

Financial Statements

Permanent University Fund

Years Ended August 31, 2005 and 2004

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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 period ended August 31, 2005. 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 \$1,338.8 million from \$8,087.9 million to \$9,426.7 million, or approximately 16.6% for the year ended August 31, 2005, compared to an increase of \$843.1 or approximately 11.6% for the year ended August 31, 2004. The change in net fiduciary assets from year to year is mainly attributable to the following:
 1. Fiscal year 2005 contributions of PUF Lands mineral income increased by 31.7% from \$146.7 million to \$193.1 million and represented 2.2% of the average value of the PUF investments during the year, compared to fiscal year 2004 contributions which 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.
 2. The PUF posted a net investment return of 18.80% for the year ended August 31, 2005. Investments in commodities, limited partnerships and global equities were the leading contributors to the 2005 return. For the fiscal year ended August 31, 2004, the commodities and domestic and global equity asset classes were the leading performers contributing to a net investment return of 14.73%.
 3. The PUF's annual distribution to the Available University Fund (AUF) decreased by 2.0% in fiscal year 2005, compared to a decrease of 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

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required under 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.

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

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets of the PUF under UTIMCO management as of the end of the fiscal year. These statements, along with all of the PUF's financial statements, are 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 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>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
Investments, at Fair Value	\$ 9,575.6	\$ 8,080.4	\$ 7,352.3
Other Assets	1,224.0	970.0	386.0
Total Assets	<u>10,799.6</u>	<u>9,050.4</u>	<u>7,738.3</u>
Total Liabilities	<u>1,372.9</u>	<u>962.5</u>	<u>493.5</u>
Net Assets Held in Trust	<u>\$ 9,426.7</u>	<u>\$ 8,087.9</u>	<u>\$ 7,244.8</u>

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Statements of Changes in Fiduciary Net Assets

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

The net increase in fair value of investments of the PUF was \$1,298.7 million during the year compared to \$899.9 million for the year ended August 31, 2004. Investment expenses totaled \$46.0 million, \$23.4 million, and \$15.2 million, respectively, for the years ended August 31, 2005, 2004, and 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 by \$6.8 million, from \$348.0 million in fiscal year 2004 to \$341.2 million, in fiscal year 2005. The fiscal year 2004 distribution amount decreased by \$15.0 million from the fiscal year 2003 distribution of \$363.0 million. 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>2005</u>	<u>2004</u>	<u>2003</u>
Investment Income	\$ 1,537.9	\$ 1,072.5	\$ 787.7
Less Investment Expenses	(46.0)	(23.4)	(15.2)
PUF Lands Contributions	193.1	146.7	102.1
Total Additions	<u>1,685.0</u>	<u>1,195.8</u>	<u>874.6</u>
Administrative Expenses			
PUF Lands Expenses	4.7	4.7	5.1
UT System Oversight Fee	0.3	-	-
Distributions to Available University Fund	341.2	348.0	363.0
Total Deductions	<u>346.2</u>	<u>352.7</u>	<u>368.1</u>
Change in Fiduciary Net Assets	1,338.8	843.1	506.5
Net Asset Held in Trust, Beginning of Period	<u>8,087.9</u>	<u>7,244.8</u>	<u>6,738.3</u>
Net Assets Held in Trust, End of Period	<u><u>\$ 9,426.7</u></u>	<u><u>\$ 8,087.9</u></u>	<u><u>\$ 7,244.8</u></u>

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

We have audited the accompanying financial statements of the Permanent University Fund (PUF) as of and for the years ended August 31, 2005 and 2004, 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. We were not engaged to perform an audit of the PUF's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PUF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004 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, 2005 and 2004, 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 an opinion 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, 2005 and 2004 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 21, 2005

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Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(in thousands)

Assets	2005	2004
Investments, at Fair Value:		
Equity Securities	\$ 1,842,238	\$ 1,396,131
Preferred Stock	2,690	7,325
Debt Securities	1,640,094	1,270,321
Convertible Securities	5,010	4,812
Investment Funds	4,748,465	4,153,102
Purchased Options	20,153	-
Cash and Cash Equivalents	1,316,942	1,248,712
Total Investments	<u>9,575,592</u>	<u>8,080,403</u>
Collateral for Securities Loaned, at Fair Value	914,938	717,183
Deposit with Broker for Derivative Contracts	64,164	83,406
Unrealized Gains on Foreign Currency Exchange Contracts	10,903	1,843
Receivables:		
Investment Securities Sold	203,320	148,726
Accrued Income	19,901	12,383
Other	10,809	6,405
Total Receivables	<u>234,030</u>	<u>167,514</u>
Total Assets	<u>10,799,627</u>	<u>9,050,349</u>
Liabilities		
Payable Upon Return of Securities Loaned	914,938	717,183
Options Written, at Fair Value	35,548	-
Unrealized Losses on Foreign Currency Exchange Contracts	8,607	1,333
Payables:		
Investment Securities Purchased	387,385	230,050
Other	26,406	13,905
Total Liabilities	<u>1,372,884</u>	<u>962,471</u>
Net Assets Held in Trust	<u>\$ 9,426,743</u>	<u>\$ 8,087,878</u>

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, 2005 and 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income:		
Net Increase in Fair Value of Investments	\$ 1,298,679	\$ 899,915
Interest	107,905	53,638
Dividends	75,977	79,362
Income Distributions from Limited Partnerships	29,897	33,418
Securities Lending Income	23,384	3,494
Other	2,123	2,684
Total Investment Income	<u>1,537,965</u>	<u>1,072,511</u>
Less Investment Expenses:		
Investment Management and Consulting Fees	19,580	14,320
Securities Lending Fees	20,943	2,340
UTIMCO Management Fee	3,401	5,361
Custodial Fees and Expenses	1,035	781
Legal	620	329
Analytical and Risk Measurement Fees	276	169
Other	118	111
Total Investment Expenses	<u>45,973</u>	<u>23,411</u>
Net Investment Income	1,491,992	1,049,100
Contributions from PUF Lands	193,092	146,667
Total Additions	<u>1,685,084</u>	<u>1,195,767</u>
Administrative Expenses		
PUF Lands Expenses	4,746	4,683
UT System Oversight Fee	299	-
Total Administrative Expenses	<u>5,045</u>	<u>4,683</u>
Distributions to Available University Fund	341,174	348,034
Total Deductions	<u>346,219</u>	<u>352,717</u>
Change in Fiduciary Net Assets	1,338,865	843,050
Net Assets Held in Trust, Beginning of Period	8,087,878	7,244,828
Net Assets Held in Trust, End of Period	<u><u>\$ 9,426,743</u></u>	<u><u>\$ 8,087,878</u></u>

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

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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 PUF 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 requirements 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

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Notes to Financial Statements (cont.)

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.

(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.

(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.

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Notes to Financial Statements (cont.)

(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 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.

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. Options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net assets.

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

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Notes to Financial Statements (cont.)

commodity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included as an other receivable or other payable 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 – The PUF enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. 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 other receivable or other payable 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 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.

(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 2004 financial statements and related notes have been reclassified to conform with 2005 classification.

