UTIMCO

The University of Texas Investment Management Company

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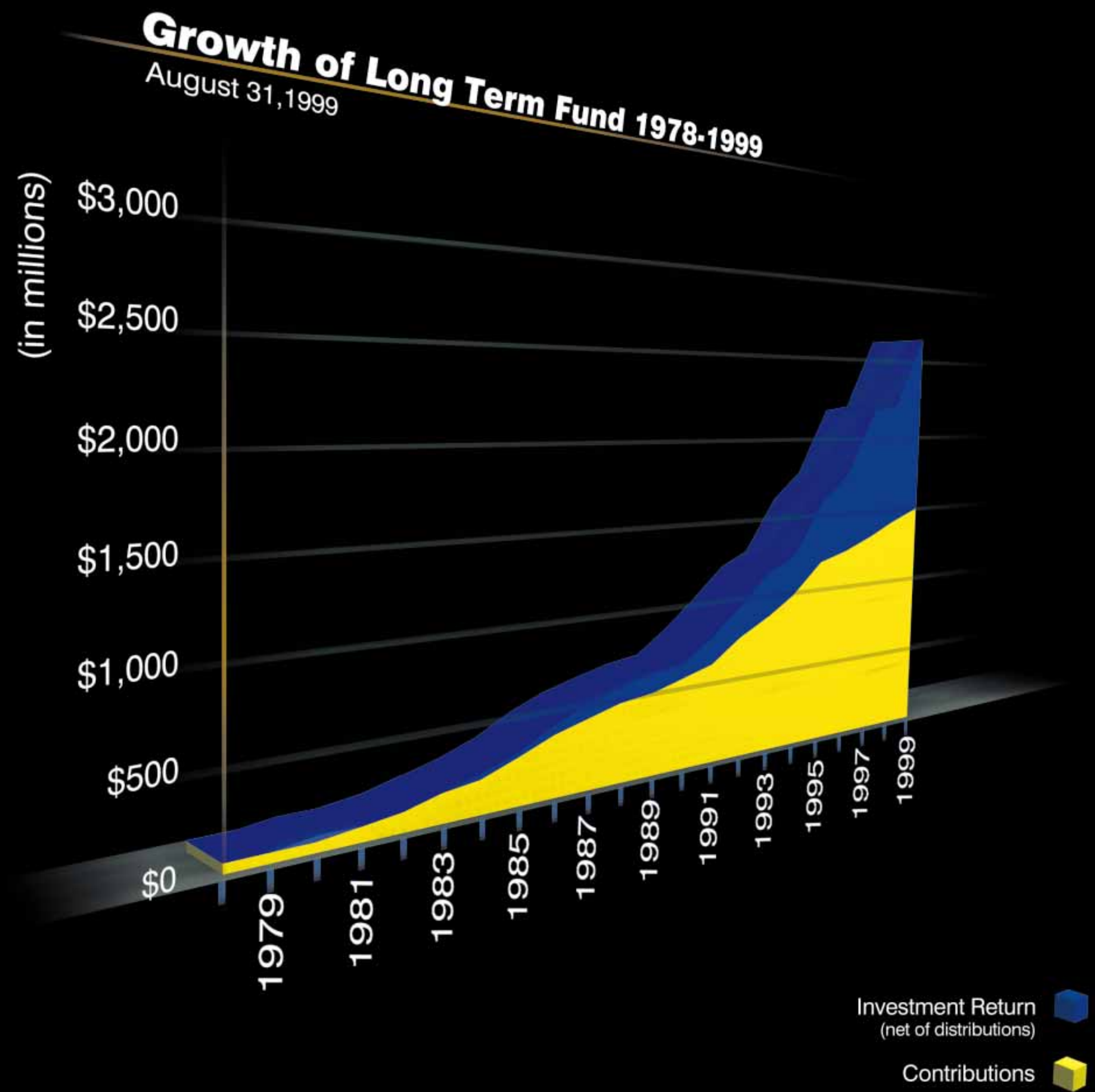
1999 Annual Report

Building MOMENTUM


Growth of Long Term Fund 1978-1999
August 31,1999
(in millions)
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
Investment Return
(net of distributions)
Contributions

Ownership of Long Term Fund

(in millions)

