

Financial Statements

Permanent University Fund

Years ended August 31, 2004 and 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the fiscal year ended August 31, 2004. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of 18 institutions and 6 agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the PUF's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The PUF's net fiduciary assets after distributions increased by \$843.1 million from \$7,244.8 million to \$8,087.9 million, or approximately 11.6% during the year.
- Fiscal year 2004 contributions of PUF Lands mineral income increased by 43.6% from \$102.1 million to \$146.7 million and represented 1.9% of the average value of the PUF investments during the year. PUF Lands consist of more than 2.1 million acres in 19 counties primarily in West Texas.
- The PUF posted a net investment return of 14.73% for the fiscal year ended August 31, 2004, compared to a net investment return of 12.02% for the prior fiscal year.
- The PUF's annual distribution to the Available University Fund (AUF) decreased by 4.1% in fiscal year 2004.

Use of Financial Statements and Notes

The PUF's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are typically required by GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

In compliance with the reporting requirements of Section 66.05 of the Texas Education Code, we have included as supplementary information a Schedule of Changes in Cost of Investments and Investment Income. We have also included as supplementary information a Comparison Summary of Investments, at Fair Value.

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The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents assets, liabilities, and net assets of the PUF under UTIMCO management as of the end of the fiscal year. This statement, along with all of the PUF's financial statements, is prepared using the accrual basis of accounting, whereby PUF investment income is recognized when earned and PUF expenses are recognized when incurred.

The PUF invests in a broad mix of investments of the PUF and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the Texas A&M System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

The following summarizes the Statements of Fiduciary Net Assets (in millions):

	<u>2004</u>	<u>2003</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Investments, at Fair Value	\$ 8,080.4	\$ 7,352.3	\$ 728.1	10%
Other Assets	<u>970.0</u>	<u>386.0</u>	<u>584.0</u>	<u>151</u>
Total Assets	<u>9,050.4</u>	<u>7,738.3</u>	<u>1,312.1</u>	<u>17</u>
Total Liabilities	<u>962.5</u>	<u>493.5</u>	<u>469.0</u>	<u>95</u>
Net Assets Held in Trust	<u>\$ 8,087.9</u>	<u>\$ 7,244.8</u>	<u>\$ 843.1</u>	<u>12%</u>

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on activity of the PUF investments. The purpose of this statement is to present additions to the PUF resulting from net investment income and contributions from PUF Lands mineral income and the distributions to the AUF.

The net increase in fair value of investments of the PUF was \$899.9 million during the year compared to \$638.8 million for the year ended August 31, 2003. Investment expenses totaled \$21.1 million in fiscal year 2004 and \$15.2 million in fiscal year 2003.

The PUF's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and
- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

Distributions to the AUF decreased from \$363.0 million in fiscal year 2003 to \$348.0 million in fiscal year 2004. PUF distributions are controlled by a spending policy approved by the UT Board as directed by the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. To achieve this, the annual distribution is currently established at 4.75% of the prior twelve quarters' average net asset value of the PUF investments, as determined each February 28 for the following fiscal year.

The distributions to the AUF are subject to the following overriding conditions:

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7 percent of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

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The following table summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	<u>2004</u>	<u>2003</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
Investment Income	\$ 1,070.2	\$ 787.7	\$ 282.5	36%
Less Investment Expenses	(21.1)	(15.2)	(5.9)	(39)
PUF Lands Contributions	146.7	102.1	44.6	44
Total Additions	1,195.8	874.6	321.2	37
PUF Lands Expenses	4.7	5.1	(0.4)	(8)
Distributions to Available University Fund	348.0	363.0	(15.0)	(4)
Total Deductions	352.7	368.1	(15.4)	(4)
Change in Fiduciary Net Assets	843.1	506.5	336.6	66
Net Asset Held in Trust, Beginning of Period	7,244.8	6,738.3	506.5	8
Net Assets Held in Trust, End of Period	\$ 8,087.9	\$ 7,244.8	\$ 843.1	12%

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the PUF's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying financial statements of the Permanent University Fund (PUF) as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the PUF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 1, the financial statements present only the Permanent University Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2004 and 2003 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

The financial statements referred to above include only the investment assets and liabilities and changes therein related to the investments of the PUF, which are managed by The University of Texas Investment Management Company (UTIMCO) and are not intended to be a complete presentation of the PUF's assets, liabilities, income, and expenses. The PUF's 2.1 million acres of land are not included in this report (see Note 1).

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the PUF managed by UTIMCO as of August 31, 2004 and 2003, and the changes in the fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of the Permanent University Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of August 31, 2004 and 2003 and for the years then ended have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole.

 Ernst & Young LLP

October 22, 2004

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Statements of Fiduciary Net Assets

August 31, 2004 and 2003

(in thousands)

Assets	2004	2003
Investments, at Fair Value:		
Equity Securities	\$ 1,396,131	\$ 1,357,829
Preferred Stock	7,325	5,659
Debt Securities	1,270,321	1,011,033
Convertible Securities	4,812	5,009
Investment Funds	4,153,102	4,095,031
Purchased Options	–	11,147
Cash and Cash Equivalents	1,248,712	866,602
Total Investments	8,080,403	7,352,310
Collateral for Securities Loaned, at Fair Value	717,183	159,065
Deposit with Broker for Futures Contracts	83,406	54,591
Unrealized Gains on Foreign Currency Exchange Contracts	1,843	12,938
Receivables:		
Investment Securities Sold	148,726	143,690
Accrued Income	12,383	12,289
Other	6,405	3,419
Total Assets	9,050,349	7,738,302
Liabilities		
Payable Upon Return of Securities Loaned	717,183	159,065
Unrealized Losses on Foreign Currency Exchange Contracts	1,333	8,774
Payables:		
Investment Securities Purchased	230,050	323,058
Other	13,905	2,577
Total Liabilities	962,471	493,474
Net Assets Held in Trust	\$ 8,087,878	\$ 7,244,828

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

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Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2004 and 2003

(in thousands)

	<u>2004</u>	<u>2003</u>
Additions		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 899,915	\$ 638,766
Interest	53,638	66,216
Dividends	79,362	63,899
Income Distributions from Limited Partnerships	33,418	15,158
Other	3,838	3,673
Total Investment Income	<u>1,070,171</u>	<u>787,712</u>
Less Investment Expenses:		
Investment Management and Consulting Fees	14,320	8,792
UTIMCO Management Fee	5,361	5,187
Custodial Fees and Expenses	781	675
Legal	329	220
Analytical and Risk Measurement Fees	169	233
Other	111	76
Total Investment Expenses	<u>21,071</u>	<u>15,183</u>
Net Investment Income	1,049,100	772,529
Contributions from PUF Lands	146,667	102,107
Total Additions	<u>1,195,767</u>	<u>874,636</u>
Deductions		
PUF Lands Expenses	4,683	5,061
Distributions to Available University Fund	348,034	363,022
Total Deductions	<u>352,717</u>	<u>368,083</u>
Change in Fiduciary Net Assets	843,050	506,553
Net Assets Held in Trust, Beginning of Period	7,244,828	6,738,275
Net Assets Held in Trust, End of Period	<u><u>\$ 8,087,878</u></u>	<u><u>\$ 7,244,828</u></u>

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

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Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

(A) The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to the University of Texas, as well as an additional 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 over 2.1 million acres of land located primarily in 19 counties in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF, and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas Investment Management Company (UTIMCO).

(B) The accompanying financial statements report the investment in securities of the PUF, including the assets, liabilities, mineral contributions and investment income. Expenses related to the PUF's security investments and PUF Lands, as well as distributions from the PUF to the AUF, are also included. The PUF Lands asset values are not included in the accompanying financial statements.

The activities of the PUF are accounted for as a fiduciary fund. The financial statements of the PUF use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the fund are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB).

The supplemental Schedule of Changes in Cost of Investments and Investment Income has been prepared for the purpose of complying with the reporting requirement of Section 66.05 of the Texas Education Code.

The annual combined financial statements of UT System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the PUF. The accompanying financial statements may differ in presentation from 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 PUF 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

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Notes to Financial Statements (cont.)

and ask price is used).

Limited partnerships and other equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting period. In the rare case when no ascertainable value is available, the limited partnership is valued at cost.

Securities held by the PUF in index and exchange traded 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.

Hedge funds and certain other investment funds are valued based on net asset value information provided by the investment company.

(B) ***Foreign Currency Translation*** -- The accounting records of the PUF are maintained in U.S. dollars. Investments in securities 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 PUF does not isolate that portion of the results of the change in fiduciary net assets 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 increase in fair value of investments. Security classifications, as domestic or foreign, on the comparison summary of investments, at fair value are based on currency.

(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. 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) ***Federal Income Taxes*** -- The PUF is not subject to federal income tax.

(F) ***Use of Estimates*** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates

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Notes to Financial Statements (cont.)

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 income and expenses during the reporting period. Actual results could differ from these estimates.

(G) ***Derivative Applications*** -- Derivative securities are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The PUF from time to time uses various derivative applications as specified by policies established by the UTIMCO Board of Directors and by guidelines established in contracts with external investment managers. Derivative applications included under these policies and contracts include futures, forwards, swaps and all forms of options. Derivative applications in the PUF are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the PUF's market (systematic) exposure without trading the underlying cash market securities,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks so that the PUF's risk/return profile is more closely aligned with the PUF's targeted risk/return profile, and
- facilitate transition trading.

Through the use of derivative applications, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. The primary intent of the PUF's investment in derivative securities is to hedge its risk or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Under the provisions of the derivatives policy, leverage is not employed in the derivative applications unless specifically authorized by the UTIMCO Board.

Options Written -- When the PUF writes an option, an amount equal to the premium received by the PUF is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the PUF on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the PUF has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the PUF. The PUF as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

Swaps -- The PUF invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity sector return versus a specified cost per contract. Swaps are marked to market on a monthly basis, and are included as an asset or liability on the statements of

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Notes to Financial Statements (cont.)

fiduciary net assets. Cash flows occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument.

Futures Contracts -- Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the PUF's agent in acquiring the futures position). During the period the futures positions are open, the 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 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 that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts, and is included as an asset or liability on the statements of fiduciary net assets. The PUF 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 managers' various trading and credit monitoring techniques.

Foreign Currency Contracts -- The PUF 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 PUF 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 PUF'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 statements of fiduciary net assets. Realized and unrealized gains and losses are included in the statements of changes in fiduciary net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of investment 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.

(H) *Cash and Cash Equivalents* -- Cash and cash equivalents consist of money markets, cash held at the State Treasury, foreign currencies and other overnight funds. A portion of the PUF's cash and cash equivalents are maintained to support the notional value of future contracts held (see Note 11). Cash and cash equivalents are an integral part of the PUF's investment activities, and as such are included in the investments balance on the statement of fiduciary net assets.

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Notes to Financial Statements (cont.)

(I) ***Contributions from PUF Lands*** -- The mineral income earned from PUF Lands is recorded on a cash basis as remitted by UT System administration and presented on the accompanying statements of changes in fiduciary net assets as an addition to fiduciary net assets, styled "Contributions from PUF Lands."

(J) ***Reclassifications*** -- Certain items in the 2003 financial statements and related notes have been reclassified to conform with 2004 classification.

Note 3 – Investments

The PUF invests in various investment vehicles. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments may occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net assets.

To comply with the reporting requirements of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the Fund's investments are categorized in the tabulation titled "Investment Categories" to give an indication of credit risk assumed by the Fund at fiscal year-end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement, will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1:** Investments that are insured or registered or for which the governmental entity or its agent in the governmental entity's name holds the securities.
- Category 2:** Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the governmental entity's name.
- Category 3:** Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the governmental entity's name.

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Notes to Financial Statements (cont.)

(in thousands)	Category 1	Category 2	Category 3	Fair Value
Cash and/or Deposits	\$ 519	\$ -	\$ -	\$ 519
(Held in Treasury)				
Investments -- by category:				
U.S. Government and Agency Obligations	253,603	-	-	253,603
U.S. Government Agency Mortgage Obligations	201,857	-	-	201,857
Collateralized Mortgage Obligations	17,322	-	-	17,322
Corporate Obligations	158,150	-	-	158,150
Foreign Obligations	175,745	-	-	175,745
Political Subdivision Obligations	9,748	-	-	9,748
Commercial Paper	89,090	-	-	89,090
Corporate Stock	985,170	-	-	985,170
Foreign Stock	347,384	-	-	347,384
Investments -- uncategorized:				
Mutual Funds	-	-	-	1,755,750
Mineral Interests	-	-	-	6,413
Private Placement for Venture Capital	-	-	-	772,716
Other Investments	-	-	-	2,682,457
Securities Lending Collateral	-	-	-	717,183
Investments Held by Broker/Dealers Under Securities Lending Agreements:				
U.S. Government and Agency Obligations	-	-	-	422,292
Corporate Obligations	-	-	-	18,479
Corporate Stock	-	-	-	24,481
Foreign Stock	-	-	-	44,819
Mutual Funds	-	-	-	197,814
Totals by Asset	<u>\$ 2,238,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,880,992</u>

The total balance in the table above is comprised of the following components on the Statement of Fiduciary Net Assets (in thousands):

Investments, at Fair Value	\$ 8,080,403
Collateral for Securities Loaned, at Fair Value	717,183
Deposit with Broker for Futures Contracts	83,406
Total	<u>\$ 8,880,992</u>

Because the investments listed as uncategorized in the above table are not evidenced by securities in physical or book entry form, these investments are not categorized in accordance with GASB Statement Number 3.

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Notes to Financial Statements (cont.)

Note 4 – Hedge Funds

Hedge fund investments are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable. The fair values of the hedge fund investments consist of the following:

	August 31,	
	2004	2003
Equity		
Long/Short - Global Equity	\$ 463,417,837	\$ 463,487,873
Long/Short - U.S.	83,538,437	53,595,994
Long/Short - Emerging Markets	54,952,290	44,686,514
Long/Short - Technology and Life Sciences	30,954,891	-
Long/Short - Developed Asia	31,532,158	-
Total Equity	<u>664,395,613</u>	<u>561,770,381</u>
Absolute Return		
Multistrategy - Global Event Oriented and Arbitrage	741,962,913	581,755,897
Long/Short - Global Market Neutral	132,056,675	-
Fund of Funds	130,142,152	88,127,748
Multistrategy - Global Market Neutral	52,807,167	-
Total Absolute Return	<u>1,056,968,907</u>	<u>669,883,645</u>
Total Hedge Funds	<u>\$1,721,364,520</u>	<u>\$1,231,654,026</u>

Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities and can be directional biased to the equity market. Equity hedge fund investments are made through private placement agreements.

Absolute return hedge fund investments include arbitrage and event oriented strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event oriented strategies attempt to exploit discreet events or anticipated events such as bankruptcies, mergers, takeovers, spinoffs and recapitalizations in equity and debt securities. Absolute return hedge funds investments are also made through private placement agreements. Market risk is generally hedged.

The fund of funds invests in other hedge funds including merger arbitrage and special situation fund, and other relative value hedge funds and equity return strategies.

Note 5 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the

EAFE Index.

The fund is a commingled 'superfund' comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Active International Equity Fund B attempts to match or outperform the returns of any of the National or Regional Divisions of the MSCI EAFE Index or MSCI Canada Index by investing in collective funds in whatever proportion among National or Regional Divisions recommended by the Active International Equity Strategy.

The Russell 3000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Russell 2000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P Mid-Cap 400 Index.

The Russell 2000 Equity Index Fund B's objective is approximating as closely as practicable the capitalization weighted total return of the segment of the U.S. market for publicly traded common stocks represented by the Russell 2000 Index.

The EAFE Equity Index Transition Fund was a temporary fund established to

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

accommodate the transition of existing investments into an existing index fund. The EAFE Equity Index Transition Fund was folded into the EAFE Equity Index Fund B upon completion of the transition.

The Russell 2000 Equity Index Transition Fund was a temporary fund established to accommodate the transition of existing investments into an existing index fund. The Russell 2000 Equity Index Transition Fund was folded into the Russell 2000 Index Fund B upon completion of the transition.

When deemed appropriate, a portion of the index funds may be invested in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Active International Equity Fund B is majority owned by the PUF and The University of Texas System General Endowment Fund. The fair values of the PUF's interests in these index funds are as follows:

	August 31,	
	2004	2003
EAFE Equity Index Fund B	\$ 295,451,521	\$ 281,251,540
Active International Equity Fund B	167,315,907	135,691,424
Russell 3000 Alpha Tilts Fund B	152,835,970	104,377,981
Russell 2000 Alpha Tilts Fund B	127,003,548	212,154,484
Emerging Markets Structured Tiered Fund B	88,670,026	218,705,253
Equity Index Fund B Lendable	72,159,163	108,695,766
Mid-Cap Index Fund B Lendable	32,266,482	468,330,163
Russell 2000 Equity Index Fund B	–	5,323,981
EAFE Equity Index Transition Fund	–	412,619
Russell 2000 Equity Index Transition Fund	–	21,032
	<u>\$ 935,702,617</u>	<u>\$ 1,534,964,243</u>

Note 6 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges. The fair values of the limited partnerships consist of the following:

	August 31,	
	2004	2003
U.S. Private Equity	\$ 384,335,097	\$ 427,450,782
Non-U.S. Private Equity	122,295,181	125,483,673
Venture Capital	116,487,352	114,657,694
Opportunistic	68,561,313	83,445,458
Mezzanine	60,101,058	64,670,130
Direct Investments	12,408,598	4,100,659
Oil and Gas	8,527,459	8,583,765
	<u>\$ 772,716,058</u>	<u>\$ 828,392,161</u>

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

Venture capital consists of interests in partnerships that provide capital to companies that are in the early stages of development.

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Notes to Financial Statements (cont.)

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the PUF's direct interests in private companies.

Note 7 – Securities Lending

The PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income. The PUF 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 U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. 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-U.S. 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, 2004 and 2003:

Securities on Loan	2004 Value	2003 Value	Type of Collateral	2004 Value of Collateral	2003 Value of Collateral
U.S. Government	\$ 416,432,428	\$ 62,899,948	Cash	\$422,163,748	\$ 63,659,881
Foreign Government	3,218,959	8,723,945	Cash	3,291,930	9,147,671
Corporate Bonds	15,260,347	33,253,536	Cash	15,607,230	34,353,149
Common Stock	266,626,615	49,684,339	Cash	276,120,435	51,904,234
Total	\$701,538,349	\$154,561,768	Total	\$717,183,343	\$ 159,064,935
Common Stock	\$ 486,664	\$ –	Non-Cash	\$ 499,617	\$ –
U.S. Government	5,859,806	510,071	Non-Cash	7,018,253	684,927
Total	\$ 6,346,470	\$ 510,071	Total	\$ 7,517,870	\$ 684,927

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.

Note 8 – Commitments

PERMANENT UNIVERSITY FUND*Notes to Financial Statements (cont.)*

The PUF had unfunded contractual commitments for Limited Partnerships and Other assets of \$528,800,345 as of August 31, 2004.

Note 9 – Written Options

During the year ended August 31, 2004, the PUF wrote call options on Treasury bond and equity index futures. Transactions in call options written during the year ended August 31, 2004, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2003	-	\$ -
Options Written	123,461	3,257,052
Options Expired	(715)	(744,708)
Options Exercised	<u>(122,746)</u>	<u>(2,512,344)</u>
Call Options Outstanding at August 31, 2004	<u>-</u>	<u>\$ -</u>

As of August 31, 2004 and 2003, there were no call options outstanding. The PUF recognized losses in the amount of \$154,606 on call options written for the year ended August 31, 2004. During the year ended August 31, 2003 there were no transactions in call options written.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 10 – Swaps

During the year the PUF entered into interest rate, total return and commodity swap contracts. The following discloses the notional amount, the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2004:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2004	
				Assets	Liabilities
Interest Rate					
UK Pound					
	5.000%	4,700,000	3/20/2013	\$ 37,001	\$ -
	5.000%	14,900,000	3/15/2032	-	507,248
	5.000%	9,800,000	6/15/2008	-	103,355
	5.250%	3,400,000	9/17/2018	-	20,215
Euro					
	6.000%	19,000,000	3/15/2032	4,070,596	-
	4.000%	19,100,000	3/15/2007	459,759	-
	4.000%	18,050,000	3/15/2007	434,485	-
	4.000%	28,800,000	6/16/2014	316,418	-
	5.000%	2,300,000	6/16/2014	200,863	-
	6.000%	5,600,000	3/20/2018	135,712	-
	4.000%	5,830,000	6/16/2014	64,053	-
	4.000%	3,200,000	6/17/2010	35,001	-
	5.750%	2,100,000	9/17/2018	27,925	-
	6.000%	19,000,000	3/15/2006	-	3,318,908
	4.000%	11,970,000	6/17/2010	-	130,927
Japanese Yen					
	0.800%	720,000,000	3/30/2012	227,543	-
	2.000%	870,000,000	12/20/2013	-	277,342
	2.000%	530,000,000	6/15/2012	-	176,226
Swedish Krona					
	4.500%	37,900,000	6/17/2008	45,534	-
	4.500%	38,200,000	6/17/2008	45,894	-
	4.500%	40,600,000	6/17/2008	48,778	-
U.S. Dollar					
	6.000%	19,600,000	12/18/2033	148,553	-
	6.000%	9,800,000	12/18/2033	74,277	-
	5.000%	35,000,000	12/15/2014	-	809,130
	6.000%	8,400,000	12/15/2024	-	753,274
	5.000%	8,600,000	12/15/2014	-	198,815
	5.000%	1,700,000	12/15/2014	-	39,301
	4.000%	17,800,000	12/15/2009	-	29,413
	5.000%	1,100,000	12/15/2014	-	25,430
	5.000%	800,000	12/15/2014	-	18,494
	4.000%	2,300,000	12/15/2009	-	3,801
				<u>6,372,394</u>	<u>6,411,879</u>
Total Return					
U.S. Dollar					
	-	700,000	9/30/2004	16,745	-
	-	700,000	11/1/2004	15,645	-
				<u>32,390</u>	<u>-</u>
Commodity					
U.S Dollar					
	TBill + 45 Basis Points	-	8/31/2004	-	1,673,113
	TBill + 45 Basis Points	-	8/31/2004	-	1,108,727
	TBill + 45 Basis Points	57,400,000	9/30/2004	-	-
	TBill + 45 Basis Points	82,000,000	9/30/2004	-	-
				<u>-</u>	<u>2,781,840</u>
Total				<u>\$ 6,404,784</u>	<u>\$ 9,193,719</u>

There were no outstanding swap contracts as of August 31, 2003.

Note 11 – Futures Contracts

During the years ended August 31, 2004 and 2003, futures contracts were used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the PUF. The asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The PUF had \$83,406,268 and \$54,591,354 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2004 and 2003, respectively. Short futures were used by internal managers and may be used by a limited number of external managers of the PUF to hedge the PUF's interest rate or country risk associated with security positions. The amount of net realized gains on the futures contracts was \$64,446,069 and \$71,537,611 for the years ended August 31, 2004 and 2003, respectively.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2004 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2004		Carrying and Fair Value at August 31, 2004	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 5 Year Treasury Notes	63	Sep-04	\$ 7,025,484	\$ -	\$ 19,688	\$ -
U.S. 5 Year Treasury Notes	91	Dec-04	10,071,141	-	29,860	-
U.S. 10 Year Treasury Notes	299	Sep-04	33,927,156	-	143,945	-
U.S. 10 Year Treasury Notes	267	Dec-04	29,987,437	-	52,780	-
			<u>81,011,218</u>	<u>-</u>	<u>246,273</u>	<u>-</u>
Domestic Equity						
Dow Jones Index	2,880	Sep-04	292,982,400	-	1,467,702	-
NASDAQ 100 Index	627	Sep-04	85,867,650	-	193,661	-
Russell 2000 Index Mini	643	Sep-04	35,242,830	-	279,705	-
Russell 2000 Index Mini	8,549	Sep-04	-	468,570,690	-	3,824,618
S&P 500 Index	2,081	Sep-04	574,408,025	-	2,685,887	-
S&P 500 Index	181	Sep-04	-	49,960,525	-	230,775
S&P 500 Index Mini	193	Sep-04	-	10,654,565	-	-
S&P Midcap 400 Index Mini	1,680	Sep-04	-	97,003,200	-	767,931
			<u>988,500,905</u>	<u>626,188,980</u>	<u>4,626,955</u>	<u>4,823,324</u>
Commodities						
Goldman Sachs Commodities	3,252	Sep-04	240,485,400	-	243,900	-
Foreign Fixed Income						
10 Year Swap Note	146	Sep-04	-	20,431,502	-	-
90 Day Euro Dollar	160	Sep-04	38,936,000	-	26,000	-
Euro-Bund	671	Sep-04	94,740,875	-	379,254	-
Euro-Bund	54	Dec-04	7,562,107	-	-	81,660
Japan 10 Year Bond	33	Sep-04	41,390,943	-	155,831	-
Japan 10 Year Bond	13	Dec-04	16,181,152	-	17,005	-
UK Long Gilt	5	Sep-04	964,957	-	2,416	-
			<u>199,776,034</u>	<u>20,431,502</u>	<u>580,506</u>	<u>81,660</u>
Foreign Equity						
All Shares Index	3,282	Sep-04	-	50,648,194	-	169,095
Amsterdam Index	202	Sep-04	15,924,975	-	-	-
CAC 40 Index	236	Sep-04	10,346,700	-	-	-
DAX Index	36	Sep-04	4,150,857	-	-	-
DJ Euro Stoxx 50	1,234	Sep-04	40,191,429	-	-	-
DJ Euro Stoxx 50	443	Sep-04	-	14,428,528	-	337,990
FTSE 100 Index	1,706	Sep-04	137,307,449	-	-	601,310
Hang Seng Index	25	Sep-04	2,054,180	-	-	-
Hang Seng Index	343	Sep-04	-	28,183,347	-	54
IBEX Index	27	Sep-04	-	2,587,477	-	-
MSCI Taiwan Index	1,987	Sep-04	-	48,562,280	218,570	-
Nikkei 225 Index	485	Sep-04	49,054,624	-	-	354,176
OMX Index	265	Sep-04	-	2,420,619	-	-
S&P/MIB Index	20	Sep-04	3,295,772	-	-	-
S&P/TSE 60 Index	695	Sep-04	49,086,749	-	397,881	-
SPI 200 Index	283	Sep-04	-	17,715,856	-	-
Topix Index	791	Sep-04	81,446,075	-	-	450,570
			<u>392,858,810</u>	<u>164,546,301</u>	<u>616,451</u>	<u>1,913,195</u>
Total			<u>\$1,902,632,367</u>	<u>\$ 811,166,783</u>	<u>\$ 6,314,085</u>	<u>\$ 6,818,179</u>

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2003 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2003		Carrying and Fair Value at August 31, 2003	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U. S. 2 Year Treasury Notes	196	Sep-03	\$ -	\$ 42,060,375	\$ 21,438	\$ -
U. S. 5 Year Treasury Notes	455	Sep-03	-	50,725,391	63,982	-
U. S. 10 Year Swap Notes	342	Sep-03	-	36,914,625	64,125	4,688
U. S. 10 Year Treasury Notes	92	Sep-03	10,260,875	-	-	12,562
U. S. 10 Year Treasury Notes	1,075	Dec-03	117,947,656	-	-	117,566
U. S. Treasury Bonds	157	Sep-03	-	16,862,781	29,437	-
			<u>128,208,531</u>	<u>146,563,172</u>	<u>178,982</u>	<u>134,816</u>
Domestic Equity						
Russell 2000 Index	281	Sep-03	69,891,725	-	484,725	-
Russell 2000 Index	98	Sep-03	-	24,375,050	-	-
S&P 500 Index	22	Sep-03	-	5,542,350	-	-
S&P 500 Index	1,701	Sep-03	428,524,425	-	2,764,125	-
			<u>498,416,150</u>	<u>29,917,400</u>	<u>3,248,850</u>	<u>-</u>
Commodities						
Goldman Sachs Commodities	1,607	Sep-03	97,123,063	-	-	100,438
Foreign Fixed Income						
10 Year Swap Note	146	Sep-03	-	18,218,948	-	-
Australian 10 Year Bond	68	Sep-03	4,568,849	-	-	6,995
Canada 10 Year Bond	124	Dec-03	9,628,404	-	75,362	-
Euro-Bund	880	Sep-03	110,125,354	-	172,838	-
Euro-Bund	64	Dec-03	7,966,011	-	239,114	-
Japan 10 Year Bond	19	Sep-03	22,374,020	-	56,670	-
Japan 10 Year Bond	20	Sep-03	-	23,551,600	-	86,206
Japan 10 Year Bond	6	Dec-03	7,005,312	-	-	-
Swiss Fed Bond	22	Sep-03	-	2,027,289	-	75
UK Long Gilt	5	Sep-03	936,712	-	-	1,341
UK Long Gilt	164	Dec-03	-	30,495,887	-	108,561
			<u>162,604,662</u>	<u>74,293,724</u>	<u>543,984</u>	<u>203,178</u>
Foreign Equity						
Amsterdam Index	55	Sep-03	-	3,985,377	34,961	-
CAC 40 Index	225	Sep-03	-	8,207,489	-	112,745
DAX Index	80	Sep-03	7,664,440	-	277,133	317,446
FTSE 100 Index	343	Sep-03	-	22,637,492	48,576	-
Hang Seng Index	97	Sep-03	6,778,129	-	143,320	142,158
IBEX Index	111	Sep-03	8,693,375	-	35,439	-
MIB 30 Index	22	Sep-03	-	3,079,247	-	1,086
OMX Index	303	Sep-03	-	2,127,219	437	-
SPI 200 Index	88	Sep-03	-	4,552,368	-	68,000
Topix Index	71	Sep-03	6,100,231	-	-	13,610
			<u>29,236,175</u>	<u>44,589,192</u>	<u>539,866</u>	<u>655,045</u>
Total			<u>\$ 915,588,581</u>	<u>\$ 295,363,488</u>	<u>\$ 4,511,682</u>	<u>\$ 1,093,477</u>

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 12 – Foreign Currency Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF’s foreign currency exchange contracts at August 31, 2004 and 2003. Foreign currency amounts are translated at exchange rates as of August 31, 2004 and 2003. 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, 2004	Net Sell August 31, 2004	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2004	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2004
Australian Dollar	\$ 2,251,642	\$ –	\$ 17,187	\$ 6,632
Canadian Dollar	–	10,139,490	8,515	34,383
Danish Krone	–	1,277,998	10,314	–
Euro	–	30,673,914	514,192	73,566
Japanese Yen	73,282,546	–	195,317	268,930
New Zealand Dollar	388,479	–	21,901	3,687
Norwegian Krone	–	8,688,997	317,303	192,038
Singapore Dollar	–	2,846,933	21,815	12,541
Slovak Koruna	221,508	–	–	2,582
South Korean Won	2,080,249	–	30,244	–
Swedish Krona	–	3,046,063	28,556	1,133
Swiss Franc	–	1,503,731	21,842	36,496
UK Pound	22,990,074	–	655,578	701,104
	<u>\$ 101,214,498</u>	<u>\$ 58,177,126</u>	<u>\$ 1,842,764</u>	<u>\$ 1,333,092</u>

Currency	Net Buy August 31, 2003	Net Sell August 31, 2003	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2003	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2003
Australian Dollar	\$ 27,268,134	\$ –	\$ 318,910	\$ 1,001,991
Canadian Dollar	–	44,951,328	553,914	559,836
Danish Krone	1,952,391	–	2,975	104,676
Euro	56,906,152	–	1,337,203	953,241
Hong Kong Dollar	261,499	–	2	72,401
Japanese Yen	123,325,998	–	2,025,842	1,142,503
Mexican New Peso	–	–	60,830	–
New Zealand Dollar	127,638	–	370,793	80,315
Norwegian Krone	–	4,407,362	2,631,780	116,033
Polish Zloty	1,412,058	–	35,287	94,712
Singapore Dollar	16,736,061	–	460,630	44,154
Swedish Krona	36,030,307	–	1,757,478	1,643,149
Swiss Franc	–	35,629,719	2,794,515	1,934,028
UK Pound	30,794,872	–	587,935	1,026,856
	<u>\$ 294,815,110</u>	<u>\$ 84,988,409</u>	<u>\$ 12,938,094</u>	<u>\$ 8,773,895</u>

Note 13 – Note Purchase Commitment

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

During the fiscal year 2003, the PUF entered into note purchase agreements with the UT System Board of Regents and the Texas A&M System Board of Regents. These agreements committed the PUF to acquire up to \$400,000,000 of UT System flexible rate notes and \$80,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

The PUF and the UT System Board of Regents amended their note purchase agreement in fiscal year 2004. Based on the amended agreement the PUF receives an annual commitment fee equal to 0.15% of the notes outstanding. As of August 31, 2004, there were no UT System flexible rate notes outstanding. The note purchase agreement between the PUF and the Texas A&M System Board of Regents remained the same.

The commitment fees earned by the PUF were \$323,425 for the year ended August 31, 2004. The PUF received an annual commitment fee equal to 0.1% of the commitment amounts for fiscal year 2003. The commitment fees earned by the PUF were \$356,658 for the year ended August 31, 2003.

Note 14 – Revenue Sharing Agreements

The PUF has entered into revenue sharing agreements with certain external investment managers. These agreements specify that the PUF shall receive a certain percentage of the gross revenues received by the investment manager for a specified period of time. The percentages of revenue shared in these fee arrangements currently range from 7.5% to 25%. During the year ended August 31, 2004, the PUF received \$213,099 of revenue sharing income, which is included in other investment income on the Statement of Changes in Fiduciary Net Assets. The PUF did not receive any revenue sharing income for 2003.

Note 15 – Distributions to the Available University Fund

The Texas Constitution allows for (a) distributions to the AUF from the “total return” on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the Board of Regents of UT System to establish a distribution policy that provides stable, inflation-adjusted annual distributions to the AUF and preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF assets in any fiscal year, except as necessary to pay debt service on PUF bonds. The PUF distribution to the AUF for the year ending August 31, 2005, in the amount of \$341,174,270 will be paid quarterly. The first payment of \$85,293,568 was made on September 1, 2004.

Note 16 – Fees and Expenses

The PUF incurs investment management fees from various external managers of the PUF. 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 management fees, the PUF may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. In addition, the PUF incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. The fee assessed for the years ended August 31, 2004 and 2003, was \$5,360,677 and \$5,187,122, respectively.

The PUF is assessed a fee to cover expenses related to the management of the PUF Lands. The fee assessed for the years ended August 31, 2004 and 2003, was \$4,682,804 and \$5,061,283, respectively.

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

The PUF incurs legal fees associated with the review of new investment manager agreements and with due diligence efforts undertaken as part of the hiring of new investment managers.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the PUF.

The PUF incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, and consultation fees.

