

PERMANENT UNIVERSITY FUND

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

June 30, 2006

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 and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PUF's asset allocation policy targets.

Market Value and Book Value of the PUF

On June 30, 2006, the market value and book value of the PUF was \$10.0 billion and \$9.9 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings - July 1, 2005 through June 30, 2006

Name	Market Value	Total Return	Percentage of Fund June 30, 2006
ISHARES TR S&P 100 Index Fund	147,061,179	5.63%	1.47
GIA Global Opportunities Fund	91,421,694	N.A	0.91
ISHARES TR S&P Global 100	80,674,093	11.51%	0.8
PIMCO Absolute Return Strategy	65,745,781	N.A	0.66
ISHARES TR Russell 2000 Index	42,973,120	13.31%	0.43
Boston PPTYS Inc Com	28,983,596	36.40%	0.29
Vornado Realty Trust Com	28,620,097	25.29%	0.29
Equity Office PPTY Trust Com	28,138,622	11.46%	0.28
BLDRS Index Funds Trust Emerging	27,680,931	N.A	0.28
Equity Residential Sh	26,156,538	24.75%	0.26

**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, 2006.

U.S. Equities	19.84%
Global Ex US Equities	20.80
Directional Hedge Funds	8.60
Absolute Return Hedge Funds	14.54
Private Capital	9.50
Inflation Linked	14.66
Fixed Income	9.77
Cash & Cash Equivalents	<u>2.29</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 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.

The following is the market value of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IV LP	\$ 157,524
AUSTIN VENTURES IX LP	1,087,593
AUSTIN VENTURES V LP	2,432,673
AUSTIN VENTURES VI LP	3,637,951
AUSTIN VENTURES VII LP	5,918,850
AUSTIN VENTURES VIII LP	5,740,752
CTIP PARTNERS LP	689,500
ENCAP ENERGY CAPITAL FUND III-B LP	2,318,100
ENCAP ENERGY CAPITAL FUND IV-B LP	2,965,120
ENERGY ASSET OPTION FUND	7,045,968
ESCALATE CAPITAL I LP	7,503,195
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INT	4,374,144
GOLDSTON OIL CO - JETER #3	2,437,790
GOLDSTON OIL-GLADEWATER JETER	5,120,100
JATOTECH VENTURES LP	1,947,332
PRIME VIII LP	4,666,441
PTV SCIENCES LP	14,517,640
PTV SCIENCES FUND II LP	524,683
RSTW PARTNERS III LP	3,052,898
SCF-III LP	2,985,314
SCF-IV LP	13,713,252
SCF-V LP	8,153,353
SCF-VI LP	2,257,274
TEXAS GROWTH FUND - 1991 TRUST	469,637
TEXAS GROWTH FUND - 1995 TRUST	1,267,457
WINGATE PARTNERS II LP	2,421,840
WINGATE PARTNERS III LP	5,101,587
	<u>\$ 112,507,968</u>