Note 3 – Investment Risk

The investment risk disclosure that follows relates to the PUF's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4.

(A) **Credit Risk**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The PUF's investment policy limits investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that are rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2005.

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Notes to Financial Statements (cont.)

Investment Type	Fair Value	Rating
Investments, at Fair Value:		
U.S. Government Guaranteed	\$ 790,948,277	Exempt from Disclosure
U.S. Government Non-Guaranteed:		
U.S. Agency	74,365,601	AAA
U.S. Agency	15,081,337	A
U.S. Agency Asset Backed	296,764,647	AAA
Total U.S. Government Non-Guaranteed	<u>386,211,585</u>	
Total U.S. Government	<u>1,177,159,862</u>	
Corporate Obligations:		
Domestic	51,515,221	AAA
Domestic	7,468,645	AA
Domestic	58,269,288	A
Domestic	36,289,766	BAA/BBB
Domestic	13,435,407	BBB
Domestic	9,936,502	BAA
Domestic	10,252,189	BA/BB
Domestic	4,878,256	BB
Domestic	447,704	BA
Domestic	5,361,874	B
Domestic	568,075	CAA
Domestic	508,913	CA
		Rating
Domestic	3,200,468	Withdrawn
Commercial Paper	55,066,422	P
Foreign	18,171,840	AAA
Foreign	1,836,940	AA
Foreign	122,945	A
Foreign	<u>2,020,588</u>	BAA/BBB
Total Corporate Obligations	<u>279,351,043</u>	
Foreign Government and Provincial Obligations	128,595,030	AAA
Foreign Government and Provincial Obligations	17,815,716	AA
Foreign Government and Provincial Obligations	2,839,229	A
Foreign Government and Provincial Obligations	6,781,635	BAA/BBB
Foreign Government and Provincial Obligations	316,950	BAA
Foreign Government and Provincial Obligations	5,741,745	BA
Foreign Government and Provincial Obligations	<u>1,994,411</u>	B
Total Foreign Government and Provincial Obligations	<u>164,084,716</u>	
Other Debt Securities	8,270,200	AAA
Other Debt Securities	1,754,051	AA
Other Debt Securities	2,466,629	A
Other Debt Securities	<u>7,007,669</u>	BAA/BBB
Total Other Debt Securities	<u>19,498,549</u>	
Total Debt Securities	<u>\$ 1,640,094,170</u>	
Other Investment Funds - Debt	\$ 2,041,171	AAA
Other Investment Funds - Debt	21,929,620	BB
Total Other Investment Funds - Debt	<u>\$ 23,970,791</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 1,297,001,002	AAA
Cash and Cash Equivalents - Other	19,941,012	Exempt from Disclosure
Total Cash and Cash Equivalents	<u>\$ 1,316,942,014</u>	
Deposit with Broker for Derivative Contracts:		
U.S. Government Guaranteed	\$ 56,437,849	Exempt from Disclosure
Cash	7,725,856	Exempt from Disclosure
	<u>\$ 64,163,705</u>	

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

(B) Concentrations of Credit Risk

The PUF's investment policy statement contains the limitation that no more than 5% of the market value of domestic fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2005, the PUF does not hold any direct investments in any one issuer that represents five percent or more of total investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the PUF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the PUF will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the PUF's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2005, the PUF does not have any deposits or investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the PUF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the PUF's investments to changes in interest rates. The PUF has no specific policy statement limitations with respect to its overall modified duration. The table below summarizes the PUF's modified duration by investment type as of August 31, 2005.

PERMANENT UNIVERSITY FUND
Notes to Financial Statements (cont.)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
Investments in Securities:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 214,361,842	6.31
U.S. Treasury Strips	7,279,180	6.00
U.S. Treasury Bills	13,616,702	0.14
U.S. Treasury Inflation Protected	537,547,502	8.04
U.S. Agency Asset Backed	18,143,051	5.39
Total U.S. Government Guaranteed	<u>790,948,277</u>	7.36
U.S. Government Non-Guaranteed:		
U.S. Agency	89,446,938	5.08
U.S. Agency Asset Backed	296,764,647	3.41
Total U.S. Government Non-Guaranteed	<u>386,211,585</u>	3.80
Total U.S. Government	<u>1,177,159,862</u>	6.19
Corporate Obligations:		
Domestic	202,132,308	5.21
Commercial Paper	55,066,422	0.21
Foreign	22,152,313	5.34
Total Corporate Obligations	<u>279,351,043</u>	4.24
Foreign Government and Provincial Obligations	<u>164,084,716</u>	7.21
Other Debt Securities	<u>19,498,549</u>	9.54
Total Debt Securities	<u>\$ 1,640,094,170</u>	6.00
Other Investment Funds - Debt	<u>\$ 23,970,791</u>	5.96
Cash and Cash Equivalents:		
Money Market Funds	1,297,001,002	0.08
Other	19,941,012	-
Total Cash and Cash Equivalents	<u>\$ 1,316,942,014</u>	0.08
Total	<u>\$ 2,981,006,975</u>	3.39
Deposit with Brokers for Derivative Contracts:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 203,478	0.41
U.S. Treasury Bills	56,234,371	0.21
Total U.S. Government Guaranteed	<u>56,437,849</u>	0.21
Cash	<u>7,725,856</u>	-
Total Deposit with Brokers for Derivative Contracts	<u>\$ 64,163,705</u>	0.18

(E) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

In accordance with the PUF's investment policy statement, the PUF may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The PUF also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. As of August 31, 2005, the PUF's investments include the following investments that are highly sensitive to interest rate changes:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, these securities amounted to \$114,208,947.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, these securities amounted to \$155,278,025.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2005 these securities amounted to \$21,235,066.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. As of August 31, 2005, these securities amounted to \$7,940,387.

(F) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the PUF's non-U.S. dollar investments. The PUF's investment policy statement limits investments in non-U.S. denominated bonds to 50% of the PUF's total fixed income exposure. The table below summarizes the PUF's non-U.S. dollar investments by asset type.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Investment Type	Fair Value	Investment Type	Fair Value
Foreign Common Stock:		Purchased Options:	
Australian Dollar	\$ 19,685,669	Canadian Dollar	\$ 1,257,214
Canadian Dollar	69,967,844	Euro	40,678
Swiss Franc	16,323,020	Total Purchased Options	1,297,892
Danish Krone	3,734,421	Limited Partnerships:	
Euro	123,903,374	Euro	77,172,078
UK Pound	40,393,465	UK Pound	10,583,599
Hong Kong Dollar	7,468,954	Total Limited Partnerships	87,755,677
Japanese Yen	197,780,953	Cash and Cash Equivalents:	
South Korean Won	3,026,225	Australian Dollar	123,814
Norwegian Krone	18,202,601	Canadian Dollar	6,040,801
Swedish Krona	7,836,508	Swiss Franc	120,616
Singapore Dollar	11,281,848	Danish Krone	25,224
Total Foreign Common Stock	519,604,882	Euro	1,965,790
Foreign Government and Provincial Obligations:		UK Pound	22,520
Australian Dollar	890,061	Hong Kong Dollar	17,193
Canadian Dollar	646,187	Japanese Yen	21,559,455
Danish Krone	2,512,493	Mexican New Peso	177
Euro	130,886,845	Norwegian Krone	13,252
UK Pound	9,386,303	New Zealand Dollar	1
Polish Zloty	2,839,229	Polish Zloty	163,394
Total Foreign Government and Provincial Obligations	147,161,118	Swedish Krona	37,873
Corporate Obligations:		Singapore Dollar	89,348
Euro	15,209,803	Taiwan Dollar	996,252
UK Pound	3,283,894	Total Cash and Cash Equivalents	31,175,710
Total Corporate Obligations	18,493,697		
		Total	\$ 805,488,976