PERMANENT UNIVERSITY FUND

Supplemental Schedules

Comparison Summary of Investments, at Fair Value

August 31, 2004 and 2003

(in thousands)

	2004		2003	
Equity Securities				
Domestic Common Stock	\$ 998,374	12.36%	\$1,093,492	14.87%
Foreign Common Stock	391,343	4.84%	257,202	3.50%
Other	6,414	.08%	7,135	.10%
Total Equity Securities	<u>1,396,131</u>	<u>17.28%</u>	<u>1,357,829</u>	<u>18.47%</u>
Preferred Stock				
Domestic Preferred Stock	6,465	.08%	5,432	.07%
Foreign Preferred Stock	860	.01%	227	–
Total Preferred Stock	<u>7,325</u>	<u>.09%</u>	<u>5,659</u>	<u>.07%</u>
Debt Securities				
U. S. Government Obligations	801,787	9.92%	566,328	7.70%
Foreign Government and Provincial Obligations	164,447	2.04%	137,812	1.87%
Corporate Obligations	291,027	3.60%	291,683	3.97%
Other	13,060	.16%	15,210	.21%
Total Debt Securities	<u>1,270,321</u>	<u>15.72%</u>	<u>1,011,033</u>	<u>13.75%</u>
Convertible Securities	<u>4,812</u>	<u>.06%</u>	<u>5,009</u>	<u>.07%</u>
Investment Funds				
Index Funds	935,703	11.58%	1,534,964	20.88%
Hedge Funds	1,721,365	21.30%	1,231,654	16.75%
Limited Partnerships	772,716	9.56%	828,392	11.27%
Exchange Traded Funds	358,941	4.44%	1,012	.01%
Other	364,377	4.51%	499,009	6.79%
Total Investment Funds	<u>4,153,102</u>	<u>51.39%</u>	<u>4,095,031</u>	<u>55.70%</u>
Purchased Options	<u>–</u>	<u>–</u>	<u>11,147</u>	<u>.15%</u>
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Futures Contracts	950,781	11.77%	578,373	7.87%
Other Money Market Funds and Cash Held at State Treasury	297,931	3.69%	288,229	3.92%
Total Cash and Cash Equivalents	<u>1,248,712</u>	<u>15.46%</u>	<u>866,602</u>	<u>11.79%</u>
Total Investment in Securities	<u>\$ 8,080,403</u>	<u>100.00%</u>	<u>\$7,352,310</u>	<u>100.00%</u>

PERMANENT UNIVERSITY FUND

Supplemental Schedules (cont.)

The following discloses PUF investments as of August 31, 2004, by industry classification:

Industry	Percentage of Total		Industry	Percentage of Total	
	Value	Investments		Value	Investments
Agricultural Services	\$ 1,685,406	0.02%	Metal Mining	\$ 10,560,015	0.13%
Agriculture Production-Crops	3,889,710	0.05%	Mineral Interests	6,413,402	0.08%
Amusement and Recreation Services	8,850,574	0.11%	Miscellaneous Manufacturing Industries	6,443,857	0.08%
Apparel and Other Finished Products	10,991,885	0.14%	Miscellaneous Retail	7,083,868	0.09%
Apparel and Accessory Stores	9,433,966	0.12%	Mining, Quarry Nonmetal Minerals	2,203,959	0.03%
Auto Dealers, Gas Stations	5,144,458	0.06%	Mortgage/Asset Backed	47,020,927	0.58%
Auto Repair, Services, Parking	1,011,794	0.01%	Motion Pictures	2,983,982	0.04%
Building Construction-General Contractor	15,138,839	0.19%	Motor Freight Transport, Warehouse	14,151,948	0.18%
Building Material, Hardware, Garden-Retail	142,506	0.00%	Municipal	10,931,413	0.14%
Business Services	59,199,947	0.73%	Nonclassifiable Establishment	1,431,203	0.02%
Chemicals and Allied Products	67,804,051	0.84%	Nondepository Credit Institution	37,812,211	0.47%
Coal Mining	4,881,273	0.06%	Nondurable Goods-Wholesale	9,159,367	0.11%
Commercial Paper	89,090,164	1.10%	Oil and Gas Extraction	46,623,177	0.58%
Communications	54,432,059	0.67%	Other - Debt Securities	13,059,605	0.16%
Construction-Special Trade	2,655,600	0.03%	Other Industry	13,504,839	0.17%
Depository Institutions	91,018,784	1.13%	Paper and Allied Products	4,750,236	0.06%
Diversified Manufacturing	4,306,430	0.05%	Personal Services	1,899,995	0.02%
Durable Goods-Wholesale	25,153,634	0.31%	Petroleum Refining and Related Industries	27,984,020	0.35%
Eating and Drinking Places	13,250,945	0.16%	Pipe Lines, Except Natural Gas	4,768,361	0.06%
Educational Services	639,711	0.01%	Primary Metal Industries	24,167,788	0.30%
Electronics, Other Electronic Equipment, Except Computers	62,320,405	0.77%	Printing, Publishing and Allied Services	11,057,946	0.14%
Electric, Gas, Sanitary Service	43,596,369	0.54%	Railroad Transportation	8,193,737	0.10%
Engineering, Research, Management, and Related Services	19,824,628	0.25%	Real Estate	25,115,530	0.31%
Metal Fabrication, Except Machinery and Transportation Equ	13,433,361	0.17%	Rubber and Miscellaneous Plastic Products	3,375,370	0.04%
Food and Kindred Products	34,610,091	0.43%	Security and Commodity Brokers	14,178,015	0.18%
Food Stores	8,320,212	0.10%	Social Services	92,092	0.00%
Foreign Government and Provincial Obligations	164,446,705	2.04%	Stone, Clay, Glass, Concrete Products	4,480,550	0.06%
Forestry	734,567	0.01%	Textile Mill Products	92,872	0.00%
Furniture and Fixtures	2,507,927	0.03%	Tobacco Products	5,236,251	0.06%
General Merchandise Stores	11,613,300	0.14%	Transit and Passenger Transportation	487,074	0.01%
Health Services	8,049,446	0.10%	Transportation By Air	12,509,674	0.15%
Heavy Construction-Not Building Construction	4,743,458	0.06%	Transportation Equipment	33,441,586	0.41%
Real Estate Holding	407,482,736	5.04%	Transportation Services	2,342,569	0.03%
Home Furniture and Equipment Stores	5,229,464	0.06%	U. S. Government Obligations	787,764,409	9.75%
Hotels, Other Lodging Places	39,231,091	0.49%	Water Transportation	11,627,618	0.14%
Industrial, Commercial Machinery, Computer Equipment	53,380,649	0.66%	Hedge Funds	1,721,364,520	21.30%
Insurance Agents, Brokers and Service	1,089,572	0.01%	Index Funds	935,702,617	11.58%
Insurance Carriers	52,072,845	0.64%	Limited Partnerships	772,716,058	9.56%
Leather and Leather Products	2,956,982	0.04%	Exchange Traded Funds	358,941,082	4.44%
Lumber and Wood Products, Except Furniture	3,530,154	0.04%	Other Investment Funds	364,376,917	4.51%
Measurement Instruments, Photography Goods, Watches	57,744,174	0.71%	Money Market Funds	1,248,712,183	15.46%
			Total Investment Assets	\$ 8,080,402,715	100.00%

PERMANENT UNIVERSITY FUND

Supplemental Schedules (cont.)

Schedule of Changes in Cost of Investments and Investment Income

Year ended August 31, 2004

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities & Redemptions	Gains (Losses)	Reclass	Ending Cost	Investment Income
Equity Securities							
Domestic Common Stock	\$ 888,747	\$ 1,228,884	\$ (1,523,303)	\$ 188,655	\$ 15,575	\$ 798,558	\$ 29,108
Foreign Common Stock	257,319	631,363	(558,061)	38,613	260	369,494	7,128
Other	885	-	(177)	(3)	8	713	1,160
Total Equities Securities	<u>1,146,951</u>	<u>1,860,247</u>	<u>(2,081,541)</u>	<u>227,265</u>	<u>15,843</u>	<u>1,168,765</u>	<u>37,396</u>
Preferred Stock							
Domestic Preferred Stock	9,854	-	(1,724)	4	-	8,134	1,511
Foreign Preferred Stock	223	5,579	(5,387)	371	-	786	27
Total Preferred Stock	<u>10,077</u>	<u>5,579</u>	<u>(7,111)</u>	<u>375</u>	<u>-</u>	<u>8,920</u>	<u>1,538</u>
Debt Securities							
U. S. Government Obligations	559,405	2,562,171	(2,339,511)	5,534	-	787,599	22,840
Foreign Government and Provincial Obligations	130,674	525,202	(512,631)	10,008	-	153,253	6,951
Corporate Obligations	286,066	680,125	(688,644)	5,397	-	282,944	13,381
Other	20,154	188,439	(188,449)	(15)	-	20,129	(996)
Total Debt Securities	<u>996,299</u>	<u>3,955,937</u>	<u>(3,729,235)</u>	<u>20,924</u>	<u>-</u>	<u>1,243,925</u>	<u>42,176</u>
Purchased Options	<u>11,255</u>	<u>-</u>	<u>(10,580)</u>	<u>(675)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Convertible Securities	<u>13,743</u>	<u>429</u>	<u>(1,125)</u>	<u>627</u>	<u>114</u>	<u>13,788</u>	<u>4</u>
Investment Funds							
Index Funds	1,503,472	466,588	(1,261,320)	184,627	-	893,367	26,468
Hedge Funds	1,005,333	685,051	(350,328)	32,426	-	1,372,482	1,483
Limited Partnerships	1,163,747	164,361	(270,724)	116,956	(15,957)	1,158,383	33,418
Exchange Traded Funds	1,009	720,715	(373,684)	10,674	-	358,714	2,512
Other	531,237	305,565	(539,525)	41,488	-	338,765	12,281
Total Investment Funds	<u>4,204,798</u>	<u>2,342,280</u>	<u>(2,795,581)</u>	<u>386,171</u>	<u>(15,957)</u>	<u>4,121,711</u>	<u>76,162</u>
Cash and Cash Equivalents							
Money Market Funds and Cash Held at State Treasury	866,585	284,990 *	-	97,158 **	-	1,248,733	9,142
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,838</u>
Total Investment in Securities	<u>\$ 7,249,708</u>	<u>\$ 8,449,462</u>	<u>\$ (8,625,173)</u>	<u>\$ 731,845</u>	<u>\$ -</u>	<u>\$ 7,805,842</u>	<u>\$ 170,256</u>

* Net increase in cash and money markets during the year.

** Includes net realized gains on futures contracts and foreign currency contract.

PERMANENT UNIVERSITY FUND

DETAIL SCHEDULES OF INVESTMENT SECURITIES

August 31, 2004

Report of Independent Auditors

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

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Permanent University Fund (PUF) for the year ended August 31, 2004, and have issued our report thereon dated October 22, 2004. We also have audited the accompanying schedules of equity securities (Schedule A), debt securities (Schedule B), preferred stocks and convertible securities (Schedule C), and cash and cash equivalents (Schedule D) as of August 31, 2004. These schedules are the responsibility of the PUF's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules referred to above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the equity securities, debt securities, preferred stocks and convertible securities, and cash and cash equivalents of the PUF as of August 31, 2004, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

October 22, 2004

PERMANENT UNIVERSITY FUND

SCHEDULE A

EQUITY SECURITIES

August 31, 2004

SECURITY	SHARES	VALUE (\$)	COST (\$)
DOMESTIC COMMON STOCKS			
1-800 FLOWERS COM INC.....	11,700	87,048	108,132
3M CO.....	22,900	1,886,044	1,776,474
AAR CORP.....	27,264	291,725	315,647
ACCENTURE LTD BERMUDA.....	41,300	1,077,930	972,058
ACCREDO HEALTH INC.....	2,000	43,700	43,487
ACETO CORP.....	3,500	53,760	38,462
ACXIOM CORP.....	6,800	152,796	151,462
ADAPTEC INC.....	15,900	110,982	122,783
ADVANCED MEDICAL OPTICS.....	53,200	1,980,104	1,470,002
ADVANCED MICRO DEVICES.....	15,400	176,022	181,313
AEROFLEX INC.....	4,100	41,328	56,353
AEROPOSTALE INC.....	48,700	1,517,005	1,422,062
AGCO CORP.....	205,000	4,097,950	3,424,249
AGERE SYSTEM INC.....	272,800	324,632	436,640
AGERE SYSTEM INC.....	1,122,300	1,357,983	2,672,928
AGILENT TECHNOLOGIES INC.....	10,200	209,100	307,665
AGL RESOURCES INC.....	17,000	518,330	502,684
AIRGAS INC.....	19,600	436,100	398,870
ALASKA AIR GROUP INC.....	21,500	506,110	520,814
ALBANY MOLECULAR RESEARCH INC.....	9,000	93,960	127,728
ALBERTSONS INC.....	4,500	110,610	113,436
ALDERWOODS GROUP INC.....	6,300	58,023	52,951
ALEXANDRIA REAL ESTATE.....	322,700	20,910,960	10,094,595
ALIGN TECHNOLOGY INC.....	66,100	1,012,652	1,002,803
ALLEGHENY TECHNOLOGIES INC.....	3,600	67,716	64,649
ALLERGAN INC.....	15,300	1,142,145	1,164,320
ALLIANT ENERGY CORP.....	12,300	319,677	316,946
ALLIANT TECHSYSTEMS INC.....	5,100	295,494	301,924
ALLOY ONLINE INC.....	12,600	51,156	62,259
ALLTEL CORP.....	15,000	819,750	781,185
ALPHARMA INC.....	4,200	57,414	57,935
ALTIRIS INC.....	3,400	80,682	82,913
AMB PROPERTIES CORP.....	6,000	224,100	217,207
AMERADA HESS CORP.....	8,800	708,400	544,029
AMERICAN EAGLE OUTFITTERS INC.....	10,400	346,320	308,877
AMERICAN GREETINGS.....	2,400	57,768	57,182
AMERICAN INTERNATIONAL GROUP INC.....	27,700	1,973,348	1,895,157
AMERICAN PHARMACEUTICALS.....	3,600	109,476	134,196
AMERICAN POWER CONVERSION CORP.....	14,370	241,416	231,778
AMERICREDIT CORP.....	75,400	1,576,614	1,187,769
AMERISOURCECEBER GENERAL CORP.....	20,900	1,130,690	1,115,638
AMERON INTERNATIONAL CORP.....	1,600	58,160	52,682
AMERUS GROUP CO.....	1,500	59,790	51,480
AMLI RESIDENTIAL PROPERTIES TRUST.....	3,950	122,845	97,738
AMN HEALTHCARE SERVICES INC.....	3,700	42,772	43,952
ANALOGIC CORP.....	122,250	5,040,368	5,540,312
ANDREW CORP.....	261,400	2,898,926	3,258,060
ANDRX GROUP.....	22,000	443,520	273,284

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ANIXTER INTERNATIONAL INC.....	33,400	1,178,018	966,176
ANTHRACITE CAPITAL INC.....	4,900	56,595	55,863
APACHE CORP.....	19,000	849,110	827,006
APOLLO GROUP INC.....	6,750	526,500	559,079
APOLLO INVESTMENT CORP.....	194,100	2,723,223	2,911,584
APPLERA CORP-APPLIED BIOSYSTEM.....	26,100	496,944	521,070
APPLERA CORP-CELERA GENOMICS.....	6,300	67,851	68,266
APPLIED INDUSTRIAL TECHNOLOGIES INC.....	5,800	173,304	110,175
APPLIED MATERIALS.....	146,700	2,331,063	2,700,019
APRIA HEALTHCARE GROUP INC.....	13,900	392,536	395,034
ARBITRON INC.....	9,900	383,724	384,558
ARCH CHEMICAL INC.....	6,100	166,530	134,350
ARCH COAL INC.....	22,750	733,233	795,340
ARCH WIRELESS IN CLASS A.....	2,800	85,400	77,967
ARCHER-DANIELS-MIDLAND CO.....	13,700	218,789	183,094
ARCHSTONE-SMITH TRUST.....	546,281	17,071,281	12,001,964
ARCO ENERGY LTD.....	5,400	7,910	8,196
ARCTIC CAT INC.....	6,300	164,556	145,171
ARMOR HOLDINGS INC.....	38,100	1,351,026	1,320,316
ARROW ELECTRONICS INC.....	105,700	2,287,348	2,766,746
ARTESYN TECHNOLOGIES INC.....	44,121	375,470	351,660
ASPECT COMMUNICATIONS INC.....	20,400	174,624	272,896
ASPEN TECHNOLOGY INC.....	26,700	154,593	196,309
ASSURANT INC.....	15,000	398,100	373,946
AT&T CORPORATION.....	8,600	127,108	147,252
AT&T WIRELESS SERVICES INC.....	29,550	432,021	299,600
ATHEROS COMMUNICATIONS INC.....	7,200	57,312	53,443
ATMEL CORP.....	99,300	346,557	580,973
ATMI INC.....	7,600	143,184	182,802
AUDIOVOX CORP.....	27,280	443,300	345,278
AUTODESK INC.....	11,300	501,833	313,586
AUTONATION INC.....	44,400	729,936	578,146
AVALONE BAY COMMUNITIES INC.....	213,600	12,901,440	8,024,829
AVAYA INC.....	23,590	285,911	340,367
AVIALL INC.....	2,900	58,000	57,093
AVID TECHNOLOGY INC.....	9,500	411,065	439,682
AVISTA CORP.....	5,891	105,331	94,521
AVNET INC.....	8,400	133,392	188,503
AVON PRODUCTS INC.....	28,372	1,253,475	857,219
AXCELIS TECHNOLOGIES INC.....	170,700	1,331,460	1,937,003
BALDOR ELECTRIC CO.....	900	19,980	20,920
BALL CORP.....	3,600	134,424	132,187
BANCORP BANK DEL.....	37,600	752,000	553,004
BANK OF AMERICA CORP.....	55,966	2,517,351	1,864,077
BANK OF HAWAII CORP.....	41,250	1,958,550	1,694,653
BANKATLANTIC BANCORP INC.....	3,200	56,672	58,062
BANKNORTH GROUP INC.....	9,100	309,127	291,496
BANKUNITED FINANCIAL CORP.....	2,200	62,216	60,360
BARD INC.....	16,520	926,772	896,803

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BARNES & NOBLE INC.....	8,200	283,392	280,861
BARNES GROUP INC.....	121,500	3,156,570	2,327,672
BARR LABS INC.....	29,800	1,170,246	1,166,091
BAYTEX ENERGY TRUST UNIT.....	32,500	294,759	297,456
BECKMAN COULTER INC.....	4,500	251,055	251,733
BECTON DICKINSON & CO.....	17,100	822,852	817,570
BEI TECHNOLOGIES INC.....	3,400	94,656	92,074
BELDEN CDT INC.....	14,600	292,438	274,998
BELL MICROPRODUCTS INC.....	301,160	2,285,804	2,564,034
BELLSOUTH CORP.....	36,750	983,430	993,831
BERKLEY W R CORP.....	12,870	519,691	528,412
BEST BUY CO INC.....	6,750	314,010	318,825
BIOGEN INC.....	23,100	1,370,523	1,325,257
BIO-RAD LABORATORIES INC.....	4,500	226,530	241,033
BISYS GROUP INC.....	123,600	1,755,120	2,045,792
BJ SERVICE CO.....	23,050	1,107,553	1,048,308
BLACK & DECKER CORP.....	3,400	234,362	235,409
BLUE NILE INC.....	22,200	586,302	588,331
BMC SOFTWARE INC.....	51,898	776,913	844,342
BOEING CO.....	39,200	2,047,024	1,749,560
BONE CARE INTERNATIONAL.....	26,000	638,560	551,020
BOSTON BEER INC.....	9,700	211,072	213,493
BOSTON PROPERTIES INC.....	341,600	18,951,968	12,015,238
BOW VY ENERGY LTD.....	36,000	35,792	36,546
BOWNE & CO INC.....	277,200	3,720,024	3,406,537
BP AMOCO PLC.....	1,234	66,266	66,649
BROOKFIELD HOMES CORP.....	16,663	439,403	453,521
BROOKFIELD PROPERTIES CORP.....	524,200	16,580,446	9,949,783
BROOKS AUTOMATION INC.....	10,700	133,001	178,878
BUILDING MATERIALS HOLDINGS CORP.....	6,300	142,506	91,899
BUNGE LIMITED.....	16,700	666,163	669,819
BURLINGTON NORTHERN SANTA FE CORP.....	3,200	114,560	90,117
CAL DIVE INTERNATIONAL INC.....	196,700	5,875,429	4,132,393
CALGON CARBON CORP.....	477,000	3,267,450	4,223,733
CALIFORNIA PIZZA KITCHEN INC.....	87,200	1,664,648	1,531,739
CALLAWAY GOLF CO.....	9,600	116,064	110,196
CAMBREX CORP.....	4,500	97,065	112,816
CAPSTEAD MORTGAGE CORP.....	21,150	297,792	311,413
CARPENTER TECHNOLOGY CORP.....	1,300	57,590	49,569
C-COR NET CORP.....	20,200	158,772	184,614
CELESTICA INC.....	85,160	1,217,788	1,463,718
CENDANT CORP.....	36,700	793,821	802,228
CENTERPOINT PROPERTIES TRUST.....	449,400	18,901,764	10,014,211
CENTEX CORP.....	7,040	322,221	298,591
CENTRAL FREIGHT LINES INC.....	11,030	73,680	106,754
CENTRAL VERMONT PUBLIC SERVICES CORP.....	2,800	58,940	54,698
CENTURYTEL INC.....	37,300	1,200,687	1,148,186
CEPHALON INC.....	11,900	559,419	537,936
CERNER OCRP.....	4,300	188,383	188,111

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
CHALLENGER CORPORATION.....	727	8	8
CHARLES RIVER LABORATORIES INTERNATIONAL.....	6,600	287,430	296,709
CHARLOTTE RUSSE HOLDINGS INC.....	4,000	57,160	63,971
CHARTERMAC SH BEN INT.....	9,600	202,944	193,870
CHECKPOINT SOFTWARE.....	14,560	255,382	282,071
CHEESECAKE FACTORY.....	8,580	355,040	363,044
CHESAPEAKE CORP.....	5,234	119,283	110,241
CHEVRONTEXACO CORP.....	1,000	97,500	97,110
CHIQUITA BRANDS INTERNATIONAL INC.....	5,500	103,620	103,010
CHITTENDEN CORP.....	4,200	150,780	133,939
CHOICE HOTELS INTERNATIONAL INC.....	15,500	803,830	621,970
CIENA CORP.....	122,349	222,675	448,531
CINCINNATI FINANCIAL CORP.....	6,000	242,100	243,723
CIRCOR INTERNATIONAL INC.....	800	14,448	14,158
CIRCUIT CITY STORES INC.....	66,000	856,020	850,263
CIRRUS LOGIC INC.....	64,100	324,346	416,674
CISCO SYSTEM INC.....	26,500	497,140	590,717
CIT GROUP INC.....	29,300	1,047,182	1,015,698
CITIGROUP INC.....	38,500	1,793,330	1,572,070
CITRIX SYSTEMS INC.....	17,160	273,016	295,351
CITY NATIONAL CORP.....	900	59,382	59,137
CKE RESTAURANTS INC.....	15,100	180,747	192,204
CLEVELAND CLIFFS INC.....	72,200	4,819,350	3,671,923
COACH INC.....	31,750	1,338,263	1,200,843
COCA COLA CO.....	2,350	105,069	113,412
COEUR D ALENE MINES CORP IDAHO.....	16,000	57,600	54,013
COGNOS INC.....	10,410	329,164	304,224
COHERENT INC.....	15,200	386,536	386,251
COLDWATER CREEK INC.....	8,906	179,189	168,312
COMCAST CORP.....	24,507	690,362	839,372
COMFORT SYSTEMS USA INC.....	16,200	108,540	112,851
COMMERCIAL CAP BANCORP INC.....	58,233	1,261,909	1,192,722
COMMERCIAL METALS CO.....	4,300	150,414	88,612
COMMERCIAL NET LEASE REALTY INC.....	18,300	326,655	311,694
COMMONWEALTH TELEPHONE.....	4,900	212,905	218,009
COMMSCOPE INC.....	29,600	588,152	521,735
COMPASS MINERALS INTERNATIONAL INC.....	5,200	111,644	99,840
COMPUCREDIT CORP.....	25,400	477,774	528,650
COMPUTER PROGRAMS & SYSTEMS.....	125,500	2,530,080	2,326,967
COMPUTER TASK GROUP INC.....	8,300	26,975	39,243
CONOCOPHILLIPS.....	20,056	1,492,768	1,224,763
CONSOL ENERGY INC.....	22,750	729,820	793,975
CONVERGYS CORP.....	14,350	199,465	215,193
COOPER CAMERON CORP.....	29,900	1,522,807	1,284,319
COORS ADOLPH CO.....	1,700	116,433	116,277
CORINTHIAN COLLEGES INC.....	4,900	55,713	51,484
CORN PRODUCTS INC.....	9,300	429,195	421,458
CORUS BANKSHARES INC.....	16,051	688,106	524,777
COSTCO WHOLESALE CORP.....	8,300	341,711	347,172

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SECURITY	SHARES	VALUE (\$)	COST (\$)
COTT CORP QUE.....	21,600	585,576	620,065
COUNTRYWIDE FINANCIAL CORP.....	39,400	1,400,670	1,354,103
COUSINS PROPERTIES INC.....	8,500	306,000	283,075
COVANCE INC.....	11,200	419,440	412,541
COVENANT TRANSPORTATION INC.....	8,400	163,800	145,648
COX RADIO INC.....	43,800	736,278	763,396
CRAY INC.....	5,900	22,538	17,772
CREDENCE SYSTEMS CORP.....	17,000	113,390	201,793
CROMPTON CORP.....	12,500	86,125	80,907
CTS CORP.....	10,950	124,830	141,105
CULLEN/FROST BANKERS INC.....	103,500	4,656,465	2,707,239
CUMMINS INC.....	39,300	2,644,497	968,933
CUMULUS MEDIA INC.....	28,350	428,085	427,767
CVS CORP.....	11,640	465,600	465,032
CYBEROPTICS CORP.....	4,000	70,040	101,573
CYPRESS SEMICONDUCTOR CORP.....	25,200	245,952	285,664
CYTYC CORP.....	2,300	55,108	54,220
DANAHER CORP.....	17,160	882,367	843,697
DARDEN RESTAURANTS INC.....	12,845	269,873	294,924
DAVE & BUSTERS INC.....	15,185	238,405	180,204
DEAN FOODS CO.....	31,880	1,181,792	1,097,810
DECKERS OUTDOOR CORP COM.....	42,100	1,236,056	1,028,374
DECODE GENETICS INC.....	19,900	111,440	176,712
DELL INC.....	54,900	1,912,716	1,673,030
DELTA & PINE LAND CO.....	149,000	3,786,090	3,397,436
DEVON ENERGY CORP.....	14,550	942,986	944,848
DICKS SPORTING GOOD INC.....	11,500	372,370	367,900
DISNEY WALT CO.....	66,200	1,486,190	1,594,940
DIVERSA CORP.....	15,550	124,400	162,015
DJ ORTHOPEDICS INC.....	3,000	63,720	70,709
DOLLAR THRIFTY AUTOMOTIVE.....	33,767	817,161	851,954
DOMINOS PIZZA INC.....	2,800	39,900	38,129
DONALDSON INC.....	12,100	343,640	322,843
DONNELLY (R.R.) & SONS.....	26,800	823,564	823,140
DORAL FINANCIAL CORP.....	15,110	614,524	588,147
DOVER CORP.....	22,500	848,925	869,326
DRESS BARN INC.....	5,000	82,850	85,960
DUKE REALTY CORP.....	412,800	14,035,200	9,998,715
DURATEK INC.....	212,500	3,155,625	3,128,623
E PIPHANY INC.....	8,700	34,191	43,573
EAST WEST BANCORP INC.....	29,600	1,072,408	539,493
EATON VANCE CORP.....	18,380	737,957	691,240
EBAY INC.....	4,000	346,160	268,937
EDISON INTERNATIONAL.....	42,250	1,135,680	886,663
EDWARDS LIFE SCIENCES CORP.....	31,700	1,119,327	1,030,258
EFUNDS CORP.....	8,413	124,933	134,222
ELAN PLC.....	34,343	777,182	183,268
ELECTRIC & ELTEK INTERNATIONAL CO.....	695,000	2,022,450	1,922,266
ELECTRO RENT CORP.....	3,300	33,231	33,676

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SCHEDULE A

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SECURITY	SHARES	VALUE (\$)	COST (\$)
ELECTRO SCIENTIFIC INDS INC.....	8,400	173,796	199,078
EMCOR GROUP INC.....	9,800	397,880	382,392
ENDO PHARMACEUTICALS HOLDINGS INC.....	12,572	213,221	234,953
ENSCO INTERNATIONAL INC.....	5,300	154,548	148,826
ENTERCOM COMMUNICATIONS CORP.....	3,000	113,100	111,075
EOG RESOURCES INC.....	9,500	548,815	535,815
EPICOR SOFTWARE CORP.....	28,600	283,140	345,585
EQUITY RESIDENTIAL PROPERTY.....	979,400	31,722,766	28,006,779
EQUITY OFFICE PROPERTIES TRUST.....	22,250	635,460	597,352
EQUITY ONE INC.....	199,500	3,954,090	1,993,215
ERESEARCH TECHNOLOGY INC.....	80,635	1,621,570	1,657,999
ESPEED INC.....	23,780	237,800	251,311
ESPRIT EXPL LTD.....	130,000	344,500	338,501
ESSEX PROPERTIES TRUST.....	125,600	9,263,000	5,998,760
ESTERLINE TECHNOLOGIES CORP.....	8,500	269,705	209,948
EVANS & SUTHERLAND COMPUTER.....	5,500	26,290	26,964
EXAR CORP.....	12,850	177,202	197,062
EXCEL TECHNOLOGY INC.....	3,100	76,694	87,043
EXPLORATION CO.....	6,600	24,750	25,700
EXPRESS JET HOLDINGS INC.....	23,600	253,700	299,979
EXXON MOBIL CORP.....	47,300	2,180,530	1,872,765
FEDERAL SIGNAL CORP.....	6,300	115,353	121,730
FEDERATED DEPARTMENT STORES INC.....	23,700	1,028,580	1,060,161
FEDEX CORP.....	6,700	549,333	490,286
FEI COMPANY.....	8,680	164,833	194,424
FELCOR LODGING TRUST.....	15,650	183,262	190,363
FERRO CORP.....	79,600	1,634,984	1,994,392
FIDELITY NATIONAL FINANCIAL INC.....	3,100	116,715	113,112
FILENET CORP.....	6,900	135,516	161,578
FIRST BANCORP PR.....	1,300	59,748	59,190
FIRST CITIZENS BANCSHARES INC.....	2,300	269,123	194,132
FIRST FINANCIAL BANSHARES INC.....	1,553	63,502	52,460
FIRST HORIZON PHARMACEUTICAL.....	78,300	1,318,572	1,242,955
FIRST NIAGARA FINANCIAL GROUP INC.....	9,600	120,864	122,613
FISERV INC.....	16,550	575,609	585,326
FISHER SCIENTIFIC INTERNATIONAL INC.....	12,100	689,337	675,979
FLEETWOOD ENTERPRISES INC.....	57,800	738,106	880,540
FLORIDA EAST COAST INDUSTRY.....	1,400	56,028	50,242
FLOWERS FOOD INC.....	10,901	275,468	231,955
FLOWSERVE CORP.....	4,200	96,348	89,927
FLUSHING FINANCIAL CORP.....	7,160	129,381	112,141
FLYI INC.....	18,300	84,912	117,091
FMC CORP.....	15,100	698,073	662,013
FMC TECHNOLOGIES INC.....	1,200	36,864	32,020
FOOT LOCKER INC.....	2,400	53,688	58,917
FORD MOTOR CO.....	88,850	1,253,674	1,112,249
FORDING CDN COAL.....	3,000	147,900	135,640
FOREST OIL CORP.....	193,200	5,032,860	4,882,948
FOX ENTERTAINMENT GROUP INC.....	8,500	230,690	223,441

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
FRANKLIN BANK CORP DEL.....	71,300	1,135,096	1,207,799
FREDDIE MAC.....	36,700	2,463,304	2,351,182
FRONTIER AIRLINES INC.....	139,400	1,254,600	1,840,092
FSI INTERNATIONAL INC.....	13,855	67,335	91,062
FTI CONSULTING INC.....	3,700	66,156	59,749
FULLER CO.....	2,300	60,559	63,898
FULTON FINANCIAL CORP.....	4,160	87,901	85,742
G & K SERVICES INC.....	1,000	36,410	38,087
GABELLI ASSET MANAGEMENT INC.....	8,200	333,822	320,908
GARDNER DENVER INC.....	4,100	113,693	108,403
GARTNER GROUP INC.....	4,400	52,580	55,550
GENERAL ELECTRIC CO.....	82,250	2,696,978	2,840,922
GENERAL GROWTH PROPERTIES INC.....	1,283,400	38,720,178	13,996,223
GENERAL PROBE INC.....	28,100	1,014,410	869,153
GENETECH INC.....	24,200	1,180,476	1,173,244
GENLYTE GROUP INC.....	1,300	77,623	79,403
GENZYME CORP.....	6,430	347,220	313,587
GERBER SCIENTIFIC INC.....	9,000	57,240	58,365
GETTY IMAGES INC.....	9,185	509,308	431,916
GIANT INDUSTRIES INC.....	2,600	57,980	60,316
GILLETTE CO.....	38,800	1,649,000	1,375,818
GLAXO WELLCOME PLC.....	12,268	504,706	519,668
GLENBOROUGH REALTY.....	16,150	330,752	303,552
GRAFTECH INTERNATIONAL LTD.....	800	8,528	8,452
GRAINGER W W INC.....	34,300	1,831,963	1,659,104
GRANT PRIDECO INC.....	291,800	5,331,186	2,841,534
GRAY TELEVISION INC.....	114,300	1,570,482	1,493,444
GREENHILL & CO INC.....	55,000	1,124,750	1,065,116
GRIFFON CORP.....	14,220	284,684	234,014
GTECH HOLDINGS CORP.....	25,600	601,600	699,326
GUESS INC.....	105,900	1,607,562	1,705,857
GUITAR CENTER INC.....	43,000	1,761,280	1,814,022
HAEMONETICS CORP.....	2,400	75,888	74,385
HALLIBURTON CO.....	10,800	315,036	325,939
HANDLEMAN CO.....	18,600	392,460	323,940
HANOVER COMPRESSOR CO.....	48,750	562,088	566,703
HARMAN INTL INDS INC.....	7,500	725,175	621,414
HARRIS CORP.....	101,900	4,907,504	2,245,880
HAVERTY FURNITURE COMPANY.....	5,170	87,528	90,506
HCC INS HOLDINGS INC.....	15,010	436,791	455,865
HEALTH MANAGEMENT ASSOCIATION INC.....	7,900	151,048	175,293
HEALTH NET INC.....	96,700	2,508,398	2,750,429
HEARST ARGYLE TELEVISION INC.....	21,400	518,950	526,030
HEICO CORP.....	2,950	35,843	38,963
HERCULES INC.....	160,800	2,206,176	2,206,427
HEWITT ASSOCIATES INC.....	4,500	118,845	115,914
HIBERNIA CORP.....	25,130	674,741	637,939
HILLENBRAND INDUSTRIES INC.....	6,100	343,186	340,779
HILTON HOTELS CORP.....	441,600	7,882,560	6,000,558