	Accounts	Value
UT System Administration	31	$ 23.0
Benefit of Multiple Components	5	4.2
UT Arlington	137	28.9
UT Austin	3,025	1,284.0
UT Dallas	74	88.9
UT El Paso	320	63.4
UT Pan American	57	15.2
UT Brownsville	11	0.4
UT Permian Basin	54	10.1
UT San Antonio	117	20.2
UT Tyler	97	39.4
UT Southwestern Medical Center at Dallas	308	404.7
UT Medical Branch at Galveston	328	184.5
UT Health Science Center at Houston	175	47.9
UT Health Science Center at San Antonio	112	52.4
UT M.D. Anderson Cancer Center	196	146.1
UT Health Center at Tyler	32	5.0
Medical Liability Fund	1	184.0
TOTAL	5,080	$2,602.3

Long Term Fund

LTF Beneficiaries:

- UT Arlington
- UT Austin
- UT Brownsville
- UT Dallas
- UT El Paso
- UT Pan American
- UT Permian Basin
- UT San Antonio
- UT Health Science Center at Houston
- UT Tyler
- UT Health Center at Tyler
- UT Southwestern Medical Center at Dallas
- UT Medical Branch at Galveston
- UT Health Science Center at San Antonio
- UT M. D. Anderson Cancer Center
- UT System

UTIMCO

LONG TERM FUND

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

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Did you know...

More than 100,000 deaths each year are caused by alcoholism.

With an estimated economic impact of $146 billion per year in the United States alone, alcoholism profoundly affects individuals, families and our society. The National Institute on Alcohol Abuse and Alcoholism reports that 14 million Americans either abuse alcohol or suffer from alcoholism while 76 million more Americans are indirectly exposed to alcoholism in the family. Researchers have frequently studied the effect of environment on predisposition to alcoholism, but new technology now makes it possible to explore the link between genetics and alcoholism.

The Waggoner Center for Alcohol and Addiction Research was established at The University of Texas at Austin in 1999 following a $5 million lead gift by M. June and J. Virgil Waggoner to support research in the molecular genetics of alcoholism. Under the leadership of Dr. R. Adron Harris, the Center has brought together sixteen scientists from the Colleges of Natural Sciences, Pharmacy, Education and Liberal Arts to conduct research on the early detection, treatment, and prevention of alcoholism. The Center has established a memorial gift program and accepts contributions in memory of those who have died from alcoholism and its related diseases. UT Austin matched the Waggoner's $5 million gift, and an additional $5.3 million was granted to the Center by the Texas Commission on Alcohol and Drug Abuse. Combined with other current public research grants of nearly $600,000, total funding for the Center now exceeds $15 million. The Waggoner Center is well positioned to become a national leader in the search for solutions to the disease of alcoholism, the findings of which will offer important clues to understanding and treating other addictions.

Long Term Fund Overview
($2,602.3 million)

The UT System Long Term Fund (LTF) is an internal UT System mutual fund for the pooled investment of 5,080 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The LTF is structured as a mutual fund in which each endowment or account purchases units at the LTF's market value per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record. Distributions from the LTF fund scholarships, teaching, research and medical liability insurance programs across the UT System.

1999 LTF Financial Highlights

(in millions)

Years Ended August 31,	1995	1996	1997	1998	1999
Beginning Net Asset Value	$ 1,226.3	$ 1,558.8	$ 1,712.1	$ 2,125.0	$ 2,147.7
Net Contributions	202.3	54.1	66.1	80.5	85.0
Investment Return	203.4	182.3	433.8	42.6	482.5
Receipt of Funds from UT System for UTIMCO fee	-	-	-	2.0	2.2
Total Expenses	(2.8)	(3.7)	(4.5)	(7.2)	(8.3)
Distributions (Payout)	(68.5)	(76.4)	(79.1)	(90.9)	(101.5)
Distribution of Gain on Withdrawals	(1.9)	(3.0)	(3.4)	(4.3)	(5.3)
Ending Net Asset Value	**$ 1,558.8**	**$ 1,712.1**	**$ 2,125.0**	**$ 2,147.7**	**$ 2,602.3**

The chart above illustrates the substantial growth in the LTF's net asset value. New contributions and investment return after expenses and distributions produced 35.5% and 64.5% of five-year asset growth, respectively.

LTF Contributions

Contributions to the LTF increased by 5.6% during the fiscal year reflecting the generosity of the many benefactors supporting UT System institutions. Fiscal year 1999 contributions of $85.0 million represented 3.5% of the average value of LTF net assets during the year.

LTF Investment Return

Unlike the PUF, the LTF is actively managed to the Endowment Policy Portfolio (EPP). The LTF's 22.1% return under performed the 24.4% index return generated by the EPP. The over performance produced by U.S. small cap equities, nonmarketable alternative assets and non-U.S. fixed income investments were slightly offset by under performance in the remaining LTF asset classes.