Note 4 – Securities Lending

In accordance with the prudent investor investment standards, the PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income, and associated expenses are included in investment expenses. 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, 2005 and August 31, 2004:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Securities on Loan	2005 Value	2004 Value	Type of Collateral	2005 Value of Collateral	2004 Value of Collateral
U.S. Government	\$ 690,148,767	\$ 416,432,428	Cash	\$697,889,734	\$422,163,748
Foreign Government	22,252,445	3,218,959	Cash	23,365,980	3,291,930
Corporate Bonds	11,696,791	15,260,347	Cash	12,020,843	15,607,230
Common Stock	174,098,254	266,626,615	Cash	181,661,565	276,120,435
Total	\$898,196,257	\$701,538,349	Total	\$914,938,122	\$717,183,343
Common Stock	\$ 330,537	\$ 486,664	Non-Cash	\$ 341,911	\$ 499,617
U.S. Government	22,666,389	5,859,806	Non-Cash	24,356,521	7,018,253
Total	\$ 22,996,926	\$ 6,346,470	Total	\$ 24,698,432	\$ 7,517,870

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the PUF, the General Endowment Fund, and other Board of Regent accounts that participate in securities lending activities by the securities lending agent. The pool is managed in accordance with investment guidelines established in the securities lending contract between the PUF and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities for interest on the cash collateral received. The income remaining after the borrower rebates is then shared by the PUF and the securities lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower is made from the PUF and the securities lending agent in the same proportion as income is shared.

The PUF's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2005 is shown in the following table.

Description	Fair Value	Rating	Weighted Average Maturity In Days
		No Rating	
Repurchase Agreements	\$ 431,176,486	Available	1
Commercial Paper	370,595,246	P	36
Floating Rate Notes	8,375,488	AAA	
Floating Rate Notes	93,724,729	AA	
Total Floating Rate Notes	102,100,217		37
Certificates of Deposit	13,780,760	P	50
Asset Backed Securities	522,304	AAA	168
Other Receivables/Payables	(3,236,891)	Not Rated	-
Total Collateral Pool Investment	\$ 914,938,122		20

Collateral pool investments are uninsured, and are held by the PUF's securities lending agent, in its name, on behalf of the PUF, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the PUF or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or a counterparties trust department or agent.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of fiduciary net assets. 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.

In the event of default, where the borrower is unable to return the securities loaned, the PUF has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the PUF from any loss due to borrower default.

As of August 31, 2005, the PUF had no credit risk exposure to borrowers because the amounts the PUF owed to borrowers exceeded the amounts the borrowers owed the PUF.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the year ended August 31, 2005.

Note 5 – 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,	
	2005	2004
Equity		
Long/Short - Global Equity	\$ 619,397,020	\$ 483,662,145
Long/Short - Emerging Markets	108,934,550	54,952,290
Long/Short - U.S.	91,156,847	63,294,129
Long/Short - Developed Asia	37,577,767	31,532,158
Long/Short - Technology and Life Sciences	34,026,927	30,954,891
Long/Short - International	26,240,516	-
	<u>917,333,627</u>	<u>664,395,613</u>
Absolute Return		
Multistrategy - Global Event Oriented and Arbitrage	824,139,891	727,404,307
Long/Short - Global Market Neutral	176,527,647	132,056,675
Fund of Funds	142,236,010	130,142,152
Multistrategy - Global Market Neutral	91,892,883	52,807,167
Multistrategy - Japan Event Oriented	32,084,456	14,558,606
Multistrategy - European Event Oriented and Arbitrage	27,109,150	-
Multistrategy - Global Special Situations	19,875,570	-
Global Long/Short Credit	6,547,450	-
	<u>1,320,413,057</u>	<u>1,056,968,907</u>
Total Hedge Funds	<u>\$ 2,237,746,684</u>	<u>\$ 1,721,364,520</u>

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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 6 – Index Funds

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

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 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 Financial Statements (cont.)

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 Mid-Cap 400 Index.

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.

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,	
	2005	2004
Active International Equity Fund B	\$ 205,132,587	\$ 167,315,907
Russell 3000 Alpha Tilts Fund B	193,234,689	152,835,970
Russell 2000 Alpha Tilts Fund B	142,989,966	127,003,548
EAFE Equity Index Fund B	110,496,910	295,451,521
Emerging Markets Structured Tiered Fund B	73,676,011	88,670,026
Mid-Cap Index Fund B Lendable	40,388,711	32,266,482
Equity Index Fund B Lendable	9,703,059	72,159,163
	<u>\$ 775,621,933</u>	<u>\$ 935,702,617</u>

Note 7 – 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:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	August 31,	
	2005	2004
U.S. Private Equity	\$ 398,679,413	\$ 384,335,097
Venture Capital	142,867,343	116,487,352
Non-U.S. Private Equity	129,010,000	122,295,181
Opportunistic	103,899,754	68,561,313
Mezzanine	44,841,092	60,101,058
Direct Investments	14,247,154	12,408,598
Oil and Gas	7,903,434	8,527,459
	<u>\$ 841,448,190</u>	<u>\$ 772,716,058</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.

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.

Direct investments represent the PUF's direct interests 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.

Note 8 – Commitments

The PUF had unfunded contractual commitments for Limited Partnerships and Other assets of \$716,010,640 as of August 31, 2005.

Note 9 – Written Options

For the year ended August 31, 2005, the PUF wrote call options on Treasury note, commodity, and domestic and international equity index futures and exchange traded funds. Transactions in call options written during the year ended August 31, 2005 were as follows:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2004	-	\$ -
Options Written	1,474,897	5,672,471
Options Expired	(1,854)	(661,433)
Call Options Outstanding at August 31, 2005	<u>1,473,043</u>	<u>\$ 5,011,038</u>

The fair value of call options outstanding as of August 31, 2005, was \$31,222,625. This amount is included on the statement of fiduciary net assets as written options, at fair value. The PUF had \$649,996 on deposit with a broker for collateral for call options written as of August 31, 2005. The PUF recognized losses of \$25,561,987 on call options written for the year ended August 31, 2005.

During the year ended August 31, 2004, the PUF wrote call options on Treasury bond and domestic 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 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.