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(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
HOLOGIC INC.....	6,100	112,972	91,783
HOME PROPERTIES NY INC.....	151,800	6,122,094	3,998,693
HORIZON FINANCIAL CORP.....	2,700	51,840	44,011
HOST MARRIOTT CORP.....	495,600	6,616,260	4,997,804
HOUSTON EXPLORATION CO.....	5,700	292,695	202,178
HRPT PROPERTIES TRUST.....	12,400	133,672	131,873
HUGHES SUPPLY INC.....	4,800	290,832	276,658
HUNT J B TRANSPORTATION SERVICES INC.....	53,800	1,823,820	1,886,409
IBM CORP.....	7,100	601,299	730,321
ICU MEDICAL INC.....	2,300	60,237	71,096
IMAGISTICS INTERNATIONAL INC.....	13,231	429,346	488,100
IMATION CORP.....	148,200	5,102,526	5,077,423
IMMUCOR INC.....	7,350	150,308	154,828
IMS HEALTH INC.....	45,700	1,066,181	1,131,322
INFINITY PROPERTY & CASUALTY CORP.....	55,700	1,527,294	1,441,230
INFOCUS CORP.....	36,800	315,008	330,567
INGRAM MICRO INC.....	7,200	106,704	91,296
INPUT/OUTPUT INC.....	680,600	6,697,104	4,516,470
INSIGHT COMMUNICATIONS INC.....	12,600	111,384	149,747
INSITUFORM TECHNOLOGIES INC.....	6,900	122,751	109,671
INSTINET GROUP INC.....	267,100	1,319,474	1,268,988
INTEGRATED DEVICE TECHNOLOGY.....	16,400	175,644	226,252
INTEL CORPORATION OF CALIFORNIA.....	22,400	476,896	788,298
INTERGRAPH CORP.....	3,700	95,978	98,388
INTERNATIONAL MULTIFOODS CORP.....	1,800	59,328	62,965
INTERNATIONAL FLAVORS & FRAGRANCES INC.....	17,400	670,422	664,098
INTERNATIONAL GAME TECHNOLOGY.....	11,490	331,487	465,261
INTERNATIONAL STEEL GROUP INC.....	37,800	1,149,120	1,152,992
INTERNET SECURITY SYSTEMS INC.....	15,700	225,923	224,913
INTERPOOL INC.....	5,400	100,440	94,585
INTERPUBLIC GROUP OF COMPANIES INC.....	104,500	1,102,475	1,683,981
INTERWOVEN INC.....	6,100	46,299	56,777
INTRAWEST CORP COM.....	4,225	66,121	69,902
INVESTORS FINANCIAL SERVICES.....	17,770	824,173	746,962
J & J SNACK FOODS CORP.....	2,100	90,258	80,542
J JILL GROUP INC.....	3,200	57,888	55,978
JABIL CIRCUIT INC.....	14,090	290,677	371,784
JACK IN THE BOX INC.....	40,715	1,149,792	1,144,803
JACKSON HEWITT TAX SERVICE INC.....	52,000	1,006,200	884,000
JARDEN CORP.....	160,250	4,853,973	2,637,428
JEFFERIES GROUP.....	31,500	1,055,565	1,003,364
JOHNSON & JOHNSON.....	52,850	3,070,585	2,653,334
JONES APPAREL GROUP INC.....	46,500	1,659,585	1,669,688
JOURNAL COMMUNICATIONS INC.....	25,800	433,182	476,430
JOURNAL REGISTER CO.....	2,850	54,321	57,298
JP MORGAN CHASE & CO.....	10,150	401,737	373,869
KADANT INC.....	145,000	2,737,600	3,151,417
KAMAN CORP.....	11,700	136,422	143,936
KANSAS CITY LIFE INSURANCE CO.....	1,100	44,649	37,612

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(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
KAYDON CORP.....	4,900	139,454	138,104
KEANE INC.....	8,800	124,080	122,987
KEITHLEY INSTRUMENTS INC.....	5,600	90,160	117,580
KEMET CORP.....	253,250	2,195,678	3,399,135
KENNAMETAL INC.....	119,700	4,894,533	4,748,600
KEY ENERGY GROUP INC.....	34,300	346,087	330,662
KICK ENERGY CORP.....	97,500	225,694	177,276
KIMBALL INTERNATIONAL INC.....	14,450	196,520	223,944
KIMCO REALTY CORP.....	695,000	34,972,400	18,008,267
KINDRED HEALTHCARE INC.....	26,200	677,532	629,754
KITE REALTY GROUP.....	230,900	3,059,425	3,000,178
KNIGHT TRADING GROUP INC.....	6,400	57,984	57,941
KOHL'S CORP.....	8,800	435,424	422,744
KOMAG INC.....	16,900	189,618	287,946
KOS PHARMACEUTICALS INC.....	15,100	551,603	531,388
KRAFT FOODS INC.....	36,300	1,135,464	1,151,585
KRONOS INC.....	9,690	414,538	419,577
KULICKE & SOFFA INDUSTRY INC.....	16,250	89,050	167,764
LA QUINTA PROPERTIES INC.....	110,699	867,880	735,037
LA Z BOY CHAIR CO.....	3,600	55,584	74,049
LADISH INC COM.....	4,389	37,614	41,424
LANDAMERICA FINANCIAL GROUP INC.....	14,872	640,091	637,244
LANDSTAR SYSTEM INC.....	96,000	5,038,080	2,207,384
LATTICE SEMICONDUCTOR CORP.....	26,100	119,016	188,159
LECROY CORP.....	83,095	1,180,780	1,700,512
LEGG MASON INC.....	4,200	338,856	336,851
LEGGETT & PLATT INC.....	27,200	731,408	707,504
LIBERTY CORP.....	9,100	367,822	400,588
LIBERTY MEDIA INTERNATIONAL INC.....	15,600	527,280	522,902
LIGHTNING ENERGY LTD.....	65,000	184,995	205,504
LILLY ELI & CO.....	4,400	279,180	319,634
LINCOLN ELECTRIC HOLDINGS INC.....	2,100	63,126	64,271
LINCOLN NATIONAL CORP.....	10,800	489,240	508,724
LINEAR TECHNOLOGY CORP.....	8,460	302,614	310,422
LITHIA MOTORS INC.....	2,700	57,375	69,459
LNR PROPERTY CORPORATION.....	13,900	870,140	684,708
LOEWS CORP.....	20,187	1,146,622	923,477
LONE STAR STEAKHOUSE & SALOON.....	4,167	96,633	75,843
LONGS DRUG STORES CORP.....	37,300	905,644	788,404
LONGVIEW ENERGY COMPANY.....	2,100	31,500	31,500
LOUISIANA-PACIFIC CORP.....	25,000	617,500	593,716
LSI LOGIC CORP.....	39,700	191,751	308,574
LTX CORP.....	19,450	99,973	192,213
LUFKIN INDUSTRIES.....	1,949	63,148	53,708
LYDALL INC.....	3,925	41,173	39,290
MACDERMID INC.....	6,800	200,872	225,202
MACERICH CO.....	248,900	13,565,050	12,008,724
MAGUIRE PROPERTIES INC.....	464,000	11,414,400	10,003,432
MANUGISTICS GROUP INC.....	35,900	82,570	134,294

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SECURITY	SHARES	VALUE (\$)	COST (\$)
MAPICS INC.....	4,700	43,099	41,973
MARRIOTT INTERNATIONAL INC.....	163,080	7,738,146	6,476,463
MARVEL ENTERTAINMENT GROUP INC.....	24,280	356,188	365,258
MASCO CORP.....	12,100	388,773	375,381
MASSEY ENERGY CORP.....	29,250	804,960	783,836
MATERIAL SCIENCES CORP.....	2,300	29,486	24,633
MAVERICK TUBE CORP.....	52,900	1,566,898	1,303,545
MAXTOR CORP.....	47,400	199,080	322,190
MAXWELL TECHNOLOGIES INC.....	3,400	32,946	43,933
MAYTAG CORP.....	9,800	198,254	264,676
MBIA INC.....	19,300	1,105,311	1,111,726
MBNA CORP.....	31,100	750,754	675,515
MCAFFEE INC.....	159,300	3,150,954	2,809,560
MCCORMICK & CO INC.....	7,400	248,270	263,320
MCDERMOTT INTERNATIONAL INC.....	65,000	783,250	652,184
MCDONALDS CORP.....	32,000	864,640	853,539
MEADWESTVACO CORP.....	2,900	87,435	83,336
MEDCO HEALTH SOLUTIONS INC.....	4,304	134,414	107,655
MEDSITE INC.....	4,882	4,882	4,882
MELLON FINANCIAL CORP.....	8,700	251,082	267,275
MEMBERWORKS INC.....	2,100	52,374	45,364
MENTOR CORP.....	9,700	341,246	330,074
MERCK & CO INC.....	2,500	112,425	115,570
MERCURY INTERACTIVE CORP.....	11,490	396,520	414,546
MERIT MED SYSTEMS INC.....	38,300	655,313	605,819
MERIX CORP.....	16,000	159,360	186,930
METALS USA INC.....	8,900	143,468	144,935
METHODE ELECTRONICS INC.....	4,400	57,992	33,307
METLIFE INC.....	31,010	1,155,123	845,161
MGI PHARMA INC.....	29,600	687,608	699,840
MGM GRAND INC.....	4,800	198,432	193,657
MICROCHIP TECHNOLOGY INC.....	11,710	309,027	299,186
MICRON TECHNOLOGY INC.....	85,700	986,407	1,043,617
MICROSEMI CORP.....	19,300	208,247	240,083
MICROSOFT CORP.....	121,500	3,316,950	3,462,991
MIDNIGHT OIL & GAS LTD.....	65,000	323,865	312,780
MILLER HERMAN INC.....	4,000	100,760	103,648
MILLIPORE CORP.....	70,200	3,531,060	2,154,263
MKS INSTRUCTERS INC.....	19,300	259,392	385,322
MOLDFLOW CORP.....	120,555	1,446,660	1,627,493
MONDAVI ROBERT CORP.....	4,468	183,679	163,205
MONEYGRAM INTERNATIONAL INC.....	259,800	4,338,660	4,682,363
MONSANTO CO.....	14,400	527,040	505,989
MOODYS CORP.....	21,260	1,457,586	1,132,045
MOTOROLA INC.....	232,500	3,754,875	3,820,105
MOVIE GALLERY INC.....	4,800	86,352	79,408
MPS GROUP INC.....	11,900	106,267	85,790
MTS SYSTEM CORP.....	16,600	361,050	303,180
MULTIMEDIA GAMES INC.....	245	3,538	3,684

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
MYKROLIS CORP.....	195,300	1,724,499	2,714,731
NABI BIOPHARMACEUTICALS.....	85,100	993,968	1,266,283
NABORS INDUSTRIES.....	18,200	802,620	823,195
NACCO INDUSTRY INC.....	5,400	428,004	342,967
NASDAQ STOCK MARKET INC.....	326,900	2,016,973	2,068,595
NASH FINCH CO.....	3,200	94,496	88,623
NATIONAL HEALTH INVESTORS INC.....	15,100	435,484	309,277
NATIONAL OILWELL INC.....	164,000	4,903,600	2,337,253
NATIONAL SEMICONDUCTOR CORP.....	25,700	342,581	423,297
NAUTILUS GROUP INC.....	5,340	104,077	100,369
NBTY INC.....	3,600	86,148	77,503
NCO GROUP INC.....	2,300	58,788	57,553
NETIQ CORP.....	6,400	61,568	84,039
NEW CASTLE INVESTMENT CORP.....	11,600	351,132	335,761
NEW CENTURY FINANCIAL CORP.....	8,700	466,668	386,148
NEWFIELD EXPLORATION CO.....	13,000	719,550	727,244
NEWMONT MINING CORP.....	2,800	124,292	105,397
NEWPORT CORP.....	10,770	134,625	166,093
NIKO RESOURCE LTD.....	12,100	326,009	332,848
NMS COMMUNICATIONS CORP.....	18,700	89,760	128,151
NN INC.....	3,600	36,288	39,102
NOKIA CORP.....	205,800	2,442,846	3,628,969
NORTH FORK BANCORPORATION INC.....	37,300	1,564,362	1,412,272
NORTHEAST UTILITIES.....	10,800	207,036	202,176
NORTHROP CORP.....	20,800	1,074,320	1,057,085
NOVATEL WIRELESS INC.....	3,700	72,705	76,398
NOVELLUS SYSTEM INC.....	14,100	344,463	400,122
NOVEN PHARMACEUTICALS INC.....	3,300	62,667	72,119
NRG ENERGY INC.....	17,600	481,360	480,696
NU SKIN ENTERPRISES INC.....	12,200	315,004	312,242
NUCOR CORP.....	4,500	352,305	366,201
NUTRACEUTICAL INTERNATIONAL CORP.....	4,600	64,722	97,580
NUVEEN INVESTMENTS INC.....	8,400	239,400	177,849
NYMAGIC INC.....	1,970	45,546	50,713
OAKBAY ORDINARY SHARES.....	1,620,364	0	810,183
OAKLEY INC.....	6,300	72,261	88,249
OIL STATES INTERNATIONAL INC.....	3,900	62,790	64,725
OILEXCO INC.....	65,000	171,287	137,602
OLD REPUBLIC INTERNATIONAL.....	10,700	251,985	255,610
OLIN CORP.....	2,300	38,847	39,948
ORBITZ INC.....	18,600	344,658	381,146
OREGON STEEL MILLS.....	15,600	225,888	222,452
OVERNITE CORP.....	100,400	3,056,176	2,186,606
OVERSEAS SHIPHOLDING GROUP.....	3,800	163,400	150,443
PALL CORP.....	8,200	199,752	194,849
PAPA JOHNS INTERNATIONAL INC.....	5,600	160,776	169,684
PAR PHARMACEUTIAL COS INC.....	32,300	1,325,592	1,337,847
PARAMETRIC TECHNOLOGY CORP.....	1,291,900	6,291,553	5,127,236
PAREXEL INTERNATIONAL CORP.....	239,400	4,608,450	4,202,361

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PATHMARK STORES INC.....	10,900	77,172	121,593
PATTERSON UTI ENERGY INC.....	55,150	955,198	906,148
PAXAR CORP.....	6,250	126,500	101,179
PAYLESS SHOESOURCE INC.....	21,500	249,400	315,686
PDI INC.....	2,700	65,043	79,947
PEABODY ENERGY CORP.....	13,000	693,160	716,488
PEGASUS SYSTEMS INC.....	6,600	82,698	78,201
PEMSTAR INC.....	5,100	9,078	17,017
PENN ENGINEERING & MFG CORP.....	2,400	45,840	42,786
PENN WEST PETELROLEUM LTD.....	13,000	656,611	589,962
PER SE TECHNOLOGIES INC.....	153,000	1,917,090	1,975,817
PERKLINELMER INC.....	15,100	263,948	305,496
PEROT SYSTEMS CORP.....	358,500	4,771,635	3,841,819
PERRIGO CO.....	7,050	138,462	104,551
PETROKAZAHSTAN INC.....	22,750	681,818	627,038
PETROLEUM DEVELOPMENT CORP.....	24,800	769,544	606,858
PETSMART INC.....	23,890	670,353	726,066
PFF BANCORP INC.....	21,403	789,771	697,401
PFIZER INC.....	188,320	6,152,414	6,730,345
PHARMION CORP.....	24,500	1,204,665	1,033,743
PHELPS DODGE CORP.....	14,900	1,215,244	1,174,013
PHOENIX COS INC.....	5,700	60,021	77,243
PHOENIX TECHNOLOGY LTD.....	20,950	112,921	123,656
PILGRIMS PRIDE CORP.....	18,600	472,812	433,236
PIONEER NATURAL RESOURCE CO.....	19,500	652,275	679,575
PIPER JAFFRAY COS.....	4,200	181,020	205,939
PLAINS EXPLORATION & PRODUCTION.....	42,453	824,013	800,986
PLANAR SYSTEMS INC.....	5,300	60,208	70,488
PLANTRONICS INC.....	8,200	318,570	337,318
PLATINUM UNDERWRITERS HOLDINGS.....	125,200	3,553,176	3,060,792
PNC FINANCIAL SERVICES GROUP.....	4,000	214,680	215,624
POLARIS INDUSTRIES PARTNERS INC.....	6,700	315,972	321,984
POLO RALPH LAUREN CORP.....	18,300	668,499	669,351
POLYCOM INC.....	25,580	499,577	512,161
POPULAR INC.....	30,630	741,246	696,772
POWELL INDUSTRIES INC.....	2,671	44,125	48,230
POWERWAVE TECHNOLOGIES INC.....	6,000	36,300	41,106
PRE PAID LEGAL SERVICES INC.....	7,454	184,114	188,968
PRG SCHULTZ INTERNATIONAL INC.....	168,800	957,096	764,644
PRICE T ROWE GROUP INC.....	4,200	208,026	199,630
PRICELINE COM INC.....	69,700	1,455,336	1,573,194
PRIDE INTERNATIONAL INC.....	5,700	104,652	98,310
PRINCIPAL FINANCIAL GROUP.....	34,873	1,210,442	1,083,957
PRIORITY HEALTHCARE CORP.....	4,600	102,258	102,212
PROASSURANCE CORPORATION.....	65,300	2,204,528	1,224,908
PROCENTURY CORP.....	6,350	63,691	65,792
PROCTER & GAMBLE CO.....	32,300	1,807,831	1,177,065
PROGRESS SOFTWARE CORP.....	3,000	60,420	58,561
PROLOGIS TRUST.....	530,372	19,172,948	10,014,911

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PROSPECT ENERGY CORP.....	1,400	20,958	21,000
PROTECTIVE LIFE CORP.....	121,400	4,750,382	2,028,618
PROVIDENT BANKSHARES CORP.....	1,800	57,006	56,466
PROVIDENT FINANCIAL SERVICES INC.....	6,600	117,876	117,363
PRUDENTIAL FINANCIAL INC.....	31,038	1,433,335	1,127,130
PS BUSINESS PARKS INC.....	5,150	204,713	177,878
PUBLIC STORAGE INC.....	352,700	17,934,795	10,001,249
PULITZER INC.....	4,600	224,020	210,885
QAD INC.....	5,700	35,340	47,491
QUAKER CHEMICAL CORP.....	1,500	36,405	38,759
QUALCOMM INC.....	45,500	1,731,275	1,222,727
QUANEX CORP.....	1,300	59,904	54,493
QUEST SOFTWARE INC.....	8,400	85,008	86,620
QUICKSILVER RESOURCES INC.....	15,400	433,818	396,126
QUIKSILVER INC.....	81,200	1,766,100	1,552,910
R & G FINANCIAL.....	10,800	373,464	288,131
RALCORP HOLDINGS INC.....	137,400	5,005,482	4,335,528
RANGE RESOURCES CORP.....	7,600	114,000	112,680
RARE HOSPITALITY INTERNATIONAL INC.....	47,800	1,292,512	1,265,718
RAYMOND JAMES FINANCIAL INC.....	19,070	461,875	447,188
RAYTHEON CO.....	38,100	1,323,213	1,302,015
READERS DIGEST ASSOCIATION INC.....	19,900	282,978	288,337
REGAL BELOIT CORP.....	3,750	82,725	76,889
REGENT COMMUNICATIONS INC.....	293,900	1,692,864	1,716,900
REGIS CORP.....	15,620	639,327	639,244
REHABCARE CORP.....	5,900	135,641	147,218
REMEC INC.....	307,900	1,598,001	2,244,836
REPUBLIC SERVICES INC.....	13,000	363,350	328,208
RESPIRONICS INC.....	2,200	117,040	113,518
RETAIL VENTURES INC.....	12,800	87,552	92,970
REYNOLDS & REYNOLDS.....	13,600	333,336	356,320
REYNOLDS AMERICAN INC.....	7,950	600,225	358,938
RLI CORP.....	2,900	107,271	109,345
ROCKWELL AUTOMATION INC.....	6,400	249,600	236,149
ROFIN SINAR TECHNOLOGIES INC.....	5,800	162,980	144,333
ROHM & HAAS CO.....	3,400	137,802	134,730
ROPER INDUSTRIES INC.....	15,200	838,280	837,243
ROWAN COMPANIES INC.....	28,900	702,848	698,817
RSA SECURITY INC.....	8,900	132,521	148,020
RTI INTERNATIONAL METALS INC.....	19,000	282,910	267,992
RUBY TUESDAY INC.....	174,000	4,706,700	3,185,227
RUSSELL CORP.....	5,200	92,872	94,142
RYERSON TULL INC.....	37,100	591,374	398,293
S1 CORP.....	6,700	52,930	53,700
SAGA COMMUNICATIONS INC.....	49,700	892,115	915,647
SAKS INC.....	159,600	1,896,048	2,540,792
SALIX PHARMACEUTICALS INC.....	49,000	1,146,110	968,671
SANDERSON FARMS INC.....	3,326	113,716	156,410
SBS TECHNOLOGIES.....	7,250	74,385	120,613

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SCHNITZER STEEL INDUSTRIES INC.....	58,600	1,646,660	1,946,328
SCHOLASTIC CORP.....	4,200	122,850	118,555
SCRIPPS HOWARD INC.....	4,600	470,626	470,352
SEACHANGE INTERNATIONAL INC.....	22,100	337,688	316,276
SEAGATE TECHNOLOGY INC.....	42,300	0	0
SEAGATE TECHNOLOGY INC.....	67,700	739,961	884,710
SELECT COMFORT CORP.....	4,300	68,284	77,522
SEMPRA ENERGY.....	4,000	144,600	137,467
SENIOR HOUSING PROPERTIES TRUST.....	8,700	152,250	149,682
SHARPER IMAGE CORP.....	900	16,155	14,769
SHELL TRANSPORTATION & TRADING.....	57,018	2,525,897	2,354,267
SHUFFLE MASTER INC.....	22,200	735,708	537,348
SIERRA HEALTH SERVICES INC.....	28,700	1,237,544	1,244,627
SIERRA PACIFIC RESOURCES.....	46,700	401,620	354,070
SIGNATURE BANK NEW YORK N Y.....	25,800	686,796	478,892
SILICON IMAGE INC.....	9,200	101,200	105,203
SILICON VALLEY BANCSHARES.....	24,026	897,371	748,173
SIMON PROPERTY GROUP INC.....	254,000	14,211,300	10,000,895
SKECHERS USA INC.....	13,200	175,560	175,661
SL GREEN REALTY CORP.....	355,800	17,790,000	9,999,439
SMITH INTERNATIONAL INC.....	15,850	903,133	877,884
SMITHFIELD FOODS INC.....	8,400	215,880	210,090
SOFTBRANDS INC.....	2,605	2,866	4,429
SOLA INTERNATIONAL INC.....	228,200	4,404,260	4,115,453
SONICWALL INC.....	8,700	46,980	54,136
SOTHEBYS HOLDINGS INC.....	4,400	70,356	61,604
SOUTHERN PERU COPPER CORP.....	2,400	106,800	95,331
SOUTHERN UNION CO.....	259,875	4,857,064	3,700,688
SOUTHWEST AIRLINES CO.....	146,200	2,166,684	2,137,977
SOUTHWEST GAS CORP.....	2,400	56,640	55,831
SOVEREIGN BANCORP INC.....	38,400	839,424	822,537
SPHERION CORP.....	24,650	180,438	213,252
SPRINT CORP.....	69,950	1,376,616	1,062,427
SS+C TECHNOLOGIES INC.....	26,350	432,667	605,779
ST JUDE MEDICAL INC.....	16,750	1,126,438	1,169,825
ST MARY LAND & EXPLORATION CO.....	1,500	52,335	51,035
STAGE STORES INC.....	24,000	766,560	777,774
STANDARD MICROSYSTEMS CORP.....	7,800	123,786	200,233
STANDARD REGISTER CO.....	4,750	49,638	81,380
STANDEX INTERNATIONAL CORP.....	100	2,428	2,314
STAPLES INC.....	32,800	940,704	959,887
STARBUCKS CORP.....	25,885	1,119,267	1,174,565
STARPOINT ENERGY LTD.....	65,000	201,275	202,755
STARWOOD HOTELS & RESORTS.....	483,700	21,379,540	13,995,321
STEAK(THE) N SHAKE COMPANY.....	1,700	29,240	28,821
STEELCASE INC.....	74,700	1,012,185	1,015,882
STERICYCLE INC.....	12,260	578,427	401,528
STERLING BANCORP.....	2,022	56,859	54,329
STEWART & STEVENSON SERVICES.....	19,850	331,694	309,598

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
STEWART ENTERPRISES.....	23,500	160,035	138,840
STEWART INFORMATION SERVICES.....	23,317	852,003	656,435
STORAGE TECHNOLOGY.....	9,300	225,525	244,118
STRYKER CORP.....	11,020	499,206	258,413
SUN BANCORP INC N J.....	2,580	55,728	48,298
SUNOCO INC.....	19,500	1,199,250	958,414
SUNRISE ASSISTED LIVING INC.....	2,600	92,092	90,774
SUPERVALU INC.....	32,000	843,520	937,040
SWIFT TRANSPORTATION INC.....	5,700	103,626	108,357
SYBASE INC.....	296,800	3,956,344	4,381,715
SYMANTEC CORP.....	36,865	1,768,045	1,564,348
SYMMETRICOM INC.....	5,700	45,828	50,532
SYSCO CORP.....	20,100	646,014	478,095
TALBOTS INC.....	12,500	335,125	414,629
TECH DATA CORP.....	7,300	274,918	260,663
TECHNE CORP.....	2,200	85,228	86,225
TECHNITROL INC.....	2,100	37,296	40,993
TECHNOLOGY SOLUTIONS CO.....	17,000	17,000	17,557
TEKELEC.....	1,500	27,405	27,135
TEKTRONIX INC.....	9,800	279,986	305,250
TELEPHONE & DATA SYSTEMS INC.....	2,100	161,910	160,040
TELETECH HOLDINGS INC.....	51,050	420,652	395,122
TENNANT CO.....	2,000	80,500	81,344
TERADYNE INC.....	165,600	2,131,272	3,585,874
TERRA INDUSTRIES INC.....	9,000	67,500	64,927
TESORO PETROLEUM CORP.....	13,550	320,864	175,515
TEVA PHARMACEUTICAL INDUSTRIES LTD.....	16,230	442,268	449,850
TEXAS REGIONAL BANCSHARES INC.....	27,600	807,024	789,956
TEXTRON INC.....	8,110	514,904	495,783
THERMO ELECTRON CORP.....	10,900	286,343	309,546
THOMAS INDUSTRIES.....	500	15,375	15,194
THQ INC.....	9,100	172,809	167,438
THUNDER ENERGY INC.....	65,000	318,192	342,576
TIFFANY & CO.....	17,500	541,625	505,639
TIME WARNER INC.....	80,600	1,317,810	1,410,396
TIME WARNER TELECOM INC.....	12,900	59,211	100,939
TJX COMPANIES INC.....	9,100	192,556	197,839
TOO INC.....	4,500	70,425	78,342
TOP TANKERS INC SHARES.....	1,800	21,096	19,303
TRADESTATION GROUP INC.....	9,568	60,278	93,661
TRANS WORLD ENTERTAINMENT CORP.....	16,100	160,517	161,226
TRANSACTION SYSTEMS ARCHITECTS INC.....	8,200	139,728	146,052
TRANSOCEAN SEDCO FOREX INC.....	65,950	2,024,665	1,811,090
TRC COS INC.....	1,600	27,920	26,580
TXU CORP.....	9,600	399,648	361,880
TYCO INTERNATIONAL LTD.....	39,700	1,243,404	1,219,810
TYSON FOODS INC.....	58,729	967,854	752,028
U S BANCORP.....	55,564	1,639,138	1,289,294
UCBH HOLDINGS INC.....	17,610	707,042	665,187

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ULTRATECH STEPPER INC.....	6,900	109,848	96,199
UNIONBANCAL CORP.....	9,300	552,978	528,140
UNISYS CORP.....	137,600	1,381,504	1,825,896
UNITED ONLINE INC.....	6,900	66,102	111,342
UNITED RENTALS INC.....	3,500	51,415	63,520
UNITED STATES CELLULAR CORP.....	7,600	305,900	254,698
UNITED SURGICAL PARTNERS INTL.....	39,100	1,411,901	1,304,862
UNITED THERAPEUTICS CORP.....	5,500	163,405	172,683
UNIVERSAL COMPRESSION HOLDINGS.....	11,700	383,877	302,954
UNIVERSAL FOREST PRODUCTS INC.....	1,800	53,514	40,387
UNIVERSAL HEALTH SERVICES INC.....	15,100	680,255	666,351
UNIVERSAL TECHNICAL INST INC.....	2,100	57,498	82,149
UNIVISION COMMUNICATIONS INC.....	14,700	485,100	518,626
UNOVA INC.....	119,700	1,745,226	1,820,531
UNUMPROVIDENT CORP.....	138,000	2,232,840	2,217,563
URBAN OUTFITTERS INC.....	29,600	895,696	882,895
URSTADT BIDDLE PROPERTIES INC.....	179,600	2,715,552	2,005,561
USANA HEALTH SCIENCES INC.....	22,694	660,395	597,747
USEC INC.....	13,500	115,020	87,027
USG CORP.....	10,200	179,316	168,948
UST INC.....	3,800	152,456	148,007
VAIL RESORTS INC.....	1,500	27,240	24,698
VALEANT PHARMACEUTICALS INTERNATIONAL.....	6,750	158,355	160,968
VALERO ENERGY CORP.....	18,200	1,201,746	1,020,037
VALSPAR CORP.....	21,200	1,002,548	999,656
VALUEVISION INTERNATIONAL INC.....	5,740	71,693	77,263
VARIAN INC.....	9,500	373,540	392,190
VARIAN MEDICAL SYSTEM FNC.....	19,240	637,806	641,068
VARIAN SEMICONDUCTOR EQUIPMENT.....	5,100	142,800	150,357
VCA ANTECH INC.....	87,960	1,685,314	1,685,856
VEECO INSTRUMENTS INC.....	3,480	67,373	89,658
VERITAS DGC INC.....	27,500	644,325	449,129
VERITAS SOFTWARE CO.....	104,700	1,750,584	1,901,132
VERIZON COMMUNICATIONS.....	3,600	141,300	133,850
VIACOM INC.....	32,100	1,069,251	1,112,098
VIAD CORP.....	3,500	83,335	79,672
VISHAY INTERTECHNOLOGY INC.....	57,500	733,125	997,605
VISTEON CORP.....	62,100	579,393	693,029
VOLT INFORMATION SCIENCES INC.....	2,500	66,550	65,407
VORNADO REALTY TRUST.....	649,889	40,787,034	24,016,564
WABASH NATIONAL CORP.....	43,900	1,164,667	1,202,651
WACHOVIA CORP.....	36,688	1,721,034	1,433,041
WAL-MART STORES INC.....	26,500	1,395,755	1,398,314
WARNACO GROUP INC.....	258,100	5,198,134	4,468,795
WASHINGTON GROUP INTERNATIONAL INC.....	15,391	541,455	551,353
WASHINGTON TR BANCORP INC.....	2,250	55,463	57,683
WASTE MANAGEMENT INC.....	41,900	1,164,401	1,159,268
WATSCO INC.....	22,644	658,488	528,120
WEATHERFORD INTERNATIONAL LTD.....	26,200	1,214,108	1,177,381

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
WEBTEC.....	2,200	37,642	33,669
WEINGARTEN REALTY INVESTMENT.....	274,800	9,238,776	5,974,908
WELLCARE HEALTH PLANS INC.....	39,200	715,400	748,064
WEST PHARMACEUTICAL SERVICES INC.....	3,300	131,967	134,411
WESTWOOD ONE INC.....	11,400	255,816	260,911
WHOLE FOODS MARKET INC.....	7,480	581,420	540,487
WILLIAMS CLAYTON ENERGY INC.....	26,000	463,320	668,697
WILLIAMS SONOMA INC.....	9,190	321,558	294,055
WIND RIVERS SYSTEMS.....	5,500	59,675	59,245
WISCONSIN ENERGY CORP.....	10,110	331,103	322,456
WITNESS SYSTEMS INC.....	4,300	57,233	52,329
WJ COMMUNICATIONS INC.....	11,200	31,584	32,082
WOODHEAD DANIEL INC.....	3,780	49,934	54,727
WOODWARD GOVERNOR CO.....	3,650	214,620	224,472
WORLD ACCEPTANCE CORP.....	3,700	82,621	65,082
WORLD FUEL SERVICE CORP.....	1,500	52,770	55,828
WORLD WRESTLING FEDERATION ENTERTAINMENT INC.....	14,100	169,341	184,056
WRIGHT MEDICAL GROUP INC.....	40,990	1,106,730	1,194,865
WRIGLEY (WM) JR CO.....	5,300	328,759	334,078
WYNN RESORTS LTD.....	3,300	127,380	127,256
XTO ENERGY INC.....	48,840	1,369,474	1,330,879
YANKEE CANDLE INC.....	2,400	65,064	70,712
YELLOW ROADWAY CORP.....	1,600	65,664	53,942
YORK INTERNATIONAL CORP.....	6,700	218,152	261,431
YUKOS CORP SPONSORED ADR.....	9,900	163,548	174,325
ZENITH NATIONAL INSURANCE CORP.....	5,600	242,032	239,747
ZIMMER HOLDINGS INC.....	16,050	1,144,365	819,776
ZIONS BANCORP.....	16,100	1,002,708	984,274
ZOLL MED CORP.....	2,900	96,715	94,862
ZORAN CORP.....	6,100	96,014	101,567
TOTAL DOMESTIC COMMON STOCKS		998,374,600	798,558,599
FOREIGN COMMON STOCKS			
ABC-MART INC.....	10,500	233,450	262,375
ACOM CO.....	10,000	656,978	648,027
ADIDAS-SALOMON.....	11,242	1,443,160	1,005,396
AEGON.....	29,719	316,389	402,237
AEGON NV.....	29,719	0	0
AEON CREDIT SERVICE CO.....	7,000	454,782	453,700
AEON MALL CO NPV.....	2,000	107,340	107,824
AGGREKO ORD.....	2,433	6,653	7,384
AIFUL CORP.....	6,200	618,616	630,788
AINSWORTH LUMBER CO LTD.....	55,800	1,300,560	1,200,048
AISIN SEIKI CO.....	25,000	600,255	608,536
AKZO NOBEL.....	1,074	36,090	41,972
ALGOMA CENTRAL CORP.....	500	27,322	24,454
ALGOMA STEEL INC.....	92,400	967,058	685,543
ALLGREEN PROPERTIES.....	118,000	73,042	65,146
ALLIANCE UNICHEM.....	52,788	639,576	582,929

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ALPS ELECTRIC CO LTD.....	3,000	36,986	50,609
ALSTOM SA.....	740,100	395,755	430,469
ALTEN NPV.....	41,800	725,925	724,402
AMADA.....	210,000	1,186,386	1,195,971
AMANO CORP.....	11,000	93,116	94,623
AMP LIMITED.....	25,799	113,862	109,112
ANORMED INC.....	234,400	1,076,291	1,406,665
ANSELL LTD.....	33,920	202,400	175,483
ANTOFAGASTA ORD.....	41,300	739,697	799,172
AOYAMA TRADING.....	42,400	1,021,896	1,009,663
ARGO ENERGY LTD.....	5,500	8,056	8,662
ARRIVA ORD.....	25,999	201,583	193,608
ASAHI BREWERIES.....	134,300	1,267,801	1,241,054
ASAHI PRETEC.....	51,100	595,069	657,565
ASATSU-DK INC.....	15,200	404,428	457,419
ASKUL.....	1,500	94,173	101,011
ASM BRESCIA SPA.....	454,000	1,197,289	1,079,450
ASM LITHOGRAPHY HOLDINGS.....	133,310	1,701,122	1,840,239
ASM PACIFIC TECHNOLOGY.....	2,000	6,680	6,595
ASTRAZENECA.....	38,890	1,787,508	1,883,673
ATKINS (WS) ORD.....	36,300	421,850	407,786
AUSTRALIAN STOCK EXCHANGE.....	2,177	23,951	27,020
AUTOBACS SEVEN.....	14,500	428,083	467,502
AUTOST TORINO MILA.....	28,000	532,544	515,551
AXA ASIA PAC HOLDINGS.....	226,759	618,086	553,306
AXCAN PHARMA INC.....	17,900	314,772	359,945
AZIENDA MEDIERRANEA GAS.....	344,000	535,957	535,087
BANCO SANTANDER.....	90,396	883,260	919,712
BANK AUSTRIA CREDIT.....	27,530	1,743,121	1,690,018
BANK OF CHINA HONG KONG HOLDINGS.....	215,000	385,900	354,605
BANK OF EAST ASIA.....	13,400	36,764	43,694
BANK OF PIRAEUS.....	18,950	210,954	198,529
BARCLAYS.....	333,871	3,090,176	2,796,994
BARRATT DEVELOPMENTS.....	78,800	839,203	745,398
BELLWAY ORD.....	24,200	334,563	324,544
BHP BILLITON.....	56,796	526,598	426,753
BHP BILLITON.....	77,887	732,801	628,951
BHP STEEL.....	120,058	665,515	499,035
BIJOU BRIGITTE.....	15,500	1,457,807	1,085,695
BILIA AB.....	39,200	508,732	473,223
BLACKROCK VENTURES INC.....	77,100	388,543	425,770
BNP PARIBAS.....	15,928	963,413	783,474
BOHLER UDDEHOLM.....	6,069	507,445	481,168
BORAL LIMITED.....	23,719	117,579	86,898
BOUYGUES.....	21,901	752,975	736,537
BOVIS HOMES GROUP ORD.....	57,300	577,247	586,442
BRAMBLES INDUSTRIES.....	1,012	4,824	4,186
BRITISH AEROSPACE.....	209,734	756,488	790,188
BRITISH AMERICAN TOBACCO.....	122,348	1,843,320	1,873,034