	Asset Allocation as of August 31, 1999			Investment Return		
Asset Class	EPP	LTF	Over (Under) Weight	Portfolio Policy Index	LTF	Attribution
Cash and Equivalents	0.0%	1.2%	1.2%	0.0%	6.0%	(0.3%)
U.S. Equities: Med/Large Capitalization	30.0%	32.6%	2.6%	39.9%	34.2%	(1.4%)
U.S. Equities: Small Capitalization	10.0%	10.8%	0.8%	28.3%	38.5%	0.9%
Non-U.S. Equities: Established Markets	12.0%	13.2%	1.2%	30.5%	24.1%	(0.8%)
Non-U.S. Equities: Emerging Markets	3.0%	2.9%	(0.1%)	72.3%	63.1%	(0.5%)
Alternative Assets: Marketable	7.0%	10.0%	3.0%	12.3%	6.7%	(1.3%)
Alternative Assets: Nonmarketable	18.0%	9.4%	(8.6%)	17.0%	21.9%	1.4%
U.S. Fixed Income	15.0%	15.2%	0.2%	0.8%	1.1%	(0.5%)
Non-U.S. Fixed Income	5.0%	4.7%	(0.3%)	6.2%	5.5%	0.2%
TOTAL LTF INVESTMENTS	**100.0%**	**100.0%**	**0.0%**	**24.4%**	**22.1%**	**(2.3%)**

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LTF Expenses

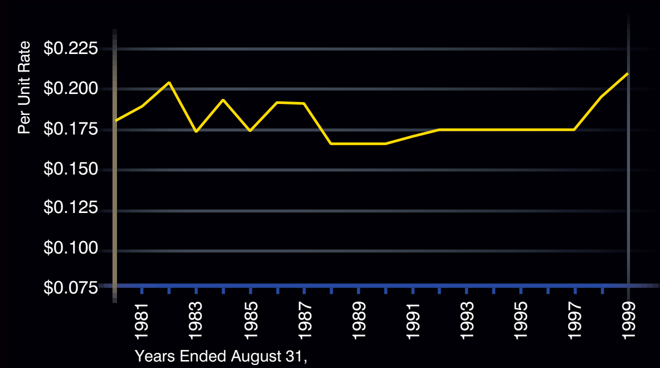
LTF expenses are paid from LTF assets. LTF expenses increased by 15.28% from $7.2 million to $8.3 million, and represented 0.345% of average LTF market value versus 0.319% for the prior year.

LTF Distributions

Consistent with the spending policy for the Endowment Policy Portfolio, the long-term target distribution rate for the LTF is 4.5% of the LTF's net asset value. Distributions are increased annually at the rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of LTF net asset value. UTIMCO smoothes annual spending by calculating LTF net asset value for distribution purposes as the average value for the trailing twelve quarters.

During the year, the LTF's annual distribution rate per unit was increased by 7.7% from $0.195 per unit to $0.21 per unit. This increase was greater than the rate of inflation and reflects a 1998 one-time adjustment for recognition of above average price appreciation experienced by the LTF in previous years. 1999 distributions, at $0.21 per unit, represented 4.19% of the LTF's average market value for the year.

LONG TERM FUND DISTRIBUTION RATE PER UNIT



Preservation of LTF Purchasing Power

Preserving LTF's purchasing power over time is dependent on the LTF's ability to meet its distribution policy objectives.

LTF distribution policy objectives are to:

Provide a stable and predictable stream of distributions per unit

For the preceding five-year period, starting with the fiscal year ended August 31, 1995, the rate of increase in the LTF's distribution rate per unit was 0.0%, 0.0%, 0.0%, 11.4% and 7.7%.

Increase the distribution rate per unit at a rate at least equal to the rate of inflation

The LTF distribution rate per unit was unchanged from the period August 31, 1992 through August 31, 1997. The level of distributions was held constant in order to obtain financial equilibrium and to bring the LTF's distribution rate to within the average of other colleges and universities. The LTF's distribution rate per unit increased from $0.175 to $0.21 per unit or 20% on a nominal basis and 16% on an inflation-adjusted basis over the two-year period ended August 31, 1999.

Increase the value of the LTF net assets (after distributions) at a rate at least equal to the rate of inflation

The rate of inflation over the fiscal year was 2.26%. LTF purchasing power increased by 15.42% during the fiscal year versus a long-term average expected increase of 1.00% for the Endowment Policy Portfolio (EPP). This unusually high increase in purchasing power was attributable to above average equity returns, low inflation and controlled spending.

