

U T I M C O

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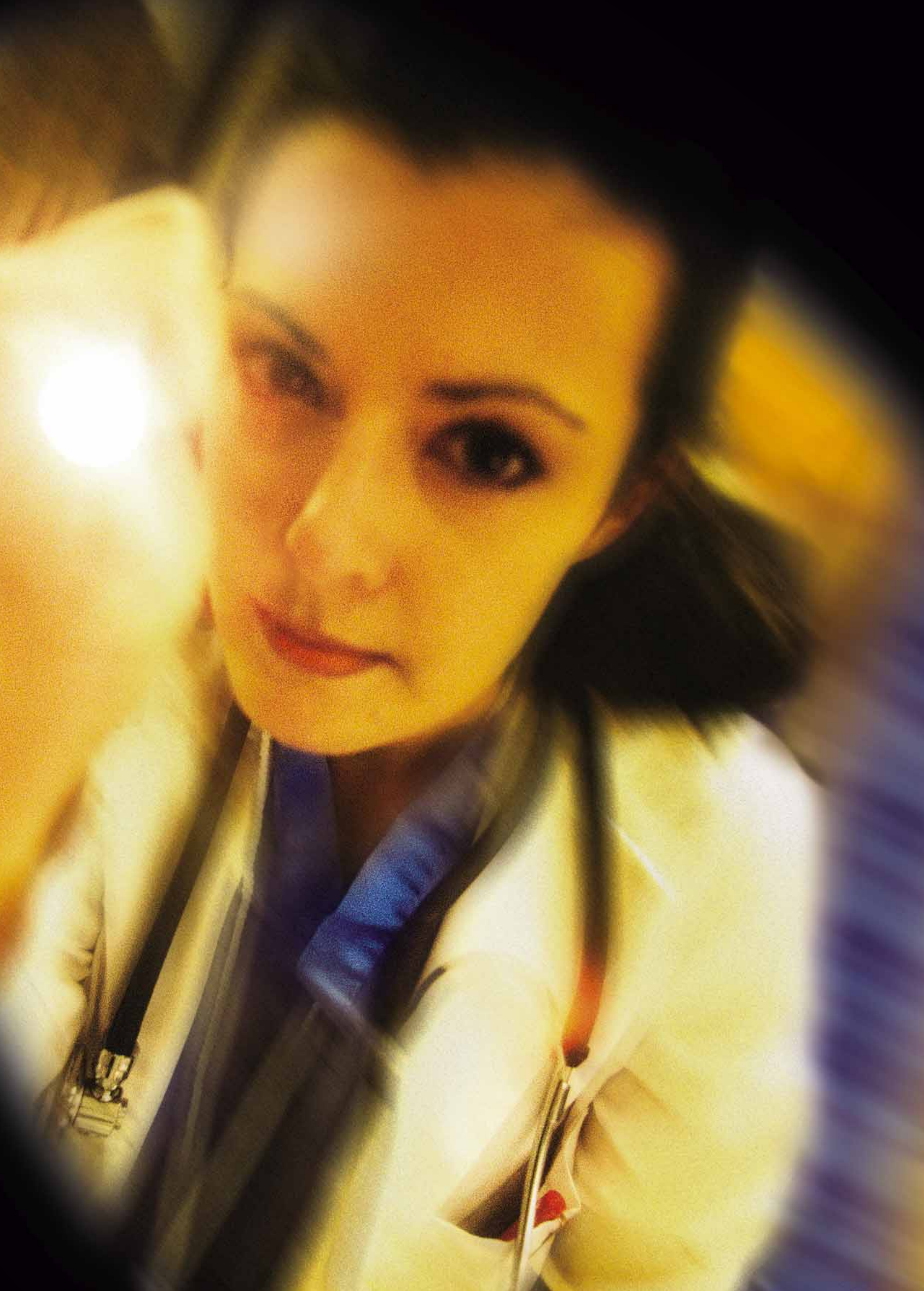