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BRITISH SKY BROADCASTING.....	77,799	668,992	1,112,900
BT GROUP.....	241,465	794,922	743,595
BULGARI SPA.....	140,000	1,308,392	1,246,402
BUNKA SHUTTER CO.....	8,000	39,728	35,542
BURREN ENERGY ORD.....	263,800	1,660,971	1,664,387
CABLE & WIRELESS.....	45,757	88,900	107,040
CALFRAC WELL SERVICES LTD.....	19,800	472,609	487,561
CALIAN TECHNOLOGY LTD.....	98,100	818,989	1,060,968
CALTEX AUSTRALIA.....	83,800	541,455	468,300
CAMBIOR INC.....	153,400	458,710	422,790
CANADA BREAD CO LTD.....	22,700	509,958	507,420
CANAM MANAC GROUP INC.....	21,700	78,229	76,599
CANON SALES.....	56,000	726,120	710,373
CAPITALAND.....	646,000	599,807	512,043
CASIO COMPUTER CO.....	24,000	312,506	288,943
CATHAY PACIFIC AIRWAYS.....	43,000	75,526	65,926
CEDARA SOFTWARE CORP.....	78,400	595,021	581,281
CENTRICA.....	66,702	295,184	275,164
CGU PLC ORD.....	42,763	408,490	420,189
CHINA PETROLEUM AND CHEMICAL.....	2,816,000	1,101,135	1,100,263
CIC A.....	2,516	449,787	448,028
CIE DE ST-GOBAIN.....	30,154	1,512,753	1,495,127
CITIZEN WATCH CO.....	248,000	2,485,763	2,466,999
CLARIANT.....	1,637	19,881	27,750
CLARKE INC.....	26,300	278,449	275,993
CLP HOLDINGS.....	61,000	352,707	279,501
CMB.....	2,903	437,474	320,811
CMK CORP.....	88,000	1,254,909	1,262,873
COCA COLA.....	13,831	70,711	71,829
COCA COLA.....	61,000	578,067	569,231
COCA COLA.....	42,000	367,780	339,882
COCA COLA.....	5,200	125,327	83,427
COCA COLA.....	1,240	29,386	25,599
CODAN.....	13,500	555,841	458,860
COGECO CABLE INC.....	49,100	759,828	809,440
COLES MYER LTD.....	87,322	553,729	524,191
COM DEVELOP INTERNATIONAL.....	207,000	461,885	540,531
COMFORTDELGRO CORP.....	142,000	104,482	90,882
COMMONWEALTH BANK OF AUSTRALIA.....	12,433	265,143	286,635
COMPAGNIE FINANCIERE RICHEMONT.....	44,287	1,129,833	833,560
COMSYS HOLDINGS.....	30,000	219,782	232,253
CORUS GROUP PLC ORD.....	814,300	644,549	556,242
CREATIVE TECHNOLOGY.....	41,950	448,296	448,416
CREDIT SUISSE GROUP.....	87,921	2,738,756	2,902,988
CRUCCELL NV.....	44,200	329,281	347,771
CSR ORD.....	15,954	25,912	23,425
CYCLE & CARRIAGE.....	36,000	146,106	111,763
DAI NIPPON PRINTING CO.....	82,000	1,202,223	1,120,877
DAIHATSU MOTOR CO.....	109,000	871,046	707,472

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
DAIICHI PHARMACEUTICAL CO.....	15,900	274,405	245,358
DAISHI BANK.....	61,000	199,544	223,857
DAISHINKU CORP.....	40,000	154,176	177,758
DAITO TRUST CONSTRUCTION.....	5,000	189,075	192,450
DAIWA KOSHO LEASE CO.....	405,000	2,192,081	2,098,920
DALSA CORP.....	5,900	79,213	98,678
DANISCO.....	46,500	2,324,829	2,289,265
DANSKE BANK.....	1,800	43,453	36,873
DBS GROUP HOLDINGS LTD.....	152,000	1,384,683	1,244,101
DELHAIZE LE LION.....	100,395	5,644,185	4,832,426
DEUTSCHE OFFICE TRUST.....	103,112	86,647	86,204
DEXIA.....	21,946	377,928	360,953
DIAGEO CAPITAL PLC.....	267,576	3,290,067	3,669,737
DIAGNOCURE INC.....	55,300	221,603	187,944
DIXONS GROUP.....	16,273	46,107	48,429
DRAXIS HEALTH INC.....	92,300	413,304	469,431
DSV SER COMMON.....	4,300	213,579	201,513
DUNDEE BANCORP INC.....	8,500	165,471	174,393
EADS EURO AERO.....	95,925	2,504,088	1,706,699
EAST JAPAN RAILWAY CO.....	516	2,886,910	2,723,369
EASTCOAST ENERGY CORP.....	21,000	15,938	7,151
EDISON.....	725,416	1,200,737	1,266,142
EIFFAGE.....	7,700	704,175	590,694
EIZO NANO CORP NPV.....	5,000	127,796	124,349
ELEKTRIZITATS-G LAUFENBURG AG.....	1,800	1,142,699	1,202,770
ENEL.....	162,797	1,256,330	1,012,075
ENGHOUSE SYSTEMS LTD.....	37,600	525,076	565,633
ENI.....	139,558	2,851,058	2,570,345
ERAMET.....	14,700	885,742	837,182
ERICSSON L M TELEPHONE CO.....	690,300	1,856,040	1,836,535
ERSTE BANK DER OSTERREICHISCHEN.....	33,853	1,287,319	1,411,188
ESPEC CORP.....	18,000	195,672	272,058
ESPRIT EXPLORATION LTD.....	156,500	420,469	376,505
EXTENDICARE INC.....	70,200	811,967	822,086
FABEGE.....	28,700	416,396	392,372
FINNVEDEN AB SEKIO.....	65,300	582,353	593,604
FLUGHAFEN WIEN AG.....	1,621	93,004	95,593
FOMENTO DE CONSTRUCCIONES Y.....	16,554	605,956	508,941
FORDING CANADIAN COAL LTD.....	15,500	764,060	517,772
FORTIS.....	35,120	780,215	746,429
FORTIS.....	18,264	405,747	409,173
FRASER & NEAVE LTD.....	37,300	304,943	267,365
FRESENIUS MEDICAL CARE.....	39,951	2,909,263	2,672,324
FUCHS PETROLUB AG N V PRT.....	4,800	357,007	349,449
FUJI PHOTO FILM LTD.....	19,000	595,562	655,226
FUJITSU LTD.....	298,000	1,841,031	1,671,583
FURUKAWA ELECTRIC.....	34,000	137,245	138,123
FUTABA INDUSTRIAL.....	18,600	323,375	303,316
FYFFES.....	68,198	150,843	148,653

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
G U D HOLDINGS.....	221,000	1,576,197	1,117,128
GAMBRO.....	65,000	685,663	448,371
GEBERIT CHF1.....	2,700	1,920,587	1,769,098
GENERAL PROPERTY TRUST.....	74,386	186,473	139,660
GEOMATEC CO.....	4,700	136,188	154,396
GERDAU AMERISTEEL CORP.....	215,500	979,694	894,623
GERMANOS SA.....	17,600	427,786	413,834
GESTEVIS TELECINO.....	843	13,216	10,345
GIORDANO INTERNATIONAL.....	354,000	198,559	199,876
GLAXOSMITHKLINE PLC.....	17,280	351,581	367,787
GLOBAL BIO-CHEM TE.....	508,000	367,977	409,758
GLOBAL MEDIA ONLINE INC.....	5,000	88,432	107,215
GODO STEEL LTD.....	141,000	576,874	516,644
GOODFELLOW INC.....	6,900	115,209	105,595
GREAT CANADIAN GAMING CORP.....	13,100	300,059	323,838
GREENCORE GROUP PLC.....	34,758	124,612	130,532
GSI LUMONICS INC.....	102,900	1,133,961	1,503,595
GULLIVER INTERNATIONAL.....	9,000	965,238	855,433
GUNZE.....	147,000	692,506	711,058
HAMAMATSU PHOTONICS.....	31,000	551,670	568,616
HANKYU DEPARTMENT STORES Y50.....	12,000	89,553	99,199
HAW PAR BROTHERS INTERNATIONAL.....	18,000	52,556	52,199
HBOS.....	182,184	2,226,993	1,824,310
HELVETIA PATRIA HOLDING.....	4,600	736,406	826,040
HENNES & MAURITZ.....	42,222	1,098,712	1,144,851
HERITAGE OIL CORP.....	26,300	124,753	120,218
HHG ORD.....	1,450,600	1,206,920	1,224,601
HILL(WILLIAM) ORD.....	294,134	2,875,834	2,233,836
HILTON GROUP.....	236,100	1,108,551	984,018
HITACHI LTD.....	130,000	814,980	796,029
HITACHI METALS.....	306,000	1,567,014	1,565,780
HMV GROUP ORD.....	116,523	467,975	462,356
HOME CAPITAL GROUP INC.....	140,200	2,340,923	2,341,906
HSBC HOLDINGS.....	119,548	1,855,975	1,824,119
HUNTING PLC ORD.....	383,900	1,091,175	973,466
HUTCHISON WHAMPOA.....	29,000	227,726	210,012
HYSAN DEVELOPMENT.....	54,000	93,462	68,543
I-CABLE COMMUNICATIONS LTD.....	1,003,000	318,262	327,544
IDT INTERNATIONAL.....	4,484,000	1,069,268	1,027,909
IMI.....	683	4,325	3,602
IMPERIAL TOBACCO GROUP.....	119,907	2,640,250	2,581,493
INCHCAPE ORD.....	22,900	683,853	552,678
INDEX CORPORATION.....	24	55,110	57,956
ING GROEP.....	26,935	656,319	524,377
ING GROEP NV CVA.....	26,935	0	0
INMET MINING CORP.....	118,700	1,662,124	1,684,245
INMOBILIARIA URBIS SA.....	61,000	695,370	684,397
INTERNATIONAL FOREST PRODS LTD.....	90,800	529,253	515,529
INTESABCI SPA.....	47,600	174,123	129,712

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
INTRACOM GRD700 (REGD).....	22,270	86,066	175,501
IOOF HOLDINGS LTD.....	389,800	2,031,399	1,975,672
IPSCO INC.....	14,200	347,564	339,702
IRISH LIFE & PERMANENT.....	14,710	223,821	178,671
ITALCEMENTI EUR1.....	13,709	186,265	169,633
IWATE (BANK OF).....	6,500	303,248	293,153
JAPAN CASH MACHINES.....	38,700	1,526,913	1,269,423
JM BYGG-&FASTIGH.....	23,700	425,873	427,948
KANDENKO.....	179,000	937,856	961,259
KAO CORP.....	74,000	1,813,841	1,793,302
KAWASAKI KISEN KAISHA.....	282,000	1,801,285	1,299,129
KBC BANK VERZEKERIN.....	4,501	270,768	256,118
KEPPEL CORP.....	55,000	228,036	222,530
KESKO ORD.....	51,000	1,112,546	1,031,953
KETCH RESOURCES LTD.....	62,400	558,834	492,069
KINDEN CORPORATION.....	136,000	843,920	690,830
KINGFISHER.....	206,454	1,028,779	811,897
KITZ CORPORATION.....	209,000	1,104,560	840,030
KOA Y50.....	181,000	1,448,066	1,535,319
KOBENHAVEN LUFTHAVE.....	1,050	149,425	151,132
KOMATSU.....	59,000	360,736	336,788
KOMORI CORPORATION.....	21,000	293,535	330,812
KONINKLIJKE NEDLLOYD.....	40,900	1,553,305	1,184,089
KONINKLIJKE PHILIPS ELECTRIC.....	90,756	2,089,002	2,443,892
KUBOTA CORPORATION.....	140,000	701,626	698,840
KUHNE & NAGEL AG.....	3,200	478,215	358,636
KUONI REISEN HOLDINGS.....	388	140,446	145,395
KURODA ELECTRIC NPV.....	23,000	913,755	871,951
KYOCERA CORP.....	1,700	124,233	122,023
KYUSHU ELECTRIC POWER CO INC.....	30,200	575,133	516,605
L OREAL.....	22,291	1,480,482	1,631,224
LAFARGE CORP.....	29,677	2,540,882	2,475,886
LAGARDERE S C A.....	32,012	1,919,921	1,531,608
LAND SECURITIES GROUP ORD.....	14,959	309,471	313,366
LASSONDE INDUSTRIES INC.....	10,800	209,016	197,663
LEITCH TECHNOLOGY CORP.....	100,400	685,792	698,055
LEOPALACE 21 CORP.....	64,200	1,251,884	1,085,186
LION NATHAN LTD ORD.....	782	3,921	3,336
LIONS GATE ENTERTAINMENT CORP.....	143,400	942,505	962,013
LIQUIDATION WORLD INC.....	8,200	40,452	40,820
LOGITECH INTERNATIONAL SA.....	3,096	139,656	145,050
MACQUARIE AIRPORTS NPV STAPLED.....	243,500	412,674	418,135
MACQUARIE GOOD MGM.....	88,957	242,474	239,282
MAKITA CORP.....	55,000	809,377	708,655
MARS ENGINEERING.....	12,000	474,555	465,627
MATSUI SECURITIES CO.....	7,500	215,272	245,963
MATSUSHITA ELECTRIC INDUSTRIAL CO.....	48,000	643,382	722,174
MAX CO.....	18,000	191,571	204,952
MAYNE GROUP LTD.....	36,887	106,014	101,552

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
MCCARTHY & STONE ORD.....	101,000	1,032,022	963,883
MERCK KGAA.....	55,878	2,937,044	3,220,718
METROVACESA SA.....	27,700	1,200,115	1,026,717
MILANO ASSICURAZIO ITL1000.....	436,000	1,674,392	1,553,803
MIRVAC GROUP.....	52,269	166,832	150,792
MITSU MARINE & FIRE.....	8,000	70,564	52,287
MITSUBISHI GAS & CHEMICAL CO.....	403,000	1,703,877	1,377,817
MITSUBISHI PLASTICS IND.....	31,000	82,765	92,683
MITSUBISHI TOKOYO FINANCIAL GROUP.....	293	2,629,778	2,315,670
MITSUMI O.S.K. LINES LTD.....	222,000	1,314,866	805,640
MITSUMI TRUST HOLDINGS NPV.....	46,000	329,455	345,107
MIZUHO FINANCIAL GROUP.....	410	1,651,282	634,111
MORI SEIKI.....	11,100	89,512	101,566
MPC MUNCHMEYER PETERSEN.....	15,000	1,044,550	1,113,140
MRCONI CORP(NEW) ORD.....	199,600	2,079,018	2,295,163
MULLEN TRANSPORTATION INC.....	31,900	1,041,060	1,001,608
MUSTANG RESOURCE INC.....	1,800	10,246	8,743
NAMCO.....	62,100	1,556,107	1,683,433
NATIONAL BANK OF GREECE.....	19,067	416,635	437,018
NEPTUNE ORIENT.....	260,000	428,158	326,279
NESTLE SA, CHAM UND VEVEY.....	3,301	779,661	907,391
NEXFOR INC.....	53,700	525,344	463,077
NEXT GROUP ORD.....	104,600	2,799,972	2,238,552
NIHON DEMPYA KOGYO.....	42,700	926,019	806,799
NIHON KODEN CORP.....	49,000	563,023	512,256
NIPPON CHEMICAL INDUSTRIAL CO.....	98,000	375,944	383,207
NIPPON FLOUR MILLS CO.....	151,000	675,575	631,774
NIPPON OIL CORP.....	27,000	168,035	156,696
NIPPON SHINYAKU CO.....	239,000	1,578,887	1,577,042
NIPPON TEL & TEL CORP.....	112	483,740	498,534
NIPPON YUSEN KK.....	77,000	397,822	349,627
NISSAN SHATAI CO.....	63,000	387,489	405,920
NOMURA SECURITIES CO.....	33,000	453,451	420,104
NORDBANKEN HOLDINGS.....	448,500	3,432,642	2,961,431
NORSK HYDRO.....	56,560	3,520,570	2,887,435
NORTHERN ORION RESOURCES INC.....	54,600	114,372	127,473
NOVAGOLD RESOURCES INC.....	30,800	185,137	156,346
NOVICOURT INC.....	258,300	341,107	364,773
NUMICO (KON) NV.....	8,817	276,883	275,110
O & Y PROPERTIES CORP.....	21,300	125,285	127,477
OCE.....	78,376	1,184,914	1,192,239
OESTERREICHISECHE EL WIRTSCH.....	3,594	650,582	551,267
OMV AG.....	6,982	1,595,053	1,311,075
ONO PHARMACEUTICAL CO.....	7,000	311,267	320,848
ONWARD KASHIYAMA CO.....	72,000	1,007,062	1,005,352
OPAP SA GRD.....	38,640	741,955	632,026
ORIENT OVERSEAS INT.....	388,399	1,272,264	971,567
ORIX CORP.....	17,000	1,739,578	1,935,255
ORKLA ASA.....	65,650	1,653,557	1,651,520

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(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
OSAKA STEEL CO.....	16,700	220,191	214,422
OSTASIATISKE KOMPA.....	1,450	63,492	62,443
OTSUKA SHOKAI.....	14,000	801,130	604,957
OVERSEAS CHINESE BANKING CORP.....	83,000	644,632	575,474
OVERSEAS UNION ENTERPRISES.....	20,000	84,090	72,133
PACIFIC & WESTERN CREDIT CORP.....	26,300	160,682	178,559
PANAHOME CORP.....	222,000	1,223,837	1,142,081
PAN-OCEAN ENERGY CORPORATION.....	21,000	234,290	214,668
PARAMOUNT RESOURCES LTD.....	56,300	769,126	788,435
PARIS MIKI INC.....	11,400	243,592	276,646
PARK 24 CO.....	6,000	194,633	203,006
PASON SYSTEMS INC.....	86,400	2,101,639	1,844,839
PENDRAGON ORD.....	143,600	811,154	817,800
PERNOD-RICARD.....	26,916	3,323,439	3,310,316
PERPETUAL TRUSTEES AUSTRALIA.....	50,600	1,643,635	1,538,528
PERSIMMON ORD.....	119,300	1,437,919	1,174,841
PETROFALCON CORP.....	55,800	99,522	119,077
PETROLCHINA CO.....	2,202,000	1,108,065	1,088,306
PHONAK HOLDING.....	38,500	1,159,812	1,074,795
PINAULT-PRINTEMPS.....	24,066	2,193,556	2,443,729
PROMINA GROUP.....	260,600	785,777	657,193
PROMISE CO.....	10,400	658,618	710,783
PROSIEBENSATI MEDIA AG.....	27,560	475,945	534,895
PUBLISHING & BROADCASTING LTD.....	45,109	434,485	406,298
PUMA AG.....	5,100	1,243,945	890,828
QBE INSURANCE GROUP.....	88,583	791,294	592,614
RAKUTEN INC.....	30	206,388	229,008
RCS MEDIAGROUP SPA.....	113,000	491,637	376,107
REAL RESOURCES INC.....	151,400	879,030	784,230
REDROW PLC.....	75,600	489,602	471,108
REITMANS (CANADA) LTD.....	74,200	940,452	886,564
RENGO CO.....	116,000	568,664	521,871
REPSOL SA.....	193,095	3,989,362	4,087,502
RESEARCH IN MOTION LTD.....	29,000	1,741,629	911,310
RESOLUTE ENERGY INC.....	161,200	477,140	492,226
REUTERS GROUP.....	32,382	186,412	222,195
REVENUE PROPERTIES COMPANY LTD.....	8,000	74,074	74,584
RHI AG.....	6,508	140,625	147,318
RINKER GROUP.....	24,029	147,622	136,567
RIO TINTO LIMITED.....	4,456	113,435	94,986
ROCHE HOLDINGS.....	27,798	2,690,907	2,891,678
RUSSEL METALS INC.....	120,600	1,038,866	995,630
RWE AG (NEU).....	24,056	1,176,719	927,087
SABMILLER PLC.....	49,579	616,304	645,036
SAE GETTERS.....	38,813	738,202	724,126
SAINSBURY (J) ORD GBP0.2857142.....	121,896	570,689	575,649
SAMMY.....	7,000	347,624	328,356
SAMSUNG ELECTRONICS.....	5,660	2,216,140	2,411,087
SAMUEL MANU-TECH INC.....	10,800	73,361	65,908

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SANKYO SEIKO CO.....	80,000	369,584	347,285
SANOFI-SYNTHELABO.....	9,731	691,843	621,322
SANTOS LIMITED.....	36,079	168,149	145,441
SANYO CO.....	92,800	1,936,416	1,986,006
SANYO ELECTRIC CREDIT CO.....	16,000	301,791	347,312
SAPPORO HOLDINGS LTD.....	32,000	112,260	114,185
SASKATCHEWAN WHEAT POOL.....	905,700	274,954	290,811
SAVANNA ENERGY SERVICES CORP.....	57,200	560,018	529,628
SAVILLS ORD.....	70,900	524,850	540,439
SCHERING AG.....	19,323	1,072,010	1,076,209
SEAT-PAGINE GIALLE.....	1,208,609	430,365	538,577
SEINO TRANSPORTATION.....	190,000	1,788,419	1,930,980
SEKISUI HOUSE.....	33,000	330,767	288,065
SEMBCORP INDUSTRIES.....	42,000	32,129	30,955
SEMBCORP MARINE SGD0.10.....	30,000	17,869	17,367
SERONO SA.....	743	473,439	510,719
SHERRITT INTERNATIONAL CORP.....	103,800	569,577	607,106
SHINKI CO.....	26,000	210,142	219,016
SIERRA WIRELESS INC.....	18,100	317,327	552,664
SINGAPORE AIRLINES.....	20,000	129,639	136,385
SINGAPORE TELECOMMUNICATIONS.....	386,000	518,438	391,501
SINO LAND CO ORD.....	48,000	35,693	29,603
SMARTONE TELECOMMUNICATIONS.....	94,000	102,437	107,799
SMC CORP.....	4,000	383,070	412,311
SMRT CORP.....	446,000	181,010	178,934
SNAM RETE GAS.....	243,631	1,092,553	1,074,537
SOCIEDAD GENERAL AGUAS DE.....	15,225	266,627	261,651
SOCIETE GENERALE ORD.....	8,554	729,776	574,156
SOMERFIELD ORD.....	168,200	427,399	408,449
SOMPO JAPAN INSURANCE INC.....	201,000	1,875,475	1,927,337
SPIR COMMUNICATION.....	3,200	477,175	451,205
ST GALLER KANTONALBANK.....	4,937	1,076,519	1,071,110
STAR MICRONICS CO.....	14,000	110,985	115,516
STATOIL DEN NORSKE STATS OLJESELSKAP.....	59,400	756,666	544,820
STELLA CHEMIFA.....	13,800	226,594	234,863
STOREBRAND ASA.....	173,800	1,162,323	901,535
STUART ENERGY SYSTEMS CORP.....	219,900	554,089	554,223
SUEZ.....	32,048	620,441	633,493
SULZER AG.....	504	141,099	122,011
SUMITOMO CHEMICAL.....	72,000	322,129	343,531
SUMITOMO CORP LEASING.....	23,000	825,732	785,596
SUMITOMO ELECTRIC IND.....	56,000	512,825	511,660
SUMITOMO MITSUI GROUP.....	59	355,360	342,455
SUMITOMO TRUST & BANKING CO.....	365,000	2,205,066	2,339,312
SUN HUNG KAI PROPERTIES.....	17,000	158,014	129,817
SUNDRUG CO.....	7,500	407,991	356,258
SUN-RYPE PRODUCTS LTD.....	65,100	553,370	558,715
SVENSKA HANDELSBANKEN.....	74,809	1,433,886	1,470,470
SWIRE PACIFIC.....	34,000	240,835	220,067

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SWISSCOM AG.....	6,865	2,265,686	2,206,050
SYNGENTA AG.....	13,756	1,233,977	1,146,418
TAIWAN SEMICONDUCTOR MANUFACTURING CO.....	1,364,000	1,883,314	1,915,663
TAIYO YUDEN CO.....	45,000	521,573	688,789
TAKEFUJI.....	5,000	350,813	369,036
TATE & LYLE.....	16,796	108,170	96,083
TAYLOR WOODROW.....	214,800	1,058,776	981,050
TDC.....	14,300	502,916	448,376
TELECOM ITALIA.....	358,678	1,072,317	1,145,905
TELEFONICA SA.....	180,600	2,563,564	2,878,964
TELEKOM AUSTRIA.....	4,836	67,588	76,209
TELENOR AS ORD.....	379,000	2,732,144	2,621,234
TELSTRA CORP.....	94,477	320,232	308,701
TESCO.....	13,629	65,218	65,415
THYSSEN KRUPP AG.....	78,573	1,459,084	1,540,911
TODA CONSTRUCTION CO.....	25,000	98,638	98,957
TOKO INC Y50.....	171,000	621,705	608,882
TOKYO BROADCASTING SYSTEM INC.....	32,100	507,188	553,791
TOKYO STEEL MFG CO.....	63,800	1,069,679	901,515
TOKYO TATEMONO CO.....	110,000	609,413	694,694
TOLL HOLDINGS LTD.....	5,904	45,652	44,504
TOPDANMARK.....	21,600	1,348,136	1,088,568
TOPPAN PRINTING.....	62,000	641,779	693,951
TORAY INDUSTRIES INC.....	136,000	641,924	596,743
TOTAL ENERGY SERVICES LTD.....	73,800	288,456	354,247
TOTAL FINA ELF.....	23,369	4,546,895	3,128,375
TOYO RADIATOR CO.....	20,000	103,330	111,690
TOYO SEIKAN KAISHA.....	92,000	1,550,030	1,661,905
TOYOTA MOTOR CO.....	127,600	5,022,844	4,416,898
TPV TECHNOLOGY.....	507,000	328,252	363,673
TRANSAT A T INC.....	59,400	1,000,820	731,769
TREND MICRO INC.....	10,000	434,644	352,735
TRICAN WELL SERVICE LTD.....	58,300	1,858,378	1,649,754
TRIMERIS INC.....	16,000	360,108	360,783
TRUE ENERGY INC.....	222,500	341,113	296,680
TSURUHA CO.....	9,000	246,845	267,330
TULLOW OIL PLC ORD.....	220,500	506,744	498,527
U S BMB ENTERTAINM.....	22,000	106,246	117,772
UBS AG.....	33,870	2,267,705	2,308,234
UCB SA.....	7,783	378,347	256,435
UFJ HOLDINGS.....	64	319,577	274,484
UNIDEN CORP.....	31,000	617,203	584,321
UNION TOOL CO.....	2,700	86,847	108,753
UNITED GRAIN GROWERS LIMITED.....	51,700	355,496	370,132
UNY CO.....	28,000	316,370	280,012
USHIO ELECTRIC.....	35,000	570,550	654,674
VA STAHL AG.....	14,952	732,843	673,438
VA TECHNOLOGY AG.....	28,023	1,822,015	1,563,287
VAQUERO ENERGY LTD.....	34,200	86,434	99,087

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2004

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
VEBA AG.....	50,751	3,596,426	3,489,202
VEIDEKKE.....	59,700	661,106	594,031
VENTURE PRODUCTION ORD.....	213,300	907,588	911,919
VINCI.....	26,600	2,839,925	2,246,553
VIVENDI UNIVERSAL.....	48,304	1,190,514	1,332,138
VODAFONE GROUP.....	1,099,563	2,497,299	2,099,551
VOLVO.....	8,500	278,325	176,637
VOLVO.....	15,000	512,126	329,473
VTECH HOLDINGS.....	270,000	503,657	528,671
WAJAX LTD.....	87,800	692,351	702,483
WESFARMERS ORD.....	7,162	152,027	152,528
WESSANEN(KON) CVA.....	79,200	1,111,708	1,135,251
WEST FRASER TIMBER CO LTD.....	19,400	734,567	715,068
WESTPAC BANKING CORP.....	48,176	573,228	509,813
WHARF HOLDINGS.....	33,000	108,943	83,097
WIENERBERGER AG.....	29,242	1,059,027	868,954
WIHLBORGS FASTIGHE.....	22,800	317,139	304,225
WILSON BOWDEN ORD.....	54,700	1,087,348	1,040,142
WIMPEY (GEORGE).....	147,000	1,110,672	995,210
WOLSELEY I ORD.....	100,600	1,535,568	1,537,345
XSTRATA.....	69,400	1,008,141	943,447
YAMAHA MOTOR CO.....	9,000	132,771	95,933
YAMATO KOGYO.....	141,000	2,041,542	1,205,581
YAMATO TRANSPORT.....	22,000	334,375	347,121
YAMAZAKI BAKING CO.....	23,000	205,804	148,689
YARA INTERNATIONAL.....	43,920	389,407	231,108
YIT-YHTYMA EUR1.....	78,500	1,524,509	1,583,722
YM BIOSCIENCES INC.....	40,900	103,678	104,794
ZEHNDER GROUP AG.....	900	917,708	833,218
ZENON ENVIRONMENTAL INC.....	41,300	664,511	670,864
ZURICH FINANCIAL SERVICES.....	35,915	5,006,093	4,873,391
TOTAL FOREIGN COMMON STOCKS		<u>391,342,698</u>	<u>369,494,181</u>
OTHER - EQUITY SECURITIES			
FEMPARTNERS INC.....	5,432	1	1
GLOBAL BIO-CHEM TE.....	1,500	92	244
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST....		2,216,804	252,505
GOLDSTON OIL CO - JETER #3.....		1,270,650	78,089
GOLDSTON OIL-GLADEWATER JETER.....		2,925,948	381,509
SONGBIRD HEARING INC.....	1	0	0
SONGBIRD HEARING INC.....	352,094	352	352
TERASTOR CORP.....	1	0	0
TIMCO AVIATION SERVICES INC.....	188	188	0
TOTAL OTHER - EQUITY SECURITIES		<u>6,414,035</u>	<u>712,700</u>
TOTAL EQUITY SECURITIES		<u>1,396,131,333</u>	<u>1,168,765,480</u>

PERMANENT UNIVERSITY FUND
PREFERRED STOCKS AND CONVERTIBLE SECURITIES
August 31, 2004

SCHEDULE B

SECURITY	SHARES	VALUE (\$)	COST (\$)
DOMESTIC PREFERRED STOCKS			
DG FUNDING TRUST			
PRIVATE PLACEMENT.....	233	2,504,750	2,335,585
OAKBAY D			
UNSECURED LOAN NOTES.....	1,286,146	2,572,292	1,286,146
OAKBAY PREFERENCE SHARES			
PREFERENCE SHARES.....	3,659	1,387,416	4,512,714
TERASTOR CORP			
SERIES F.....	2,603,268	0	1
SERIES E.....	5,048,544	0	1
TOTAL DOMESTIC PREFERRED STOCKS		<u>6,464,458</u>	<u>8,134,447</u>
FOREIGN PREFERRED STOCKS			
NEWS CORPORATION			
.....	16,990	125,974	119,290
RHEINMETALL AG NON VTG PREF			
.....	18,300	733,920	667,021
TOTAL FOREIGN PREFERRED STOCKS		<u>859,894</u>	<u>786,311</u>
CONVERTIBLE SECURITIES			
TIMCO AVIATION SERVICES INC			
CONV.....	214	11	1
FEMPARTNERS INC			
SERIES B CONV PFD.....	3,395	27,163	27,163
SERIES A CONV PFD.....	10,865	86,920	86,920
SONGBIRD HEARING INC			
SERIES C CONV PFD.....	29,278,408	3,806,193	3,806,193
SERIES B CONV PFD.....	3,183,569	413,864	1,558,892
SERIES A4 CONV PFD.....	87,805	11,415	2,451,519
SERIES A3 CONV PFD.....	881,528	114,599	5,504,749
12% CONV PFD.....	352,095	352,095	352,095
TOTAL CONVERTIBLE SECURITIES		<u>4,812,260</u>	<u>13,787,532</u>
TOTAL PREFERRED STOCKS AND CONVERTIBLE SECURITIES		<u>12,136,612</u>	<u>22,708,290</u>

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2004

SCHEDULE C

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
U. S. GOVERNMENT OBLIGATIONS			
COMMIT TO PURCHASE FEDERAL HOME LOAN MORTGAGE CORP			
5.5% DUE 10/01/19.....	53,250,000	54,939,026	54,880,781
COMMIT TO PURCHASE FEDERAL NATIONAL MORTGAGE ASSOCIATION			
5% DUE 09/01/19.....	9,000,000	9,165,938	9,126,563
5% DUE 09/01/34.....	2,000,000	1,983,438	1,968,750
5% DUE 10/01/19.....	9,650,000	9,803,043	9,776,656
5.5% DUE 09/01/34.....	900,000	913,641	913,746
5.5% DUE 10/01/34.....	6,750,000	6,831,738	6,790,078
FEDERAL HOME LOAN BANK CONS			
0% DUE 10/06/04.....	100,000	99,737	99,737
6.25% BONDS DUE 03/01/11.....	4,000,000	4,221,285	4,280,156
6.435% BONDS DUE 12/12/11.....	700,000	796,810	822,493
FEDERAL HOME LOAN MORTGAGE CORP			
0% NOTES DUE 10/12/04.....	7,300,000	7,272,708	7,272,708
0% NOTES DUE 10/19/04.....	7,300,000	7,272,017	7,272,017
0% NOTES DUE 10/25/04.....	3,000,000	2,984,920	2,984,920
0% NOTES DUE 11/08/04.....	3,400,000	3,382,893	3,382,893
0% NOTES DUE 11/15/04.....	5,100,000	5,072,643	5,072,643
0% NOTES DUE 11/22/04.....	5,100,000	5,070,902	5,070,902
2.32% CMO 2266 F DUE 11/15/30.....	252,811	254,093	252,752
3.656% PART CERT 84-7040 DUE 02/01/29.....	1,999,843	2,064,880	2,074,837
3.667% PART CERT 78-6190 DUE 07/01/27.....	314,490	326,873	312,524
4.625% NOTES DUE 05/15/05.....	1,000,000	1,235,352	900,280
5% CMO 2535 DT DUE 09/15/16.....	403,944	414,322	412,436
5.5% CMO 2448 D DUE 05/15/12.....	41,513	41,491	42,331
6.53% DEBS DUE 11/26/12.....	5,500,000	6,004,725	5,578,564
7.5% CMO 1215-H DUE 03/15/07.....	442,045	448,062	421,254
7.5% CMO 2206Z DUE 01/15/30.....	1,872,749	1,994,141	1,738,985
7.645% PART CERT 30-0088 DUE 05/01/25.....	8,432,633	9,500,039	8,437,903
7.75% CMO 1394-IA DUE 10/15/22.....	10,649,818	11,218,933	10,561,285
8% CMO 2182-ZB DUE 09/15/29.....	1,183,983	1,295,290	1,175,102
8.3% CMO 1245-I DUE 04/15/07.....	419,887	419,564	417,887
8.5% CMO 1311-KA DUE 07/15/22.....	1,108,535	1,146,481	1,106,908
9.9% REMIC CMO 17-I DUE 10/15/19.....	436,431	436,798	434,399
10% REMIC CMO 18-D DUE 11/15/19.....	1,296,791	1,297,933	1,301,610
11% PART CERT 170147 DUE 11/01/15.....	15,527	17,961	15,493
11.5% PART CERT 170139 DUE 08/01/15.....	12,494	14,207	12,437
13.5% PART CERT 170037 DUE 10/01/10.....	10,183	11,775	10,111
15.5% PART CERT 170051 DUE 06/01/11.....	497	602	494
16.25% PART CERT 170047 DUE 05/01/11.....	685	835	684
FEDERAL NATIONAL MORTGAGE ASSOCIATION			
0% DUE 11/10/04.....	200,000	199,191	199,191
0% DUE 11/17/04.....	6,700,000	6,672,622	6,672,622
0% NOTES DUE 10/20/04.....	7,700,000	7,670,155	7,670,155
0% NOTES DUE 10/27/04.....	1,600,000	1,593,590	1,593,590
0% NOTES DUE 11/01/04.....	10,200,000	10,144,937	10,144,937
1.99% CMO 04-63 FA DUE 08/25/34.....	2,570,674	2,567,024	2,570,674
2.09% CMO 04-W8 1AF DUE 06/25/44.....	2,319,007	2,315,690	2,317,557