	Expected	For the Periods Ended August 31, 1999		
Annual Average	EPP	One Year	Five Years	Ten Years
Rate of Investment Return	9.35%	22.12%	15.02%	11.80%
Receipt of Funds from UT System	0.00%	0.09%	0.04%	0.02%
Less:				
Expense Rate	0.35%	0.34%	0.26%	0.26%
Inflation Rate	3.50%	2.26%	2.32%	2.99%
Distribution Rate	4.50%	4.19%	4.42%	5.07%
Change in Purchasing Power	**1.00%**	**15.42%**	**8.06%**	**3.50%**

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Did you know...

Coronary heart disease (CHD) is the number one killer in the United States.

The National Heart, Lung and Blood Institute of the National Institutes of Health reports that more than 500,000 Americans die of heart attacks caused by coronary heart disease each year. CHD is one of the greatest risk factors for heart failure. More than 2 million Americans have CHD, and 400,000 new cases are diagnosed each year. There is no known cure for damage to the heart muscle caused by CHD and heart failure. However, research has shown that regular, modest exercise can be a factor in controlling the risks of CHD and heart failure.

A recent discovery by a team of researchers led by Dr. R. Sanders Williams, chief of cardiology at The University of Texas Southwestern Medical Center at Dallas and director of the Donald W. Reynolds Cardiovascular Clinical Research Center, has pinpointed the biochemical reactions that create the health benefits gained from exercise. Dr. Williams, director of the Frank M. Ryburn Jr. Cardiac Center, knew that the health of patients improved during rehabilitation therapy even though their hearts were not repaired, and he was determined to figure out how genes control and alter muscles important to health. His work paid off last year when his team announced it had learned why weightlifters develop more of a muscle fiber called fast twitch and long-distance runners exhibit more of one called slow twitch. Equipped with this knowledge, Dr. Williams is confident that researchers can create a drug to mimic some effects of endurance exercise.

Dr. R. Sanders Williams

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statements of assets and liabilities, and the comparison summary of investment in securities of The University of Texas System Long Term Fund (Fund) as of August 31, 1999 and 1998, the related statements of operations and changes in net assets for the years then ended, and the financial highlights for each of the four years in the period ended August 31, 1999. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 1999 and 1998, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position and the comparative investment in securities of the Fund as of August 31, 1999 and 1998, the results of its operations and the changes in its net assets for the years then ended, and the financial highlights for each of the four years in the period ended August 31, 1999 in conformity with generally accepted accounting principles.

The unaudited information on page 47 was not audited by us, and, accordingly, we express no opinion or other form of assurance on it.

Deloitte & Touche LLP

October 29,1999

Deloitte Touche Tohmatsu

Financial Statements

FINANCIAL HIGHLIGHTS

Years Ended August 31,

	1999	1998	1997	1996	Unaudited 1995
Selected Per Unit Data					
Net Asset Value, Beginning of Period	$ 4.568	$ 4.672	$ 3.897	$ 3.661	$ 3.336
Income from Investment Operations					
Net Investment Income	0.121	0.129	0.143	0.148	0.166
Net Realized and Unrealized Gain (Loss) on Investments	0.868	(0.038)	0.807	0.263	0.334
Total Income from Investment Operations	0.989	0.091	0.950	0.411	0.500
Less Distributions					
From Net Investment Income and Undistributed Net Investment Income	0.121	0.140	0.175	0.175	0.175
From Net Realized Appreciation	0.089	0.055	-	-	-
Total Distributions	0.210	0.195	0.175	0.175	0.175
Net Asset Value, End of Period	**$ 5.347**	**$ 4.568**	**$ 4.672**	**$ 3.897**	**$ 3.661**
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	$2,602,274	$ 2,147,715	$ 2,124,977	$ 1,712,134	$ 1,558,799
Ratio of Expenses to Average Net Assets	0.345%	0.319%	0.235%	0.225%	0.212%
Ratio of Net Investment Income to Average Net Assets	2.417%	2.657%	3.336%	3.864%	4.867%
Ratio of Distributions to Average Net Assets (5-quarter average)	4.192%	4.043%	4.098%	4.589%	5.187%
Ratio of Distributions to Average Net Assets (12-quarter average) (1997 and 1996 unaudited)	4.020%	4.137%	4.462%	4.906%	

The accompanying notes are an integral part of these financial statements.

