

PERMANENT UNIVERSITY FUND

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

December 31, 2004

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 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 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 December 31, 2004, the market value and book value of the PUF was \$8.8 billion and \$8.0 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings – January 1, 2004 through December 31, 2004.

Name	Market Value	Total Return	Percentage of Fund December 31, 2004
BGI EAFE Equity Index Fund B	349,636,421	20.32%	3.98
BGI Active International Equity Fund B	198,664,350	21.18%	2.26
BGI Russell 3000 Alpha Tilts Fund B	176,092,674	12.22%	2.01
BGI Russell 2000 Alpha Tilts Fund B	137,976,218	17.95%	1.57
Templeton Institutional Funds Emerging Markets Series	127,354,707	26.34%	1.45
BGI Structured Tier Emerging Markets Fund B	110,932,135	26.04%	1.26
ISHARES TR Russell 2000 Index	91,777,816	18.05%	1.05
Capital Guardian Non-US Small Cap Fund	57,355,982	29.18%	.65
SPDR Trust Series 1	55,573,125	10.70%	.63
ISHARES TR S&P 100 Index Fund	52,445,878	6.43%	.54

**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 December 31, 2004.

U.S. Common Stocks	26.08%
Global Ex US Equities	20.32
Hedge Funds	21.83
Private Capital	9.21
Commodities	4.54
Fixed Income	14.12
Cash & Cash Equivalents	<u>3.90</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 at least 50% allocated to economic development within the state of Texas or at least 50% allocated to businesses or entities located within the state of Texas.

The following are the book value and market value of investments which are at least 50% allocated to the economic development within the state of Texas:

<u>Investments</u>	<u>BookValue</u>	<u>MarketValue</u>
PTV SCIENCES LP	5,286,882	5,445,970
TEXAS GROWTH FUND	3,301,307	193,529
TEXAS GROWTH FUND II	5,236,246	662,919
	<u>13,824,435</u>	<u>6,302,418</u>

The following are the book value and market value of investments which currently are at least 50% allocated to businesses or entities located within the state of Texas:

<u>Investment</u>	<u>BookValue</u>	<u>MarketValue</u>
AUSTIN VENTURES IV L P	2,884,176	355,033
AUSTIN VENTURES V	10,769,423	3,883,702
AUSTIN VENTURES VI LP	12,304,653	4,022,010
AUSTIN VENTURES VII LP	8,730,805	5,306,837
AUSTIN VENTURES V III LP	4,381,650	3,908,511
EN CAP ENERGY CAPITAL FD III	3,969,064	2,123,108
ENCAP ENERGY CAPITAL FUND IV B	4,458,692	4,812,133
GOLDSTON OIL CO - GLADEWATER	341,920	2,652,511
GOLDSTON OIL CO - GLADEWATER	246,341	2,151,064
GOLDSTON OIL CO -JETER #3	71,191	1,153,866
JATOTECH VENTURES LP	3,402,813	1,149,361
PRIME VIII L P	11,924,477	5,594,666
RSTW PARTNER III L P	21,498,482	9,213,196
ENERGY ASSET OPTION FUND	6,717,317	9,619,877
CTI PARTNERS LP	2,063,094	689,500
FGSI PARTNERS L P	148,068	-
SCF III L P	7,419,964	7,464,596
SCF IV LP	15,615,798	17,664,372
WINGATE PARTNERS II L P	7,267,932	2,720,321
WINGATE PARNTERS III LP	5,355,028	4,368,230
SCF-V LP	2,042,541	1,834,316
OAKBAY	14,379,643	6,348,748
	<u>145,993,072</u>	<u>97,035,958</u>