	186
Czech Koruna	30	621
Danish Krone	57,104	2,494
Egyptian Pound	-	2,803
Euro	117,221	3,256,342
Hong Kong Dollar	1,720	(471,466)
Hungarian Forint	3	138
Indian Rupee	26,255,416	66,690
Indonesian Rupiah	-	1,796
Israeli Shekel	-	12,841
Japanese Yen	(2,275,446)	(3,461,131)
Malaysian Ringgit	4,779	7,088
Mexican Peso	9	32,679
New Zealand Dollar	33,362	208,091
Norwegian Krone	27	70
Peruvian Sol	-	859
Philippine Peso	-	9,083
Polish Zloty	140	15,604
Qatari Riyal	(271)	3,920
Romanian Leu	2,490	-
Saudi Arabian Riyal	16,070	20,691
Singapore Dollar	49,165	141,137
South African Rand	3,274	31,249
South Korean Won	1,390,854	3,872,211
Swedish Krona	8,866	917
Swiss Franc	996,530	166,738
Taiwan Dollar	128,999	1,270,212
Thai Baht	2,222	1,890
Turkish Lira	355	997
UK Pound	96,054	3,405,971
United Arab Emirates Dirham	1	1,932
Total Cash and Cash Equivalents	<u>27,459,402</u>	<u>12,271,132</u>
<b>Written Options:</b>		
Euro	<u>(4,598)</u>	<u>(6,329)</u>

**PERMANENT UNIVERSITY FUND***Notes to Financial Statements (cont.)*

Investment Type	August 31,	
	2025	2024
<b>Swaps:</b>		
Australian Dollar	\$ (369)	\$ 90,212
Canadian Dollar	196,127	(205,269)
Chinese Yuan Renminbi	-	(407,908)
Euro	855,958	(957,774)
Indian Rupee	(7,785)	20,227
Japanese Yen	(63,545,368)	(49,462,621)
Malaysian Ringgit	(57,048)	(62,078)
New Zealand Dollar	141,034	92,723
Singapore Dollar	(143,593)	(546,065)
South Korean Won	(102,264)	(287,580)
Swedish Krona	31,032	-
Swiss Franc	15,048	(31,225)
Thai Baht	(152,624)	(607,757)
UK Pound	124,727	543,669
Total Swaps	<u>(62,645,125)</u>	<u>(51,821,446)</u>
<b>Futures:</b>		
Australian Dollar	(65,905)	(91,818)
Canadian Dollar	21,489	35,298
Euro	1,146,471	(91,174)
Japanese Yen	1,659,144	1,867,661
UK Pound	107,557	(33,140)
Total Futures	<u>2,868,756</u>	<u>1,686,827</u>
Total	<u>\$ 2,696,966,305</u>	<u>\$ 2,727,673,140</u>

**PERMANENT UNIVERSITY FUND**

*Notes to Financial Statements (cont.)*

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

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

The PUF had gross counterparty exposure as of August 31, 2025 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 13,734,073	\$ 12,502,810	\$ 67,347	\$ 54,871	AA
Options	33,872,591	4,950,516	80,272	27,979	A
Swaps	1,530,641,860	889,262,397	28,036,079	26,202,704	AA
Swaps	499,960,823	64,743,297	66,485,535	62,454,625	A
Foreign Exchange Contracts	331,310,899	431,118,632	1,599,151	3,457,408	AA
Foreign Exchange Contracts	694,544,707	984,786,565	7,375,406	10,896,815	A
			<u>\$ 103,643,790</u>	<u>\$ 103,094,402</u>	

The PUF had gross counterparty exposure as of August 31, 2024 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		Counterparty Rating
	Assets	Liabilities	Assets	Liabilities	
Options	\$ 11,264,488	\$ 10,890,419	\$ 279,822	\$ 1,006,806	AA
Swaps	1,427,374,324	456,762,184	33,505,264	16,701,761	AA
Swaps	388,753,339	52,465,066	55,261,603	50,795,835	A
Foreign Exchange Contracts	336,556,681	353,699,694	6,975,542	6,628,199	AA
Foreign Exchange Contracts	595,483,157	626,803,305	10,662,970	11,793,110	A
			<u>\$ 106,685,201</u>	<u>\$ 86,925,711</u>	

As of August 31, 2025 and 2024 the PUF also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts, and exchange-cleared swaps expose the PUF to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore, they are not presented in the table above.

