

PERMANENT UNIVERSITY FUND

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

June 30, 2003

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 return after inflation of 5.5% over rolling ten-year periods or longer. 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, 2003, the market value and book value of the PUF was \$6.9 billion and \$7.0 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings – July 1, 2002 through June 30, 2003.

Name	Market Value	Total Return	Percentage of Fund June 30, 2003
BGI Mid Cap Index Fund B	529,035,000	-.67%	7.61
BGI EAFE Equity Index Fund B	398,516,343	-6.20%	5.74
BGI Structured Tier Emerging Markets Fund B	162,176,115	8.47%	2.33
Capital Guardian Int'l Emerging Markets Fund	147,375,258	7.14%	2.12
BGI Russell 2000 Alpha Tilts Fund B	132,544,267	.56%	1.91
Templeton Institutional Funds Emerging Markets Series	119,255,151	9.44 %	1.72
BGI Global Market Neutral Fund B	110,066,822	*N/A	1.58
Capital Guardian Non-US Small Cap Fund	109,712,881	-4.47%	1.58
BGI S&P 500 Equity Index Fund B	104,773,136	.34%	1.51
BGI Russell 2000 Index Fund B	99,000,236	*N/A	1.42

**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, 2003.

U.S. Common Stocks	35.43%
International Common Stocks	18.17
Fixed Income	16.55
Alternative Equities	21.38
Inflation Hedging	7.87
Cash & Cash Equivalents	<u>0.60</u>
	<u>100.00%</u>

Economically Targeted Investments

The PUF is committed to funding \$20 million in the Texas Growth Fund and Texas Growth Fund II (Texas Growth Funds). As of June 30, 2003, the combined market value and book value of the PUF's investment in the Texas Growth Funds were \$4,384,148 and \$8,539,745, respectively.