The PUF also wrote put options on Treasury note, commodity, and domestic and international equity index futures for the year ended August 31, 2005. Transactions in put options written during the year ended August 31, 2005, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2004	-	\$ -
Options Written	1,396,618	1,424,492
Options Expired	(166,505)	(1,076,924)
Put Options Outstanding at August 31, 2005	<u>1,230,113</u>	<u>\$ 347,568</u>

The fair value of put options outstanding as of August 31, 2005, was \$4,325,291. This amount was included on the statement of fiduciary net assets as written options, at fair value. The PUF recognized losses in the amount of \$2,901,759 on put options written for the year ended August 31, 2005. During the year ended August 31, 2004, there were no transactions in put options written.

Note 10 – Swaps

During the year the PUF entered into interest rate, credit default 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, 2005:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Currency	Coupon	Notional Value	Maturity Date	Fair Value at August 31, 2005	
				Assets	Liabilities
Interest Rate					
Australian Dollar					
	6.000%	\$ 18,700,000	6/15/2010	\$ 316,586	\$ -
	6.000%	15,200,000	6/15/2010	257,332	-
	6.000%	10,700,000	6/15/2015	-	291,062
	6.000%	8,700,000	6/15/2015	-	237,572
UK Pound					
	5.000%	16,800,000	9/15/2010	792,855	-
	5.000%	6,600,000	9/15/2010	311,479	-
	5.000%	4,700,000	9/15/2010	221,810	-
	5.000%	2,500,000	9/15/2010	117,984	-
	5.000%	2,400,000	9/15/2010	113,265	-
	5.000%	1,100,000	6/18/2034	112,526	-
	5.000%	2,000,000	6/15/2008	41,565	-
	5.000%	1,500,000	6/15/2008	31,174	-
	5.000%	400,000	9/15/2010	18,877	-
	5.000%	200,000	9/15/2010	9,439	-
	5.000%	1,200,000	6/18/2034	-	123,693
	5.000%	1,100,000	6/18/2034	-	113,385
	5.000%	1,200,000	9/15/2015	-	93,271
	5.000%	300,000	9/15/2015	-	23,318
	5.000%	200,000	9/15/2015	-	15,545
Canadian Dollar					
	5.500%	2,900,000	12/16/2014	-	94,683
	5.500%	2,200,000	12/16/2014	-	71,828
	5.500%	2,000,000	12/16/2014	-	65,298
	4.500%	600,000	6/15/2025	-	376
Euro					
	5.000%	2,300,000	6/16/2014	417,006	-
	4.000%	3,200,000	6/17/2010	233,932	-
	4.000%	1,600,000	6/17/2010	116,947	-
	5.000%	100,000	6/17/2015	18,843	-
	4.000%	34,630,000	6/16/2014	-	3,001,413
	4.000%	8,570,000	6/17/2010	-	626,399
	4.000%	3,000,000	12/15/2014	-	238,769
	4.500%	1,700,000	6/17/2015	-	232,249
	4.500%	1,500,000	6/17/2015	-	204,925
	4.500%	1,500,000	6/17/2015	-	204,925
	4.500%	700,000	6/17/2015	-	95,632
	4.000%	1,200,000	12/15/2014	-	95,508
Japanese Yen					
	1.000%	800,000,000	3/20/2009	50,952	-
	0.800%	720,000,000	3/30/2012	44,327	-
	2.000%	870,000,000	12/20/2013	-	516,121
	2.000%	530,000,000	6/15/2012	-	333,901
	2.000%	110,000,000	12/20/2013	-	65,257

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

				Fair Value at August 31, 2005	
Currency	Coupon	Notional Value	Maturity Date	Assets	Liabilities
Interest Rate					
U.S. Dollar					
	4.000%	\$ 24,800,000	12/15/2010	\$ 324,357	\$ -
	4.000%	20,800,000	12/15/2010	296,197	-
	4.000%	36,900,000	12/15/2007	178,801	-
	4.000%	7,100,000	12/15/2010	101,105	-
	5.500%	2,800,000	12/16/2014	93,000	-
	5.500%	2,300,000	12/16/2014	76,393	-
	4.000%	4,100,000	12/15/2010	58,385	-
	5.500%	1,600,000	12/16/2014	53,143	-
	4.000%	2,300,000	12/15/2010	32,752	-
	5.000%	33,000,000	12/15/2015	-	1,362,213
	5.000%	32,700,000	12/15/2012	-	1,181,797
	3.000%	95,900,000	6/15/2006	-	777,349
	5.000%	14,300,000	12/15/2015	-	590,292
	5.000%	11,000,000	12/15/2015	-	454,071
	5.000%	7,400,000	12/15/2015	-	305,466
	5.000%	4,700,000	12/15/2015	-	194,012
	5.000%	3,600,000	12/15/2015	-	148,605
	5.000%	2,900,000	12/15/2015	-	119,710
	4.000%	24,600,000	6/21/2007	-	84,553
	5.000%	1,400,000	12/15/2015	-	57,791
	5.000%	800,000	12/15/2015	-	33,023
	5.000%	700,000	12/15/2012	-	25,298
	4.000%	300,000	12/15/2007	-	1,454
	4.000%	200,000	12/15/2007	-	969
				4,441,032	12,081,733
Credit Default					
U.S. Dollar					
	4.550%	700,000	6/20/2007	29,054	-
	4.600%	600,000	6/20/2007	25,417	-
	3.500%	1,000,000	6/20/2006	16,269	-
	3.000%	800,000	6/20/2006	9,837	-
	3.200%	700,000	6/20/2006	9,720	-
	4.300%	1,000,000	6/20/2010	9,397	-
	2.450%	500,000	9/20/2007	-	1,210
				99,694	1,210
Commodity					
U.S. Dollar					
	TBill + 36.5 Basis Points	96,628,586	9/23/2005	3,652,561	-
	TBill + 45 Basis Points	69,200,000	9/23/2005	2,615,760	-
				6,268,321	-
Total				\$ 10,809,047	\$ 12,082,943

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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
				6,372,392	6,411,879
Total Return					
U.S. Dollar					
	-	700,000	9/30/2004	16,745	-
	-	700,000	11/1/2004	15,645	-
				32,390	-
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	-	-
				-	2,781,840
Total				\$ 6,404,782	\$ 9,193,719