The University of Texas System Long Term Fund

Financial Statements

Comparison Summary of Investment in Securities, at Value

August 31, 1999 and 1998
(in thousands)

	1999	1998
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	$ 123,382	$ 156,622
U.S. Government Agencies (Non-Guaranteed)	148,528	134,758
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	3,985	8,961
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	7,103	5,537
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	61,580	67,585
Municipal and County Bonds	7,447	8,066
Certificates of Deposit	9,997	-
Corporate Bonds	205,042	167,443
Foreign Corporate Bonds	23,515	744
Commercial Paper	1,940	-
Other	3,065	2,140
Total Debt Securities	**595,584**	**551,856**
Preferred Stocks	**4,556**	**4,674**
Purchased Options	**4,183**	**-**
Convertible Debentures	**2,001**	**-**
Equity Securities		
Domestic Common Stock	763,965	628,809
Foreign Common Stock	95,397	69,810
Commingled Funds	314,378	236,856
Limited Partnerships	214,640	125,276
Index Funds	621,173	490,070
Other	7,020	3,667
Total Equity Securities	**2,016,573**	**1,554,488**
Cash and Cash Equivalents		
Money Markets	114,310	161,946
Total Investment in Securities	**$ 2,737,207**	**$ 2,272,964**

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Statements of Assets and Liabilities

August 31, 1999 and 1998
(in thousands)

	1999	1998
Assets		
Investment in Securities, at Value (Cost $2,248,175 and $2,140,914, respectively)	$ 2,737,207	$ 2,272,964
Collateral for Securities Loaned, at Value	21,490	70,565
Deposit with Broker for Securities Sold Short	65,612	55,355
Deposit with Broker for Futures Contracts	10,111	10,523
Unrealized Gains on Foreign Currency Exchange Contracts	6,275	6,230
Receivables		
Investment Securities Sold	64,180	48,967
Accrued Income	8,709	9,223
Other	1,992	2,298
Total Assets	**2,915,576**	**2,476,125**
Liabilities		
Payable to Participants	14,972	7,035
Securities Sold Short, at Value	64,286	55,359
Payable Upon Return of Securities Loaned	21,490	70,565
Unrealized Losses on Foreign Currency Exchange Contracts	819	6,812
Payables		
Investment Securities Purchased	209,642	185,915
Dividends on Securities Sold Short	25	61
Other	2,068	2,663
Total Liabilities	**313,302**	**328,410**
Net Assets	**$ 2,602,274**	**$ 2,147,715**
Net Assets Consist Of:		
Participant Contributions (Net of Withdrawals)	$ 1,463,638	$ 1,378,665
Accumulated Undistributed Net Realized Gain on Investments including Foreign Currency Transactions	649,236	626,379
Net Unrealized Appreciation of Investments including Translation of Assets and Liabilities in Foreign Currencies	489,400	142,671
Net Assets for 486,701,841 and 470,190,284 Units, respectively	**$ 2,602,274**	**$ 2,147,715**
Net Asset Value Per Unit	**$ 5.347**	**$ 4.568**

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Changes in Net Assets

Years Ended August 31, 1999 and 1998
(in thousands)

	1999	1998
Investment Income		
Interest	$ 42,054	$ 39,388
Dividend	21,847	24,839
Other	812	750
Total Investment Income	**64,713**	**64,977**
Expenses		
Internal Fee for Educational Purposes	497	456
Investment Counseling Fees	4,118	4,066
UTIMCO Fee	2,147	2,033
Consultation Fees	125	134
Custodial Fees and Expenses	514	374
Dividends on Securities Sold Short	884	62
Miscellaneous Expenses	60	123
Total Expenses	**8,345**	**7,248**
Receipt of Funds from UT System for UTIMCO Fee	2,147	2,033
Net Investment Income	**58,515**	**59,762**
Realized and Unrealized Gain (Loss) on Investments		
Net Realized Gain on Investment Securities and Foreign Currency Related Transactions	71,078	305,179
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	346,729	(327,422)
Net Gain (Loss) on Investments	**417,807**	**(22,243)**
Net Increase in Net Assets Resulting from Operations	**$ 476,322**	**$ 37,519**
Net Assets		
Beginning of Period	2,147,715	2,124,977
Participant Contributions (including reinvestments of $7,821 and $5,039 for the years ended August 31, 1999 and 1998, respectively)	96,474	93,166
Participant Withdrawals:		
Cost	(11,501)	(12,702)
Gain	(5,256)	(4,299)
Distributions to Participants:		
Net Investment Income	(58,515)	(59,762)
Undistributed Net Investment Income	-	(5,337)
Net Realized Appreciation	(42,965)	(25,847)
End of Period	$ 2,602,274	$ 2,147,715

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1 - Organization

The Long Term Fund (Fund) is a pooled fund established for the collective investment of private endowments and other long-term funds supporting various programs and purposes of the 15 institutions comprising The University of Texas System (UT System). The Fund was formerly known as the Common Trust Fund. The Long Term Fund was established February 9, 1995 by the Board of Regents of The University of Texas System to succeed the Common Trust Fund pooled investment fund. Fiduciary responsibility for the Fund rests with the Board of Regents. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an investment management services agreement with the Board of Regents.