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2004

SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
2.24% CMO 2002-08 F DUE 09/25/32.....	237,869	238,316	237,795
2.34% CMO 2002-10 FB DUE 03/25/17.....	1,071,945	1,078,559	1,071,945
3.483% PASS THRU 0422883 DUE 12/01/26.....	323,207	335,933	329,772
3.547% PASS THRU 0399907 DUE 08/01/27.....	484,295	502,844	496,554
5% PASS THRU 0190341 DUE 09/01/18.....	438,834	447,796	449,599
5% PASS THRU 0254510 DUE 11/01/17.....	508,890	520,380	521,374
5% PASS THRU 0254545 DUE 12/01/17.....	74,170	75,845	75,990
5% PASS THRU 0254685 DUE 04/01/18.....	752,474	769,463	770,933
5% PASS THRU 0555545 DUE 06/01/18.....	408,009	417,221	418,018
5% PASS THRU 0555750 DUE 09/01/18.....	896,193	916,147	918,178
5% PASS THRU 0653195 DUE 08/01/17.....	883,103	903,042	904,766
5% PASS THRU 0662408 DUE 01/01/18.....	138,821	141,955	142,226
5% PASS THRU 0677681 DUE 02/01/18.....	17,651	18,050	18,084
5% PASS THRU 0685181 DUE 02/01/18.....	1,709,492	1,744,403	1,751,428
5% PASS THRU 0703443 DUE 05/01/18.....	427,474	436,992	437,960
5% PASS THRU 0705284 DUE 06/01/18.....	721,004	735,728	738,691
5% PASS THRU 0708706 DUE 06/01/18.....	419,016	427,573	429,295
5% PASS THRU 0720372 DUE 06/01/18.....	458,999	469,219	470,259
5% PASS THRU 0730057 DUE 08/01/18.....	145,022	147,984	148,579
5% PASS THRU 0743925 DUE 11/01/18.....	837,069	855,184	846,486
5.5% PASS THRU 0456654 DUE 02/01/14.....	114,352	119,252	118,917
5.5% PASS THRU 0545968 DUE 10/01/17.....	3,218,262	3,340,079	3,347,998
5.5% PASS THRU 0673213 DUE 02/01/18.....	909,114	943,525	945,408
5.5% PASS THRU 0685211 DUE 03/01/18.....	2,864,154	2,972,567	2,978,497
5.5% PASS THRU 0685642 DUE 02/01/18.....	612,125	635,295	636,562
6% PASS THRU 0426612 DUE 10/01/28.....	1,312,659	1,364,755	1,190,828
6% PASS THRU 0443239 DUE 10/01/28.....	422,485	439,253	381,293
6% PASS THRU 0529320 DUE 07/01/29.....	2,286,013	2,376,739	2,063,126
6% PASS THRU 0555198 DUE 01/01/23.....	353,536	368,899	367,760
6.249% PASS THRU 0594245 DUE 06/01/30.....	116,087	120,554	119,588
6.4% CMO 93-G40 H DUE 12/25/23.....	6,315,000	6,636,693	6,078,188
6.5% CMO 03-W1 1A1 DUE 12/25/42.....	1,007,687	1,063,422	1,056,811
6.5% PASS THRU 0254086 DUE 11/01/21.....	2,014,479	2,124,961	2,101,354
6.5% PASS THRU 0323606 DUE 03/01/29.....	1,980,606	2,084,974	1,833,298
6.5% PASS THRU 0323755 DUE 11/01/13.....	2,967,394	3,159,579	2,854,726
6.8% CMO 93-59 J DUE 05/25/08.....	2,634,076	2,750,292	2,634,076
6.825% PASS THRU 0381817 DUE 08/01/09.....	2,861,520	3,209,479	2,714,867
6.9% CMO 93-43 J DUE 04/25/08.....	5,665,000	5,923,428	5,647,014
7% PASS THRU 0323937 DUE 09/01/14.....	3,753,048	3,994,211	3,977,058
7.46% PASS THRU 0381809 DUE 08/01/29.....	1,233,956	1,447,231	1,241,765
8.375% CMO 92-G41 MB DUE 08/25/22.....	2,009,842	2,188,691	2,007,530
8.5% CMO 91-71 D DUE 06/25/06.....	72,520	74,746	72,426
8.5% CMO 92-G19 M DUE 04/25/22.....	2,367,592	2,594,124	2,351,243
8.6% CMO 50 CL G DUE 08/25/19.....	377,632	415,236	372,173
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
3.25% PASS THRU 0080364 DUE 01/20/30.....	524,332	520,882	534,630
3.375% PASS THRU 0008351 DUE 01/20/24.....	204,663	206,185	208,052
3.375% PASS THRU 0008865 DUE 05/20/26.....	267,004	267,879	267,672
3.375% PASS THRU 0080180 DUE 03/20/28.....	52,261	52,429	53,086

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
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SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
3.375% PASS THRU 0080393 DUE 04/20/30.....	408,453	409,079	399,323
3.375% PASS THRU 0080397 DUE 04/20/30.....	522,916	523,715	523,503
3.375% PASS THRU 0080407 DUE 05/20/30.....	281,940	282,369	275,604
3.375% PASS THRU 0080409 DUE 05/20/30.....	999,509	1,001,035	1,000,910
3.375% PASS THRU 0080418 DUE 06/20/30.....	395,060	395,663	404,072
3.75% PASS THRU 0080095 DUE 07/20/27.....	587,003	598,284	597,000
4.625% PASS THRU 0080119 DUE 10/20/27.....	412,235	420,642	413,781
5.5% PASS THRU 0569547 DUE 01/15/32.....	61,225	62,558	59,551
6.75% CMO 2001-616 CL DUE 10/16/40.....	9,750,171	10,810,014	9,550,172
7% PASS THRU 0001212 DUE 06/20/23.....	157,855	168,516	157,507
8% PASS THRU 0016676 DUE 04/15/07.....	43,909	46,195	43,787
8.25% PASS THRU 0008790 DUE 04/15/06.....	7,381	8,092	7,378
8.25% PASS THRU 0009675 DUE 04/15/06.....	2,009	2,203	2,008
8.25% PASS THRU 0009813 DUE 04/15/06.....	6,029	6,610	6,026
8.25% PASS THRU 0010215 DUE 06/15/06.....	8,773	9,619	8,771
8.25% PASS THRU 0010770 DUE 05/15/06.....	6,188	6,785	6,121
8.25% PASS THRU 0010834 DUE 06/15/06.....	2,388	2,619	2,387
8.5% PASS THRU 0002841 DUE 11/20/29.....	211,897	231,415	218,866
8.5% PASS THRU 0002855 DUE 12/20/29.....	231,947	253,312	239,576
8.5% PASS THRU 0002910 DUE 04/20/30.....	105,484	115,200	108,953
8.5% PASS THRU 0002936 DUE 06/20/30.....	224,164	244,812	231,537
8.5% PASS THRU 0002947 DUE 07/20/30.....	157,282	171,769	162,455
8.5% PASS THRU 0002974 DUE 09/20/30.....	85,348	93,210	88,155
8.5% PASS THRU 0003029 DUE 01/20/31.....	181,817	198,564	187,797
8.5% PASS THRU 0003043 DUE 02/20/31.....	222,085	242,541	229,389
8.5% PASS THRU 0508335 DUE 04/15/30.....	60,487	66,342	63,965
8.5% PASS THRU 0511172 DUE 01/15/30.....	68,669	75,315	72,617
8.5% PASS THRU 0521511 DUE 10/15/29.....	26,536	29,022	28,062
8.5% PASS THRU 0522981 DUE 02/15/30.....	37,317	40,059	39,463
8.5% PASS THRU 0525462 DUE 12/15/29.....	37,242	40,847	39,384
8.5% PASS THRU 0526031 DUE 08/15/30.....	55,911	60,018	59,126
8.5% PASS THRU 0526032 DUE 08/15/30.....	11,686	12,817	12,358
8.5% PASS THRU 0538114 DUE 09/15/30.....	38,622	41,460	40,843
8.5% PASS THRU 0780840 DUE 07/20/28.....	152,766	166,932	157,790
10% PASS THRU 0151185 DUE 03/15/16.....	59,306	66,739	58,397
10% PASS THRU 0233778 DUE 02/15/18.....	69,316	79,412	68,954
10.5% PASS THRU 0224630 DUE 10/15/17.....	29,066	33,761	27,974
11% PASS THRU 0035288 DUE 03/15/10.....	36,579	40,848	36,288
11.5% PASS THRU 0131670 DUE 05/15/15.....	11,429	13,515	11,375
12.5% PASS THRU 0040016 DUE 06/15/10.....	4,988	5,648	4,914
12.5% PASS THRU 0040744 DUE 05/15/10.....	11,022	12,551	10,859
12.5% PASS THRU 0043162 DUE 11/15/10.....	6,361	7,423	6,086
12.5% PASS THRU 0044298 DUE 11/15/10.....	12,837	14,398	12,285
13% PASS THRU 0047171 DUE 04/15/11.....	1,064	1,250	1,031
13% PASS THRU 0047219 DUE 04/15/11.....	3,492	3,716	3,374
13% PASS THRU 0049550 DUE 07/15/11.....	22,870	26,776	20,613
13.5% PASS THRU 0039589 DUE 08/15/10.....	21,005	24,769	20,979
13.5% PASS THRU 0040310 DUE 05/15/10.....	10,141	11,944	10,103
13.5% PASS THRU 0041007 DUE 07/15/10.....	9,207	10,830	9,193

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SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
13.5% PASS THRU 0041570 DUE 05/15/10.....	4,172	4,914	4,150
13.5% PASS THRU 0045053 DUE 05/15/11.....	5,075	6,067	4,657
13.5% PASS THRU 0045236 DUE 05/15/11.....	6,143	7,294	5,635
13.5% PASS THRU 0048879 DUE 05/15/11.....	7,619	9,086	6,973
OVERSEAS PRIVATE INVESTMENT			
0.01% DUE 05/15/05.....	2,600,000	2,647,938	2,601,625
SMALL BUSINESS ADMINISTRATION			
7.22% DUE 11/01/20.....	669,254	746,753	702,769
7.64% DUE 03/01/10.....	588,414	654,817	612,135
SYNTHETIC			
6% CUSTODY RECPT DUE 08/15/11.....	6,660,000	7,239,620	6,435,760
TENNESSEE VALLEY AUTHORITY POWER			
4.875% BONDS DUE 12/15/16.....	1,500,000	1,598,807	1,537,124
UNITED STATES TREASURY			
0% BILLS DUE 09/16/04.....	1,499,682	1,497,196	1,497,196
1.875% INFLATION INDEX NOTE DUE 07/15/13.....	29,944,876	30,391,055	29,827,314
2% INFLATION INDEX NOTE DUE 01/15/14.....	97,162,958	99,358,840	98,725,866
2% INFLATION INDEX NOTE DUE 07/15/14.....	12,850,195	13,118,764	12,827,236
2.375% INFLATION INDEX BOND DUE 01/15/25.....	67,481,137	70,053,855	68,084,111
3% INFLATION INDEX NOTE DUE 07/15/12.....	38,558,422	42,610,913	42,078,746
3.375% INFLATION INDEX NOTE DUE 01/15/07.....	8,500,191	9,113,820	9,153,809
3.375% INFLATION INDEX NOTE DUE 01/15/12.....	8,401,707	9,501,827	9,369,901
3.5% INFLATION INDEX NOTE DUE 01/15/11.....	37,762,956	42,742,945	42,099,671
3.625% INFLATION INDEX BOND DUE 04/15/28.....	21,701,739	27,418,845	26,700,858
3.875% INFLATION INDEX BOND DUE 04/15/29.....	7,759,440	10,249,754	10,091,763
3.875% INFLATION INDEX NOTE DUE 01/15/09.....	31,482,379	35,457,030	35,223,694
4.25% INFLATION INDEX NOTE DUE 01/15/10.....	99,409,377	115,532,584	115,960,423
5.25% BONDS DUE 02/15/29.....	5,500,000	5,685,625	5,652,969
5.375% BONDS DUE 02/15/31.....	50,000	53,250	53,313
6.25% BONDS DUE 05/15/30.....	4,700,000	5,543,063	5,552,059
7.5% BONDS DUE 11/15/16.....	200,000	256,781	254,172
10.625% BONDS DUE 08/15/15.....	900,000	1,398,659	1,368,232
TOTAL U. S. GOVERNMENT OBLIGATIONS		<u>801,787,614</u>	<u>787,598,746</u>
FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS			
AUSTRALIA COMMONWEALTH			
4% BONDS DUE 08/20/10.....	800,000	806,723	795,608
AUSTRIA REPUBLIC			
4% BONDS DUE 07/15/09.....	1,100,000	1,372,924	1,103,602
5% BONDS DUE 07/15/12.....	800,000	1,047,102	888,183
5.5% BONDS DUE 01/15/10.....	600,000	803,265	624,920
6.25% BONDS DUE 07/15/27.....	860,000	1,278,437	842,840
BANQUE CENTRALE DE TUNISIE			
7.375% BONDS DUE 04/25/12.....	500,000	561,250	484,375
BELGIUM (KINGDOM OF)			
7.5% BONDS DUE 07/29/08.....	1,200,000	1,692,427	1,185,411
CANADA GOVERNMENT			
5.5% BONDS DUE 06/01/09.....	1,300,000	1,053,773	856,755
5.5% BONDS DUE 06/01/10.....	2,900,000	2,354,327	1,890,738

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SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6% BONDS DUE 06/01/08.....	6,200,000	5,087,316	4,930,570
7% BONDS DUE 12/01/06.....	7,500,000	6,163,928	5,262,635
CENTRAL BANK OF TUNISIA BONDS			
7.375% DUE 04/25/12.....	100,000	111,630	115,250
CHILE REPUBLIC			
5.5% BONDS DUE 01/15/13.....	300,000	315,450	297,273
DENMARK (KINGDOM OF)			
7% BONDS DUE 11/15/07.....	13,830,000	2,534,184	1,759,617
FRANCE GOVERNMENT			
4% BONDS DUE 04/25/09.....	3,400,000	4,258,873	2,950,233
4% DEBS DUE 10/25/09.....	5,820,000	7,270,384	4,825,955
5.5% BONDS DUE 04/25/07.....	680,000	884,335	616,792
GERMANY FEDERAL REPUBLIC			
3.75% BONDS DUE 07/04/13.....	800,000	955,712	964,812
4.5% BONDS DUE 01/04/13.....	480,000	606,911	610,221
5% BONDS DUE 01/04/12.....	600,000	785,400	782,260
5% BONDS DUE 07/04/11.....	2,300,000	3,011,258	2,394,530
5% BONDS DUE 07/04/12.....	4,400,000	5,755,855	5,955,514
5.25% BONDS DUE 01/04/11.....	500,000	663,220	701,866
5.25% BONDS DUE 07/04/10.....	16,600,000	21,993,673	22,325,646
5.375% BONDS DUE 01/04/10.....	5,140,000	6,835,700	6,635,463
5.625% BONDS DUE 01/04/28.....	5,560,000	7,644,271	7,658,223
6.25% BONDS DUE 04/26/06.....	700,000	902,603	927,666
6.5% BONDS DUE 07/04/27.....	7,860,000	11,989,039	12,124,996
HELLENIC REPUBLIC			
5.95% BONDS DUE 03/24/05.....	1,506,236	1,868,604	1,307,263
JAPAN HIGHWAY PUBLIC CORP			
7.25% BONDS DUE 07/26/05.....	1,500,000	1,567,350	1,586,250
REPUBLIC OF ITALY			
4.5% BONDS DUE 05/01/09.....	4,800,000	6,136,779	6,029,464
5.5% BONDS DUE 11/01/10.....	5,910,000	7,932,986	7,782,927
RUSSIAN FEDERATION			
5% BONDS DUE 03/31/30.....	1,000,000	959,000	973,125
RUSSIAN FEDERATION MINISTRY			
8.75% BONDS DUE 07/24/05.....	1,700,000	1,781,600	1,788,143
9.375% BONDS DUE 03/31/05.....	100,000	64,343	63,927
SOUTH AFRICA (REPUBLIC OF)			
7.375% NOTES DUE 04/25/12.....	1,010,000	1,133,372	1,089,039
SPAIN (GOVT OF)			
4.95% BONDS DUE 07/30/05.....	440,000	547,833	388,885
5.15% BONDS DUE 07/30/09.....	700,000	921,319	645,588
6% BONDS DUE 01/31/29.....	2,240,000	3,247,671	2,214,585
SWEDEN (KINGDOM OF)			
5% BONDS DUE 01/28/09.....	14,900,000	2,085,818	1,468,582
UNITED KINGDOM TREASURY			
4% DUE 03/07/09.....	1,700,000	2,951,973	3,003,639
5% DUE 03/07/08.....	6,900,000	12,481,025	12,601,223
5% DUE 03/07/12.....	5,800,000	10,489,210	10,768,281
7.25% BONDS DUE 12/07/07.....	670,000	1,291,355	1,220,357

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SCHEDULE C

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
8% DUE 09/27/13.....	1,950,000	4,290,226	4,335,764
UNITED MEXICAN STATES			
6.375% BONDS DUE 01/16/13.....	200,000	210,000	196,186
7.5% NOTES DUE 01/14/12.....	800,000	903,600	834,400
8% NOTES DUE 09/24/22.....	500,000	563,750	486,240
8% NOTES DUE 09/24/22.....	220,000	248,050	228,580
8.3% BONDS DUE 08/15/31.....	600,000	686,130	630,221
8.375% NOTES DUE 01/14/11.....	1,000,000	1,175,500	1,068,750
9.875% BOND DUE 02/01/10.....	570,000	706,743	647,430
11.375% BOND DUE 09/15/16.....	1,000,000	1,462,500	1,382,500
TOTAL FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS		<u>164,446,707</u>	<u>153,253,303</u>
CORPORATE OBLIGATIONS			
ABN AMRO NA FINANCIAL			
1.48% DUE 10/06/04.....	3,800,000	3,785,628	3,785,628
ACE SECURITIES CORP			
2.2725% DUE 06/25/32.....	246,231	246,638	246,222
AMERIQUEST MORTGAGE			
2.3425% DUE 02/25/33.....	100,587	100,861	100,728
2.3425% DUE 07/01/10.....	108,012	108,163	108,185
2.4925% DUE 06/25/34.....	2,252,392	2,252,910	2,250,050
ARGENT SCES INC			
2.1825% DUE 03/25/34.....	878,156	878,842	878,156
AT&T WIRELESS SERVICES INC			
7.875% DUE 03/01/11.....	2,100,000	2,475,039	2,473,036
ATCHISON TOPEKA & SANTA FE RAILROAD			
7.57% EQUIP TRUST DUE 02/15/09.....	1,695,000	1,951,623	1,648,506
AUTOZONE INC			
4.75% DUE 11/15/10.....	1,950,000	1,925,918	1,947,894
BADGER TOB ASSET SEC CORP WIS			
6% DUE 06/01/17.....	115,000	106,119	104,413
BANQUE CENTRALE DE TUNISIE			
7.5% DUE 08/06/09.....	300,000	413,992	288,797
BEAR STEARNS			
2.2625% DUE 10/25/32.....	62,116	62,179	62,116
2.645% DUE 04/19/05.....	1,600,000	1,950,605	1,356,069
BEAR STEARNS COMMERCIAL MORTGAGE			
2.0875% DUE 05/14/16.....	2,500,000	2,497,925	2,500,000
BEMIS CO INC			
6.5% DUE 08/15/08.....	660,000	728,990	658,852
BOEING CAPITAL CORPORATION			
5.4% DUE 11/30/09.....	3,300,000	3,493,347	3,292,740
BOEING CO			
6.125% DUE 02/15/33.....	2,000,000	2,061,560	1,962,840
BRINKER INTERNATIONAL INC			
5.75% DUE 06/01/14.....	2,100,000	2,202,039	2,088,996
BURLINGTON NORTHERN SANTA FE CORP			
6.462% DUE 01/15/21.....	1,306,059	1,431,350	1,306,059
8.125% DUE 04/15/20.....	666,000	827,192	766,646

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SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
CALIFORNIA INFRASTRUCTURE			
5% DUE 07/01/36.....	400,000	406,920	403,040
CARNIVAL CORP			
7.2% DUE 10/01/23.....	3,320,000	3,732,410	3,039,888
CDC MORTGAGE CAPITAL			
2.2225% DUE 08/25/32.....	30,948	30,975	30,948
2.2725% DUE 01/25/32.....	51,896	51,926	51,896
CHICAGO ILL BOARD OF EDUCATION			
5% DUE 12/01/31.....	400,000	404,576	374,876
CHICAGO ILL WATERWORK SYSTEM			
5% DUE 11/01/26.....	200,000	223,196	188,170
CITIGROUP INC GLOBAL			
6% DUE 10/31/33.....	2,750,000	2,772,330	2,692,580
COMCAST CABLE COMMUNICATIONS INC			
6.2% DUE 11/15/08.....	3,320,000	3,595,958	3,102,540
COMCAST CORP			
5.85% DUE 01/15/10.....	1,500,000	1,598,895	1,497,930
CONSECO FINANCIAL SECURITIES			
2.24% DUE 12/15/29.....	143,287	143,278	143,287
CONSOLIDATED NATURAL GAS CO			
7.25% DUE 10/01/04.....	700,000	702,730	682,388
CONSUMERS ENERGY CO			
6% NOTES DUE 03/15/05.....	500,000	509,140	512,245
CONTINENTAL AIRLINES			
6.503% DUE 06/15/11.....	1,329,000	1,255,905	1,280,082
COX COMMUNICATIONS INC			
6.75% DUE 03/15/11.....	1,320,000	1,397,128	1,259,095
COX ENTERPRISES			
8% DUE 02/15/07.....	1,320,000	1,427,250	1,354,439
CREDIT SUISSE FIRST BOSTON MORTGAGE SECURITIES CORP			
2.3825% DUE 10/25/32.....	57,690	57,720	57,690
CREDIT SUISSE FIRST BOSTON SECURITIES CORP			
2.3425% DUE 03/25/33.....	146,824	147,076	147,065
CWABS INC			
2.0825% DUE 03/25/24.....	986,949	986,486	986,409
2.1025% DUE 12/25/18.....	491,808	491,885	491,923
2.1925% DUE 05/25/32.....	315,698	315,916	315,698
CWALT INC			
2.0825% DUE 06/25/34.....	383,438	382,936	383,199
DAIMLER CHRYSLER			
3.4% DUE 12/15/04.....	3,300,000	3,307,194	3,298,581
4.05% DUE 06/04/08.....	3,750,000	3,762,943	3,737,138
6.5% DUE 11/15/13.....	1,300,000	1,402,703	1,336,551
DANSKE CORP			
0% DUE 10/18/04.....	1,400,000	1,394,621	1,394,621
0% DUE 10/29/04.....	3,300,000	3,286,386	3,286,386
0% DUE 11/19/04.....	2,200,000	2,190,550	2,190,550
0% DUE 11/22/04.....	10,400,000	10,354,579	10,354,579
1.48% DUE 10/06/04.....	600,000	597,731	597,731

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SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
DELPHINUS			
2.406% DUE 11/28/31.....	3,500,000	4,294,384	4,012,154
DENVER ARENA TRUST			
6.94% DUE 11/17/19.....	785,604	822,125	820,957
DEPFA BANK			
4.75% DUE 07/15/08.....	640,000	822,476	547,865
DEUTSCHE BANK			
3.775% DUE 12/29/49.....	3,300,000	3,361,875	3,300,178
DEUTSCHE PFANDBRIEF			
5.75% DUE 03/04/09.....	1,270,000	1,700,244	1,149,027
DEXIA DELAWARE			
1.485% DUE 10/04/04.....	1,800,000	1,795,303	1,795,303
DNB NORWAY BANK ASA			
0% DUE 10/06/04.....	3,800,000	3,785,433	3,785,433
DOMTAR INC			
5.375% DUE 12/01/13.....	660,000	656,080	655,136
DUKE REALTY PARTNERSHIP			
3.5% DUE 11/01/07.....	1,460,000	1,467,972	1,453,766
DUTCH MBS VI BV MTG BKD			
2.43% DUE 11/02/35.....	896,010	981,083	1,013,214
DUTCH MORTGAGE PORTFOLIO LOANS			
2.364% DUE 11/20/35.....	1,424,649	1,731,045	1,661,830
EMC MORTGAGE LOAN TRUST			
2.3025% DUE 05/25/40.....	179,397	179,696	179,397
ENCANA HOLDINGS FINANCE CORP			
5.8% DUE 05/01/14.....	1,350,000	1,431,203	1,360,746
ENTERGY GULF STATES INC			
2.81% DUE 06/18/07.....	600,000	603,186	600,000
FIRST FRANKLIN MORTGAGE			
2.2825% DUE 09/25/32.....	36,265	36,276	36,220
2.82% DUE 03/25/34.....	1,623,954	1,642,985	1,623,954
FIRST REPUBLIC MORTGAGE LOAN			
2.22% DUE 11/15/31.....	1,914,451	1,899,231	1,914,451
FORD MOTOR CREDIT CO			
7.25% DUE 10/25/11.....	1,250,000	1,346,875	1,176,695
7.5% DUE 03/15/05.....	100,000	102,625	103,471
7.6% DUE 08/01/05.....	1,000,000	1,043,120	1,060,470
GENERAL ELECTRIC CAPITAL			
0% DUE 11/05/04.....	1,600,000	1,591,520	1,591,520
0% DUE 11/09/04.....	5,000,000	4,973,333	4,973,333
0% DUE 11/16/04.....	10,400,000	10,342,791	10,342,791
6.75% DUE 03/15/32.....	1,816,000	2,062,576	2,000,502
GENERAL MOTORS ACCEPTANCE CORP			
0% DUE 03/21/05.....	1,200,000	1,180,868	1,180,868
0% DUE 03/22/05.....	1,200,000	1,181,730	1,181,730
0% DUE 04/05/05.....	100,000	98,247	98,247
3.32875% DUE 10/20/05.....	1,700,000	1,713,005	1,700,000
4.375% DUE 12/10/07.....	1,300,000	1,315,028	1,298,245
5.625% DUE 05/15/09.....	3,500,000	3,557,960	3,480,190

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SCHEDULE C
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
8% DUE 11/01/31.....	2,095,000	2,170,609	2,114,063
GMAC MORTGAGE CORP LOAN TRUST			
2.27875% DUE 11/18/25.....	257,066	257,660	257,187
GOLDEN STATE TOB SECURITIZATION			
6.25% DUE 06/01/33.....	2,500,000	2,330,000	2,401,425
6.75% DUE 06/01/39.....	170,000	158,629	149,585
GOLDMAN SACHS GROUP INC			
2.02% DUE 11/15/15.....	2,636,103	2,637,157	2,636,103
2.1225% DUE 10/25/33.....	596,949	597,135	596,949
3.492% DUE 06/01/34.....	2,367,104	2,356,405	2,323,461
GPU INC			
7.7% DUE 12/01/05.....	1,300,000	1,372,917	1,379,105
GUADALUPE VALLEY TEXAS ELECTRIC CO-OP INC			
8.61% 1ST MTGE SF DUE 01/01/11.....	2,580,000	3,121,542	2,580,000
HARRAHS OPERATION INC			
5.375% DUE 12/15/13.....	1,300,000	1,278,875	1,290,861
HARRIS COUNTY TEXAS REF-TOLL-ROAD			
5% DUE 08/01/33.....	200,000	200,980	198,452
HAWAII (STATE OF)			
5.5% DUE 08/01/11.....	600,000	685,482	690,408
HBOS TREASURY PLC			
0% DUE 09/07/04.....	2,100,000	2,092,939	2,092,939
0% DUE 11/02/04.....	2,800,000	2,788,372	2,788,372
0% DUE 11/29/04.....	3,500,000	3,484,327	3,484,327
0% DUE 11/30/04.....	4,300,000	4,280,277	4,280,277
HERMES			
2.417% DUE 04/18/12.....	832,919	1,011,243	1,059,695
HOUSEHOLD FINANCE CORP			
4.125% DUE 12/15/08.....	1,300,000	1,315,639	1,296,269
6.375% DUE 11/27/12.....	750,000	828,021	783,143
IMPAC SECURED ASSET CORP			
2.1225% DUE 08/25/34.....	2,386,049	2,386,049	2,386,049
INDIANA TRANSPORTATION FINANCE AUTHORITY HIGHWAY			
5% DUE 06/01/28.....	100,000	101,859	99,711
INDIANAPOLIS LIFE INSURANCE CO			
8.66% SURPLUS NOTES DUE 04/01/11.....	3,330,000	3,800,862	3,330,000
INTERNATIONAL PAPER CO			
5.85% DUE 10/30/12.....	1,320,000	1,391,557	1,322,284
JAPAN FINANCIAL CORP			
5.875% DUE 03/14/11.....	1,700,000	1,863,625	1,661,852
8.375% DUE 12/07/06.....	900,000	1,724,617	1,464,088
KELLOGG CO			
7.45% BONDS DUE 04/01/31.....	1,400,000	1,711,052	1,607,396
KERR MCGEE CORP			
5.375% DUE 04/15/05.....	1,320,000	1,343,509	1,319,921
KIMCO REALTY CORP			
5.19% DUE 10/01/13.....	1,500,000	1,514,520	1,500,000
KINDER MORGAN ENERGY			
5% DUE 12/15/13.....	1,320,000	1,297,718	1,333,517

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2004

SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
5.35% DUE 08/15/07..... KOREA DEV BANK NOTES	3,300,000	3,470,643	3,297,756
4.75% DUE 07/20/09..... KREDIT FUER WIEDER	800,000	819,248	797,464
3.5% DUE 11/15/05..... LANDESBANK-BADGEN	2,800,000	3,450,480	2,752,459
5.5% DUE 04/02/07..... LENFEST COMMUNICATIONS	240,000	310,689	215,285
8.375% DUE 11/01/05..... LONG BEACH CALIFORNIA COMMUNITY COLLEGE	1,500,000	1,595,850	1,646,625
5% DUE 05/01/28..... LONG BEACH MORTGAGE	200,000	204,218	201,000
2.2525% DUE 06/25/33.....	1,089,821	1,090,672	1,091,098
2.2525% DUE 07/25/33.....	1,246,658	1,247,681	1,248,411
2.3325% DUE 03/25/33..... LOUISVILLE & JEFFERSON COUNTY KY	96,694	96,856	96,815
5% DUE 05/15/36..... MAFI II REMIC TRUST	200,000	203,322	188,236
2.3925% DUE 04/25/29..... MARYLAND STATE HEALTH & HIGHER EDUCATION	142,020	142,035	140,200
5% DUE 07/01/41..... MCKESSON CORP	400,000	404,124	375,408
6.4% DUE 03/01/08..... MELLON RESIDENTIAL	1,990,000	2,151,051	2,083,502
2.31% DUE 12/15/30..... MESA TRUST ASSET BACKED CERTIFICATES	1,322,621	1,324,922	1,327,994
2.1825% DUE 10/25/32.....	211,868	211,925	211,868
2.3325% DUE 11/25/31..... METLIFE INC	369,739	370,085	369,739
3.911% DUE 05/15/05..... MORGAN STANLEY DEAN WITTER	300,000	303,795	306,720
2.2625% DUE 07/25/32.....	47,126	47,207	47,140
2.3025% DUE 07/25/30.....	18,151	18,154	18,168
4.34% DUE 06/13/41..... NATIONAL AUSTRALIA BANK LTD	1,500,000	1,521,306	1,507,694
2.355% DUE 05/19/10..... NEW YORK NY CITY	1,600,000	1,598,736	1,600,000
5% DUE 06/15/34..... NEWELL RUBBERMAID INC	100,000	101,020	100,388
4% DUE 05/01/10..... NIAGARA MOHAWK POWER CORP	700,000	680,638	697,557
5.375% DUE 10/01/04..... NORFOLK SOUTHERN CORP	660,000	661,855	659,690
9% DUE 03/01/21..... NOVASTAR MORTGAGE FUNDING	660,000	863,049	810,559
2.115% DUE 05/20/28.....	307,524	307,561	307,476
2.2125% DUE 01/25/31..... PACIFICORP	123,440	123,503	123,401
5.9% DUE 08/15/34.....	1,400,000	1,419,026	1,394,946

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2004

SCHEDULE C

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6.75% 1ST MTGE DUE 04/01/05.....	2,665,000	2,729,946	2,663,020
PEMEX PROJECT FUNDING			
7.375% DUE 12/15/14.....	1,250,000	1,370,700	1,233,948
8.625% DUE 02/01/22.....	400,000	456,000	420,352
PETRO-CANADA			
7% DUE 11/15/28.....	1,300,000	1,449,695	1,354,613
POTASH CORP SASK INC			
4.875% DUE 03/01/13.....	2,100,000	2,092,315	2,049,894
PPL ENERGY SUPPLY LLC			
5.4% DUE 08/15/14.....	1,500,000	1,510,770	1,494,870
PROGRESS ENERGY INC			
7% DUE 10/30/31.....	655,000	705,763	665,557
PROVIDIAN HOME EQUITY LOAN TRUST			
2.13% DUE 06/25/25.....	146,579	146,930	146,659
QWEST CORP			
9.125% DUE 03/15/12.....	900,000	965,250	894,129
RENAISSANCE HOME EQUITY			
2.1325% DUE 07/25/34.....	1,943,889	1,944,498	1,943,889
2.4325% DUE 12/25/33.....	336,711	338,447	336,711
RESIDENTIAL ASSET			
2.0625% DUE 04/25/13.....	1,447,568	1,447,116	1,447,568
RESIDENTIAL ASSET MORTGAGE PRODUCTS IN			
2.2125% DUE 06/25/32.....	245,280	244,399	245,434
ROGERS CABLESYSTEMS LTD			
10% DUE 03/15/05.....	200,000	206,936	215,100
ROYAL BANK SCOTLAND			
0% DUE 10/25/04.....	8,400,000	8,376,800	8,376,800
SAXON ASSET SECURITIES			
2.3325% DUE 12/25/32.....	158,937	159,263	159,205
SBC COMMUNICATIONS INC			
6.45% DUE 06/15/34.....	2,000,000	2,027,800	1,994,980
SECURITY CAPITAL GROUP INC			
6.95% DUE 06/15/05.....	2,310,000	2,393,738	2,426,355
SEQUOIA MORTGAGE TRUST			
2.24% DUE 10/19/26.....	1,620,966	1,619,848	1,625,525
SIENA MORTGAGES			
2.346% DUE 12/16/38.....	2,600,000	3,165,199	3,111,303
SOUTH CAROLINA ELECTRIC & GAS CO			
5.3% DUE 05/15/33.....	1,400,000	1,323,785	1,397,298
SOUTHWEST AIRLINES CO			
7.875% DUE 09/01/07.....	3,300,000	3,688,245	3,595,218
SPRINT CAPITAL CORP			
7.9% DUE 03/15/05.....	1,380,000	1,421,828	1,471,563
SUNCOR ENERGY INC			
5.95% DUE 12/01/34.....	1,400,000	1,424,710	1,391,754
SVENSKA HDLSBK S			
0% DUE 09/01/04.....	1,200,000	1,196,167	1,196,167
0% DUE 09/24/04.....	2,900,000	2,886,856	2,886,856
0% DUE 11/22/04.....	1,500,000	1,493,469	1,493,469

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2004

SCHEDULE C

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
SWEDBANK			
2.47% DUE 12/11/11.....	1,500,000	1,504,650	1,499,850
SWEDBANK (FOR AB)			
1.285% DUE 09/21/04.....	3,800,000	3,783,723	3,783,723
TEXTRON FINANCIAL CORP			
5.125% DUE 08/15/14.....	1,350,000	1,359,275	1,344,398
TOBACCO SETTLEMENT FINANCING CORP			
4.375% DUE 06/01/19.....	1,250,000	1,216,125	1,250,000
6% DUE 06/01/23.....	600,000	562,752	531,540
6.25% DUE 06/01/43.....	585,000	500,549	477,149
TYCO INTERNATIONAL			
4.375% DUE 11/19/04.....	300,000	366,048	362,337
UBS FINANCE DEL INC			
0% DUE 09/01/04.....	3,300,000	3,287,515	3,287,515
0% DUE 11/16/04.....	1,100,000	1,095,468	1,095,468
0% DUE 11/24/04.....	800,000	796,576	796,576
0% DUE 11/29/04.....	5,000,000	4,977,467	4,977,467
1.665% DUE 11/23/04.....	2,000,000	1,991,490	1,991,490
UNION OIL COMPANY OF CALIFORNIA			
5.05% DUE 10/01/12.....	1,320,000	1,341,450	1,315,090
UNION PACIFIC RAILROAD CO			
7.16% EQUIP TR 96-G DUE 06/01/08.....	1,330,000	1,494,375	1,330,000
UNITED AIRLINES			
1.34% DUE 03/02/49.....	3,925,506	3,145,822	3,921,031
UNIVISION COMMUNICATIONS INC			
3.5% DUE 10/15/07.....	2,900,000	2,885,500	2,893,562
VALSPAR CORP			
6% DUE 05/01/07.....	1,320,000	1,408,889	1,343,925
VER NED UITGEVERSBEDR			
5.625% DUE 05/20/17.....	690,000	1,225,201	1,192,410
VERIZON NEW ENGLAND INC			
4.75% DUE 10/01/13.....	1,500,000	1,461,555	1,486,485
WELLS FARGO & CO			
4.95% DUE 10/16/13.....	300,000	304,218	305,298
WEST DT LANDESBANK			
4.75% DUE 09/28/07.....	420,000	536,611	360,748
TOTAL CORPORATE OBLIGATIONS		<u>291,027,498</u>	<u>282,944,488</u>
OTHER - DEBT SECURITIES			
ALASKA STATE HOUSING FINANCE			
7.32% DUE 12/01/20.....	5,770,000	6,178,054	5,770,000
CONNECTICUT STATE			
5.5% DUE 12/15/13.....	900,000	1,040,328	1,100,781
LOS ANGELES CALIF WASTERWATER SYSTEM			
5% DUE 06/01/27.....	500,000	510,985	502,500
LOS ANGELES COUNTY CALIFORNIA SANITATION			
5% DUE 10/01/11.....	100,000	111,493	115,651
MICHIGAN STATE BUILDING AUTHORITY			
5.25% DUE 10/15/13.....	100,000	113,286	111,273

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2004

SCHEDULE C
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
NEW HAMPSHIRE BANK 5% DUE 08/15/13.....	500,000	557,225	538,475
NEW JERSEY ST TRANSN TR FD 5% DUE 06/15/10.....	100,000	110,132	109,407
OAKBAY 8.75% UNSECURED NOTE DUE 07/31/09.....	7,770,600	2,389,040	7,770,600
OAKBAY C LOAN 11% DUE 07/31/09.....	3,002,227	923,023	3,002,227
OKLAHOMA STATE 5% DUE 07/15/16.....	300,000	330,942	342,837
SEATTLE WASHINGTON WATER SYSTEM 5% DUE 09/01/33.....	100,000	101,302	102,420
TEXAS STATE TAXABLE WATER DEVELOPMENT 7% REF DUE 08/01/05.....	665,000	693,795	662,807
TOTAL OTHER - DEBT SECURITIES		<u>13,059,605</u>	<u>20,128,978</u>
 TOTAL DEBT SECURITIES		<u><u>1,270,321,424</u></u>	<u><u>1,243,925,515</u></u>

(1) Par Values on Non-US dollar denominated bonds are reported in currency of issue.

