

PRESERVATION OF ENDOWMENT PURCHASING POWER **FIG. A**

	Long Term Expected Annual Average
Rate of Investment Return	8.34%
Less:	
Expense Rate	0.35%
Inflation Rate	3.00%
Distribution Rate	4.75%
Increase in Purchasing Power	0.24%

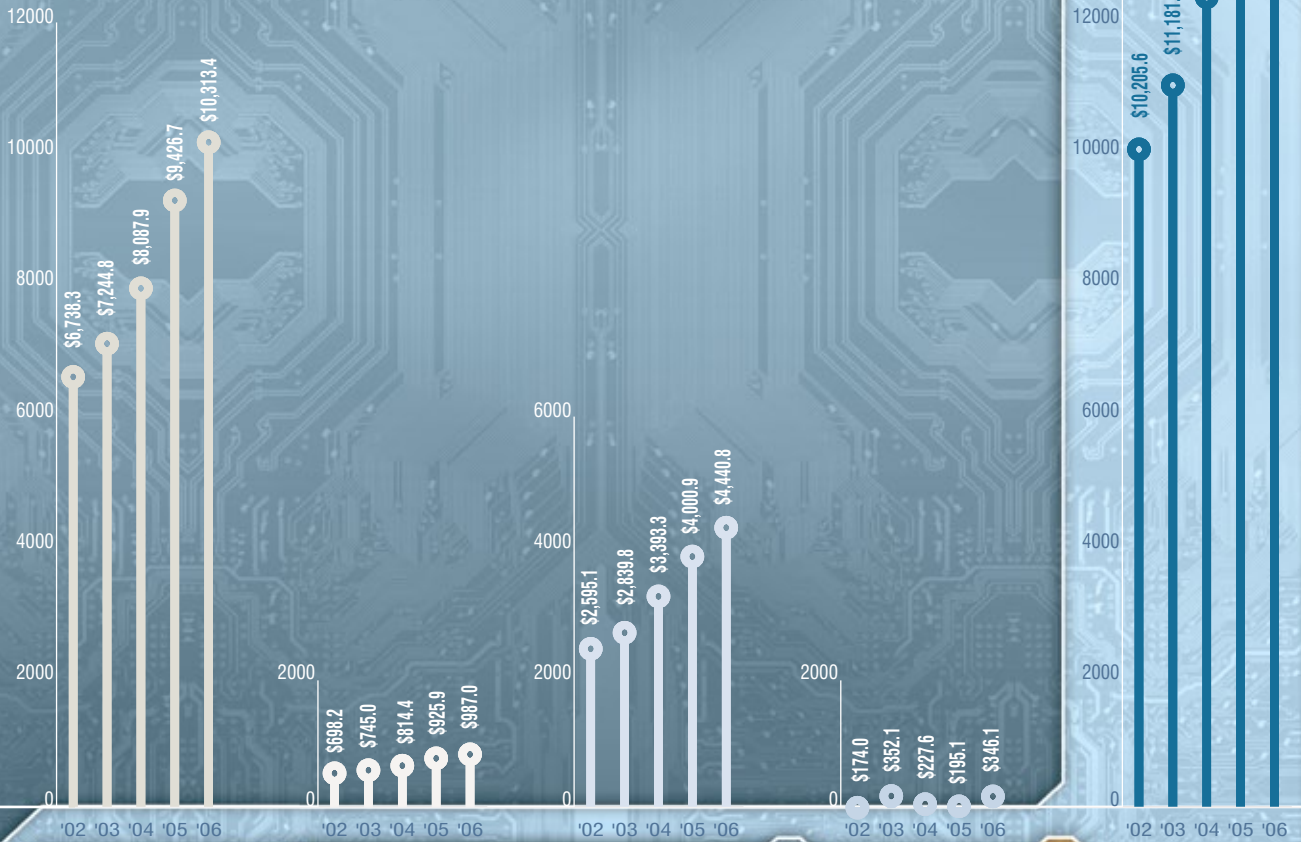
FIG. B **INVESTMENT RETURNS**

Endowment Funds	(in millions) Net Asset Value August 31, 2006	Annual Returns for Periods Ended August 31, 2006			
		One Year	Three Years	Five Years	Ten Years
Permanent University Fund	\$ 10,313.4	11.17%	14.86%	9.48%	9.87%
General Endowment Fund		11.10%	14.85%	9.72%	N/A
Permanent Health Fund	987.0	11.05%	14.73%	9.60%	N/A
Long Term Fund	4,440.8	11.06%	14.73%	9.64%	10.47%
Separately Invested Funds	346.1	N/A	N/A	N/A	N/A
Total Endowment Funds	\$ 16,087.3				



FUNDS AT A GLANCE

INVESTING IN TECHNOLOGY



Permanent University Fund
(\$10,313.4 million)

The Permanent University Fund (PUF) is a state endowment fund contributing to the support of 18 institutions and 6 agencies of The University of Texas System and The Texas A&M University System.

Permanent Health Fund
(\$987.0 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. As of March 1, 2001, the PHF purchased units in the newly created GEF in exchange for its contribution of investment assets.