The accompanying financial statements follow the form and content of investment company financial statements and related disclosures in accordance with generally accepted accounting principles. The principles followed will differ from the principles applied in governmental and fund accounting. The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Long Term Fund. The accompanying financial statements may differ in presentation from governmental accounting principles or the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 - Significant Accounting Policies

(A) Security Valuation - Investments are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the Fund are valued based upon prices supplied by Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Limited Partnerships and Other are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. At August 31, 1999, certain conditions existed that warranted an adjustment to several limited partnerships and one direct investment which was not specifically addressed by the Board policy. The policy states that if a direct investment is held by a partnership, the valuation used by the Fund is the price used by the partnership. Additionally, the limited partnership is valued based on the capital account balance at the closest available reporting period, as communicated by the general partner, adjusted for intra valuation date contributions and withdrawals. There were two significant sales that were consummated prior to the Fund's year end but were not reflected in the general partners' June 30, 1999 financial statements. Accordingly, valuation adjustments were made to more accurately reflect the market value of these investments at August 31, 1999. Proceeds from the sales of these investments were received in September 1999.

Securities held by the Fund in index funds are generally valued as follows:

> Stocks traded on security exchanges are valued at closing market prices on the valuation date.
>
> Stocks traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.
>
> Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Commingled funds are valued based on the net asset value per share provided by the investment company.

(B) Foreign Currency Translation - The accounting records of the Fund are maintained in U.S. dollars. Investments in securities and securities sold short are valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts, and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

(C) Investment Income - Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Premiums and discounts on bonds are not amortized.

(D) Security Transactions - Security transactions are recorded on a trade date basis for most securities. International index fund transactions are recorded on a settle date basis due to trading practices which impose restrictions in acquiring per unit information on the trade date. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(E) Distributions to Participants - Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the year ended August 31, 1999 the quarterly rate was $.0525 per unit which equates to a yearly rate of $.21 per unit. For the year ended August 31, 1998 the quarterly distribution rate for the first two quarters ended February 28, 1998 was $.045 per unit, and for the final two quarters ended August 31, 1998, the quarterly rate was $.0525 per unit. For the fiscal year ended August 31, 1998, the rate was $.195 per unit. The ratio of distributions to average net assets (12-quarter average) was 4.02% as of August 31, 1999. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months including August 31 subject to a maximum distribution of 5.5% of the Fund's average market value and a minimum distribution of 3.5% of the Fund's average market value.

(F) Fund Valuation - Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.

(G) Purchases and Redemption of Units - The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Any purchase amount will be assigned a whole number of units in the Fund to avoid fractional units. Any fractional amount of purchase funds which exceeds the market value of the units assigned will be transferred to the Fund but no units will be issued. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

(H) Participants' Net Assets - All participants in the Fund have a proportionate undivided interest in the Fund's net assets.

(I) Federal Income Taxes - The Fund is not subject to federal income tax.

(J) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(K) Foreign Currency Contracts - The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statements of operations. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(L) Cash and Cash Equivalents - Cash and Cash Equivalents consist of money markets and other overnight funds.

(M) Recently Issued Accounting Standards - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 standardizes the accounting for derivative instruments, by requiring an entity to recognize those items as assets or liabilities in the Statements of Assets and Liabilities and measure them at fair value. This statement is effective for fiscal years beginning after June 15, 2000. The Fund's financial statements are not expected to change as a result of the adoption of SFAS No. 133. The Fund currently accounts for its derivative instruments at fair value.

Note 3 - Acquisitions and Dispositions of Investments

Acquisitions and dispositions (including sales, maturities and prepayments) of securities, other than short-term securities, and the associated net realized gains are as follows for the years ended August 31, 1999 and 1998:

	1999	1998
Acquisitions	$ 3,861,075,869	$ 2,505,246,621
Dispositions	(3,772,865,066)	(2,442,149,226)
Net Realized Gains on Investments	71,077,186	305,179,222

The net realized gains on investments included $57,449,786 and $57,163,124 of reinvested capital gains earned on the index and mutual funds for the years ended August 31, 1999 and 1998, respectively. Also included in net realized gains were $6,784,295 and $5,777,183 of currency exchange losses for the years ended August 31, 1999 and 1998, respectively.