Counterparty risk for swaps, options and foreign exchange contracts, which are traded over-the-counter, is mitigated by entering into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements. These agreements include Initial Margin Credit Support Annexes with each counterparty that require unilateral collateral postings by each party to a transaction once an established threshold limit has been reached. Initial margin collateral postings are held in segregated accounts at the PUF's custodian bank established on behalf of the PUF and each counterparty. As of August 31, 2025 and 2024, the PUF held \$38,776,653 and \$14,410,177 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers \$210,043,123 and \$204,013,204 respectively, as collateral related to derivative instruments other than futures.

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

### Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income in the statements of changes in net position. The PUF receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102.0% of loaned securities of U.S. issuers and a market value of 105.0% 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 100.0% 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 102.0% of the market value. For non-U.S. issuers, the collateral should remain at 105.0% of the market value of the loaned securities at the close of any business day. If it falls below 105.0%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned, and the fair value of collateral held are as follows at August 31, 2025 and 2024:

Securities on Loan	2025 Fair Value	2024 Fair Value	Type of Collateral	2025 Fair Value of Collateral	2024 Fair Value of Collateral
U.S. Government	\$ 119,330,924	\$ 301,569,126	Cash	\$ 121,757,316	\$ 307,875,593
Corporate Bonds	19,052,271	19,655,478	Cash	19,680,115	20,242,579
Common Stock	190,897,158	135,452,038	Cash	195,348,367	139,137,138
Sovereign Debt	-	404,502	Cash	-	414,438
<b>Total</b>	<b>\$ 329,280,353</b>	<b>\$ 457,081,144</b>	<b>Total</b>	<b>\$ 336,785,798</b>	<b>\$ 467,669,748</b>
U.S. Government	\$ 3,165,934	\$ 38,213,367	Non-Cash	\$ 3,231,309	\$ 39,001,669
Corporate Bonds	620,857	-	Non-Cash	633,274	-
Common Stock	18,217,257	15,112,714	Non-Cash	18,859,041	15,623,934
<b>Total</b>	<b>\$ 22,004,048</b>	<b>\$ 53,326,081</b>	<b>Total</b>	<b>\$ 22,723,624</b>	<b>\$ 54,625,603</b>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the PUF, The University of Texas System General Endowment Fund (GEF), The University of Texas System Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities by the securities lending agent. The pool is managed in accordance with investment guidelines established in the securities lending contract between the PUF and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20.0%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities for interest on the cash collateral received. The income remaining after the borrower rebates is then shared by the PUF and the securities lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower is made from the PUF and the securities lending agent in the same proportion as income is shared.

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The PUF's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2025 and 2024 is shown in the following table:

Description	2025			2024		
	Fair Value	Rating	Weighted Average Maturity In Days	Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 139,740,174	No Rating Available	2	\$ 208,894,179	No Rating Available	3
Commercial Paper	14,685,982	AA		20,529,976	AA	
Commercial Paper	120,857,183	A		166,415,320	A	
<b>Total Commercial Paper</b>	<u>135,543,165</u>		36	<u>186,945,296</u>		18
Certificates of Deposit	11,324,618	AA		12,790,597	AA	
Certificates of Deposit	50,799,668	A		59,413,659	A	
<b>Total Certificates of Deposit</b>	<u>62,124,286</u>		1	<u>72,204,256</u>		20
Other Receivables/Payables	(621,827)	Not Rated		(373,983)	Not Rated	
<b>Total Collateral Pool Investment</b>	<u>\$ 336,785,798</u>		15	<u>\$ 467,669,748</u>		12

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2025 and 2024, respectively, as categorized by level of the fair value hierarchy:

	Fair Value Measurements Using			
	Fair Value as of August 31, 2025	Quoted Prices in Active Markets for Identical Assets		
		(Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 139,740,174	\$ -	\$ 139,740,174	\$ -
Commercial Paper	135,543,165	-	135,543,165	-
Certificates of Deposit	62,124,286	-	62,124,286	-
<b>Total by Fair Value Level</b>	<u>337,407,625</u>	<u>\$ -</u>	<u>\$ 337,407,625</u>	<u>\$ -</u>
Other Receivables/Payables	(621,827)			
<b>Total Collateral Pool Investments</b>	<u>\$ 336,785,798</u>			

