

PERMANENT UNIVERSITY FUND

**Report on Certain Specified Data
as Required by Art. 4413 (34e) of the Civil Statutes**

December 31, 1999

This report is available on the UTIMCO website at www.utimco.org

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Beneficiaries of the Fund

The Permanent University Fund (PUF) is a public endowment contributing to the support of institutions of The University of Texas System (UT System) and the Texas A&M University System (A&M System). The Constitution of 1876 established the PUF through the appropriation of land grants previously given to The University of Texas plus 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 2,109,109 acres located in 24 counties primarily in West Texas.

Responsibility and Management of the Fund

The State Constitution vests fiduciary responsibility for the PUF with the Board of Regents of The University of Texas System. The Board has entered into a contract with a nonprofit corporation, The University of Texas Investment Management Company (UTIMCO), for UTIMCO to invest funds under the control and management of the Board. UTIMCO may not engage in any business other than investing funds designated by the Board under the contract. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers who are employed from time to time.

Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PUF assets and annual distributions by earning an average annual total return after inflation of 5.5% over rolling ten-year periods of longer. The PUF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect Fund asset allocation policy targets.

Pursuant to a statewide election held on November 2, 1999, voters approved Proposition 17 amending the Texas Constitution. The amendments are effective January 1, 2000, and allow for a) distributions to the AUF from the "total return" on PUF investments, including income return as well as capital gains, and b) the payment of PUF expenses from PUF assets.

Market Value and Book Value of the PUF

On December 31, 1999, the market value and book value of the PUF was \$7.9 billion and \$6.6 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings – January 1, 1999 through December 31, 1999

<u>NAME</u>	<u>MARKET VALUE</u>	<u>TOTAL RETURN</u>	<u>PERCENTAGE OF THE FUND</u>
S&P 500 Equity Index Fund B-Lendable	1,226,847,920	20.89%	15.48
Mid Cap Index Fund B-Lendable	811,955,942	14.54%	10.25
EAFE Equity Index Fund B	582,863,744	26.93%	7.35
Home Depot Inc	68,990,625	68.82%	0.87
Wal Mart Store Inc.	64,251,688	70.25%	0.81
Microsoft Corp	39,356,425	68.36%	0.50
Johnson & Johnson Com	37,719,625	12.48%	0.48
General Elec Co	34,725,900	53.15%	0.44
Intel Corp Calif	29,698,350	39.04%	0.37
Abbott Labs	29,538,948	-24.55%	0.37

Asset Allocation

Asset allocation is the primary determinant in the volatility of the Fund's performance, subject to the asset allocation range as specified by the investment policy, and is the responsibility of UTIMCO. The following represents asset allocation at December 31, 1999. With the passage of Proposition 17, UTIMCO is in the process of restructuring the PUF's portfolios.

Common Stocks	53.82%
Fixed Income	27.90
Cash & Cash Equivalents	1.21
Alternative Equities	10.32
Inflation Hedging	<u>6.75</u>
	<u>100.00%</u>

Economically Targeted Investments

The PUF is committed to funding \$20 million in the Texas Growth Fund and Texas Growth Fund II (Texas Growth Funds). As of December 31, 1999, the combined market value and book value of the PUF's investment in the Texas Growth Funds were \$4,623,359 and \$8,334,406, respectively.