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 11 – Futures

During the periods ended August 31, 2005 and August 31, 2004, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The PUF had \$63,513,709 and \$83,406,268 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2005, and August 31, 2004, 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 \$103,700,479 and \$64,446,069 for the years ended August 31, 2005 and August 31, 2004, 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, 2005 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2005		Carrying and Fair Value at August 31, 2005	
			Long	Short	Assets	Liabilities
Domestic Fixed Income						
U.S. 5 Year Treasury Notes	648	Dec-05	\$ 70,227,000	\$ -	\$ 198,499	\$ -
U.S. 10 Year Treasury Notes	80	Sep-05	-	9,033,750	-	34,610
U.S. 10 Year Treasury Notes	114	Dec-05	-	12,776,906	-	58,092
U.S. Treasury Bond	154	Sep-05	18,229,750	-	105,875	-
U.S. Treasury Bond	24	Dec-05	2,832,750	-	16,500	-
			<u>91,289,500</u>	<u>21,810,656</u>	<u>320,874</u>	<u>92,702</u>
Domestic Equity						
Dow Jones Index	488	Sep-05	51,249,760	-	424,560	-
Russell 2000 Index Mini	8,110	Sep-05	-	541,099,200	-	10,786,300
S&P 500 Index	1,527	Sep-05	466,269,450	-	4,884,942	-
S&P 500 Index	1,490	Dec-05	457,355,500	-	4,769,580	-
S&P 500 Index Mini	33	Sep-05	-	2,015,475	-	-
S&P Midcap 400 Index Mini	57	Sep-05	4,066,950	-	68,970	-
S&P Midcap 400 Index Mini	760	Sep-05	-	54,226,000	-	919,600
			<u>978,941,660</u>	<u>597,340,675</u>	<u>10,148,052</u>	<u>11,705,900</u>
Commodities						
Goldman Sachs Commodities	2,866	Sep-05	332,527,650	-	-	2,077,850
Foreign Fixed Income						
90 Day Euro Dollar	217	Dec-05	52,036,600	-	70,525	-
90 Day Euro Dollar	101	Mar-06	24,210,962	-	39,138	-
Euro-Bund	255	Sep-05	38,872,177	-	909	-
Euro-Bund	161	Dec-05	24,220,076	-	-	-
Japan 10 Year Bond	41	Sep-05	51,508,710	-	-	314,176
Japan 10 Year Bond	6	Dec-05	7,520,580	-	-	-
UK Long Gilt	5	Sep-05	1,026,972	-	4,596	-
			<u>199,396,077</u>	<u>-</u>	<u>115,168</u>	<u>314,176</u>
Foreign Equity						
Amsterdam Index	107	Sep-05	10,259,064	-	-	-
DJ Euro Stoxx 50	19	Sep-05	-	764,106	-	-
DJ Euro Stoxx 50	1,963	Sep-05	78,944,194	-	676,237	-
FTSE 100 Index	1,707	Sep-05	162,563,111	-	958,577	-
FTSE/JSE Top 40	735	Sep-05	15,858,642	-	108,074	-
Hang Seng Index	49	Sep-05	4,695,638	-	-	1,525
IBEX Index	63	Sep-05	-	7,771,687	-	-
MSCI Singapore Index	229	Sep-05	7,330,936	-	-	13,592
MSCI Taiwan Index	736	Sep-05	18,473,600	-	-	-
S&P/MIB Index	45	Sep-05	-	9,276,912	-	-
S&P/TSE 60 Index	87	Sep-05	-	8,792,997	-	-
SPI 200 Index	179	Sep-05	-	14,921,238	-	-
Topix Index	375	Sep-05	42,870,157	-	-	46,336
			<u>340,995,342</u>	<u>41,526,940</u>	<u>1,742,888</u>	<u>61,453</u>
Total			<u>\$ 1,943,150,229</u>	<u>\$ 660,678,271</u>	<u>\$ 12,326,982</u>	<u>\$ 14,252,081</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, 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.)***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, 2005 and 2004. Foreign currency amounts are translated at exchange rates as of August 31, 2005 and 2004. 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, 2005	Net Sell August 31, 2005	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2005	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2005
Australian Dollar	\$ 21,006,327	\$ –	\$ 137,960	\$ 192,107
Canadian Dollar	–	44,241,372	157,597	623,896
Chilean Peso	211,478	–	3,799	–
Chinese Yuan Renminbi	23,736,172	–	375	360,101
Czech Koruna	2,228,118	–	47,603	5,905
Danish Krone	–	1,787,247	6,211	–
Euro	–	73,873,103	3,640,465	1,155,744
Hong Kong Dollar	4,648,253	–	266	1,111
Hungarian Forint	1,070,352	–	47,976	18,299
Indonesian Rupian	447,231	–	32,231	–
Japanese Yen	135,263,487	–	791,764	3,023,537
Mexican New Peso	8,468,512	–	188,049	28,995
New Zealand Dollar	–	1,452,918	29,740	13,923
Norwegian Krone	–	11,949,970	47,560	64,707
Polish Zloty	365,021	–	364,231	35,517
New Russian Rubel	238,736	–	133	922
Singapore Dollar	3,108,832	–	99,809	89,675
Slovak Koruna	470,891	–	57	5,634
South African Comm Rand	5,539,813	–	179,152	11,077
South Korean Won	10,858,291	–	86,780	333,537
Swedish Krona	5,079,572	–	166,078	190,716
Swiss Franc	6,358,485	–	28,934	362,165
New Taiwan Dollar	21,206,011	–	30,744	728,095
UK Pound	179,187,625	–	4,815,456	1,361,059
	\$ 429,493,207	\$ 133,304,610	\$ 10,902,970	\$ 8,606,722

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

Currency	Net Buy	Net Sell	Unrealized Gains on Foreign Currency Exchange Contracts	Unrealized Losses on Foreign Currency Exchange Contracts
	August 31, 2004	August 31, 2004	August 31, 2004	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>

Note 13 – Note Purchase Commitment

The PUF has 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 will receive an annual commitment fee equal to 0.15% of the notes outstanding. For a portion of the year ended August 31, 2005, there were amounts of UT System flexible rate notes outstanding, as of August 31, 2005, however, there were none.

The note purchase agreement between the PUF and the Texas A&M System Board of Regents remained the same. Under the original agreement the PUF receives an annual commitment fee equal to 0.1% of the commitment amount.

The commitment fees earned by the PUF were \$159,000 for the year ended August 31, 2005. The commitment fees earned by the PUF under these agreements were \$323,425 for the year ended August 31, 2004.

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%. For the years ending August 31, 2005 and 2004, the PUF received \$588,861 and \$213,099, respectively of revenue sharing income, which is included in other investment income on the Statement of Changes in Fiduciary Net Assets.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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, 2006, will be \$357,337,225. The first payment in the amount of \$100,000,000 was made September 1, 2005.

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 0.9%. 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 year ended August 31, 2005 was \$3,400,636, net of a rebate of \$2,390,343 of prior year reserves from UTIMCO to the PUF. The fees assessed for the year ended August 31, 2004 were \$5,360,677.

The PUF is assessed a fee to cover expenses related to the management of the PUF Lands. The fee assessed for the year ended August 31, 2005 was \$4,745,460 and was \$4,682,804 for the year ended August 31, 2004. Beginning in fiscal year 2005, the PUF is assessed a fee to cover costs associated with UT System personnel and UT System consultants hired to provide assistance to the Board of Regents of UT System and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the year ended August 31, 2005, the fee amounted to \$298,771.