	Fair Value Measurements Using			
	Fair Value as of August 31, 2024	Quoted Prices in Active Markets for Identical Assets		
		(Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ 208,894,179	\$ -	\$ 208,894,179	\$ -
Commercial Paper	186,945,296	-	186,945,296	-
Certificates of Deposit	72,204,256	-	72,204,256	-
<b>Total by Fair Value Level</b>	<u>468,043,731</u>	<u>\$ -</u>	<u>\$ 468,043,731</u>	<u>\$ -</u>
Other Receivables/Payables	(373,983)			
<b>Total Collateral Pool Investments</b>	<u>\$ 467,669,748</u>			

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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

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

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

As of August 31, 2025 and 2024, the PUF had no net credit risk exposure to borrowers because the amounts the PUF owed to borrowers exceeded the amounts the borrowers owed the PUF.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2025 and 2024.

### Note 6 – Written Options

The following table discloses the fair values of the PUF's written call option contracts outstanding as of August 31, 2025 and 2024:

Type	Fair Value at August 31, 2025		Fair Value at August 31, 2024	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 74,444	\$ -	\$ -
Equity	-	-	-	1,006,806
Interest Rate Swap	-	13,197	-	12,932
Other	-	6,404	-	2,337
	<u>\$ -</u>	<u>\$ 94,045</u>	<u>\$ -</u>	<u>\$ 1,022,075</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open call options were increases in the amounts of \$21,470 and \$73,345 for the years ended August 31, 2025 and 2024, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

**PERMANENT UNIVERSITY FUND**

*Notes to Financial Statements (cont.)*

The following table discloses the fair values of the PUF’s written put option contracts as of August 31, 2025 and 2024:

Type	Fair Value at August 31, 2025		Fair Value at August 31, 2024	
	Assets	Liabilities	Assets	Liabilities
Currency	\$ -	\$ 8,406	\$ -	\$ -
Interest Rate Swap	-	6,116	-	160,820
Other	-	3,040	-	3,982
	<u>\$ -</u>	<u>\$ 17,562</u>	<u>\$ -</u>	<u>\$ 164,802</u>

The fair values are included on the statements of net position as options written. The changes in fair value of open put options for the years ended August 31, 2025 and 2024 were increases in the amounts of \$143,959 and \$169,664, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position.

**Note 7 – Swaps**

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2025:

Type	Notional Value	Fair Value at August 31, 2025	
		Assets	Liabilities
Credit Default	\$ 152,276,624	\$ 3,554,716	\$ 66,927
Currency	123,579,409	62,213,469	61,282,714
Equity	2,767,702,093	32,240,617	25,715,793
Fixed Income	84,875,455	-	1,467,319
Interest Rate	1,637,133,080	13,603,924	14,657,055
Total		<u>\$ 111,612,726</u>	<u>\$ 103,189,808</u>

The change in fair value of open swap positions for the year ended August 31, 2025 was an increase in the amount of \$8,422,918, which is included in the net increase in fair value of investments on the statements of changes in net position.

The following table discloses the notional amount and the fair values of the types of outstanding swap contracts as of August 31, 2024:

Type	Notional Value	Fair Value at August 31, 2024	
		Assets	Liabilities
Credit Default	\$ 175,443,570	\$ 3,731,586	\$ 407,164
Currency	98,081,883	49,099,890	48,961,513
Equity	2,135,296,357	39,666,977	16,391,583
Fixed Income	72,846,740	-	2,012,480
Interest Rate	1,237,055,081	7,512,850	11,134,302
Total		<u>\$ 100,011,303</u>	<u>\$ 78,907,042</u>

The change in fair value of open swap positions for the year ended August 31, 2024 was an increase in the amount of \$20,708,378, which is included in the net increase in fair value of investments on the statements of changes in net position.

