

PERMANENT UNIVERSITY FUND

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

December 31, 2011

This report is available on the UTIMCO website at www.utimco.org

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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 over rolling ten-year periods or longer at least equal to the target distribution rate after all expenses. The current distribution rate is 4.75%. 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.

Market Value and Book Value of the PUF

On December 31, 2011 the market value and book value of the PUF was \$12.3 billion and \$11.1 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings - January 1, 2011 through December 31, 2011

<u>Name</u>	<u>Market Value</u>	<u>Total Return</u>	<u>Percentage of Fund December 31, 2011</u>
HONGKONG LAND HLDGS LTD ORD	13,371,662	(35.51)%	0.11%
SUN HUNG KAI PROPERTIES	12,488,654	(22.12)%	0.10%
SIMON PROPERTY GROUP INC	11,502,737	33.56%	0.09%
SCHLUMBERGER LTD	10,179,283	(17.17)%	0.08%
EQUITY RESIDENTIAL	9,996,447	12.89%	0.08%
HALLIBURTON CO	9,390,620	(14.78)%	0.08%
MITSUBISHI ESTATE CO LTD	8,588,381	(22.94)%	0.07%
SAMSUNG ELECTRONICS CO TLD	8,550,334	11.55%	0.07%
JDA SOFTWARE GROUP INC	7,532,554	15.68%	0.06%
MITSUMI FUDOSAN CO Y50	7,239,029	(29.50)%	0.06%

Asset Allocation

Asset allocation is the primary determinant in the volatility of the PUF'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, 2011.

Asset Class	12/31/2011
Investment Grade Fixed Income	13.7%
Credit-Related Fixed Income	11.6%
Real Estate	4.7%
Natural Resources	13.8%
Developed Country Equity	43.2%
Emerging Markets Equity	13.0%
TOTAL	100.0%

Economically Targeted Investments

The PUF invests 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. These private equity investments are made through internally created investment pools.

The following is the market value of PUF's proportionate share of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IX LP	\$ 9,413,486
AUSTIN VENTURES V LP	159,973
AUSTIN VENTURES VI LP	1,990,795
AUSTIN VENTURES VII LP	4,037,220
AUSTIN VENTURES VIII LP	10,161,765
AUSTIN VENTURES X LP	8,994,173
ENCAP ENERGY CAPITAL FUND IV-B LP	50,723
ENCAP ENERGY CAPITAL FUND VII LP	42,149,531
ESCALATE CAPITAL I LP	10,601,182
GOLDSTON OIL CO - GLADEWATER JETER	777,261
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST	604,954
GOLDSTON OIL CO -JETER #3	8,729
GOLDSTON OIL CO -JETER #4	34,889
GOLDSTON OIL CO -JETER #5	84,679
PINTO TV ANNEX FUND LP	4,915,849
PTV SCIENCES FUND II LP	31,119,504
PTV SCIENCES LP	9,166,804
SANTÉ HEALTH VENTURES II LP	628,549
SCF-V LP	12,731,378
SCF-VI LP	16,348,463
SCF PARTNERS VII LP	19,265,464
SOUTHWEST OPPORTUNITY FUND I LP	12,632,226
WINGATE PARTNERS II L P	3,911
	<u>\$ 195,881,508</u>