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.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

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, 2005 and, 2004
(in thousands)

	2005		2004	
Equity Securities				
Domestic Common Stock	\$1,311,875	13.70%	\$ 998,374	12.36%
Foreign Common Stock	516,816	5.40%	391,343	4.84%
Other	13,547	.14%	6,414	.08%
Total Equity Securities	1,842,238	19.24%	1,396,131	17.28%
Preferred Stock				
Domestic Preferred Stock	2,690	.03%	6,465	.08%
Foreign Preferred Stock	-	.00%	860	.01%
Total Preferred Stock	2,690	.03%	7,325	.09%
Debt Securities				
U. S. Government Obligations	1,177,160	12.29%	801,787	9.92%
Foreign Government and Provincial Obligations	164,085	1.72%	164,447	2.04%
Corporate Obligations	279,351	2.92%	291,027	3.60%
Other	19,498	.20%	13,060	.16%
Total Debt Securities	1,640,094	17.13%	1,270,321	15.72%
Convertible Securities	5,010	.05%	4,812	.06%
Purchased Options	20,153	.21%	-	.00%
Investment Funds				
Index Funds	775,622	8.10%	935,703	11.58%
Hedge Funds	2,237,747	23.37%	1,721,365	21.30%
Limited Partnerships	841,448	8.79%	772,716	9.56%
Exchange Traded Funds	247,067	2.58%	358,941	4.44%
Other	646,581	6.75%	364,377	4.51%
Total Investment Funds	4,748,465	49.59%	4,153,102	51.39%
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Futures Contracts	987,314	10.31%	950,781	11.77%
Other Money Market Funds and Cash Held at State Treasury	329,628	3.44%	297,931	3.69%
Total Cash and Cash Equivalents	1,316,942	13.75%	1,248,712	15.46%
Total Investment in Securities	\$ 9,575,592	100.00%	\$ 8,080,403	100.00%

PERMANENT UNIVERSITY FUND
Supplemental Schedules (cont.)

Schedule of Investments by Industry
August 31, 2005

Industry	Value	Percentage of		Industry	Value	Percentage of	
		Total	Investments			Total	Investments
Agriculture Production-Crops	\$ 4,684,400	0.05%		Mineral Interests	\$ 13,546,717	0.14%	
Amusement and Recreation Services	2,232,831	0.02%		Mining, Quarry Nonmetal Minerals	1,934,327	0.02%	
Apparel and Accessory Stores	6,868,494	0.07%		Miscellaneous Manufacturing Industries	8,667,676	0.09%	
Apparel and Other finished Products	5,347,184	0.06%		Miscellaneous Retail	11,420,451	0.12%	
Auto Dealers, Gas Stations	8,051,920	0.08%		Mortgage/Asset Backed	61,151,952	0.64%	
Auto Repair, Services, Parking	1,955,802	0.02%		Motion Pictures	5,768,529	0.06%	
Banking and Financial Services	8,669,785	0.09%		Motor Freight Transport, Warehouse	10,121,633	0.11%	
Building Construction-General Contractor	12,116,736	0.13%		Municipal	19,498,549	0.20%	
Building Material, Hardware, Garden-Retail	3,595,026	0.04%		Nonclassifiable Establishment	21,544,883	0.22%	
Business Services	79,140,778	0.83%		Nondepository Credit Instituion	61,311,527	0.64%	
Chemicals and Allied Products	110,852,497	1.16%		Nondurable Goods-Wholesale	16,722,234	0.17%	
Coal Mining	28,234,338	0.29%		Oil and Gas Extraction	114,763,774	1.20%	
Commercial Paper	55,066,422	0.58%		Other Industry	30,568,863	0.32%	
Communications	70,816,609	0.74%		Paper and Allied Products	2,124,235	0.02%	
Construction-Special Trade	3,365,518	0.04%		Personal Services	215,273	0.00%	
Depository Institutions	106,683,838	1.11%		Petroleum Refining and Related Industries	39,069,345	0.41%	
Durable Goods-Wholesale	14,872,616	0.16%		Pipe Lines, Except Natural Gas	3,631,971	0.04%	
Eating and Drinking Places	16,981,518	0.18%		Primary Metal Industries	35,349,506	0.37%	
Educational Services	6,742,683	0.07%		Printing, Publishing and Allied	13,980,544	0.15%	
Electric, Gas, Sanitary Service	51,348,587	0.54%		Purchased Options	20,152,503	0.21%	
Electronics, Other Electronic Equipment, Except Compute	86,288,593	0.90%		Railroad Transportation	8,461,343	0.09%	
Engineering, Research, Management and Related Services	27,762,215	0.29%		Real Estate	473,701,474	4.95%	
Fabricated Metal Except Machinery and Trans Equipment	3,895,373	0.04%		Rubber and Miscellaneous Plastic Products	8,588,455	0.09%	
Financial Services	1,039,501	0.01%		Security and Commodity Brokers	37,331,731	0.39%	
Food and Kindred Products	42,803,578	0.45%		Stone, Clay, Glass, Concrete Products	8,346,471	0.09%	
Food Stores	6,862,657	0.07%		Textile Mill Products	892,406	0.01%	
Foreign Government and Provincial Obligations	164,084,716	1.71%		Tobacco Products	8,095,859	0.08%	
Furniture and Fixtures	3,778,934	0.04%		Transit and Passenger Transportation	615,154	0.01%	
General Merchandise Stores	14,123,348	0.15%		Transportation by Air	6,969,764	0.07%	
Health Services	6,825,791	0.07%		Transportation Equipment	55,717,593	0.58%	
Heavy Construction-Not Building Construction	10,500,601	0.11%		Transportation Services	5,446,844	0.06%	
Home Furniture and Equipment Store	3,438,837	0.04%		Water Transportation	14,301,754	0.15%	
Hotels, Other Lodging Places	27,785,560	0.29%		U. S. Government Obligations	1,156,798,860	12.07%	
Industrial, Commercial Machinery, Computer Equipment	83,434,134	0.87%		Hedge Funds	2,237,746,683	23.36%	
Insurance Agents, Brokers and Service	9,184,104	0.10%		Index Funds	775,621,933	8.10%	
Insurance Carriers	53,794,004	0.56%		Limited Partnerships	841,448,190	8.79%	
Leather and Leather Products	950,785	0.01%		Exchange Traded Funds	247,067,123	2.58%	
Lumber and Wood Products, Except Furniture	406,236	0.00%		Other Investment Funds	646,581,009	6.75%	
Measurement Instruments, Photography Goods, Watches	73,438,972	0.77%		Money Market Funds	1,316,942,014	13.74%	
Metal Mining	15,347,208	0.16%					
				Grand Total	\$ 9,575,591,881	100.00%	

PERMANENT UNIVERSITY FUND
Supplemental Schedules (cont.)