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

### Note 8 – Futures Contracts

The changes in fair value of open futures contracts for the years ended August 31, 2025 and 2024 were increases in the amounts of \$47,255,945 and \$49,651,837, respectively, which are included in the net increase in fair value of investments on the statements of changes in net position. The PUF had \$14,111,208 and \$53,233,425 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2025 and 2024, respectively. Short futures may be used by the PUF to manage the PUF's interest rate or currency risk associated with security positions.

Futures contracts are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for some of these open contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2025 and 2024, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to \$50,183,929 and \$50,133,276 as of August 31, 2025 and 2024, respectively.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2025:

Contract	Notional Value at August 31, 2025		Fair Value at August 31, 2025	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 1,641,858,033	\$ 269,797,656	\$ 69,216	\$ 4,006,352
Foreign Fixed Income	376,350,097	866,722,443	2,943,138	550,988
Domestic Equities	434,110,847	70,919,368	-	1,525,098
Foreign Equities	73,332,999	9,502,358	395,146	253,047
<b>Total</b>	<b>\$ 2,525,651,976</b>	<b>\$ 1,216,941,825</b>	<b>\$ 3,407,500</b>	<b>\$ 6,335,485</b>

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2024:

Contract	Notional Value at August 31, 2024		Fair Value at August 31, 2024	
	Long	Short	Assets	Liabilities
Domestic Fixed Income	\$ 1,167,522,713	\$ 556,569,930	\$ 1,645,494	\$ 5,566,934
Foreign Fixed Income	182,072,191	783,291,780	119,845	121,080
Domestic Equities	755,533,538	130,001,506	2,653,142	899,969
Foreign Equities	346,524,494	29,259,153	1,937,185	249,123
<b>Total</b>	<b>\$ 2,451,652,936</b>	<b>\$ 1,499,122,369</b>	<b>\$ 6,355,666</b>	<b>\$ 6,837,106</b>

## PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

### Note 9 – Foreign Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF’s foreign exchange contracts at August 31, 2025 and 2024. Foreign currency amounts are translated at exchange rates as of August 31, 2025 and 2024. 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, 2025	Net Sell August 31, 2025	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2025	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2025
Australian Dollar	\$ 77,804,896	\$ -	\$ 710,917	\$ 850,753
Brazilian Real	1,673,388	-	458,883	1,468,501
Canadian Dollar	110,733,611	-	427,585	902,756
Chilean Peso	-	1,667,995	-	7,342
Colombian Peso	-	4,895,390	11,305	32,031
Czech Koruna	-	5,366,287	45,743	56,426
Danish Krone	3,580,044	-	5,813	2,271
Egyptian Pound	357,730	-	816	-
Euro	-	27,983,698	3,963,985	3,607,370
Hong Kong Dollar	-	2,788,035	2,096	552
Hungarian Forint	-	3,525,401	6,186	3,038
Indian Rupee	33,469,544	-	24,611	279,607
Indonesian Rupiah	3,800,679	-	61,584	71,932
Israeli Shekel	-	226,926	46,496	48,203
Japanese Yen	107,958,556	-	1,387,990	3,845,549
Kazakhstan Tenge	1,137,812	-	10,337	16,128
Malaysian Ringgit	-	8,667,797	9,041	2,104
Mexican Peso	-	44,438,582	53,625	37,903
New Zealand Dollar	31,628,548	-	74,702	511,976
Nigerian Naira	1,452,059	-	27,850	-
Norwegian Krone	20,212,524	-	329,474	114,202
Peruvian Sol	-	4,467,668	3,146	158,618
Philippines Peso	8,231,179	-	-	44,632
Polish Zloty	-	27,595,734	33,965	177,274
Romanian Leu	-	2,152,716	18,183	13,140
Singapore Dollar	-	12,965,337	114,785	27,871
South African Rand	-	4,856,629	168,589	292,569
South Korean Won	-	8,880,760	37,302	79,952
Swedish Krona	-	22,744,026	106,522	391,721
Swiss Franc	-	30,754,936	103,261	364,491
Taiwan Dollar	-	34,936,630	207,627	175,009
Thailand Baht	-	8,385,983	14,895	4,221
Turkish Lira	9,477,729	-	101,838	14,987
United Arab Emirates Dirham	-	3,561,845	29	-
UK Pound	111,598,977	-	405,376	751,094
	\$ 523,117,276	\$ 260,862,375	\$ 8,974,557	\$ 14,354,223

The change in fair value of open foreign exchange contracts for the year ended August 31, 2025 was a decrease in the amount of \$5,379,666, which is included in the net increase in fair value of investments on the statements of changes in net position.

# PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Currency	Net Buy August 31, 2024	Net Sell August 31, 2024	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2024	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2024
Australian Dollar	\$ 61,419,762	\$ -	\$ 2,348,562	\$ 749,825
Brazilian Real	-	1,854,249	413,061	302,023
Canadian Dollar	15,905,983	-	1,459,775	1,281,796
Chilean Peso	9,763,921	-	217,351	136,771
Chinese Yuan Renminbi	-	246,900	4,010	6,728
Colombian Peso	-	28,054,930	627,634	101,334
Czech Koruna	-	7,490,024	-	103,794
Danish Krone	-	838,539	4,025	21,890
Euro	-	49,277,879	1,698,799	2,317,047
Hong Kong Dollar	-	721,994	15	961
Hungarian Forint	-	1,453,181	609	47,717
Indian Rupee	9,705,154	-	41,174	20,424
Indonesian Rupiah	-	3,103,383	78,727	70,487
Japanese Yen	-	70,932,589	3,723,112	6,707,267
Malaysian Ringgit	-	3,568,718	887	91,144
Mexican Peso	-	27,021,165	2,571,640	539,838
New Zealand Dollar	-	22,812,841	618,881	1,457,251
Norwegian Krone	15,687,346	-	255,774	1,149
Philippines Peso	-	6,074,154	20,527	119,078
Polish Zloty	3,301,969	-	103,859	44,854
Romanian Leu	-	1,496,121	23,559	39,717
Saudi Arabia Riyal	-	10,391	-	15
Singapore Dollar	-	758,272	40,591	119,848
South African Rand	-	16,250,750	203,587	625,913
South Korean Won	1,246,463	-	219,124	407,816
Swedish Krona	15,242,372	-	598,274	291,030
Swiss Franc	-	35,410,970	945,548	1,082,412
Taiwan Dollar	-	3,164,427	112,565	267,074
Thailand Baht	1,477,346	-	103,039	168,179
Turkish Lira	5,138,210	-	136,848	49,800
UK Pound	-	34,318,807	1,066,955	1,248,127
	<u>\$ 138,888,526</u>	<u>\$ 314,860,284</u>	<u>\$ 17,638,512</u>	<u>\$ 18,421,309</u>

The change in fair value of open foreign exchange contracts for the year ended August 31, 2024 was a decrease in the amount of \$1,389,645, which is included in the net increase in fair value of investments on the statements of changes in net position.

## Note 10 – Purchase Agreements

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the PUF, to purchase up to \$4,823,210,000 as of August 31, 2025, in UT System commercial paper notes and bonds in the event of a failed remarketing of such notes or failed refunding of such bonds. The individual funds under management are not committed to a specific amount, rather all the funds may be required to provide for the amount noted.

The PUF also has an agreement with the TAMU System Board of Regents which commits the PUF to acquire up to \$300,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

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

The Texas Constitution allows for (a) distributions to the AUF from the “total return” on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted annual distributions to the AUF and preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF’s net position in any fiscal year, except as necessary to pay debt service on PUF bonds. Distributions from the PUF to the AUF for the years ended August 31, 2025 and 2024, were \$1,524,925,000 and \$1,870,475,000, respectively.

**Note 12 – Fees and Expenses**

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fees assessed for the years ended August 31, 2025 and 2024, were \$35,262,159 and \$36,668,411, respectively.

The PUF incurs investment management fees from various external managers of the PUF. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.035% to 2.5%. In addition to the investment management fees, the PUF may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers’ contracts. The investment management fees presented in the statements of changes in net position represent only those paid directly from the PUF, and do not include fees incurred and charged by general partners in private investments, by mutual fund managers, and by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the PUF for the years ended August 31, 2025 and 2024, were \$21,550,852 and \$35,501,045, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the PUF’s assets. Fees are charged for custody services, investment accounting services, risk and analytical services, including investment performance measurement, and margin and collateral maintenance for derivative investment activity per the contractual agreement. The fees assessed for the years ended August 31, 2025 and 2024, were \$2,906,024 and \$2,894,893, respectively.

