

**PERMANENT UNIVERSITY FUND**

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

**June 30, 2007**

**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 and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PUF's asset allocation policy targets.

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

On June 30, 2007 the market value and book value of the PUF was \$11.7 billion and \$10.1 billion, respectively, exclusive of land acreage.

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### Investment Performance of Ten Largest Stock Holdings - July 1, 2006 through June 30, 2007

Name	Market Value	Total Return	Percentage of Fund June 30, 2007
TEMPLETON INSTL FDS INC	\$ 187,157,017	39.71%	1.60%
ISHARES TR S&P 100 INDEX FD	106,849,997	21.58%	0.92%
ISHARES TR S&P GLOBAL 100	90,064,904	23.54%	0.77%
SIMON PPTY GROUP INC	25,553,715	15.82%	0.22%
EQUITY RESIDENTIAL	24,064,349	5.87%	0.21%
PUBLIC STORAGE	23,863,365	3.48%	0.20%
BOSTON PROPERTIES INC	23,620,626	21.52%	0.20%
DEVRY INC	19,500,264	53.26%	0.17%
PROLOGIS	19,328,247	13.14%	0.17%
AVALONBAY COMMUNITIES	18,539,574	11.21%	0.16%

### 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, 2007.

U.S. Equities	22.73%
Global Ex US Equities	19.77
Directional Hedge Funds	9.90
Absolute Return Hedge Funds	14.57
Private Capital	10.61
Inflation Linked	11.36
Fixed Income	7.02
Cash & Cash Equivalents	<u>4.04</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 considered economically targeted investments. Economically targeted investments means an investment in which at least 50% of the total investment is allocated to economic development within the state of Texas or investment in businesses or entities located within the state of Texas.

The following is the market value of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IV LP	\$ 25,104
AUSTIN VENTURES IX LP	2,848,876
AUSTIN VENTURES V LP	2,261,163
AUSTIN VENTURES VI LP	3,297,420
AUSTIN VENTURES VII LP	4,782,847
AUSTIN VENTURES VIII LP	6,472,795
CTIP PARTNERS LP	145,564
ENCAP ENERGY CAPITAL FUND III-B LP	4,338,087
ENCAP ENERGY CAPITAL FUND IV-B LP	2,542,258
ENERGY ASSET OPTION FUND	1,851,769
ESCALATE CAPITAL I LP	13,305,558
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST	1,782,002
GOLDSTON OIL CO - JETER #3	1,074,753
GOLDSTON OIL-GLADEWATER JETER	1,944,584
JATOTECH VENTURES LP	2,552,115
PRIME VIII LP	4,536,389
PTV SCIENCES II LP	4,272,676
PTV SCIENCES LP	17,803,179
RSTW PARTNERS III LP	2,282,647
SCF-IV LP	24,039,937
SCF-V LP	6,070,263
SCF-VI LP	8,906,363
SOUTHWEST OPPORTUNITY FUND I LP	215,329
TEXAS GROWTH FUND - 1991 TRUST	77,584
TEXAS GROWTH FUND - 1995 TRUST	1,191,740
WINGATE PARTNERS II LP	1,207,696
	<u>\$ 119,828,698</u>