PERMANENT UNIVERSITY FUND

SCHEDULE D

INVESTMENT FUNDS

August 31, 2004

SECURITY	SHARES	VALUE (\$)	COST (\$)
INDEX FUNDS			
BGI ACTIVE INTERNATIONAL EQUITY FUND B.....	12,181,130	167,315,907	150,819,607
BGI EAFE EQUITY INDEX FUND B.....	8,793,004	295,451,521	235,029,503
BGI EMERGING MARKETS STRUCTURED TIERED FUND B.....	6,108,941	88,670,026	86,812,879
BGI EQUITY INDEX FUND B LENDABLE.....	2,573,286	72,159,163	112,590,098
BGI MID-CAP INDEX FUND B LENDABLE.....	825,302	32,266,482	32,616,031
BGI RUSSEL 3000 ALPHA TILTS B.....	7,359,911	152,835,970	149,749,845
BGI RUSSELL 2000 ALPHA TILTS FUND B.....	1,911,263	127,003,548	125,749,168
TOTAL INDEX FUNDS		<u>935,702,617</u>	<u>893,367,131</u>
HEDGE FUNDS			
AQR ABSOLUTE RETURN OFFSHORE.....	182	25,430,282	26,400,000
ARROWSTREET GLOBAL OPP FUND LLC.....	26,400,000	23,527,099	26,400,000
BGI GLOBAL MARKET NEUTRAL FUND B.....	12,386,163	132,056,675	130,274,740
BLUE RIDGE OFFSHORE LP.....	59,400,000	65,478,283	59,400,000
BRAHMAN PARTNERS II OFFSHORE.....	16,250	16,367,000	16,250,000
BRIDGEWATER PURE ALPHA FD.....	67	67,567	66,625
BRIDGEWATER PURE ALPHA LEAD.....	18,858	27,309,318	27,141,254
EMINENCE FUND LTD CLASS A.....	122,292	36,611,308	33,000,000
FARALLON CAPITAL OFFSHORE INVESTORS INC.....	28,020,177	233,859,705	150,950,579
INDUS ASIA PACIFIC FUND LTD.....	12,517	16,837,174	16,500,000
INDUS EVENT DRIVEN FUND LTD.....	12,176	14,558,606	13,200,000
INDUS JAPAN FUND LTD.....	10,375	14,694,984	13,200,000
MAVERICK FUND LTD A SHARES.....	393,195	292,902,476	187,144,263
MAVERICK FUND LTD B SHARES.....	43,688	32,544,719	28,589,212
OCM EMERGING MARKET LP 2004.....	4,950,000	5,309,400	4,950,000
OCM EMERGING MARKETS (CAYMAN) FUND LTD.....	33,000,000	42,224,787	33,000,000
OCM EMERGING MARKETS (CAYMAN) FUND LTD 2003.....	6,600,000	7,418,103	6,600,000
OZ OVERSEAS FUND LTD.....	65,000	65,546,000	65,000,000
PERRY PARTNERS INTERNATIONAL CL A.....	536,223	255,623,529	136,853,490
PERRY PARTNERS INTERNATIONAL CL S-4.....	23,101	2,598,436	2,310,056
PERRY PARTNERS INTERNATIONAL INC S-2.....	15,640	1,336,438	1,566,891
PERRY PARTNERS INTERNATIONAL INC CL 6 S-6.....	30,156	3,000,477	3,011,535
PERRY PARTNERS INTERNATIONAL INC CL S-3.....	42,797	4,942,320	4,279,680
PERRY PARTNERS INTERNATIONAL INC CL S-5.....	11,249	1,098,747	1,124,890
PROTEGE PARTNERS.....	129,804	176	176
PROTEGE PARTNERS CLASS A.....	160	159,599	160,062
PROTEGE PARTNERS FUND LTD CL A S-2.....	80,796	95,084,395	92,600,662
PROTEGE PARTNERS FUND LTD CL A S-3.....	31,699	34,808,547	33,899,410
PROTEGE PARTNERS FUND LTD CL B S- 3.....	126,500,192	0	759
PROTEGE PARTNERS FUND LTD CL B S-2.....	86,577,546	89,435	54,890
SATELLITE OVERSEAS FUND V LTD.....	146,688	159,398,656	147,719,288
SG PARTNERS LP.....	33,000,000	30,954,891	33,000,000
SIRIOS OVERSEAS FUND LTD CL A.....	26,137	46,927,129	45,514,322
STANDARD PACIFIC CAPITAL OFFSHORE FUND LTD.....	119,042	32,598,260	32,318,631
TOTAL HEDGE FUNDS		<u>1,721,364,521</u>	<u>1,372,481,415</u>
LIMITED PARTNERSHIPS			
3I EUROPARTNERS II.....		7,711,197	9,047,697

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2004

SCHEDULE D
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
3I EUOPARTNERS II FCPR.....		2,723,580	3,804,788
3I EUOPARTNERS III.....		14,399,654	9,849,854
3I EUOPARTNERS III FCPR.....		1,976,990	1,764,755
3I UK INVESTMENT PARTNERS.....		4,793,348	9,647,283
3I UKIP II.....		10,457,992	15,522,193
A/B INVESTMENT PARTNERS LP.....		7,374,998	7,377,706
ADVANCED TECHNOLOGY VENTURES VII LP.....		2,980,760	4,124,090
AG CAPITAL RECOVERY PARTNERS IV LP.....		4,202,751	2,750,000
AMERICAN INDUSTRIAL PARTNERS CAPITAL FUND LP.....		55,121	2,436,724
AMERICAN SECURITIES PARTNERS II LP.....		8,761,747	10,867,041
AMERICAN SECURITIES PARTNERS III LP.....		4,391,070	4,890,492
AMPERSAND 1995 LIMITED PARTNERSHIP.....		5,702,241	10,047,985
AMPERSAND 1999 LIMITED PARTNERSHIP.....		7,450,739	11,841,813
AMPERSAND 2001 LIMITED PARTNERSHIP.....		3,365,274	4,815,831
ARCH VENTURE FUND VI LP.....		700,691	909,856
ARCLIGHT ENERGY PARTNERS FUND I LP.....		11,017,630	10,374,309
ARCLIGHT ENERGY PARTNERS FUND II LP.....		1,980,897	2,236,619
ASIAN CORPORATE FINANCE FUND LP.....		1,112,865	5,016,091
ASIAN MEDIA INVESTORS I LP.....		4,432,340	4,432,340
ASP III ALTERNATIVE INVESTMENTS L P.....		3,738,846	3,920,646
ATLANTIC MEDICAL CAPITAL LP.....		1	1
ATLAS VENTURE FUND VI LP.....		2,605,452	3,233,830
AUSTIN VENTURES IV LP.....		326,153	2,940,147
AUSTIN VENTURES V LP.....		3,912,230	10,769,423
AUSTIN VENTURES VI LP.....		4,036,917	12,060,903
AUSTIN VENTURES VII LP.....		5,295,719	8,307,492
AUSTIN VENTURES VIII LP.....		3,450,815	3,721,650
B IV CAPITAL PARTNERS L P.....		5,185,730	4,982,695
BAKER COMMUNICATIONS FUND (CAYMAN) LP.....		10,130,828	4,184,667
BAKER COMMUNICATIONS FUND II (CAYMAN) LP.....		1,187,671	1,972,027
BAKER COMMUNICATIONS FUND II (QP) LP.....		2,706,992	7,678,321
BAKER COMMUNICATIONS FUND LP.....		5,384,145	17,310,138
BAND OF ANGELS FUND LP.....		2,433,082	4,576,852
BARCLAYS PRIVATE EQUITY EUROPEAN FUND A LP.....		11,582,915	10,058,948
BEACON GROUP III FOCUS VALUE FUND LP.....		1,945,771	13,479,254
BLACKSTONE CAPITAL PARTNERS (CAYMAN) IV LP.....		2,672,470	2,672,470
BLACKSTONE CAPITAL PARTNERS IV LP.....		5,440,727	4,761,903
BLACKSTONE FC CAPITAL PARTNERS IV LP.....		254,997	254,997
BLACKSTONE FCH CAPITAL PARTNERS IV LP.....		304,456	304,456
BRENTWOOD ASSOCIATES BUYOUT FUND II LP.....		2,183,010	9,827,758
BRENTWOOD ASSOCIATES PRIVATE EQUITY III LP.....		29,359,020	33,940,083
CANDOVER 2001 FUND US NO 2 LIMITED PARTNERSHIP.....		9,339,650	10,814,433
CARLYLE PARTNERS II LP.....		4,748,582	2,140,979
CARLYLE PARTNERS III FM (CAYMAN) LP.....		1,447,748	1,008,034
CARLYLE PARTNERS III LOWES LP.....		556,440	556,440
CARLYLE PARTNERS III TELECOMMUNICATIONS LP.....		529,484	529,484
CARLYLE PARTNERS III TELECOMMUNICATIONS LP.....		9,161,468	7,722,816
CARLYLE-HORIZON PARTNERS LP.....		374,710	1
CGW SOUTHEAST PARTNERS IV LP.....		11,252,485	16,251,774

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2004

SCHEDULE D
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
CITICORP MEZZANINE PARTNERS LP.....		5,718,933	11,864,982
CLAYTON, DUBILIER & RICE FUND V LP.....		6,467,308	12,389,241
CORTEC GROUP FUND II LP.....		2,657,168	15,067,583
CORTEC GROUP FUND III LP.....		5,558,126	6,292,754
CRESCENDO II LP.....		1,035,031	10,321,923
CRESCENDO III LP.....		2,162,464	15,414,353
CRESCENDO IV LP.....		1,492,090	4,367,230
CTIP PARTNERS LP.....		689,500	2,063,094
CVC EUROPEAN EQUITY PARTNERS LP.....		11,854,056	9,800,904
DOUGHTY HANSON & CO II.....		3,839,259	9,654,565
DOUGHTY HANSON III LP.....		27,608,575	20,520,887
ENCAP ENERGY CAPITAL FUND III-B LP.....		5,918,408	6,931,357
ENCAP ENERGY CAPITAL FUND IV-B LP.....		4,737,747	4,367,863
ENERGY ASSET OPTION FUND.....		8,527,459	6,717,317
EOS CAPITAL PARTNERS III LP.....		97,629	97,629
EVERCORE CAPITAL PARTNERS CAYMAN LP.....		6,213,809	5,624,991
EVERCORE CAPITAL PARTNERS II LP.....		3,966,583	4,999,562
EVERCORE CAPITAL PARTNERS LP.....		5,701,531	9,507,416
EVERCORE METC CAPITAL PARTNERS II LP.....		2,570,779	2,572,371
FGSI PARTNERS LP.....		1,614,020	350,834
FISHER LYNCH VENTURE.....		440,000	440,000
FOUNDATION CAPITAL IV LP.....		2,916,144	3,325,780
GREEN EQUITY INVESTORS III LP.....		25,386,892	30,764,309
GREEN EQUITY INVESTORS IV LP.....		2,583,987	2,635,960
H D A PARTNERS I LP.....		5,033,600	10,067,200
HALPERN DENNY FUND II LP.....		3,522,843	20,881,178
HALPERN DENNY FUND III LP.....		8,448,284	9,973,832
HAMPSHIRE EQUITY PARTNERS II LP.....		8,579,725	22,411,377
HAMPSHIRE EQUITY PARTNERS III LP.....		3,815,410	8,059,744
HAMPSHIRE MEDIA PARTNERS II LP.....		76,091	1
HELLMAN & FRIEDMAN CAPITAL PARTNERS II LP.....		6,372	1,421,298
HEP II LLC II.....		826,096	826,096
INFORMATION TECHNOLOGY VENTURES II LP.....		2,335,520	17,977,295
INFORMATION TECHNOLOGY VENTURES LP.....		900,076	3,408,268
INVERNESS PARTNERS II LP.....		1,644,250	2,528,631
INVERNESS/PHOENIX PARTNERS LP.....		2,796,471	11,966,738
J W CHILDS BERMUDA AIV TWO LP.....		1,146,264	1,146,264
JATOTECH VENTURES LP.....		1,049,859	3,204,532
JW CHILDS EQUITY PARTNERS III LP.....		3,677,088	4,148,204
KB MEZZANINE FUND II LP.....		3,715,263	18,440,132
KKR 1996 FUND (OVERSEAS) LP.....		5,853,201	5,595,046
KKR 1996 FUND LP.....		10,978,708	21,437,095
LAKE CAPITAL PARTNERS LP.....		1,305,590	2,033,446
LIGHTHOUSE CAPITAL PARTNERS IV LP.....		6,962,964	8,140,865
LIGHTHOUSE CAPITAL PARTNERS V LP.....		1,560,233	1,650,000
MATLIN PATTERSON GLOBAL OPPORTUNITIES PARTNERS II.....		3,551,984	4,125,000
MATLIN PATTERSON GLOBAL OPPORTUNITIES PARTNERS LP.....		10,029,241	11,134,038
MORGENTHALER PARTNERS VI LP.....		1,968,571	3,764,351
MORGENTHALER PARTNERS VII LP.....		4,933,961	6,111,432

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2004

SCHEDULE D
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
MORGENTHALER VENTURE PARTNERS IV LP.....		1,108,574	6,931,230
MORGENTHALER VENTURE PARTNERS V LP.....		3,993,533	15,271,872
NORTH AMERICAN FUND II LP.....		17,566,867	8,837,363
NORTH AMERICAN FUND III LP.....		6,494,041	12,001,532
NORTHSTAR SEIDLER MEZZANINE PARTNERS II LP.....		11,245,811	11,129,639
OCM OPPORTUNITIES FUND III LP.....		7,909,726	4,330,582
OCM OPPORTUNITIES FUND IV LP.....		6,525,904	6,527,490
OCM OPPORTUNITIES V LP.....		4,125,000	4,125,000
OSCCO III LP.....		557,515	3,384,398
PARTHENON INVESTORS II LP.....		6,228,084	7,249,376
PHILADELPHIA VENTURES II LP.....		121,369	4,497,809
PMI MEZZANINE FUND LP.....		15,121,411	13,260,731
POLARIS VENTURE PARTNERS IV LP.....		1,606,577	1,982,347
POMONA CAPITAL V LP.....		4,113,970	4,172,256
PRIME ENTERPRISES II LP.....		2,635,476	7,254,069
PRIME VIII LP.....		5,513,878	11,924,477
PRISM VENTURE PARTNERS I LP.....		5,049,009	13,959,453
PRISM VENTURE PARTNERS II LP.....		9,350,592	14,956,449
PRISM VENTURE PARTNERS II-A LP.....		2,231,029	2,464,000
PRISM VENTURE PARTNERS III LP.....		2,227,422	5,089,272
PRISM VENTURE PARTNERS IV LP.....		4,559,888	6,739,873
PROSPECT VENTURE PARTNERS II LP.....		5,270,364	6,265,918
PTV SCIENCES LP.....		4,630,070	4,409,969
PUF/LTF WARBURG 1997 REVOCABLE TRUST.....		1,395,283	1,728,697
RICE PARTNERS II LP.....		3,768,047	12,216,506
RSTW PARTNERS III LP.....		14,117,152	24,587,445
SCF-III LP.....		14,306,174	9,206,690
SCF-IV LP.....		17,793,554	15,347,897
SCF-V LP.....		1,257,161	1,423,791
SKM EQUITY FUND II LP.....		11,784,939	27,282,794
SKM EQUITY FUND III LP.....		3,505,347	5,650,459
TCV V LP.....		3,481,811	3,564,000
TECHNOLOGIES FOR INFORMATION & ENTERTAINMENT III LP.....		978,076	7,668,779
TEXAS GROWTH FUND - 1991 TRUST.....		196,199	3,300,571
TEXAS GROWTH FUND - 1995 TRUST.....		636,213	5,230,684
THIRD CINVEN FUND US (NO 5) LIMITED PARTNERSHIP.....		5,242,341	4,695,167
TPG PARTNERS IV LP.....		2,052,649	2,178,480
VS&A COMMUNICATIONS PARTNERS II LP.....		6,996,000	8,489,642
VS&A COMMUNICATIONS PARTNERS III LP.....		15,139,549	18,939,257
WAND EQUITY PORTFOLIO II LP.....		14,280,904	22,701,975
WAND/CASEWISE INVESTMENTS LP.....		348,426	392,938
WAND/IMA INVESTMENTS III LP.....		15,725	669,488
WAND/PARAGON INVESTMENTS I LP.....		1,005,908	1,213,940
WARBURG PINCUS (BERMUDA) PRIVATE EQUITY VIII LP.....		1,162,340	716,587
WARBURG PINCUS PRIVATE EQUITY VIII LP.....		7,225,487	7,669,676
WILLIS STEIN & PARTNERS II LP.....		10,436,054	30,235,674
WILLIS STEIN & PARTNERS LP.....		3,743,130	7,075,031
WINDJAMMER MEZZANINE & EQUITY FUND II LP.....		6,414,443	6,383,095
WINGATE PARTNERS II LP.....		2,750,483	7,267,932

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2004

SCHEDULE D
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
WINGATE PARTNERS III LP.....		4,423,799	5,355,028
WOODLANDS VENTURE FUND LP.....		0	1
WOODLANDS/ESSEX VENTURE FUND III LP.....		1,439,908	4,187,338
ZN MEXICO II LP.....		7,017,283	7,953,713
TOTAL LIMITED PARTNERSHIPS		<u>772,716,057</u>	<u>1,158,383,437</u>
EXCHANGE TRADED FUNDS			
DIAMOND TRUST.....	359,538	36,633,327	35,527,216
ISHARES INC MSCI TAIWAN.....	367,660	3,911,902	4,014,326
ISHARES MSCI EAFE INDEX.....	1,600	221,648	225,635
ISHARES MSCI HONG KONG INDEX.....	603,555	6,602,892	6,160,757
ISHARES MSCI SINGAPORE.....	1,436,406	9,408,459	8,951,525
ISHARES TR DOW JONES SELECT.....	140,292	7,975,600	7,934,236
ISHARES TR RUSSELL 2000 INDEX.....	690,738	75,573,645	75,889,990
ISHARES TR RUSSELL MIDCAP.....	329,000	22,414,770	22,015,757
ISHARES TR S&P 100 INDEX FUND.....	2,999,955	161,907,571	161,170,158
ISHARES TR S&P GLOBAL ENERGY.....	116,415	7,547,184	7,481,139
NASDAQ 100 TRUST UNIT.....	483,300	16,441,866	16,921,872
SECTOR SPONSPOR TR SHS BEN INT.....	42,057	1,343,721	1,299,994
SEMICONDUCTOR HOLDERS TRUST.....	305,438	8,958,497	11,121,441
TOTAL EXCHANGE TRADED FUNDS		<u>358,941,082</u>	<u>358,714,046</u>
OTHER - HEDGE FUNDS			
STATE STREET RESEARCH ENERGY.....	14,625,000	14,267,565	14,625,000
TOTAL OTHER - HEDGE FUNDS		<u>14,267,565</u>	<u>14,625,000</u>
OTHER - INVESTMENT FUNDS - EQUITY			
CAPITAL GUARDIAN INTERNATIONAL SMALL CAP.....	6,042,925	87,199,402	89,663,890
GS GTAA CURRENCY STRATEGY.....	1,742,152	9,111,456	14,336,568
TEMPLETON INSTITUTIONAL FUNDS INC.....	14,111,852	177,103,748	149,073,487
VALUE ACT CAPITAL INTL LTD CL A S-1.....	257,909	41,814,946	38,015,791
VALUE ACT CAPITAL INTL LTD CL A S-4.....	104,335	16,906,306	16,250,000
TOTAL OTHER - INVESTMENT FUNDS - EQUITY		<u>332,135,858</u>	<u>307,339,736</u>
OTHER - INVESTMENT FUNDS - FIXED			
GMO TRUST EMERGING COUNTRY DEBT FUND.....	1,655,018	17,973,495	16,799,097
TOTAL OTHER - INVESTMENT FUNDS - FIXED		<u>17,973,495</u>	<u>16,799,097</u>
TOTAL INVESTMENT FUNDS		<u><u>4,153,101,195</u></u>	<u><u>4,121,709,862</u></u>

PERMANENT UNIVERSITY FUND
CASH AND CASH EQUIVALENTS
August 31, 2004

SCHEDULE E

SECURITY	VALUE (\$)	COST (\$)
MONEY MARKET FUNDS		
BGI CASH.....	2	2
BGI MONEY MARKET FUND.....	120,523	120,523
CASH (INTEREST BEARING).....	(345,372)	(345,372)
CASH EQUITIZATION.....	9,349	9,349
DREYFUS INSTITUTIONAL PREFERRED MONEY MARKET FUND.....	1,230,124,777	1,230,124,777
FOREIGN CURRENCY CASH (INTEREST BEARING).....	18,284,268	18,305,034
TEXAS STATE TREASURY FUND.....	518,637	518,637
TOTAL MONEY MARKET FUNDS	<u>1,248,712,184</u>	<u>1,248,732,950</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>1,248,712,184</u>	<u>1,248,732,950</u>

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities

Note 1 – Organization

The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to the University of Texas, as well as an additional 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 over 2.1 million acres of land located in 19 counties primarily in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF, and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas Investment Management Company (UTIMCO).

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 PUF 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 equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting period. In the rare case when no ascertainable value is available, the limited partnership is valued at cost.

Securities held by the PUF in index and exchange traded 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.

Hedge funds and certain other investment funds are valued based on net asset value information provided by the investment company.

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities (cont.)

(B) ***Foreign Currency Translation*** -- The accounting records of the PUF are maintained in U.S. dollars. Investments in securities 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.

(C) ***Security Transactions*** -- Security transactions are recorded on a trade date basis for securities.

(D) ***Use of Estimates*** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 - Hedge Funds

Hedge fund investments are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable. Hedge funds include equity hedge funds, absolute return hedge funds, and fund of funds.

Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities and can be directional biased to the equity market. Equity hedge fund investments are made through private placement agreements.

Absolute return hedge fund investments include arbitrage and event oriented strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event oriented strategies attempt to exploit discreet events or anticipated events such as bankruptcies, mergers, takeovers, spinoffs and recapitalizations in equity and debt securities. Absolute return hedge funds investments are also made through private placement agreements. Market risk is generally hedged.

The fund of funds invests in other hedge funds including merger arbitrage and special situation fund, and other relative value hedge funds and equity return strategies.

Note 4 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index.

The fund is a commingled ‘superfund’ comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities (cont.)

The Active International Equity Fund B attempts to match or outperform the returns of any of the National or Regional Divisions of the MSCI EAFE Index or MSCI Canada Index by investing in collective funds in whatever proportion among National or Regional Divisions recommended by the Active International Equity Strategy.

The Russell 3000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Russell 2000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P Mid-Cap 400 Index.

When deemed appropriate, a portion of the index funds may be invested in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Active International Equity Fund B is majority owned by the PUF and The University of Texas System General Endowment Fund.

Note 5 – Limited Partnerships

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

Venture capital consists of interests in partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the PUF's direct interests in private companies.

Note 6 – Securities Lending

The PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income. The PUF 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 U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. 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-U.S. 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, 2004 and 2003:

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities (cont.)

Securities on Loan	2004 Value	2003 Value	Type of Collateral	2004 Value of Collateral	2003 Value of Collateral
U.S. Government	\$ 416,432,428	\$ 62,899,948	Cash	\$ 422,163,748	\$ 63,659,881
Foreign Government	3,218,959	8,723,945	Cash	3,291,930	9,147,671
Corporate Bonds	15,260,347	33,253,536	Cash	15,607,230	34,353,149
Common Stock	<u>266,626,615</u>	<u>49,684,339</u>	Cash	<u>276,120,435</u>	<u>51,904,234</u>
Total	<u>\$ 701,538,349</u>	<u>\$ 154,561,768</u>	Total	<u>\$ 717,183,343</u>	<u>\$ 159,064,935</u>
Common Stock	486,664	-	Non-Cash	499,617	-
U.S. Government	<u>5,859,806</u>	<u>510,071</u>	Non-Cash	<u>7,018,253</u>	<u>684,927</u>
Total	<u>\$ 6,346,470</u>	<u>\$ 510,071</u>	Total	<u>\$ 7,517,870</u>	<u>\$ 684,927</u>

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.

Note 7 – Commitments

The PUF had unfunded contractual commitments for Limited Partnerships and Other assets of \$528,800,345 as of August 31, 2004.

Financial Statements

The University of Texas System

General Endowment Fund

Years ended August 31, 2004 and 2003

The University of Texas System General Endowment Fund

Financial Statements

Years ended August 31, 2004 and 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System General Endowment Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2004. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's fiduciary net assets, after contributions and withdrawals, increased by \$622.8 million from \$3,584.8 million to \$4,207.6 million or approximately 17.4% during the year.
- The PHF and LTF redeemed and purchased Fund units resulting in a net increase in contributions of \$73.4 million during the year.
- The Fund posted a net investment return of 14.77% for the fiscal year ended August 31, 2004, compared to a net investment return of 12.81% for the prior fiscal year.
- The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The distributed net investment income and realized gain amounts are considered reinvested as contributions to the Fund. Any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required by the GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

The following summarizes the Statements of Fiduciary Net Assets (in millions):

Assets	2004	2003	Amount of Increase (Decrease)	Percent Change
Investments, at Fair Value	\$ 4,207.6	\$ 3,671.9	\$ 535.7	15%
Other Assets	469.1	202.9	266.2	131
Total Assets	4,676.7	3,874.8	801.9	21
Total Liabilities	469.1	290.0	179.1	62
Net Assets Held in Trust	\$ 4,207.6	\$ 3,584.8	\$ 622.8	17%

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of this statement is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant distributions.

The net increase in fair value of investments of the Fund was \$467.9 million during the year ended August 31, 2004 compared to \$346.3 million for the year ended August 31, 2003. Expenses totaled \$9.5 million in fiscal year 2004 and \$5.8 million in fiscal year 2003.

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

The net increase in fiduciary net assets totaled \$622.9 million for the fiscal year ended August 31, 2004 compared to a net increase in net assets totaling \$291.6 million for the fiscal year ended August 31, 2003.

The following summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Investment Income	\$ 559.0	\$ 423.5	\$ 135.5	32%
Less Investment Expenses	(9.5)	(5.8)	(3.7)	(64)
Net Investment Income	549.5	417.7	131.8	32
Participant Contributions	308.9	110.1	198.8	181
Total Additions	858.4	527.8	330.6	63
Participant Withdrawals	235.6	236.2	(0.6)	-
Total Deductions	235.6	236.2	(0.6)	-
Change in Fiduciary Net Assets	622.8	291.6	331.2	114
Net Assets Held in Trust, Beginning of Period	3,584.8	3,293.2	291.5	9
Net Assets Held in Trust, End of Period	\$ 4,207.6	\$ 3,584.8	\$ 622.8	17%

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying financial statements of The University of Texas System General Endowment Fund (the "Fund") as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 1, the financial statements present only The University of Texas System General Endowment Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2004 and 2003 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the fiduciary net assets of The University of Texas System General Endowment Fund as of August 31, 2004 and 2003, and the changes in its fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of The University of Texas System General Endowment Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of and for the years ended August 31, 2004 and 2003 have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole. The supplemental schedules for the years ended August 31, 2002 and 2001 were audited by other auditors whose report dated October 18, 2002 included an unqualified opinion.

 Ernst & Young LLP

October 22, 2004

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Statements of Fiduciary Net Assets

August 31, 2004 and 2003

(Dollars in thousands, except per unit amounts)

Assets	2004	2003
Investments, at Fair Value		
Equity Securities	\$ 724,672	\$ 694,349
Preferred Stock	5,173	4,722
Debt Securities	659,617	492,053
Purchased Options	-	6,315
Convertible Securities	3,860	3,829
Investment Funds	2,292,046	2,173,201
Cash and Cash Equivalents	522,195	297,385
Total Investments	<u>4,207,563</u>	<u>3,671,854</u>
Collateral for Securities Loaned, at Fair Value	334,005	78,308
Deposit with Broker for Futures Contracts	41,143	25,688
Unrealized Gains on Foreign Currency Exchange Contracts	938	6,920
Receivables		
Investment Securities Sold	84,982	84,818
Accrued Income	6,261	6,020
Other	1,844	1,194
Total Assets	<u>4,676,736</u>	<u>3,874,802</u>
Liabilities		
Payable to Participants	16,005	40,492
Payable Upon Return of Securities Loaned	334,005	78,308
Unrealized Losses on Foreign Currency Exchange Contracts	656	4,826
Payables		
Investment Securities Purchased	112,561	164,790
Other	5,865	1,621
Total Liabilities	<u>469,092</u>	<u>290,037</u>
Net Assets Held in Trust	<u>\$ 4,207,644</u>	<u>\$ 3,584,765</u>
Number of Units:		
Permanent Health Fund (PHF)	6,923,785	7,263,383
The University of Texas System Long Term Fund (LTF)	28,857,142	27,696,705
Total	<u>35,780,927</u>	<u>34,960,088</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 117.595</u>	<u>\$ 102.539</u>

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

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2004 and 2003

(in thousands)

	<u>2004</u>	<u>2003</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 467,899	\$ 346,274
Interest	27,024	34,052
Dividends	42,969	34,685
Income Distributions from Limited Partnerships	19,576	7,060
Other	1,554	1,426
Total Investment Income	<u>559,022</u>	<u>423,497</u>
Less Investment Expenses		
Investment Management and Consulting Fees	8,461	5,001
Custodial Fees and Expenses	646	547
Legal Fees	189	124
Analytical and Risk Measurement Fees	169	75
Other Expenses	58	34
Total Investment Expenses	<u>9,523</u>	<u>5,781</u>
Net Investment Income	549,499	417,716
Participant Contributions	308,928	110,074
Total Additions	<u>858,427</u>	<u>527,790</u>
Deductions		
Participant Withdrawals	235,548	236,219
Total Deductions	<u>235,548</u>	<u>236,219</u>
Change in Fiduciary Net Assets	622,879	291,571
Net Assets Held in Trust, Beginning of Period	3,584,765	3,293,194
Net Assets Held in Trust, End of Period	<u>\$ 4,207,644</u>	<u>\$ 3,584,765</u>

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

Note 1 – Organization and Basis of Presentation

The University of Texas System General Endowment Fund (Fund), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (Board of Regents). The Fund is organized as a mutual fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The PHF and LTF initially purchased units of the Fund on March 1, 2001, in exchange for the contribution of their investment assets. The Fund provides for greater diversification of investments than would be possible if each account were managed separately.

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 activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources management focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB).

The annual combined financial statements of UT System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from 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 equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the last available reporting period. In the rare case no ascertainable value is available, the limited partnership is valued at cost.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Securities held by the Fund in index funds and exchange traded 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.

Hedge funds and other investment funds are valued based on net asset value information provided by the investment company.

(B) ***Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities 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 the change in fiduciary net assets 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 increase in fair value of investments. Security classifications as domestic or foreign on the summary of investments, at fair value are based on currency.