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

## PERMANENT UNIVERSITY FUND

*Notes to Financial Statements (cont.)*

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The PUF is assessed a fee by UT System to cover expenses related to the management of the PUF Lands. The fees assessed for the years ended August 31, 2025 and 2024, were \$31,833,857 and \$25,211,708, respectively. Fees are also assessed to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. Fees in the amounts of \$371,232 and \$350,911 were charged to the PUF for the years ended August 31, 2025 and 2024, respectively.

# PERMANENT UNIVERSITY FUND

## Supplemental Schedule

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

Year Ended August 31, 2025

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities, Redemptions & Distributions	Gains (Losses)	Reclass	Effects of Pooled Account Rebalancing Activity ***	Ending Cost	Investment Income
<b>Equity Securities</b>								
Domestic Common Stock	\$ 1,562,510	\$ 1,743,335	\$ (2,425,046)	\$ 344,540	\$ (20,496)	\$ 4,043	\$ 1,208,886	\$ 20,565
Foreign Common Stock	1,429,711	2,134,452	(2,358,536)	150,088	(3,216)	1,468	1,353,967	48,836
Other	-	40	(74)	34	-	-	-	348
<b>Total Equity Securities</b>	<u>2,992,221</u>	<u>3,877,827</u>	<u>(4,783,656)</u>	<u>494,662</u>	<u>(23,712)</u>	<u>5,511</u>	<u>2,562,853</u>	<u>69,749</u>
<b>Preferred Stock</b>								
Foreign Preferred Stock	32,453	20,022	(22,069)	168	-	(3)	30,571	2,375
<b>Debt Securities</b>								
U. S. Government Obligations	1,685,223	18,019,427	(18,011,020)	(76,426)	-	(64,919)	1,552,285	54,460
Foreign Government and Provincial Obligations	328,321	520,569	(513,524)	10,486	-	(2,448)	343,404	8,931
Corporate Obligations	167,905	100,156	(100,497)	1,237	-	15,469	184,270	9,804
Other	55	-	(55)	-	-	-	-	1
<b>Total Debt Securities</b>	<u>2,181,504</u>	<u>18,640,152</u>	<u>(18,625,096)</u>	<u>(64,703)</u>	<u>-</u>	<u>(51,898)</u>	<u>2,079,959</u>	<u>73,196</u>
<b>Purchased Options</b>	<u>1,691</u>	<u>261</u>	<u>(20)</u>	<u>(373)</u>	<u>(1,070)</u>	<u>(273)</u>	<u>216</u>	<u>-</u>
<b>Investment Funds</b>								
Hedge Funds	6,263,135	2,601,588	(1,875,481)	513,705	15,501	-	7,518,448	76
Private Markets	14,115,346	2,944,044	(1,613,769)	434,126	(1,403)	-	15,878,344	173,558
Developed Public Equity	3,438,364	759,101	(1,436,733)	492,248	-	1,042	3,254,022	13,308
Emerging Markets Public Equity	1,285,727	331,544	(694,465)	170,823	179	-	1,093,808	2,067
Fixed Income	67,673	9,280	(28,099)	811	-	176	49,841	(3,438)
Other	34,359	61,098	-	-	-	-	95,457	-
<b>Total Investment Funds</b>	<u>25,204,604</u>	<u>6,706,655</u>	<u>(5,648,547)</u>	<u>1,611,713</u>	<u>14,277</u>	<u>1,218</u>	<u>27,889,920</u>	<u>185,571</u>
<b>Cash and Cash Equivalents</b>	707,695	668,135 *	- *	242,414 **	10,505	-	1,628,749	74,518
<b>Other</b>	-	-	-	-	-	-	-	(21,857)
<b>Total Investment in Securities</b>	<u>\$ 31,120,168</u>	<u>\$ 29,913,052</u>	<u>\$ (29,079,388)</u>	<u>\$ 2,283,881</u>	<u>\$ -</u>	<u>\$ (45,445)</u>	<u>\$ 34,192,268</u>	<u>\$ 383,552</u>

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

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

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