Schedule of Investments by Industry
August 31, 2004

<u>Industry</u>	<u>Value</u>	<u>Percentage of Total Investments</u>	<u>Industry</u>	<u>Value</u>	<u>Percentage of Total Investments</u>
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 Equi	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, 2005

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities & Redemptions	Gains (Losses)	Reclass	Ending Cost	Investment Income
Equity Securities							
Domestic Common Stock	\$ 798,558	\$ 1,064,294	\$ (1,050,879)	\$ 158,988	\$ 28,941	\$ 999,902	\$ 27,093
Foreign Common Stock	369,494	595,404	(610,405)	77,392	-	431,885	10,083
Other	713	-	(195)	42	-	560	1,375
Total Equity Securities	<u>1,168,765</u>	<u>1,659,698</u>	<u>(1,661,479)</u>	<u>236,422</u>	<u>28,941</u>	<u>1,432,347</u>	<u>38,551</u>
Preferred Stock							
Domestic Preferred Stock	8,134	4,965	(7,348)	(267)	(2,993)	2,491	109
Foreign Preferred Stock	786	83	(1,226)	357	-	-	-
Total Preferred Stock	<u>8,920</u>	<u>5,048</u>	<u>(8,574)</u>	<u>90</u>	<u>(2,993)</u>	<u>2,491</u>	<u>109</u>
Debt Securities							
U. S. Government Obligations	787,599	3,376,333	(3,005,414)	1,757	-	1,160,275	40,865
Foreign Government and Provincial Obligations	153,253	506,531	(518,130)	10,844	-	152,498	6,585
Corporate Obligations	282,944	840,026	(841,974)	3,530	(10,314)	274,212	10,253
Swaps	-	-	-	-	-	-	18,314
Other	20,129	40,762	(49,154)	(4,026)	10,314	18,025	1,270
Total Debt Securities	<u>1,243,925</u>	<u>4,763,652</u>	<u>(4,414,672)</u>	<u>12,105</u>	<u>-</u>	<u>1,605,010</u>	<u>77,287</u>
Purchased Options	<u>-</u>	<u>2,518</u>	<u>(394)</u>	<u>(829)</u>	<u>-</u>	<u>1,295</u>	<u>-</u>
Convertible Securities	<u>13,788</u>	<u>523</u>	<u>(167)</u>	<u>(158)</u>	<u>-</u>	<u>13,986</u>	<u>6</u>
Investment Funds							
Index Funds	893,367	203,536	(539,286)	151,440	-	709,057	25,335
Hedge Funds	1,372,482	601,236	(340,181)	66,991	-	1,700,528	4,197
Limited Partnerships	1,158,383	220,718	(302,352)	156,184	(25,948)	1,206,985	29,897
Exchange Traded Funds	358,714	795,198	(950,166)	35,562	-	239,308	5,298
Other	338,765	471,482	(314,056)	60,351	-	556,542	5,483
Total Investment Funds	<u>4,121,711</u>	<u>2,292,170</u>	<u>(2,446,041)</u>	<u>470,528</u>	<u>(25,948)</u>	<u>4,412,420</u>	<u>70,210</u>
Cash and Cash Equivalents							
Money Market Funds and Cash Held at State Treasury	1,248,733	-	(24,604) *	93,150 **	-	1,317,279	28,991
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,132</u>
Total Investment in Securities	<u>\$ 7,805,842</u>	<u>\$ 8,723,609</u>	<u>\$ (8,555,931)</u>	<u>\$ 811,308</u>	<u>\$ -</u>	<u>\$ 8,784,828</u>	<u>\$ 239,286</u>

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

** Includes net realized gains on futures contracts, written options and foreign currency contracts.

PERMANENT UNIVERSITY FUND

DETAIL SCHEDULES OF INVESTMENT SECURITIES

August 31, 2005

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

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Permanent University Fund (PUF), as of August 31, 2005, and for the year then ended, and have issued our unqualified report thereon dated October 21, 2005. Our audit included an audit of the PUF's accompanying schedule of equity securities (Schedule A), preferred stocks and convertible securities (Schedule B), purchased options (Schedule C), debt securities (Schedule D), investment funds (Schedule E), and cash and cash equivalents (Schedule F) as of August 31, 2005. These Schedules are the responsibility of the PUF's management. Our responsibility is to express an opinion on these Schedules based on our audit.

In our opinion, the Schedules referred to above, when read in conjunction with the financial statements of the PUF referred to above, presents fairly, in all material respects, the information set forth therein.

Ernst & Young LLP

October 21, 2005

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES
August 31, 2005

SCHEDULE A

SECURITY	SHARES	VALUE (\$)	COST (\$)
DOMESTIC COMMON STOCKS			
1-800 FLOWERS COM INC.....	20,384	141,669	170,001
724 SOLUTIONS INC.....	20,076	81,709	136,454
7-ELEVEN INC COM NEW.....	5,950	168,623	170,042
AAR CORP.....	12,000	211,200	165,869
ABBOTT LABS.....	14,800	667,924	694,184
ABERCROMBIE & FITCH CO.....	2,800	155,708	178,829
ACCEL8 TECH CORP.....	3,190	9,666	6,380
ACCENTURE LTD BERMUDA.....	143,500	3,501,400	3,644,425
ACCO BRANDS CORP.....	33,400	871,740	611,060
ACETO CORP.....	291,564	2,142,995	2,668,354
ADE CORP MASS.....	1,800	39,276	40,798
ADESA INC.....	8,569	195,373	193,221
ADMINISTAFF INC.....	7,650	275,171	194,657
ADVANCED AUTO PARTS INC.....	18,600	1,133,298	840,431
ADVANCED MICRO DEVICES.....	33,700	699,949	709,486
AEROFLEX INC.....	59,585	553,545	711,410
AETNA US HEALTHCARE INC.....	9,700	772,799	577,965
AGCO CORP.....	164,100	3,368,973	2,774,569
AGERE SYSTEM INC.....	137,730	1,559,104	3,033,680
AGILE SOFTWARE CORP.....	14,800	98,272	96,625
AGILYSYS INC.....	24,550	440,673	391,206
AGREE REALTY CORP.....	1,700	50,320	49,960
ALASKA AIR GROUP INC.....	9,800	330,456	238,121
ALBANY MOLECULAR RESEARCH INC.....	6,400	106,752	91,302
ALBERTO CULVER CO.....	54,400	2,336,480	2,393,011
ALDERWOODS GROUP INC.....	8,050	129,525	79,149
ALEXANDRIA REAL ESTATE.....	255,800	20,962,810	7,979,000
ALLERGAN INC.....	800	73,640	73,813
ALLIANT TECHSYSTEMS INC.....	59,200	4,554,256	3,744,586
ALLIS CHALMERS ENERGY INC.....	4,100	43,665	39,975
ALLOY ONLINE INC.....	31,920	161,515	161,053
ALPHA NATURAL RESOURCES INC.....	800	23,864	15,200
ALTRIA GROUP INC.....	78,010	5,515,307	4,545,141
AMBAC INC.....	32,800	2,249,424	2,181,170
AMERADA HESS CORP.....	9,200	1,169,320	1,148,727
AMERICAN GREETINGS.....	16,100	408,779	439,758
AMERICAN HOME MORTGAGE INVESTMENT CORP.....	20,450	654,196	627,990
AMERICAN INTERNATIONAL GROUP INC.....	44,400	2,628,480	2,879,586
AMERICAN MEDICAL HOLDINGS INC.....	30,983	635,152	618,964
AMERICAN SUPERCONDUCTOR CORP.....	133,981	1,366,606	1,661,395
AMERICREDIT CORP.....	20,600	513,764	486,738
AMERISOURCECEBER GENERAL CORP.....	10,000	746,700	668,866
AMGEN INC.....	16,000	1,278,400	976,792
AMIS HOLDINGS INC.....	17,300	207,081	198,848
ANADARKO PETROLEUM.....	9,100	826,917	619,057
ANALOGIC CORP.....	140,357	6,996,796	6,289,587
ANDREW CORP.....	239,980	2,766,970	3,091,304
ANGLO AMERICAN PLC ADR.....	21,130	538,815	504,047
ANN TAYLOR STORES CORP.....	12,880	329,728	281,942