Long Term Fund
(\$4,440.8 million)

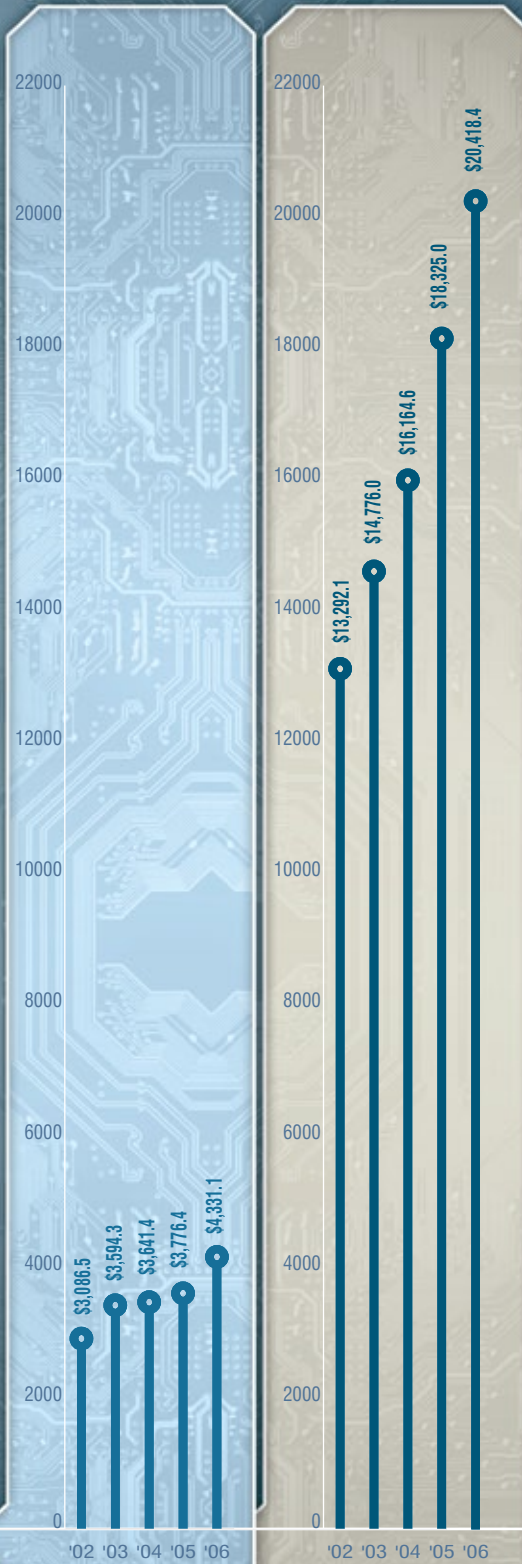
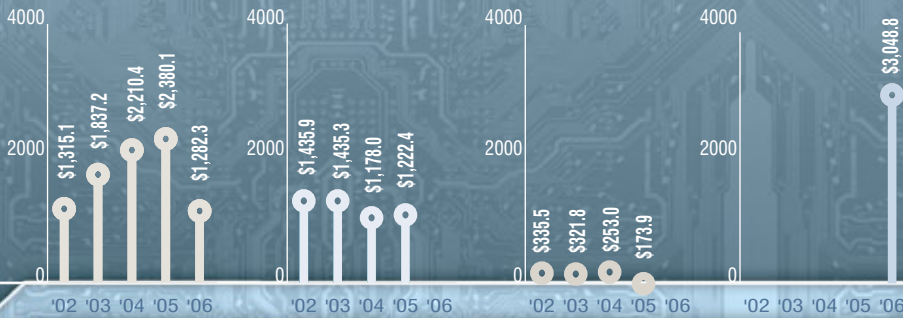
The UT System Long Term Fund (LTF) is an internal UT System mutual fund for the pooled investment of 7,236 privately raised endowments and other long-term funds benefiting the 15 institutions of the UT System. As of March 1, 2001, the LTF purchased units in the newly created GEF in exchange for its contribution of investment assets.

Separately Invested Funds
(\$346.1 million)

The UT System Separately Invested Funds (SIF) consist of approximately 235 privately raised endowments and charitable trusts where the nature of the underlying asset or donor restrictions preclude investment in the LTF.

Total Endowment Funds
(\$16,087.3 million)

OPERATING FUNDS Net Asset Value (in millions) as of August 31,



Short Term Fund (\$1,282.3 million)
 The UT System Short Term Fund (STF) is a money market mutual fund consisting of the working capital and other operating fund balances held by UT System institutions with an investment horizon of less than one year.

Short Intermediate Term Fund
 The UT System Short Intermediate Term Fund (SITF) was an internal UT System mutual fund for the pooled investment of the operating funds held by UT System institutions with an investment horizon between one and five years. The SITF was liquidated on January 31, 2006.

Institutional Index Funds
 The Institutional Index Funds (IIF) consisted of a U.S. debt index fund and a U.S. equity index fund for the investment of UT System institutions' permanent working capital and long-term capital reserves. The IIF was liquidated on January 31, 2006.

Intermediate Term Fund (\$3,048.8 million)
 The UT System Intermediate Term Fund (ITF) is an internal UT System mutual fund for the collective investment of operating funds and other intermediate and long-term funds held by UT System institutions and UT System Administration. The ITF was created on February 1, 2006 to replace the SITF and IIF.

Total Operating Funds (\$4,331.1 million)
Total Funds Under Management (\$20,418.4 million)