

**PERMANENT UNIVERSITY FUND**

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

**June 30, 2004**

**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 June 30, 2004, the market value and book value of the PUF was \$8.1 billion and \$7.7 billion, respectively, exclusive of land acreage.

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### Investment Performance of Ten Largest Stock Holdings – July 1, 2003 through June 30, 2004.

Name	Market Value	Total Return	Percentage of Fund June 30, 2004
BGI EAFE Equity Index Fund B	321,068,911	32.55%	3.96
BGI Mid Cap Index Fund B	252,820,235	28.00%	3.12
BGI Russell 3000 Alpha Tilts Fund B	193,294,815	N/A	2.38
Templeton Institutional Funds			
Emerging Markets Series	190,501,071	35.25%	2.35
BGI Russell 2000 Alpha Tilts Fund B	177,990,832	31.30%	2.19
BGI Active International Equity Fund B	171,691,515	N/A	2.12
BGI Equity Index Fund B	124,790,625	19.09%	1.54
Capital Guardian Non-US			
Small Cap Fund	115,715,778	52.39%	1.43
BGI Structured Tier Emerging Markets			
Fund B	86,526,282	33.74%	1.07
Diamond Trust Unit Series 1	74,743,382	17.78%	.92

*\*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 June 30, 2004.

U.S. Common Stocks	32.87%
Global Ex US Equities	19.50
Hedge Funds	20.13
Private Capital	10.12
Commodities	3.11
Fixed Income	11.02
Cash & Cash Equivalents	<u>3.25</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.

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:

<u>Investment</u>	<u>Book Value</u>	<u>Market Value</u>
PTV SCIENCES LP	4,095,595	4,362,619
TEXAS GROWTH FUND	3,333,612	230,079
TEXAS GROWTH FUND II	<u>5,230,684</u>	<u>657,063</u>
	<u>12,659,891</u>	<u>5,249,761</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:

<u>Investment</u>	<u>Book Value</u>	<u>Market Value</u>
AUSTIN VENTURES IV L P	2,946,721	384,730
AUSTIN VENTURES V	10,769,423	4,134,866
AUSTIN VENTURES VI LP	11,939,028	4,264,083
AUSTIN VENTURES VII LP	8,307,492	6,451,390
AUSTIN VENTURES V III LP	3,556,650	4,068,509
EN CAP ENERGY CAPITAL FD III	8,469,962	7,231,323
ENCAP ENERGY CAPITAL FUND IV B	4,738,178	5,113,859
GOLDSTON OIL CO - GLADEWATER	402,298	2,717,850
GOLDSTON OIL CO - GLADEWATER	255,696	2,189,522
GOLDSTON OIL CO -JETER #3	81,528	1,151,279
JATOTECH VENTURES LP	3,204,532	1,087,038
PRIME VIII L P	11,924,477	5,531,693
RSTW PARTNER III L P	25,995,447	16,235,560
ENERGY ASSET OPTION FUND	6,717,317	6,582,064
CTI PARTNERS LP	2,063,094	689,500
FGSI PARTNERS L P	350,834	1,257,789
SCF III L P	9,413,140	12,874,822
SCF IV LP	14,570,319	16,762,293
TRIAD VENTURES LIMITED II L P	1,526,034	129,586
WINGATE PARTNERS II L P	7,267,932	2,781,706
WINGATE PARTNERS III LP	5,355,028	4,432,448
SCF-V LP	1,382,541	1,340,766
OAKBAY	<u>14,379,643</u>	<u>3,706,742</u>
	<u>155,617,313</u>	<u>111,119,420</u>