(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. 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*** -- The Fund, for accounting purposes, allocates its net investment income and realized gain or loss to the PHF and LTF monthly, based on their ownership of Fund units at month end. The allocated investment income and realized gain amounts are considered reinvested as contributions. Any allocated realized losses reduce the cost basis of the units of the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

(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. Redemptions

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

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 accounting principles generally accepted in the United States of America 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) ***Derivative Applications*** -- Derivative securities are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The Fund from time to time uses various derivative applications as specified by policies established by the UTIMCO Board of Directors and by guidelines established in contracts with external investment managers. Derivative applications included under these policies and contracts include futures, forwards, swaps and all forms of options. Derivative applications in the Fund are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the Fund's market (systematic) exposure without trading the underlying cash market securities,
- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks so that the Fund's risk/return profile is more closely aligned with the Fund's targeted risk/return profile, and
- facilitate transition trading.

Through the use of derivative applications, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. The primary intent of the Fund's investment in derivative securities is to hedge its risk or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Under the provisions of the derivatives policy, leverage is not employed in the derivative applications unless specifically authorized by the UTIMCO Board.

Options Written -- When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

Swaps -- The Fund invests in certain types of swaps to increase or decrease its exposure to long-term interest rates and to certain commodity sector returns. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity sector return versus a specified cost per contract. Swaps are marked to market on a monthly basis, and are included as an asset or liability on the statements of fiduciary net assets. Cash flows occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies from instrument to instrument.

Futures Contracts -- Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the Fund's agent in acquiring the futures position). During the period the futures positions are open, the 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 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 that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts, and is included as an asset or liability on the statements of fiduciary net assets. 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 managers' various trading and credit monitoring techniques.

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 statements of fiduciary net assets. Realized and unrealized gains and losses are included in the statements of changes in fiduciary net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net assets. 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, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of futures contracts held (see Note 11). Cash and cash

equivalents are an integral part of the Fund's investment activities, and as such are included in the investments balance on the statement of fiduciary net assets.

(M) Reclassifications -- Certain items in the 2003 financial statements and related notes have been reclassified to conform with 2004 classification.

Note 3 – Investments

The Fund invests in various investment vehicles. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments may occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net assets.

To comply with the reporting requirements of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the Fund's investments are categorized in the tabulation titled "Investment Categories" to give an indication of credit risk assumed by the Fund at fiscal year-end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement, will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1:** Investments that are insured or registered or for which the governmental entity or its agent in the governmental entity's name holds the securities.
- Category 2:** Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the governmental entity's name.
- Category 3:** Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the governmental entity's name.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

	Category 1	Category 2	Category 3	Fair Value
Other Cash and/or Deposits	\$ 15,287	\$ —	\$ —	\$ 15,287
Investments -- by category:				
U.S. Government and Agency Obligations	154,077	—	—	154,077
U.S. Government Agency Mortgage Obligations	97,948	—	—	97,948
Collateralized Mortgage Obligations	7,860	—	—	7,860
Corporate Obligations	90,492	—	—	90,492
Foreign Obligations	86,309	—	—	86,309
Political Subdivision Obligations	2,046	—	—	2,046
Commercial Paper	64,245	—	—	64,245
Corporate Stock	511,379	—	—	511,379
Foreign Stock	181,173	—	—	181,173
Investments -- uncategorized:				
Mutual Funds	—	—	—	825,951
Mineral Interests	—	—	—	1,603
Private Placement for Venture Capital	—	—	—	406,899
Other Investments	—	—	—	1,475,197
Securities Lending Collateral	—	—	—	334,005
Investments Held by Broker/Dealers Under Securities Lending Agreements				
U.S. Government and Agency Obligations	—	—	—	184,302
Corporate Obligations	—	—	—	8,844
Corporate Stock	—	—	—	18,410
Foreign Stock	—	—	—	21,140
Mutual Funds	—	—	—	95,544
Totals by Asset	\$ 1,210,816	\$ —	\$ —	\$ 4,582,711

The total balance in the table above is comprised of the following components on the Statement of Fiduciary Net Assets:

Investments, at Fair Value	\$ 4,207,563
Collateral for Securities Loaned, at Fair Value	334,005
Deposit with Broker for Futures Contracts	41,143
Total	\$ 4,582,711

Because the investments listed as uncategorized in the above table are not evidenced by securities in physical or book entry form, these investments are not categorized in accordance with GASB Statement Number 3.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 4 – Hedge Funds

Hedge fund investments are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable. The fair values of the hedge fund investments consist of the following:

	August 31,	
	2004	2003
Equity		
Long/Short - Global	\$ 254,561,666	\$ 252,876,661
Long/Short - U.S.	43,093,842	27,610,058
Long/Short - Emerging Markets	28,308,696	23,020,400
Long/Short - Technology and Life Sciences	15,946,459	-
Long/Short - Developed Asia	16,243,839	-
Total Equity	<u>358,154,502</u>	<u>303,507,119</u>
Absolute Return		
Multistrategy - Global Event Oriented and Arbitrage	410,856,100	323,688,467
Long/Short - Global Market Neutral	68,029,196	-
Fund of Funds	66,884,750	45,399,131
Multistrategy - Global Market Neutral	27,203,633	-
Total Absolute Return	<u>572,973,679</u>	<u>369,087,598</u>
Total Hedge Funds	<u>\$ 931,128,181</u>	<u>\$ 672,594,717</u>

Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities and can be directional biased to the equity market. Equity hedge fund investments are made through private placement agreements.

Absolute return hedge fund investments include arbitrage and event oriented strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event oriented strategies attempt to exploit discreet events or anticipated events such as bankruptcies, mergers, takeovers, spinoffs and recapitalizations in equity and debt securities. Absolute return hedge funds investments are also made through private placement agreements. Market risk is generally hedged.

The fund of funds invests in other hedge funds including merger arbitrage and special situation fund, and other relative value hedge funds and equity return strategies.

Note 5 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index. The fund is a commingled ‘superfund’ comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Active International Equity Fund B attempts to match or outperform the returns of any of the National or Regional Divisions of the MSCI EAFE Index or MSCI Canada Index by investing in collective funds in whatever proportion among National or Regional Divisions recommended by the Active International Equity Strategy.

The Russell 3000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Russell 2000 Alpha Tilts Fund B's objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P 400 Mid-Cap Index.

The EAFE Equity Index Transition Fund was a temporary fund established to accommodate the transition of existing investments into an existing index fund. The EAFE Equity Index Transition Fund was folded into the EAFE Equity Index Fund B upon completion of the transition.

When deemed appropriate, a portion of the index funds may invest in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

The Active International Equity Fund B is majority owned by the Fund and the Permanent University Fund. The market values of the Fund's interests in these index funds are as follows:

	August 31,	
	2004	2003
EAFE Equity Index Fund B	\$ 178,747,438	\$ 166,993,484
Equity Index Fund B Lendable	90,651,897	104,989,080
Active International Equity Fund B	84,262,819	68,322,813
Russell 3000 Alpha Tilts Fund B	83,013,608	52,188,990
Russell 2000 Alpha Tilts Fund B	61,557,741	111,219,982
Emerging Markets Structured Tiered Fund B	40,723,864	118,842,238
Mid-Cap Index Fund B Lendable	5,112,979	238,928,385
EAFE Equity Index Transition Fund	-	218,257
	<u>\$ 544,070,346</u>	<u>\$ 861,703,229</u>

Note 6 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges. The fair values of the limited partnerships consist of the following:

	August 31,	
	2004	2003
U.S. Private Equity	\$ 180,898,416	\$ 171,367,289
Opportunistic	58,786,631	61,047,986
Venture Capital	73,912,861	60,757,306
Non-U.S. Private Equity	57,810,513	51,601,243
Mezzanine	20,678,016	21,969,831
Oil and Gas	6,977,011	7,023,086
Direct Investments	7,835,401	2,900,354
	<u>\$ 406,898,849</u>	<u>\$ 376,667,095</u>

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Venture capital consists of interests in private equity partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the Fund's direct interests in private companies.

Note 7 – Securities Lending

The Fund loans securities to certain brokers who pay 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 U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. 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-U.S. 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, 2004 and 2003:

Securities on Loan	2004 Value	2003 Value	Type of Collateral	2004 Value of Collateral	2003 Value of Collateral
U.S. Government	\$182,642,422	\$ 33,846,231	Cash	\$185,304,995	\$ 34,293,065
Foreign					
Government	2,499,918	9,265,920	Cash	2,647,227	9,744,659
Corporate Bonds	6,344,451	12,707,965	Cash	6,490,800	13,138,006
Common Stock	134,881,538	20,226,902	Cash	139,561,726	21,132,580
Total	\$326,368,329	\$ 76,047,018	Total	\$334,004,748	\$ 78,308,310
U.S. Government	\$ 1,659,095	\$ 3,777,301	Non-Cash	\$ 1,925,822	\$ 3,918,834
Common Stock	211,905	–	Non-Cash	217,545	–
Total	\$ 1,871,000	\$ 3,777,301	Total	\$ 2,143,367	\$ 3,918,834

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.

Note 8 – Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of \$403,898,813 as of August 31, 2004.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 9 – Written Options

During the year the Fund wrote call options on Treasury bond and equity index futures. Transactions in call options written during the year ended August 31, 2004, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2003	-	\$ -
Options Written	63,627	1,659,133
Options Expired	(349)	(358,389)
Options Exercised	(63,203)	(1,260,009)
Call Options Outstanding at August 31, 2004	<u>75</u>	<u>\$ 40,735</u>

As of August 31, 2004 the Fund had 75 written call options outstanding on ten year U.S. Treasury Note futures contracts with an expiration date of December 31, 2004. An amount of \$45,703 is included in other payables on the statement of fiduciary net assets as of August 31, 2004 for these outstanding contracts. There were no written call options outstanding as of August 31, 2003. The Fund recognized losses in the amount of \$63,790 on call options written for the year ended August 31, 2004. During the year ended August 31, 2003 there were no transactions in call options written.

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

Note 10 – Swaps

During the year the Fund entered into interest rate, total return and commodity swap contracts. The following discloses the notional amount, the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2004:

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2004	
				Assets	Liabilities
Interest Rate					
UK Pound					
	5.000%	2,600,000	3/20/2013	\$ 20,469	\$ -
	5.250%	1,900,000	9/17/2018	-	11,296
	5.000%	8,100,000	3/15/2032	-	275,753
Euro					
	6.000%	10,300,000	3/15/2032	407,494	-
	4.000%	10,500,000	3/15/2007	252,747	-
	4.000%	17,100,000	3/15/2007	411,617	-
	6.000%	3,100,000	3/20/2018	75,126	-
	5.750%	1,200,000	9/17/2018	15,957	-
	4.000%	1,600,000	6/17/2010	17,501	-
	5.000%	1,100,000	6/16/2014	96,065	-
	4.000%	2,550,000	6/16/2014	28,016	-
	4.000%	17,000,000	6/16/2014	186,775	-
	4.000%	5,290,000	6/17/2010	-	57,861
Japanese Yen					
	0.800%	400,000,000	3/30/2012	126,413	-
	2.000%	545,000,000	12/20/2013	-	173,737
	2.000%	270,000,000	6/15/2012	-	89,776
Swedish Krona					
	4.500%	25,700,000	6/17/2008	30,877	-
	4.500%	20,800,000	6/17/2008	24,990	-
	4.500%	20,700,000	6/17/2008	24,870	-
U.S. Dollar					
	6.000%	9,400,000	12/18/2033	71,245	-
	4.000%	18,700,000	12/15/2009	-	30,900
	5.000%	20,500,000	12/15/2014	-	473,919
	5.000%	2,100,000	12/15/2014	-	48,548
	5.000%	400,000	12/15/2014	-	9,247
	5.000%	300,000	12/15/2014	-	6,935
	4.000%	1,200,000	12/15/2009	-	1,983
	6.000%	4,000,000	12/15/2024	-	358,702
	6.000%	5,000,000	12/18/2033	37,896	-
				<u>1,828,058</u>	<u>1,538,657</u>
Total Return					
U.S. Dollar					
	-	400,000	11/1/2004	8,940	-
	-	300,000	9/30/2004	7,176	-
				<u>16,116</u>	<u>-</u>
Commodity					
U.S Dollar					
	TBill + 45 Basis Points	53,600,000	9/30/2004	-	-
	TBill + 45 Basis Points	18,200,000	9/30/2004	-	-
	TBill + 45 Basis Points	-	8/31/2004	-	338,291
	TBill + 45 Basis Points	-	8/31/2004	-	1,095,170
				<u>-</u>	<u>1,433,461</u>
Total				<u>\$ 1,844,174</u>	<u>\$ 2,972,118</u>

There were no outstanding swap contracts as of August 31, 2003.

Note 11 – Futures Contracts

During the years ended August 31, 2004 and 2003, futures contracts were used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the Fund. The asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The Fund had \$41,143,075 and \$25,688,593 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2004 and 2003, respectively. Short futures were used by internal managers and may be used by a limited number of external managers of the Fund to hedge the Fund's interest rate or country risk associated with security positions. The amount of net realized gains on the futures contracts was \$31,442,236 and \$33,017,005 for the years ended August 31, 2004 and 2003, respectively.

**THE UNIVERSITY OF TEXAS SYSTEM
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Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2004 for futures contracts:

<u>Contract</u>	<u>Number of Contracts</u>	<u>Expiration</u>	<u>Notional Value at August 31, 2004</u>		<u>Carrying and Fair Value at August 31, 2004</u>	
			<u>Long</u>	<u>Short</u>	<u>Assets</u>	<u>Liabilities</u>
Domestic Fixed Income						
U.S. 5 Year Treasury Notes	24	Sep-04	\$ -	\$ 2,700,750	\$ -	\$ 17,250
U.S. 5 Year Treasury Notes	60	Dec-04	6,640,312	-	19,688	-
U.S. 10 Year Treasury Notes	154	Sep-04	17,474,188	-	57,750	-
U.S. 10 Year Treasury Notes	314	Dec-04	35,266,125	-	131,108	-
			<u>59,380,625</u>	<u>2,700,750</u>	<u>208,546</u>	<u>17,250</u>
Domestic Equity						
Dow Jones Index	1,332	Sep-04	135,504,360	-	680,890	-
NASDAQ 100 Index	353	Sep-04	48,343,350	-	108,891	-
Russell 2000 Index Mini	232	Sep-04	12,715,920	-	100,920	-
Russell 2000 Index Mini	4,413	Sep-04	-	241,876,530	-	1,976,653
S&P 500 Index	851	Sep-04	234,897,275	-	1,103,018	-
S&P 500 Index	97	Sep-04	-	26,774,425	-	123,675
S&P 500 Index Mini	97	Sep-04	-	5,354,885	-	-
S&P Midcap 400 Index Mini	904	Sep-04	-	52,196,960	-	413,116
			<u>431,460,905</u>	<u>326,202,800</u>	<u>1,993,719</u>	<u>2,513,444</u>
Commodities						
Goldman Sachs Commodities	1,767	Sep-04	130,669,650	-	132,525	-
Foreign Fixed Income						
10 Year Swap Note	79	Sep-04	-	11,055,402	-	-
90 Day Euro Dollar	30	Jun-05	21,658,150	-	14,462	-
Euro-Bund	846	Sep-04	64,807,841	-	196,992	-
Euro-Bund	38	Dec-04	5,321,483	-	18,814	-
Japan 10 Year Bond	20	Sep-04	25,085,420	-	89,673	-
Japan 10 Year Bond	6	Dec-04	7,468,224	-	-	-
			<u>124,341,118</u>	<u>11,055,402</u>	<u>319,941</u>	<u>-</u>
Foreign Equity						
All Shares Index	1,767	Sep-04	-	27,268,543	-	91,040
Amsterdam Index	102	Sep-04	8,041,324	-	-	-
CAC 40 Index	127	Sep-04	5,567,927	-	-	-
DAX Index	20	Sep-04	2,306,032	-	-	-
DJ Euro Stoxx 50	228	Sep-04	-	7,425,969	-	182,420
DJ Euro Stoxx 50	666	Sep-04	21,691,647	-	-	-
FTSE 100 Index	916	Sep-04	73,724,281	-	-	324,286
Hang Seng Index	15	Sep-04	1,232,508	-	-	-
Hang Seng Index	184	Sep-04	-	15,118,764	-	29
IBEX Index	15	Sep-04	-	1,437,487	-	-
MSCI Taiwan Index	1,070	Sep-04	-	26,150,800	117,700	-
Nikkei 225 Index	159	Sep-04	16,081,825	-	-	116,051
OMX Index	144	Sep-04	-	1,315,355	-	-
S&P/MIB Index	9	Sep-04	1,483,097	-	-	-
S&P/TSE 60 Index	371	Sep-04	26,203,142	-	214,431	-
SPI 200 Index	138	Sep-04	-	8,638,827	-	-
Topix Index	370	Sep-04	38,097,405	-	-	207,285
			<u>194,429,188</u>	<u>87,355,745</u>	<u>332,131</u>	<u>921,111</u>
Total			<u>\$ 940,281,486</u>	<u>\$ 427,314,697</u>	<u>\$ 2,986,862</u>	<u>\$ 3,451,805</u>

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2003 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2003		Carrying and Fair Value at August 31, 2003	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U. S. 2 Year Treasury Notes	174	Sep-03	\$ -	\$ 37,339,312	\$ 19,032	\$ -
U. S. 5 Year Treasury Notes	357	Sep-03	-	39,799,922	50,201	-
U. S. 10 Year Swap Notes	143	Sep-03	-	15,435,063	26,812	-
U. S. 10 Year Treasury Notes	95	Sep-03	10,595,469	-	-	20,156
U. S. 10 Year Treasury Notes	560	Dec-03	61,442,499	-	-	95,528
U. S. Treasury Bonds	69	Sep-03	-	7,411,031	-	1,313
U. S. Treasury Bonds	7	Sep-03	751,844	-	12,938	-
			<u>72,789,812</u>	<u>99,985,328</u>	<u>108,983</u>	<u>116,997</u>
Domestic Equity						
Russell 2000 Index	140	Sep-03	34,821,500	-	241,500	-
Russell 2000 Index	56	Sep-03	-	13,928,600	-	96,600
S&P 500 Index	568	Sep-03	143,093,400	-	923,000	-
S&P 500 Index	12	Sep-03	-	3,023,100	-	19,500
			<u>177,914,900</u>	<u>16,951,700</u>	<u>1,164,500</u>	<u>116,100</u>
Commodities						
Goldman Sachs Commodities	888	Sep-03	53,668,500	-	-	55,500
Foreign Fixed Income						
10 Year Swap Note	79	Sep-03	-	9,858,198	-	-
Australian 10 Year Bond	37	Sep-03	2,485,991	-	8,649	-
Canada 10 Year Bond	62	Dec-03	4,814,202	-	13,009	-
Euro-Bund	399	Sep-03	49,990,955	-	75,801	-
Euro-Bund	42	Dec-03	5,227,695	-	27,084	-
Japan 10 Year Bond	11	Sep-03	12,953,380	-	-	47,569
Japan 10 Year Bond	10	Sep-03	-	11,775,800	9,870	-
Japan 10 Year Bond	3	Dec-03	3,502,656	-	-	-
Swiss Fed Bond	8	Sep-03	-	737,196	47	-
UK Long Gilt	86	Dec-03	-	15,991,746	31,039	-
			<u>78,974,879</u>	<u>38,362,940</u>	<u>165,499</u>	<u>47,569</u>
Foreign Equity						
Amsterdam Index	22	Sep-03	-	1,594,151	6,734	-
CAC 40 Index	116	Sep-03	-	4,231,416	12,351	-
DAX Index	42	Sep-03	4,023,831	-	-	44,879
FTSE 100 Index	178	Sep-03	-	11,747,736	80,000	-
Hang Seng Index	61	Sep-03	4,262,535	-	51,230	-
IBEX Index	59	Sep-03	4,620,803	-	-	32,680
MIB 30 Index	12	Sep-03	-	1,679,589	9,103	-
OMX Index	157	Sep-03	-	1,102,222	852	-
SPI 200 Index	45	Sep-03	-	2,327,916	-	22,305
Topix Index	37	Sep-03	3,178,994	-	30,297	-
			<u>16,086,163</u>	<u>22,683,030</u>	<u>190,567</u>	<u>99,864</u>
Total			<u>\$ 399,434,254</u>	<u>\$ 177,982,998</u>	<u>\$ 1,629,549</u>	<u>\$ 436,030</u>

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

Notes to Financial Statements (cont.)

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, 2004 and 2003. Foreign currency amounts are translated at exchange rates as of August 31, 2004 and 2003. 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.

<u>Currency</u>	<u>Net Buy August 31, 2004</u>	<u>Net Sell August 31, 2004</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2004</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2004</u>
Australian Dollar	\$ 1,259,669	\$ –	\$ 18,317	\$ 5,829
Canadian Dollar	–	5,549,731	4,077	18,931
Euro	–	7,875,492	167,859	43,566
Japanese Yen	39,958,336	–	98,727	141,418
New Zealand Dollar	–	480,388	19,716	3,478
Norwegian Krone	–	4,487,332	167,393	100,858
Singapore Dollar	–	1,018,665	12,333	7,899
Slovak Koruna	120,140	–	–	1,401
South Korean Won	1,191,697	–	16,890	–
Swedish Krona	–	1,134,243	15,703	661
Swiss Franc	–	–	6,607	18,717
UK Pound	4,585,717	–	410,511	313,058
	<u>\$ 47,115,559</u>	<u>\$ 20,545,851</u>	<u>\$ 938,133</u>	<u>\$ 655,816</u>

<u>Currency</u>	<u>NetBuy August 31,2003</u>	<u>NetSell August 31,2003</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31,2003</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31,2003</u>
Australian Dollar	\$ 14,223,196	\$ –	\$ 168,533	\$ 577,305
Canadian Dollar	–	23,530,711	326,608	245,250
Danish Krone	1,970,471	–	1,608	113,382
Euro	22,347,686	–	678,155	451,817
Hong Kong Dollar	–	363,291	326	43
Japanese Yen	71,256,328	–	1,225,925	610,242
New Zealand Dollar	–	1,073,812	208,291	34,693
Norwegian Krone	–	1,720,609	1,412,015	74,655
Polish Zloty	797,339	–	19,928	53,483
Singapore Dollar	8,767,217	–	239,438	26,314
Swedish Krona	18,692,592	–	943,981	887,193
Swiss Franc	–	18,097,729	1,392,352	1,040,342
UK Pound	13,922,233	–	302,402	711,562
	<u>\$ 151,977,062</u>	<u>\$ 44,786,152</u>	<u>\$ 6,919,562</u>	<u>\$ 4,826,281</u>

Note 13 – Revenue Sharing Agreements

The Fund has entered into revenue sharing agreements with certain external investment managers. These agreements specify that the Fund shall receive a certain percentage of the gross revenues received by the investment manager for a specified period of time. The percentages of revenue shared in these fee arrangements currently range from 7.5% to 25%. During the year ended August 31, 2004, the Fund received \$109,778 of revenue sharing income, which is included in other investment income on the Statement of Changes in Fiduciary Net Assets. The Fund did not receive any revenue sharing income for 2003.

Note 14 – Fees and Expenses

The Fund incurs investment management 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 management fees, the Fund may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. In addition, the Fund incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

Custodial fees and expenses are assessed 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 on-line communication services per the contractual agreement.

The Fund incurs legal fees associated with the review of investment manager agreements and with due diligence efforts undertaken as part of hiring new investment managers.

Analytical and risk measurement fees are also incurred to implement and maintain a sophisticated risk measurement system for the Fund.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, and consultation fees.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules

Comparison Summary of Investments, at Fair Value
August 31, 2004 and 2003
(in thousands)

	2004		2003	
	Value	% of Total	Value	% of Total
Equity Securities				
Domestic Common Stock	\$ 521,436	12.39%	\$ 566,279	15.42%
Foreign Common Stock	201,632	4.79%	126,286	3.44%
Other	1,604	0.04%	1,784	0.05%
Total Equity Securities	724,672	17.22%	694,349	18.91%
Preferred Stock				
Domestic Preferred Stock	4,492	0.11%	4,605	0.13%
Foreign Preferred Stock	681	0.02%	117	0.00%
Total Preferred Stock	5,173	0.13%	4,722	0.13%
Debt Securities				
U.S. Government Obligations	399,821	9.50%	261,942	7.13%
Corporate Obligations	172,448	4.10%	139,056	3.79%
Foreign Government and Provincial Obligations	83,882	1.99%	87,476	2.38%
Other	3,466	0.08%	3,579	0.10%
Total Debt Securities	659,617	15.67%	492,053	13.40%
Purchased Options	-	0.00%	6,315	0.17%
Convertible Securities	3,860	0.09%	3,829	0.10%
Investment Funds				
Hedge Funds	931,128	22.13%	672,595	18.32%
Index Funds	544,070	12.93%	861,703	23.47%
Limited Partnerships	406,899	9.67%	376,667	10.26%
Other	214,042	5.09%	262,236	7.14%
Exchange Traded Funds	195,907	4.66%	-	0.00%
Total Investment Funds	2,292,046	54.48%	2,173,201	59.19%
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Futures Contracts	448,086	10.65%	212,955	5.80%
Money Market Funds - Other	74,109	1.76%	84,430	2.30%
Total Cash and Cash Equivalents	522,195	12.41%	297,385	8.10%
Total Investment in Securities	\$ 4,207,563	100.00%	\$ 3,671,854	100.00%

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules (cont.)

Financial Highlights

Years Ended August 31, 2004, 2003, 2002 and For the Period from Inception (March 1, 2001) to August 31, 2001

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data				
Net Asset Value, Beginning of Period	\$ 102.539	\$ 90.932	\$ 97.811	\$ 100.000
Income from Investment Operations				
Net Investment Income	2.247	1.972	1.895	1.200
Net Realized and Unrealized Gain (Loss) on Investments	12.809	9.635	(8.774)	(3.389)
Total Income (Loss) from Investment Operations	15.056	11.607	(6.879)	(2.189)
Net Asset Value, End of Period	<u>\$ 117.595</u>	<u>\$ 102.539</u>	<u>\$ 90.932</u>	<u>\$ 97.811</u>
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$ 4,207,644	\$ 3,584,765	\$ 3,293,194	\$3,723,912
Ratio of Expenses to Average Net Assets	0.24%	0.17%	0.20%	0.09%
Ratio of Net Investment Income to Average Net Assets	2.02%	2.12%	2.00%	1.22%

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Supplemental Schedules (cont.)

Schedule of Investments by Industry
August 31, 2004

Industry	Percentage of Total		Industry	Percentage of Total	
	Value	Investments		Value	Investments
Agricultural Services	\$ 987,982	0.02%	Metal Mining	\$ 5,431,375	0.13%
Agriculture Production-Crops	1,954,734	0.05%	Mineral Interests	1,603,402	0.04%
Amusement and Recreation Services	4,268,184	0.10%	Miscellaneous Manufacturing Industries	3,460,673	0.08%
Apparel and Other Finished Products	5,844,490	0.14%	Miscellaneous Retail	3,717,715	0.09%
Apparel and Accessory Stores	5,291,158	0.13%	Mining, Quarry Nonmetal Minerals	950,382	0.02%
Auto Dealers, Gas Stations	2,765,746	0.07%	Mortgage/Asset Backed	19,235,588	0.46%
Auto Repair, Services, Parking	481,247	0.01%	Motion Pictures	1,561,843	0.04%
Building Construction-General Contractor	7,771,711	0.18%	Motor Freight Transport, Warehouse	7,090,603	0.17%
Building Material, Hardware, Garden-Retail	67,860	0.00%	Municipal	11,313,621	0.27%
Business Services	30,211,283	0.72%	Nonclassifiable Establishment	689,098	0.02%
Chemicals and Allied Products	36,506,242	0.87%	Nondepository Credit Institution	27,011,845	0.64%
Coal Mining	2,655,328	0.06%	Nondurable Goods-Wholesale	4,887,738	0.12%
Commercial Paper	64,245,208	1.53%	Oil and Gas Extraction	24,684,859	0.59%
Communications	26,708,490	0.63%	Other Industry	7,872,385	0.19%
Construction-Special Trade	1,402,817	0.03%	Paper and Allied Products	2,512,716	0.06%
Depository Institutions	47,325,094	1.12%	Personal Services	1,056,871	0.03%
Diversified Manufacturing	2,378,207	0.06%	Petroleum Refining and Related Industries	14,455,820	0.34%
Durable Goods-Wholesale	12,847,397	0.31%	Pipe Lines, Except Natural Gas	2,456,429	0.06%
Eating and Drinking Places	6,857,079	0.16%	Primary Metal Industries	12,826,265	0.30%
Educational Services	319,022	0.01%	Printing, Publishing and Allied Services	5,495,971	0.13%
Electronics, Other Electronic Equipment, Except Computers	32,052,584	0.76%	Railroad Transportation	4,179,198	0.10%
Electric, Gas, Sanitary Service	22,207,866	0.53%	Real Estate	12,932,356	0.31%
Engineering, Research, Management, and Related Services	9,872,162	0.23%	Rubber and Miscellaneous Plastic Products	1,786,857	0.04%
Metal Fabrication, Except Machinery and Trans Equipment	6,899,267	0.16%	Security and Commodity Brokers	7,613,334	0.18%
Food and Kindred Products	18,142,959	0.43%	Social Services	42,504	0.00%
Food Stores	4,679,277	0.11%	Stone, Clay, Glass, Concrete Products	2,220,717	0.05%
Foreign Government and Provincial Obligations	83,882,315	1.99%	Textile Mill Products	50,901	0.00%
Forestry	378,643	0.01%	Tobacco Products	2,731,021	0.06%
Furniture and Fixtures	1,322,108	0.03%	Transit and Passenger Transportation	301,781	0.01%
General Merchandise Stores	6,390,236	0.15%	Transportation By Air	6,579,893	0.16%
Health Services	4,201,435	0.10%	Transportation Equipment	14,025,996	0.33%
Heavy Construction-Not Building Construction	2,640,488	0.06%	Transportation Services	1,252,933	0.03%
Real Estate Holding	213,110,424	5.06%	Water Transportation	5,966,400	0.14%
Home Furniture and Equipment Store	2,871,557	0.07%	U. S. Government Obligations	392,443,470	9.34%
Hotels, Other Lodging Places	20,361,820	0.48%	Other - Debt Securities	3,465,467	0.08%
Industrial, Commercial Machinery, Computer Equipment	27,560,637	0.66%	Hedge Funds	931,128,180	22.13%
Insurance Agents, Brokers and Service	606,876	0.01%	Index Funds	544,070,346	12.93%
Insurance Carriers	27,516,151	0.65%	Limited Partnerships	406,898,850	9.67%
Leather and Leather Products	1,545,816	0.04%	Exchange Traded Funds	195,906,766	4.66%
Lumber and Wood Products, Except Furniture	1,766,687	0.04%	Other - Investment Funds	214,041,633	5.09%
Measurement Instruments, Photography Goods, Watches	30,515,733	0.73%	Money Market Funds	522,195,453	12.41%
			Total Investment Assets	\$ 4,207,563,575	100.00%

Financial Statements

Permanent Health Fund

Years ended August 31, 2004 and 2003

Permanent Health Fund

Financial Statements

Years ended August 31, 2004 and 2003

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PERMANENT HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Permanent Health Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2004. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The University of Texas System Board of Regents (UT Board) established the Fund in August 1999 with proceeds from state tobacco litigation. The Texas Constitution and various state statutes designate the UT Board as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the UT Board. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net fiduciary assets, after distributions, increased by \$69.4 million from \$745.0 million to \$814.4 or by approximately 9.3% during the year.
- There were no participant contributions to the Fund or withdrawals from the Fund during the fiscal year.
- The Fund posted a net investment return of 14.60% for the fiscal year ended August 31, 2004, compared to a net investment return of 12.67% for the prior fiscal year.
- The Fund's distribution rate was \$.047 per unit for the fiscal year ended August 31, 2004. The per unit rate was not increased from the fiscal year ended August 31, 2003. The fiscal year distributions represented 4.81% of the Fund's average net asset value during the year.

PERMANENT HEALTH FUND

Use of Financial Statements and Notes

The Fund's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required by the GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund no longer invests in individual securities except for the GEF units and a negligible amount of cash, the majority of the Fund's Statement of Fiduciary Net Assets is reflected in its investment in GEF units. As of August 31, 2004, the Fund owned 6,923,785 GEF units representing an ownership percentage of 19.35%. As of August 31, 2004, the fair value of the GEF units was \$814.2 million.

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time.

The following summarizes the Statements of Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Assets				
General Endowment Fund Units, at Fair Value	\$ 814.2	\$ 744.8	\$ 69.4	9%
Cash and Cash Equivalents	0.2	0.2	-	-
Net Assets Held in Trust	\$ 814.4	\$ 745.0	\$ 69.4	9%

PERMANENT HEALTH FUND

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of this statement is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant distributions.

The net increase in fair value of investments of the Fund was \$92.6 million during the year compared to \$71.1 million for the year ended August 31, 2003. Expenses totaled \$0.6 million in fiscal year 2004 and \$0.7 million in fiscal year 2003.

Distributions to participants totaled \$38.5 million for each of the years ended August 31, 2004 and 2003.

The net increase in fiduciary net assets totaled \$69.4 million for the year ended August 31, 2004 compared to a net increase in fiduciary net assets of \$46.7 million for the year ended August 31, 2003.

The Fund's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and
- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

Fund distributions are controlled by a spending policy approved by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual investment return after fund expenses and inflation. The Fund distributions are increased annually at an average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net asset value. As reported on the financial highlights schedule of the financial statements, the ratio of distributions to average net assets (12-quarter average) has remained between 3.5% to 5.5%.

PERMANENT HEALTH FUND

The following summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Investment Income	\$ 108.6	\$ 86.0	\$ 22.6	26%
Less Investment Expenses	(0.6)	(0.7)	0.1	14
Net Investment Income	108.0	85.3	22.7	27
Participant Distributions	38.6	38.6	-	-
Total Deductions	38.6	38.6	-	-
Change in Fiduciary Net Assets	69.4	46.7	22.7	49
Net Assets Held in Trust, Beginning of Period	745.0	698.3	46.7	7
Net Assets Held in Trust, End of Period	<u>\$ 814.4</u>	<u>\$ 745.0</u>	<u>\$ 69.4</u>	<u>9%</u>

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying financial statements of the Permanent Health Fund (the "Fund") as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

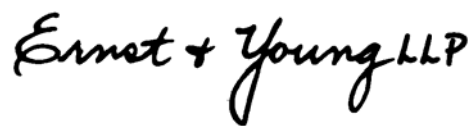
We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 1, the financial statements present only the Permanent Health Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2004 and 2003 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Permanent Health Fund as of August 31, 2004 and 2003, and the changes in its fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of the Permanent Health Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of and for the years ended August 31, 2004 and 2003 have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole. The supplemental schedules for the years ended August 31, 2002, 2001 and 2000 were audited by other auditors whose report dated October 18, 2002 included an unqualified opinion.



October 22, 2004

PERMANENT HEALTH FUND

Statements of Fiduciary Net Assets

August 31, 2004 and 2003

(Dollars in thousands, except per unit amounts)

	<u>2004</u>	<u>2003</u>
Assets		
General Endowment Fund Units, at Fair Value	\$ 814,200	\$ 744,779
Cash and Cash Equivalents	<u>224</u>	<u>182</u>
Net Assets Held in Trust (820,000,000 Units)	<u>\$ 814,424</u>	<u>\$ 744,961</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 0.993</u>	<u>\$ 0.908</u>

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

PERMANENT HEALTH FUND

Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2004 and 2003

(in thousands)

	<u>2004</u>	<u>2003</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 92,625	\$ 71,121
Allocation of General Endowment Fund Net Investment Income	16,012	14,807
Interest	1	1
Dividends	4	19
Total Investment Income	<u>108,642</u>	<u>85,948</u>
Less Investment Expenses		
UTIMCO Management Fee	622	677
Other Expenses	17	20
Total Investment Expenses	<u>639</u>	<u>697</u>
Net Investment Income	108,003	85,251
Total Additions	<u>108,003</u>	<u>85,251</u>
Deductions		
Participant Distributions	<u>38,540</u>	<u>38,540</u>
Total Deductions	<u>38,540</u>	<u>38,540</u>
Change in Fiduciary Net Assets	69,463	46,711
Net Assets Held in Trust, Beginning of Period	<u>744,961</u>	<u>698,250</u>
Net Assets Held in Trust, End of Period	<u>\$ 814,424</u>	<u>\$ 744,961</u>

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

PERMANENT HEALTH FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The Permanent Health Fund (Fund) is an internal University of Texas System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. The distributions from the Fund endowments support programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education. Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System (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.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the Board of Regents effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the Board of Regents. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the Board of Regents and is provided day-to-day operations by UTIMCO.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the fund are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB).