Note 4 - Fees and Expenses

The Fund was assessed a quarterly internal fee by the UT System for educational purposes based on 0.005% of the Fund's net asset value on the last day of each quarter for the years ended August 31, 1999 and 1998.

The Fund is assessed a management fee by UTIMCO to cover the costs of managing the Fund and providing day-to-day operations. The fees assessed for the years ended August 31, 1999 and 1998 were $2,146,952 and $2,033,652, respectively. The Fund, however, is reimbursed by the UT System for the fee which is shown in the statements of operations and changes in net assets as Receipt of Funds from UT System for UTIMCO Fee.

The Fund incurs investment counseling fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.01% to 1.0%. In addition to quarterly investment counseling fees, the Fund may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the manager's contract.

Custodial fees and expenses are assessed quarterly by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and online communication services per the contractual agreement.

Note 5 - Index Funds

The index funds consist of the Equity Index Fund B Lendable, which is majority-owned by the Long Term Fund and the Permanent University Fund. Also included in the index funds are twenty-one MSCI Equity Index Fund B international funds which are invested in Europe, Australia and the Far East. The market values of the funds are as follows:

August 31,	1999	1998
Equity Index Fund B Lendable	$ 431,903,753	$ 323,560,976
MSCI Equity Index Fund B	189,269,486	166,508,861
	$ 621,173,239	$ 490,069,837

Note 6 - Commingled Funds

The commingled funds consist of investments in other entities in which the Fund has an ownership percentage or shares. The investment vehicles include shares and limited partnerships. The investments include an investment in an emerging market institutional mutual fund, a small capitalization international stock fund, two U.S. and European event-driven special situation funds, and a fund investing long and short with a low net exposure to market risk. Event-driven special event funds invest in merger arbitrage, corporate restructuring, distressed investments, distressed convertibles and liquidations.

Note 7 - Securities Lending

The Fund loaned securities to certain brokers who paid the Fund negotiated lenders' fees. These fees are included in investment income. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of United States issuers and a market value of 105% for loaned securities of non-United States issuers. If the market value of the collateral held in connection with loans of securities of United States issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-United States issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 1999 and 1998:

Securities on Loan	1999 Value	1998 Value	Type of Collateral	1999 Value of Collateral	1998 Value of Collateral
U.S. Government	$ 16,687,519	$ 47,191,807	Cash	$ 17,083,390	$ 48,193,219
Corporate Bonds	1,442,755	6,630,247	Cash	1,467,900	7,783,150
Common Stock	2,777,814	13,234,304	Cash	2,938,975	14,588,638
Total	$ 20,908,088	$ 67,056,358	Total	$ 21,490,265	$ 70,565,007
U.S. Government	$ -	$ 18,967,485	Non-Cash	$ -	$ 19,044,052
Corporate Bonds	-	3,014,970	Non-Cash	-	3,180,000
Total	$ -	$ 21,982,455	Total	$ -	$ 22,224,052

Cash received as collateral for securities lending activities is recorded as an asset with an equal and offsetting liability to return the collateral. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

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Note 8 - Purchased Options

During the year ended August 31, 1999, the Fund invested in over-the-counter traded put and call options as a tool to facilitate various trading strategies. These options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time. Purchased options have no off-balance sheet risk as the Fund's market risk is limited to its investment in the option. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces such as volatility and changes in interest rates. The contractual amounts do not represent the amounts exchanged by the parties to the option and thus, are not a measure of the Fund's exposure to credit or market risk. The amounts exchanged during the term of the option are based on the contractual amounts. Contractual amounts are not included in the statement of assets and liabilities and generally exceed the cash requirements of the option. Credit risk is minimized by using only primary dealers as designated by the Federal Reserve Bank.

During 1999, the Fund recognized losses of $2,584,242 on purchased options. At August 31, 1999, the Fund held call options to purchase U.S. Treasury obligations with a face amount of $34,900,000 and put options to sell U.S. Treasury obligations with a face amount of $25,280,000. The carrying and fair value of these options was $4,182,802. During 1999, the average carrying and fair value of purchased options was $1,545,350.

Note 9 - Securities Sold Short

In connection with the Fund's market neutral trading strategies, the Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Deposit with Broker for Securities Sold Short was $65,612,408 and $55,354,742 at August 31, 1999 and August 31, 1998, respectively. The market value of securities sold short as of August 31, 1999 and August 31, 1998 was $64,285,650 and $55,359,113, respectively. The Fund must pay dividends or interest on the securities sold short. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the market value reflected in the statement of assets and liabilities. The Fund has a policy of reviewing, as considered necessary, the credit standing of the broker selected by the manager for the account under management.

