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2009 Annual Report

SITF



Short Intermediate Term Fund

Overview	88
2000 Financial Highlights	88
Investment Return	89
Audited Financial Statements	90

SITF

Short Intermediate Term Fund Overview (\$1,844.4 million)

The Short Intermediate Term Fund (SITF) commenced operations on March 1, 1993. The SITF is an internal UT System mutual fund for the pooled investment of UT System institutional operating funds with an investment horizon greater than one year. The SITF also serves as the source of a \$350 million self-liquidity facility for the Board of Regents of The University of Texas System Revenue Financing System Notes program.

The SITF is structured as a mutual fund where institutions can purchase or sell units at market value weekly on Wednesdays and the first business day of each month. The SITF's income is either reinvested or distributed to the institutions monthly at their election. Distributions from the SITF are used by UT System institutions for intermediate term cash management associated with capital projects and other general institutional purposes.

The SITF's primary investment objective is two-fold: to provide both (1) income and (2) capital appreciation when consistent with income generation, reasonable preservation of capital and the maintenance of adequate SITF liquidity. The SITF emphasizes moderate liquidity and safety of principal through investment in high grade fixed income and floating rate obligations. SITF investments are diversified among eligible asset classes and issuers (excluding the U. S. Government) as defined in the SITF's investment policy. The SITF carries an AAA₁ credit rating and a bond volatility risk rating of S₂ from Standard & Poor's Inc. AAA is the highest quality rating issued by S&P. An S₂ rating indicates low to moderate market risk exposure.

2000 SITF Financial Highlights

The SITF's net assets have continued to grow over the years reaching \$1,844.4 million at August 31, 2000. The chart below summarizes the components of growth in the SITF's net assets. Substantially all the growth of the SITF is attributable to contributions from the UT System institutions.

(in millions)

Years Ended August 31,	1996	1997	1998	1999	2000
Beginning Net Asset Value	\$ 1,129.5	\$ 1,332.1	\$ 1,631.4	\$ 1,809.6	\$ 1,769.4
Contributions (net of withdrawals)	216.7	274.3	126.9	13.2	81.6
Investment Return	58.2	115.4	152.8	53.4	107.9
Expenses	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)
Distributions of Income	(72.1)	(90.0)	(101.0)	(106.3)	(114.0)
Ending Net Asset Value	\$ 1,332.1	\$ 1,631.4	\$ 1,809.6	\$ 1,769.4	\$ 1,844.4

SITF Investment Return

The SITF's total return for the year was 5.87%. The chart below compares the SITF's performance against its policy portfolio benchmark.

August 31, 2000	Average Annual Return		
	One Year	Five Years	Seven Years
Short Intermediate Term Fund	5.87%	6.19%	5.65%
Policy Portfolio Benchmark	5.90%	5.82%	5.47%

The SITF investment policy mitigates interest rate risk by limiting the portfolio's duration to a range of 0.5 years to 4 years. Duration estimates the impact small changes in interest rates will have on the value of the portfolio. At August 31, 2000, the option-adjusted duration of the portfolio was 2.33 compared to 1.71 for its policy portfolio. Simplistically, if there is a 1.00% increase (decrease) in yields, the value of the portfolio would (decrease) increase by 2.33%.

Option Adjusted Duration