1999 Annual Report

Building

MOMENTUM







PERMANENT HEALTH FUND

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
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Permanent Health Fund

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PHF Beneficiaries:

UT El Paso
UT Health Science Center at Houston
UT Health Center at Tyler
UT Southwestern Medical Center at Dallas
UT Medical Branch at Galveston
UT Health Science Center at San Antonio
UT M. D. Anderson Cancer Center
Regional Academic Health Center at San Antonio
Texas A&M University Health Science Center
University of North Texas Health Science Center
at Fort Worth
Texas Tech University Health Science Centers
Baylor College of Medicine
Higher Education Nursing, Allied Health and
Other Health-Related Programs
Minority Health Research & Education Programs





PERMANENT HEALTH FUND

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Did you know...

Cigarettes contain at least 43 distinct cancer-causing chemicals.

The American Lung Association reports that an estimated 430,700 American lives are lost each year to smoking-related diseases. Healthcare costs and lost productivity due to smoking amount to \$97.2 billion each year. Even though cigarette smoking has been shown to cause such diseases as lung cancer, emphysema and chronic bronchitis, there are currently 47 million smokers in the United States.

Texas Tech University Health Science Center, a PHF beneficiary, will use distributions from the PHF to fund centers of excellence and seed grant programs dedicated to research of chronic illnesses. Distributions will also fund a variety of education initiatives with the goal of reducing tobacco use by the youth and families of West Texas, as well as the clients and staff of TTUHSC. The Center will also use PHF distributions for primary prevention programs that focus on chronic diseases in at-risk populations in West Texas.

UT Health Science Center at San Antonio will use distributions from its \$200 million PHF endowment to support a children's cancer research center. This research center will build on the Health Science Center's existing pediatric oncology research base and combine ongoing cancer research from both the Health Science Center and the San Antonio Cancer Institute.



**Permanent Health Fund Overview
(\$890.3 million)**

The Permanent Health Fund (PHF) is an internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. The state endowment funds invested in the PHF consist of:

- a) The Permanent Health Fund for Higher Education
- b) Eight separate Permanent Funds for Health-Related Institutions
- c) The Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-Related Programs
- d) The Permanent Fund for Minority Health Research and Education

The distributions from the PHF endowments fund programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education.

1999 PHF FINANCIAL HIGHLIGHTS

		(in millions)
Year Ended August 31,	1999	
Beginning Net Asset Value	\$	-
Contributions		890.0
Investment Return		0.3
Distributions		-
Ending Net Asset Value	\$	890.3



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PHF Contributions

Contributions to the PHF consisted of the transfer of the initial \$890 million of endowment corpus from the Texas State Treasury on August 30, 1999. The public endowment funds invested in the PHF consisted of the following:

(in millions)	
Contributions to the PHF	Amount
Permanent Health Fund for Higher Education	\$ 350.0
Permanent Funds for Health Related Institutions	470.0
Permanent Fund for Higher Education, Nursing, Allied Health, Etc.	45.0
Permanent Fund for Minority Health Research and Education	25.0
Total	\$890.0

PHF Investment Return

The PHF was 100% invested in a AAA-rated money market fund for the final two days of the fiscal year.

Subsequent to fiscal year end, UTIMCO began systematically to invest PHF funds in accordance with the Endowment Policy Portfolio (EPP). Alignment of the PHF with the Endowment Policy Portfolio is not expected for several years pending the maturation of alternative investment portfolios.

PHF Expenses

The PHF incurred no expenses during fiscal year 1999.

PHF Distributions

Consistent with the UT Board's endowment spending policy for the Endowment Policy Portfolio, the initial distribution rate for the PHF was set at \$0.045 per unit or 4.5% of initial value.

Preservation of PHF Purchasing Power

Preservation of PHF purchasing power was not measured for the two-day period during which the PHF was under management.



Each point along the efficient frontier curve is a representation of the risk/return trade-offs for the most efficient portfolios that can be constructed from the choice of multiple asset classes.

EFFICIENT FRONTIER