Note 10 - Futures Contracts

The Fund's activities include trading in derivatives such as futures contracts. Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the Fund. The Fund had $10,111,157 and $10,523,063 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 1999 and August 31, 1998, respectively. It is the intention of the Fund not to utilize leverage when entering into these contracts, and to maintain cash balances that when combined with the collateral deposit with a broker exceed the notional value of the futures contracts held. Futures contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount of net realized gain (loss) on the futures contracts was $4,729,527 and ($3,741,050) for the years ended August 31, 1999 and 1998, respectively. The Fund executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the manager's various trading and credit monitoring techniques.

The following discloses the notional, carrying and fair values at August 31, 1999 and the average carrying and fair values for the year ended August 31, 1999 for futures contracts:

	Notional Value at August 31, 1999		Carrying and Fair Value at August 31, 1999		Average Carrying and Fair Value for the Year Ended August 31, 1999	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Equity Futures	$ 29,354,339	$ 26,925,109	$ 492,233	$ 556,508	$ 822,656	$ 1,010,184
Fixed Income Futures	42,409,432	24,096,650	19,842	83,830	185,046	139,530

The following discloses the notional, carrying and fair values at August 31, 1998 and the average carrying and fair values for the year ended August 31, 1998 for futures contracts:

	Notional Value at August 31, 1998		Carrying and Fair Value at August 31, 1998		Average Carrying and Fair Value for the Year Ended August 31, 1998	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Equity Futures	$ 45,686,120	$ 17,529,580	$ 785,113	$ 1,011,639	$ 521,666	$ 362,722
Fixed Income Futures	29,834,601	30,569,625	255,986	95,601	69,046	82,149

Note 11 - Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of $219,903,075 as of August 31, 1999.

Note 12 - Foreign Currency Exchange Contracts

The tables below summarize by currency the contractual amounts of the Fund's foreign currency exchange contracts at August 31, 1999 and August 31, 1998. Foreign currency amounts are translated at exchange rates as of August 31, 1999 and August 31, 1998. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U. S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 1999	Net Sell August 31, 1999	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 1999	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 1999
Euro Currency	$ 30,041,100	$ -	$ 320,237	$ 42,824
UK Pound	16,780,905	-	33,906	120,998
New Zealand Dollar	-	16,241,272	487,740	58,059
Swiss Franc	-	26,265,988	578,270	3,781
Canadian Dollar	16,662,603	-	-	59,282
Norwegian Krone	22,832,469	-	2,907	340,253
Japanese Yen	64,885,181	-	3,955,256	34,784
Australian Dollar	-	22,960,169	636,625	22,332
Swedish Krona	-	12,243,927	178,218	13,669
Various	-	5,298,198	81,907	123,345
	$ 151,202,258	$ 83,009,554	$ 6,275,066	$ 819,327

Currency	Net Buy August 31, 1998	Net Sell August 31, 1998	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 1998	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 1998
UK Pound	$ 34,012,233	$ -	$ 894,205	$ 351,716
German Mark	46,370,101	-	989,676	501,948
French Franc	10,088,377	-	254,091	196,447
New Zealand Dollar	-	7,035,928	310,486	59,686
Swiss Franc	-	27,297,802	749,014	1,451,507
Canadian Dollar	15,599,311	-	336,293	1,519,189
Norwegian Krone	15,868,744	-	344,687	926,147
Japanese Yen	-	659,731	594,846	919,843
Australian Dollar	-	10,634,845	1,067,218	278,634
Swedish Krona	-	13,603,837	165,044	236,247
Various	25,593,512	-	524,299	370,204
	$ 147,532,278	$ 59,232,143	$ 6,229,859	$ 6,811,568

Note 13 - Year 2000 (Unaudited)

The Fund could be adversely affected if the computer systems it uses and those used by the Fund's managers, custodian and other major service providers, do not properly process and calculate date-related information and data from and after January 1, 2000. This is commonly known as the Year 2000 problem.

All internal processes and programs, hardware and software products have been analyzed and are considered Year 2000 ready. As of August 31, 1999, Mellon Trust, the custodian and the major service provider for the Fund, had completed 100% of the remediation and system testing for their mission critical and high business value systems and considered themselves ready for the Year 2000. The Fund's other key service providers have taken steps that UTIMCO believes are reasonable in addressing Year 2000.