

**PERMANENT UNIVERSITY FUND**

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

**December 31, 2003**

**This report is available on the UTIMCO website at [www.utimco.org](http://www.utimco.org)**

## **PERMANENT UNIVERSITY FUND**

### **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 2.1 million 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 real return after inflation of 5.1% over rolling ten-year periods or longer. This 5.1% target was derived by adding the current target distribution rate of 4.75% plus an annual expected expense of .35%. 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.

### **Market Value and Book Value of the PUF**

On December 31, 2003, the market value and book value of the PUF was \$7.8 billion and \$7.3 billion, respectively, exclusive of land acreage.

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### Investment Performance of Ten Largest Stock Holdings – January 1, 2003 through December 31, 2003.

Name	Market Value	Total Return	Percentage of Fund December 31, 2003
BGI EAFE Equity Index Fund B	326,251,340	38.83%	4.16
BGI Mid Cap Index Fund B	302,441,042	35.63%	3.86
BGI Structured Tier Emerging Markets Fund B	250,657,011	55.71%	3.20
Templeton Institutional Funds			
Emerging Markets Series	220,077,467	53.78%	2.81
BGI Russell 3000 Alpha Tilts Fund B	218,715,964	N/A	2.79
BGI Russell 2000 Alpha Tilts Fund B	206,004,461	45.68%	2.63
Capital Guardian Int'l Emerging Markets Fund	189,899,906	50.16%	2.42
Diamond Trust Unit Series 1	172,787,181	N/A	2.20
BGI Active International Equity Fund B	163,613,197	N/A	2.09
Capital Guardian Non-US Small Cap Fund	134,288,717	53.50%	1.71

*\*N/A-PUF has held the investment for less than a 12-month period, therefore, performance for this time period is not available.*

### 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, 2003.

U.S. Common Stocks	34.15%
International Common Stocks	23.59
Fixed Income	12.76
Alternative Equities	20.59
Inflation Hedging	8.47
Cash & Cash Equivalents	<u>0.44</u>
	<u>100.00%</u>

## Economically Targeted Investments

The PUF is invested, as well as committed to invest, in various private equity funds which are at least 50% allocated to economic development within the state of Texas or at least 50% allocated to businesses or entities located within the state of Texas. A recent investment was made to PTV Sciences Venture Fund (PTV). PTV works with the University of Texas System and other Texas-based institutions to target the most promising life and physical science research and develop companies around those technologies.

The following are the book value and market value of investments which are at least 50% allocated to the economic development within the state of Texas:

<b>Investment</b>	<b><u>BookValue</u></b>	<b><u>MarketValue</u></b>
PTV SCIENCES LP	1,581,250	1,581,250
TEXAS GROWTH FUND	3,333,150	370,393
TEXAS GROWTH FUND II	<u>5,223,747</u>	<u>1,111,483</u>
	<u>10,138,147</u>	<u>3,063,126</u>

The following are the book value and market value of investments which currently are at least 50% allocated to businesses or entities located within the state of Texas:

<b>Investment</b>	<b><u>BookValue</u></b>	<b><u>MarketValue</u></b>
AUSTIN VENTURES IV L P	3,012,386	453,611
AUSTIN VENTURES V	10,769,423	4,549,726
AUSTIN VENTURES VI LP	11,939,028	4,376,358
AUSTIN VENTURES VII LP	8,223,490	4,673,311
AUSTIN VENTURES V III LP	2,864,049	1,972,296
EN CAP ENERGY CAPITAL FD III	15,715,447	13,454,717
ENCAP ENERGY CAPITAL FUND IV B	3,178,001	3,784,903
GOLDSTON OIL CO - GLADEWATER	467,317	3,149,964
GOLDSTON OIL CO - GLADEWATER	265,806	2,293,693
GOLDSTON OIL CO -JETER #3	92,173	1,325,744
JATOTECH VENTURES LP	2,828,332	959,387
PRIME VIII L P	11,924,477	5,609,703
RSTW PARTNER III L P	27,825,848	20,543,657
ENERGY ASSET OPTION FUND	7,534,800	7,976,302
CTI PARTNERS LP	2,063,094	689,500
FGSI PARTNERS L P	429,655	1,731,502
SCF III L P	11,389,277	17,914,558
SCF IV LP	13,921,572	14,646,649
TRIAD VENTURES LIMITED II L P	1,526,034	103,960
WINGATE PARTNERS II L P	8,076,646	3,517,242
WINGATE PARTNERS III LP	4,076,859	3,269,286
SCF-V LP	7,541	7,541
OAKBAY	<u>14,379,643</u>	<u>3,706,742</u>
	<u>162,510,898</u>	<u>120,710,352</u>