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 Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Investment in GEF

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. The Fund also continues to receive securities as proceeds in class action suits from the securities the Fund previously owned. These securities are normally sold when received, but from time to time will be reflected as a Fund investment. At August 31, 2004, the Fund is the minority participant in the GEF, with ownership of 6,923,785 units, which represents 19.35% of the GEF. At August 31, 2003, the Fund held 7,263,383 units, which represented 20.78% of the GEF.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

The GEF and the Fund have identical investment objectives. Additionally, the GEF's accounting policies follow the Fund's, as described in Note 3, except for the distributions to participants. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The allocated investment income and realized gain amounts are considered reinvested as GEF contributions. Any allocated realized losses reduce the cost basis of the units in the GEF. Since the allocation is proportional to the percentage of ownership by the unitholders, no additional units are purchased. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders. Note 5 reports financial information on the GEF for the years ended August 31, 2004 and 2003.

Because the investment in the GEF is not evidenced by securities in physical or book entry form the investment in GEF is not categorized in accordance with GASB Statement Number 3.

Note 3 – Significant Accounting Policies

(A) **Security Valuation** -- The Fund's investment in GEF units is valued at the net asset value per unit reported by the GEF which is based on fair value.

(B) **Investment Income** -- Interest income is accrued as earned.

(C) **Security Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost.

(D) **Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the fiscal years ended August 31, 2004 and 2003 the quarterly rate was \$.01175 per unit which equates to a yearly rate of \$.047 per unit. The ratio of distributions to average net assets (12-quarter average) was 5.14% as of August 31, 2004. 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.

(E) **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.

(F) **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. 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.

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

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

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

(I) **Use of Estimates** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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

(K) **Reclassifications** -- Certain items in the 2003 financial statements and related notes have been reclassified to conform with 2004 classification.

Note 4 – Fees and Expenses

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, 2004 and 2003, were \$621,526 and \$676,877, respectively.

The Fund incurs other expenses related to its operations primarily consisting of custodial fees, audit fees, printing and graphic expenses, legal and consultation fees.

PERMANENT HEALTH FUND

Supplemental Schedules

Financial Highlights

Years Ended August 31,

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 0.908	\$ 0.852	\$ 0.965	\$ 1.113	\$ 1.000
Income From Investment Operations					
Net Investment Income	0.019	0.017	0.018	0.024	0.030
Net Realized and Unrealized Gain (Loss) on Investments	<u>0.113</u>	<u>0.086</u>	<u>(0.084)</u>	<u>(0.126)</u>	<u>0.128</u>
Total Income (Loss) from Investment Operations	<u>0.132</u>	<u>0.103</u>	<u>(0.066)</u>	<u>(0.102)</u>	<u>0.158</u>
Less Distributions					
From Net Investment Income	0.019	0.017	0.018	0.024	0.030
From Net Realized Gain and In Excess of Net Realized Investment Return	<u>0.028</u>	<u>0.030</u>	<u>0.029</u>	<u>0.022</u>	<u>0.015</u>
Total Distributions	<u>0.047</u>	<u>0.047</u>	<u>0.047</u>	<u>0.046</u>	<u>0.045</u>
Net Asset Value, End of Period	<u>\$ 0.993</u>	<u>\$ 0.908</u>	<u>\$ 0.852</u>	<u>\$ 0.965</u>	<u>\$ 1.113</u>
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$ 814,424	\$ 744,961	\$ 698,250	\$ 881,433	\$ 1,016,587
Ratio of Expenses to Average Net Assets	0.31%	0.27%	0.27%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	1.92%	2.01%	1.91%	2.44%	2.87%
Ratio of Distributions to Average Net Assets (5-quarter average)	4.81%	5.48%	5.05%	4.51%	4.28%
Ratio of Distributions to Average Net Assets (12-quarter average)	5.14%	5.08%	4.66%	N/A	N/A

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The University of Texas System

Long Term Fund

Years ended August 31, 2004 and 2003

The University of Texas System Long Term Fund

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System Long Term Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2004. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of 6,537 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the UT Board. The GEF has only two participants: the Fund and the Permanent Health Fund (PHF), also established by the UT Board. The GEF is organized as a mutual fund in which the Fund and the PHF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net fiduciary assets, after contributions, withdrawals and distributions, increased by \$553.5 from \$2,839.8 million to \$3,393.3 million or approximately 19.5% during the year.
- Participant contributions to the Fund increased by 178.5% from fiscal year 2003 to 2004. Fiscal year contributions of \$315.1 million represented 9.8% of the average value of the Fund assets during the year. Participant contributions consist of endowment and other long-term funds that have been forwarded to the Fund for management by UTIMCO.
- The Fund posted a net investment return of 14.59% for the fiscal year ended August 31, 2004, compared to a net investment return of 12.78% for the prior fiscal year.
- The Fund's distribution rate per unit was increased by 2.5%, approximately the average rate of inflation, during the year. This equated to an increase in the 2004 rate to \$0.2645 per unit from the 2003 rate of \$0.258 per unit. The fiscal year distributions represented 4.89% of the Fund's average net asset value during the year.

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required under GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash, the majority of the Fund's balance sheet is reflected in its investment in GEF units.

As of August 31, 2004, the Fund owned 28,857,142 GEF units representing an ownership percentage of 80.65%. As of August 31, 2004, the fair value of the GEF units was \$3,393.4 million.

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

The following table summarizes the Statements of Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Assets				
General Endowment Fund Units, at Fair Value	\$ 3,393.4	\$ 2,840.0	\$ 553.4	19%
Other Investments	-	-	-	-
Cash and Cash Equivalents	-	-	-	-
Receivable for Investment Securities Sold	16.0	40.5	(24.5)	(60)
Total Assets	3,409.4	2,880.5	528.9	18
Liabilities				
Payable to Participants	16.0	40.5	(24.5)	(60)
Other Payables	0.1	0.2	(0.1)	(50)
Total Liabilities	16.1	40.7	(24.6)	(60)
Net Assets Held in Trust	\$ 3,393.3	\$ 2,839.8	\$ 553.5	19%

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of this statement is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from administrative expenses and participant distributions.

The net increase in fair value of investments of the Fund was \$375.5 million during the year compared to \$275.4 million for the year ended August 31, 2003. Expenses totaled \$6.1 million in fiscal year 2004 and \$6.2 million in fiscal year 2003.

Distributions to participants totaled \$158.1 million and \$143.9 million, respectively, for the years ended August 31, 2004 and 2003. The increase in distributions is a result of the UT Board increasing the distribution rate from \$0.258 to \$0.2645 for fiscal year 2004, and additional contributions into the Fund. The Fund is structured as a mutual fund in which each endowment or account purchases units at the Fund's market value per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record.

The Fund's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and
- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

Fund distributions are controlled by a spending policy approved by the UT Board. The key to

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual investment return after fund expenses and inflation. The Fund distributions are increased annually at an average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net asset value. As reported on the financial highlights statement in the supplemental schedules, the ratio of distributions to average net assets (12-quarter average) has remained between 3.5% to 5.5%.

The following table summarizes the Statements of Changes in Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Investment Income	\$ 441.1	\$ 332.1	\$ 109.0	33%
Less Investment Expenses	(3.1)	(0.1)	(3.0)	3000
Net Investment Income	438.0	332.0	106.0	32
Participant Contributions	315.1	113.1	202.0	179
Total Additions	753.1	445.1	308.0	69
Administrative Expenses	3.0	2.9	0.1	3
Participant Withdrawals	38.6	53.5	(14.9)	(28)
Participant Distributions	158.0	143.9	14.1	10
Total Deductions	199.6	200.3	(0.7)	-
Change in Fiduciary Net Assets	553.5	244.8	308.7	126
Net Assets Held in Trust, Beginning of Period	2,839.8	2,595.0	244.8	9
Net Assets Held in Trust, End of Period	\$ 3,393.3	\$ 2,839.8	\$ 553.5	19%

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying financial statements of The University of Texas System Long Term Fund (the "Fund") as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 1, the financial statements present only The University of Texas System Long Term Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2004 and 2003 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the fiduciary net assets of The University of Texas System Long Term Fund as of August 31, 2004 and 2003, and the changes in its fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of The University of Texas System Long Term Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of and for the years ended August 31, 2004 and 2003 have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole. The supplemental schedules for the years ended August 31, 2002, 2001 and 2000 were audited by other auditors whose report dated October 18, 2002 included an unqualified opinion.

 Ernst & Young LLP

October 22, 2004

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

Statements of Fiduciary Net Assets

August 31, 2004 and 2003

(Dollars in thousands, except per unit amounts)

	<u>2004</u>	<u>2003</u>
Assets		
General Endowment Fund Units, at Fair Value	\$ 3,393,444	\$ 2,839,986
Other Investments	-	1
Cash and Cash Equivalents	1	1
Receivable for Investment Securities Sold	16,005	40,492
Total Assets	<u>3,409,450</u>	<u>2,880,480</u>
Liabilities		
Payable to Participants	16,005	40,492
Other Payables	170	142
Total Liabilities	<u>16,175</u>	<u>40,634</u>
Net Assets Held in Trust (607,622,749 Units and 555,329,487 Units, respectively)	<u>\$ 3,393,275</u>	<u>\$ 2,839,846</u>
Net Asset Value Held in Trust Per Unit	<u>\$5.585</u>	<u>\$5.114</u>

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

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2004 and 2003 (in thousands)

	<u>2004</u>	<u>2003</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 375,512	\$ 275,413
Allocation of General Endowment Fund Net Investment Income	65,588	56,635
Other	27	8
Total Investment Income	<u>441,127</u>	<u>332,056</u>
Less Investment Expenses		
UTIMCO Management Fee	2,990	3,135
Other Expenses	108	71
Total Investment Expenses	<u>3,098</u>	<u>3,206</u>
Receipt of Funds from UT System for UTIMCO Management Fee	-	3,135
Net Investment Income	<u>438,029</u>	<u>331,985</u>
Participant Contributions	<u>315,113</u>	<u>113,164</u>
Total Additions	<u>753,142</u>	<u>445,149</u>
Deductions		
Administrative Expenses		
Fee for Endowment Compliance	2,381	2,441
Internal Fee for Educational Purposes	666	536
Total Administrative Expenses	<u>3,047</u>	<u>2,977</u>
Participant Withdrawals	38,613	53,537
Participant Distributions	<u>158,053</u>	<u>143,852</u>
Total Deductions	<u>199,713</u>	<u>200,366</u>
Change in Fiduciary Net Assets	553,429	244,783
Net Assets Held in Trust, Beginning of Period	<u>2,839,846</u>	<u>2,595,063</u>
Net Assets Held in Trust, End of Period	<u>\$ 3,393,275</u>	<u>\$ 2,839,846</u>

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

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The University of Texas System 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 (Board of Regents) 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.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the Board of Regents effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and the Permanent Health Fund (PHF) also established by the Board of Regents. The GEF is organized as a mutual fund in which the Fund and the PHF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the Board of Regents and is provided day-to-day operations by UTIMCO.

The activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. This fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB).

The annual combined financial statements of UT System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Investment in GEF

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. The Fund also continues to receive securities as proceeds in class action suits from the securities the Fund previously owned. These securities are normally sold when received, but from time to time will be reflected as a Fund investment. Subsequent participant contributions received by the Fund are also used to purchase GEF units. At August 31, 2004, the Fund is the majority participant in the GEF, with ownership of 28,857,142 units, which represents 80.65% of the GEF. At August 31, 2003, the Fund held 27,696,705 units, which represented 79.22% of the GEF.

The GEF and the Fund have identical investment objectives. Additionally, the GEF's accounting policies follow the Fund's, as described in Note 3, except for the distributions to participants. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The allocated investment

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to Financial Statements (cont.)

income and realized gain amounts are considered reinvested as GEF contributions. Any allocated realized losses reduce the cost basis of the units in the GEF. Since the distribution is proportional to the percentage of ownership by the unitholders, no additional units are purchased. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders.

Because the investment in the GEF is not evidenced by securities in physical or book entry form the investment in GEF is not categorized in accordance with GASB Statement Number 3.

Note 3 – Significant Accounting Policies

- (A) **Security Valuation** -- The Fund's investment in GEF Units is valued at the net asset value per unit reported by the GEF, which is based on fair value.
- (B) **Investment Income** -- Interest income is accrued as earned.
- (C) **Security Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost.
- (D) **Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the fiscal year ended August 31, 2004, the quarterly rate was \$.066125 which equates to a yearly rate of \$.2645 per unit. For the fiscal year ended August 31, 2003, the quarterly distribution rate was \$.0645 which equated to a yearly rate of \$.258 per unit. The ratio of distributions to average net assets (12-quarter average) was 4.98% as of August 31, 2004. 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.
- (E) **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.
- (F) **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. 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.
- (G) **Participants' Net Assets** -- All participants in the Fund have a proportionate undivided interest in the Fund's net assets.
- (H) **Federal Income Taxes** -- The Fund is not subject to federal income tax.
- (I) **Use of Estimates** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to Financial Statements (cont.)

revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

(K) **Reclassifications** – Certain items in the 2003 financial statements and related notes have been reclassified to conform with 2004 classification.

Note 4 – Fees and Expenses

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, 2004 and 2003, were \$2,990,222 and \$3,135,100, respectively. The Fund, however, was reimbursed by UT System for the fee in fiscal year 2003, which is shown in the statements of changes in fiduciary net assets as Receipt of Funds from UT System for UTIMCO Management Fee. The fee will no longer be reimbursed by UT System.

The Fund is assessed an annual administrative fee on behalf of UT System component institutions based on 0.08% of the market value of the Fund for the support of enhanced and expanded endowment compliance efforts. The fees assessed for the years ended August 31, 2004 and 2003, were \$2,380,591 and \$2,441,003, respectively.

The Fund is assessed a quarterly internal fee by 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, 2004 and 2003. The fees assessed for the years ended August 31, 2004 and 2003, were \$665,745 and \$536,407, respectively.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, legal, consultation fees and custodial fees.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
Supplemental Schedules

Financial Highlights
Years Ended August 31,

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 5.114	\$ 4.788	\$ 5.412	\$ 6.198	\$ 5.347
Income from Investment Operations					
Net Investment Income	0.099	0.097	0.098	0.140	0.142
Net Realized and Unrealized Gain (Loss) on Investments	0.637	0.487	(0.471)	(0.681)	0.939
Total Income (Loss) from Investment Operations	<u>0.736</u>	<u>0.584</u>	<u>(0.373)</u>	<u>(0.541)</u>	<u>1.081</u>
Less Distributions					
From Net Investment Income	0.099	0.097	0.098	0.140	0.142
From Net Realized Gain	0.166	0.161	0.153	0.105	0.088
Total Distributions	<u>0.265</u>	<u>0.258</u>	<u>0.251</u>	<u>0.245</u>	<u>0.230</u>
Net Asset Value, End of Period	<u>\$ 5.585</u>	<u>\$ 5.114</u>	<u>\$ 4.788</u>	<u>\$ 5.412</u>	<u>\$ 6.198</u>

Ratios and Supplemental Data

Net Assets, End of Period (in thousands)	\$3,393,275	\$2,839,846	\$2,595,063	\$2,843,300	\$3,136,229
Ratio of Expenses to Average Net Assets	0.43%	0.40%	0.39%	0.23%	0.33%
Ratio of Net Investment Income to Average Net Assets	1.84%	2.01%	1.89%	2.44%	2.45%
Ratio of Distributions to Average Net Assets (5-quarter average)	4.89%	5.40%	4.86%	4.31%	3.99%
Ratio of Distributions to Average Net Assets (12-quarter average)	4.98%	4.86%	4.38%	4.12%	3.98%

Financial Statements

The University of Texas System

Short Intermediate Term Fund

Years ended August 31, 2004 and 2003

The University of Texas System Short Intermediate Term Fund

Financial Statements

Years ended August 31, 2004 and 2003

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**THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System Short Intermediate Term Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2004. This discussion was prepared by The University of Texas Investment Management Company (UTIMCO) and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of UT System institutional operating funds with an investment horizon of greater than one year. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's fiduciary net assets were \$1,178.0 million at August 31, 2004 compared to \$1,435.3 million at August 31, 2003.
- Investment income totaled \$33.2 million for the year ended August 31, 2004, compared to \$25.9 million for the year ended August 31, 2003.
- The Fund posted a net investment return of 2.49% for the fiscal year ended August 31, 2004, compared to a net investment return of 1.64% for the prior fiscal year.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Two financial statements are required by the GASB: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

**THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND**

The Fund emphasizes moderate liquidity and safety of principal through investment in high grade fixed income and floating rate obligations. The Fund's investments are diversified among eligible asset classes and issuers (excluding the U.S. Government) as defined in the Fund's investment policy. The Fund carries an AAA_f credit rating and a bond volatility risk rating of S₂ from Standard & Poor's Inc (S&P). AAA is the highest quality rating issued by S&P. An S₂ rating indicates low to moderate market risk exposure.

The Fund's investment policy mitigates interest rate risk by limiting its portfolio duration to a range of 0.5 years to 4 years. Duration estimates the impact small changes in interest rates will have on the value of the portfolio. At August 31, 2004, the option adjusted duration of the portfolio was 1.15 years. Simplistically, if there is a 1.00% increase (decrease) in yields, the value of the portfolio would (decrease) increase by 1.15%.

The following summarizes the Statements of Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Assets				
Investments, at Fair Value	\$1,383.3	\$1,633.2	\$ (249.9)	(15)%
Other Assets	129.7	6.3	123.4	1959
Total Assets	1,513.0	1,639.5	(126.5)	(8)
Liabilities				
	335.0	204.2	130.8	64
Net Assets Held in Trust	\$1,178.0	\$1,435.3	\$ (257.3)	(18)%

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of this statement is to present additions to the Fund resulting from net investment income and participant contributions and to present deductions from the Fund resulting from participant distributions.

**THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND**

The net increase in fair value of investments of the Fund was \$3.9 million during the year compared to a decrease of \$27.1 million for the year ended August 31, 2003. Investment expenses totaled \$0.6 million and \$0.7 million for the years ended August 31, 2004 and 2003, respectively.

The net decrease in fiduciary net assets was \$257.3 million and \$0.6 million, respectively, for the years ended August 31, 2004 and 2003.

Distributions to participants totaled \$28.6 million and \$52.3 million for the years ended August 31, 2004 and 2003, respectively. Fund income is either reinvested or distributed to the participating institutions monthly at their election.

The Fund's primary investment objective is to provide both (1) income and (2) capital appreciation when consistent with income generation, reasonable preservation of capital and the maintenance of adequate Fund liquidity.

The following summarizes the Statements Changes in Fiduciary Net Assets (in millions):

	2004	2003	Amount of Increase (Decrease)	Percent Change
Investment Income	\$ 33.2	\$ 25.9	\$ 7.3	28%
Less Investment Expenses	(0.7)	(0.7)	-	-
Net Investment Income	32.5	25.2	7.3	29
Participant Contributions	224.7	351.5	(126.8)	(36)
Total Additions	257.2	376.7	(119.5)	(32)
Participant Withdrawals	485.9	325.0	160.9	50
Participant Distributions	28.6	52.3	(23.7)	(45)
Total Deductions	514.5	377.3	137.2	36
Change in Fiduciary Net Assets	(257.3)	(0.6)	(256.7)	(42883)
Net Assets Held in Trust, Beginning of Period	1,435.3	1,435.9	(0.6)	-
Net Assets Held in Trust, End of Period	\$1,178.0	\$1,435.3	\$ (257.3)	(18)%

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying financial statements of The University of Texas System Short Intermediate Term Fund (the "Fund") as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 1, the financial statements present only The University of Texas System Short Intermediate Term Fund and do not purport to, and do not, present fairly the fiduciary net assets of The University of Texas Investment Management Company nor The University of Texas System as of August 31, 2004 and 2003 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of The University of Texas System Short Intermediate Term Fund as of August 31, 2004 and 2003, the changes in its fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of The University of Texas System Short Intermediate Term Fund. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules as of and for the years ended August 31, 2004 and 2003 have been subjected to the audit procedures applied in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in relation to the financial statements taken as a whole.



October 22, 2004

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Statements of Fiduciary Net Assets

August 31, 2004 and 2003

(Dollars in thousands, except per unit amounts)

	<u>2004</u>	<u>2003</u>
Assets		
Investments, at Fair Value:		
Cash and Cash Equivalents	\$ 615,006	\$ 566,960
U.S. Treasury Securities	101,472	376,642
U.S. Agency Bonds	449,975	452,071
U.S. Agency Mortgage Backed Bonds	216,836	217,732
Mortgage Backed Collateralized Mortgage Obligation	-	19,775
Total Investments	<u>1,383,289</u>	<u>1,633,180</u>
Receivables:		
Investment Securities Sold	126,603	-
Accrued Income Receivable	<u>3,073</u>	<u>6,353</u>
Total Assets	<u>1,512,965</u>	<u>1,639,533</u>
Liabilities		
Investment Securities Purchased	332,929	201,386
Income Distributions Payable to Participants	2,029	2,814
Other Payables and Accrued Expenses	<u>6</u>	<u>6</u>
Total Liabilities	<u>334,964</u>	<u>204,206</u>
Net Assets Held for Trust (118,671,708 and 144,736,640 units, respectively)	<u>\$ 1,178,001</u>	<u>\$ 1,435,327</u>
Net Asset Value Held for Trust Per Unit	<u>\$ 9.927</u>	<u>\$ 9.917</u>

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

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Statements of Changes in Fiduciary Net Assets

Years Ended August 31, 2004 and 2003

(in thousands)

	<u>2004</u>	<u>2003</u>
Additions		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	\$ 3,938	\$ (27,129)
Interest	28,576	52,263
Commitment Fees	655	741
Total Investment Income	<u>33,169</u>	<u>25,875</u>
Less Investment Expenses		
UTIMCO Management Fee	539	603
Custodial Fees and Expenses	73	74
Other Expenses	35	36
Total Investment Expenses	<u>647</u>	<u>713</u>
Net Investment Income	<u>32,522</u>	<u>25,162</u>
Participant Contributions	224,677	351,580
Total Additions	257,199	376,742
Deductions		
Participant Withdrawals	485,941	325,000
Participant Distributions	28,584	52,291
Total Deductions	514,525	377,291
Change in Fiduciary Net Assets	(257,326)	(549)
Net Assets Held in Trust, Beginning of Period	<u>1,435,327</u>	<u>1,435,876</u>
Net Assets Held in Trust, End of Period	<u>\$ 1,178,001</u>	<u>\$ 1,435,327</u>

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

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The University of Texas System Short Intermediate Term Fund (Fund) is a short intermediate term pooled investment fund established by The University of Texas System Board of Regents (Board of Regents) for the collective investment of operating funds and other short and intermediate term funds held by The University of Texas System Administration and the fifteen component institutions of The University of Texas System. The Fund carries an AAA_f credit quality rating and a bond fund volatility rating of S₂ from Standard & Poor's, Inc. (S&P). AAA is the highest credit quality rating issued by S&P. An S₂ rating indicates low to moderate market risk exposure. 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 activities of the Fund are accounted for as a fiduciary fund. The financial statements of the Fund use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB).

The annual combined financial statements of UT System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Significant Accounting Policies

- (A) Investment Policy – The Fund invests in high grade fixed income obligations as provided for in the Fund's Investment Policy statement. Limiting the duration of the Fund to a range of one-half to four years controls interest rate risk. The effective duration of any eligible investment should not exceed ten years.
- (B) Security Valuation – Investments are valued on the basis of market valuations provided by Merrill Lynch Securities Pricing Services and various other independent pricing services.
- (C) Investment Income – Interest income is accrued as earned. Premium and discounts on bonds are not amortized.
- (D) Security Transactions – Security transactions are accounted for on a trade date basis. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is impairment in the value of the security that is determined to be other than temporary.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

- (E) Federal Income Taxes – The Fund is not subject to federal income tax.
- (F) Fund Valuation – Valuation of the Fund’s units occurs weekly and at month-end. 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) Distributions to Participants – Accrued net investment income is allocated to participants each valuation period. Income is distributed to participants at the beginning of each month.
- (H) Purchases and Redemption of Units – The value of participating units, upon admission to or withdrawal from the Fund, is based upon the market value of net assets held as of the valuation date. There are no transaction costs incurred by participants to purchase or redeem units.
- (I) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.
- (J) Cash and Cash Equivalents – Cash and cash equivalents consist of money market funds, and are an integral part of the Fund’s investment strategy and activities.
- (K) Reclassifications – Certain items in the 2003 financial statements and related notes have been reclassified to conform with 2004 classification.

Note 3 – Note Purchase Commitment

The Fund has entered into a note purchase commitment with the Board of Regents of The University of Texas System Revenue Financing System that commits the Fund to acquire up to \$750 million of revenue financing system notes in the event of a failed remarketing of these notes. If the net asset value of the Fund declines below \$1,225 million and is expected to remain below this amount for thirty days, the Fund’s commitment will be \$250 million. If the net asset value of the Fund declines below \$875 million and is expected to remain below this amount for thirty days, the Fund’s commitment will be \$150 million.

Subsequent to August 31, 2004, an amendment was made to this note purchase commitment. This amendment is effective October 1, 2004, and changes the commitment of the Fund if the Fund declines below \$800 million and is expected to remain below this amount for thirty days, to \$300 million. This amendment supersedes all other terms related to reducing the commitment amount.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

During 2001, the Fund entered into an additional commitment in connection with the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 2001A. As of August 31, 2004, the Fund is committed to a maximum bond purchase commitment of \$45.6 million in the event of a failed remarketing of the Series 2001A bonds. The commitment amount as of August 31, 2003, was \$58.1 million. The amount of commitment is expected to decrease annually based on amortization of the Series 2001A bonds.

During 2004, the Fund entered into an additional commitment in connection with the Board of Regents of The University of Texas System Revenue Financing System Taxable Commercial Paper Notes, Series B that commits the Fund to purchase up to \$50 million in the event of a failed remarketing of these notes.

The commitment fees earned by the Fund were \$654,798 and \$741,438, respectively, for the years ended August 31, 2004 and 2003.

Note 4 – Investment Risk

The Fund's investments have been categorized as defined by the GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchasing Agreements) and Reverse Repurchase Agreements, to give an indication of the level of credit risk assumed by the Fund at August 31, 2004. Investments in U.S. Treasury Securities, U.S. Agency Bonds, Mortgage Backed Collateralized Mortgage Obligations and Investments classified as cash and cash equivalents have been categorized as category 1, as investments that are insured or registered investments held by the Fund or its agent in the Fund's name.

Note 5 – Fees and Expenses

The Fund is assessed an investment management fee by The University of Texas Investment Management Company. For the years ended August 31, 2004 and 2003, the fee was \$539,348 and \$603,402, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the 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 on-line communication services per the contractual agreement.

The Fund incurs other fees related to its operations consisting of audit fees, printing and graphic expenses, consultation fees and rating fees.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Supplemental Schedules

Schedule of Investments

August 31, 2004

(In thousands)

Description	Coupon	Maturity	Par Value	Value		Cost	
				\$	%	\$	%
Cash and Cash Equivalents							
Dreyfus Institutional Pfd Money Market			\$ 615,006	\$ 615,006	44.46%	\$ 615,006	44.33%
U.S. Treasury Securities							
U.S. Treasury Notes	3.38%	11/18/2008	27,500	27,786	2.01%	28,080	2.03%
U.S. Treasury Notes	3.38%	12/15/2008	73,000	73,686	5.33%	74,922	5.40%
Total U.S. Treasury Securities			<u>100,500</u>	<u>101,472</u>	<u>7.34%</u>	<u>103,002</u>	<u>7.43%</u>
U.S. Agency Bonds							
Federal Nat'l Mtg Association Debs	1.88%	12/15/2004	100,000	100,032	7.23%	100,383	7.24%
Federal Home Loan Mortgage Corp Debs	1.88%	1/15/2005	100,000	100,005	7.23%	100,344	7.23%
Federal Farm Credit Bks Cons Med Term Notes	2.13%	8/15/2005	250,000	249,938	18.07%	252,323	18.19%
Total U.S. Agency Bonds			<u>450,000</u>	<u>449,975</u>	<u>32.53%</u>	<u>453,050</u>	<u>32.66%</u>
U.S. Agency Mortgage Backed Bonds							
Fannie Mae Pool	7.00%	9/1/2014	9,343	9,943	0.72%	9,901	0.71%
Commitment to Purchase FHLMC Gold	5.50%	10/1/2018	122,200	126,076	9.11%	125,942	9.08%
Commitment to Purchase FHLMC Gold SFM	5.50%	10/1/2033	79,850	80,817	5.84%	80,324	5.79%
Total U.S. Agency Mortgage Backed Bonds			<u>211,393</u>	<u>216,836</u>	<u>15.67%</u>	<u>216,167</u>	<u>15.58%</u>
Total Investment in Securities			<u>\$ 1,376,899</u>	<u>\$ 1,383,289</u>	<u>100.00%</u>	<u>\$ 1,387,225</u>	<u>100.00%</u>

Ratios and Supplemental Data

	<u>2004</u>	<u>2003</u>
Ratio of Expenses to Average Net Assets	0.05%	0.05%
Ratio of Net Investment Income Distributed to Average Net Assets	2.30%	3.44%

PERMANENT UNIVERSITY FUND

THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND

PERMANENT HEALTH FUND

THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND

THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

Statement of Investment Performance Statistics

For the Year Ended August 31, 2004

Report of Independent Auditors

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

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund and the University of Texas System Short Intermediate Term Fund (collectively, the "Funds") for year ended August 31, 2004, and have issued our reports thereon dated October 22, 2004. We also have audited the accompanying schedule of investment performance statistics of the Funds for the year ended August 31, 2004. This schedule is the responsibility of the Funds' management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule of investment performance in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of investment performance statistics is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the aforementioned schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the composite rates of return on the respective investment portfolios of the Funds for the year ended August 31, 2004, on the basis described in Note 1.

Ernst & Young LLP

October 22, 2004

PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
FOR THE YEAR ENDED AUGUST 31, 2004

Investment Manager	Rate of Return for the Year Ended August 31, 2004				
	Permanent University Fund	General Endowment Fund	Permanent Health Fund	Long Term Fund	Short Intermediate Term Fund
NET OF FEES					
Domestic Equities					
Barclays Global Investors Russell 2000 Alpha Tilts	11.1 %	11.1 %	- %	- %	- %
Barclays Global Investors Russell 3000 Alpha Tilts	10.0	10.0	-	-	-
Barclays Global Investors S&P 500	11.4	11.4	-	-	-
Barclays Global Investors S&P 400 Mid Cap	12.5	12.5	-	-	-
S & P 500 Index Futures	10.3	10.5	-	-	-
Cordillera	(2.3)	(2.3)	-	-	-
Davis Hamilton Jackson	0.3	0.3	-	-	-
Forstmann Leff	22.3	21.5	-	-	-
GSAM Large Cap	11.9	11.8	-	-	-
GSAM Small Cap	11.3	11.2	-	-	-
MBA Investments	-	4.2	-	-	-
REITS	33.9	33.9	-	-	-
Value Act Capital	11.3	11.3	-	-	-
Total Domestic Equities	15.1	14.8	-	-	-
International Equities					
Barclays Global Investors EAFE International Fund	22.7	22.8	-	-	-
Barclays Global Investors International Alpha Tilts	22.8	22.8	-	-	-
Barclays Global Investors Emerging Markets Structured Fund	21.0	21.0	-	-	-
Capital Guardian Trust Small Cap International	28.4	28.5	-	-	-
GSAM Established Markets	24.7	23.9	-	-	-
Oechsle	18.4	18.4	-	-	-
Templeton	26.6	26.7	-	-	-
Total International Equities	20.3	20.4	-	-	-
Equity Hedge Funds					
Arrowstreet Capital	1.9	1.9	-	-	-
Eminence	15.0	15.0	-	-	-
Maverick Fund	9.5	9.5	-	-	-
Oaktree Capital Management	11.1	11.1	-	-	-
SG Partners	(6.2)	(6.2)	-	-	-
Sirios Overseas	1.8	1.8	-	-	-
Standard Pacific Capital Offshores Fund	6.0	6.0	-	-	-
Total Equity Hedge Funds	11.1	11.0	-	-	-
Absolute Return					
Farallon Capital Offshore Investors	13.1	13.1	-	-	-
Perry Partners International	16.9	16.7	-	-	-
Protégé Partners Fund	8.2	8.2	-	-	-
Satellite Fund	10.2	10.2	-	-	-
Total Absolute Return	13.0	13.0	-	-	-
Private Capital					
Internal	13.0	12.1	-	-	-
Commodities					
Goldman Sachs Commodity Index	25.9	25.9	-	-	-
Total Commodities	18.2	18.5	-	-	-
Fixed Income					
Internal	6.1	5.9	-	-	2.5
PIMCO Fixed Income	12.1	11.8	-	-	-
Total Fixed Income	9.6	9.6	-	-	2.5
TOTAL FUND (Net of fees)	14.7%	14.8%	14.6%	14.6%	2.5%
TOTAL FUND (Gross of fees)	15.0%	15.0%	14.7%	14.7%	2.5%

See note to statements of investment performance statistics.

**PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND**

NOTE TO STATEMENT OF INVESTMENT PERFORMANCE STATISTICS

1. BASIS OF PRESENTATION

The accompanying investment performance statistics have been computed net of investment management fees using the Modified Dietz Method, a time-weighted rate of return calculation published by the Association for Investment Management and Research. The total fund has been computed net and gross of investment management fees for comparative purposes.

For the Permanent University Fund, The University of Texas System General Endowment Fund (GEF), and The University of Texas System Short Intermediate Term Fund, the individual investment manager returns reported in the statement of investment performance statistics represent investment managers that were funded for the entire year ended August 31, 2004. The returns for the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF) are presented only for the total fund since the PHF and LTF purchased units in the GEF and no longer have individual investment managers. The return for the categories of total domestic equities, total international equities, total equity hedge funds, total absolute return, total commodities, total fixed income and total fund include investment managers that were funded or terminated during the year ended August 31, 2004.

The formula for the Modified Dietz Method is shown in Appendix I.

* * * * *

FORMULA FOR MODIFIED DIETZ METHOD

The formula for estimating the time-weighted rate of return using the Modified Dietz Method, R_{DIETZ} , is:

	Gross of Fees		Net of Fees
R_{DIETZ}	$= \frac{MVE - MVB - F}{MVB + FW}$	$R_{DIETZ(net)}$	$= \frac{MVE - MVB - F - FEES}{MVB + FW}$

where MVB is the market value at the beginning of the period, including accrued income from the previous period;
 MVE is the market value at the end of the period, including accrued income for the period;
 F is the sum of the cash flows within the period (contributions to the portfolio are positive flows, and withdrawals or distributions are negative flows);
 FW is the sum of each cash flow, F_i , multiplied by its weight, W_i ; and
 $FEES$ is the sum of investment management fees paid during the period.

W_i is the proportion of the total number of days in the period that the cash flow F_i has been in (or out of) the portfolio. The formula for W_i is:

$$W_i = \frac{CD - D_i}{CD}$$

where CD is the total number of days in the period; and
 D_i is the number of days since the beginning of the period in which cash flow F_i occurred.