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ANNALY MORTGAGE MANAGEMENT INC.....	11,550	175,560	194,103
ANSYS INC.....	8,300	313,325	267,968
APACHE CORP.....	4,300	307,966	296,810
APPLEBEES INTERNATIONAL INC.....	136,600	3,020,226	3,370,930
APPLERA CORP-APPLIED BIOSYSTEM.....	17,950	385,925	361,806
APPLERA CORP-CELERA GENOMICS.....	64,400	756,056	757,601
APPLIED FILMS CORP.....	9,850	222,906	223,532
APPLIED INDUSTRIAL TECHNOLOGIES INC.....	5,900	211,869	149,038
APPLIED MATERIALS.....	278,300	5,095,673	4,858,102
APPLIED SIGNAL TECHNOLOGY INC.....	23,015	439,356	749,316
AQUANTIVE INC.....	19,900	359,394	323,437
ARAMARK CORP.....	82,500	2,253,900	2,126,725
ARBITRON INC.....	18,550	779,100	753,194
ARBOR REALTY TR INC.....	6,300	179,172	172,635
ARCH CHEMICAL INC.....	510	12,628	12,267
ARCH COAL INC.....	98,370	6,315,354	4,051,578
ARCHER-DANIELS-MIDLAND CO.....	36,200	814,862	821,000
ARCHSTONE-SMITH TRUST.....	528,481	21,297,784	11,989,229
ARCTIC CAT INC.....	2,450	52,847	57,539
ARENA PHARMACEUTICALS INC.....	6,450	53,987	51,049
ARGON STREET INC.....	2,000	61,560	59,558
ARGONAUT GROUP INC.....	2,150	53,557	46,675
ARRIS GROUP INC.....	10,500	110,145	90,003
ARTHROCARE CORP.....	6,650	241,861	209,295
ASPEN INSURANCE HOLDINGS.....	47,600	1,292,340	1,245,922
ASPEN TECHNOLOGY INC.....	45,100	226,402	255,253
ASSURANT INC.....	53,700	2,004,621	1,582,184
ATMEL CORP.....	21,000	43,260	58,481
ATMI INC.....	12,900	397,707	340,373
AUDIOVOX CORP.....	4,080	73,766	52,443
AUTODESK INC.....	19,900	859,680	493,779
AUTOLIV INC.....	1,700	75,650	75,398
AUTONATION INC.....	33,000	686,730	462,656
AVALONE BAY COMMUNITIES INC.....	213,600	17,950,944	8,024,829
AVNET INC.....	5,900	147,795	141,497
AVON PRODUCTS INC.....	99,450	3,263,949	3,236,214
AXCELIS TECHNOLOGIES INC.....	368,766	2,175,719	3,363,648
BANC CORPORATION.....	5,942	63,401	63,675
BANCFIRST CORP.....	1,450	123,613	110,683
BANK MAT CORP.....	9,050	99,098	96,903
BANK OF AMERICA CORP.....	164,316	7,070,518	7,011,305
BANK OF HAWAII CORP.....	14,000	710,500	566,017
BANK OF NEW YORK CO.....	84,100	2,570,937	2,590,592
BANK OF THE OZARKS INC.....	1,650	55,028	52,304
BANKUNITED FINANCIAL CORP.....	215,200	5,078,720	6,161,820
BARNES GROUP INC.....	3,950	136,275	120,962
BARR LABS INC.....	55,200	2,517,672	2,173,073
BECTON DICKINSON & CO.....	1,900	99,997	92,386
BELDEN CDT INC.....	40,700	873,015	839,533
BELL MICROPRODUCTS INC.....	206,220	2,089,009	1,767,640

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BERKLEY W R CORP.....	1,800	63,882	58,924
BG PLC ADR FINAL INSTALLMENT.....	31,560	1,443,870	1,146,215
BHP BILLITON LTD.....	53,470	1,674,146	1,286,976
BIG LOTS INC.....	166,800	1,969,908	1,942,950
BIMINI MORTGAGE MANAGEMENT INC.....	12,900	160,992	182,451
BIOMED REALTY TR INC.....	2,150	53,170	43,631
BIOMET INC.....	67,500	2,490,075	2,514,634
BIO-RAD LABORATORIES INC.....	1,250	69,000	65,319
BISYS GROUP INC.....	134,400	2,006,592	2,208,129
BJ SERVICE CO.....	90,850	5,730,818	4,789,430
BLAIR CORP.....	604	24,160	23,494
BLUE COAT SYSTEM INC COM NEW.....	4,550	179,452	158,575
BMC SOFTWARE INC.....	11,000	220,000	201,516
BOIS D ARC ENERGY LLC.....	3,000	49,800	39,000
BOSTON BEER INC.....	2,350	55,225	52,529
BOSTON PROPERTIES INC.....	341,600	24,304,840	12,015,238
BOWNE & CO INC.....	17,950	254,890	259,030
BOYKIN LODGING CO.....	5,900	77,644	72,895
BP AMOCO PLC.....	87,980	6,016,072	5,278,824
BRADY CORP.....	5,550	173,216	168,729
BRISTOL MYERS SQUIBB CO.....	37,200	910,284	947,208
BROOKFIELD PROPERTIES CORP.....	474,450	13,754,306	6,003,656
BROOKS AUTOMATION INC.....	22,500	319,500	352,134
BUILDING MATERIALS HOLDINGS CORP.....	3,650	341,202	165,805
BURLINGTON NORTHERN SANTA FE CORP.....	14,600	774,092	653,036
BURLINGTON RESOURCES INC.....	12,400	914,996	523,515
CABOT CORPORATION.....	4,900	161,700	164,554
CACI INTERNATIONAL INC.....	73,200	4,585,248	3,795,868
CADENCE DESIGN SYSTEMS INC.....	6,800	108,868	94,987
CAL DIVE INTERNATIONAL INC.....	10,250	640,215	551,589
CALAMOS ASSET MANAGEMENT INC.....	1,800	48,492	52,003
CALGON CARBON CORP.....	364,700	2,899,365	3,227,116
CALIFORNIA PIZZA KITCHEN INC.....	80,720	2,388,505	1,465,168
CALIPER LIFE SCIENCES INC.....	136,499	895,433	921,304
CALLAWAY GOLF CO.....	12,200	181,902	158,208
CALLON PETROLEUM CO.....	2,900	53,592	51,756
CAMBREX CORP.....	6,300	119,826	138,334
CAMDEN PROPERTY TRUST.....	1,150	60,145	58,631
CANADIAN NAT RES LTD.....	53,040	2,613,281	1,323,287
CANARGO ENERGY CORP.....	28,000	45,360	34,104
CANARGO ENERGY CORP.....	122,400	198,288	61,200
CARNIVAL CORP.....	2,100	103,614	112,550
CARRAMERICA REALTY CORP.....	156,100	5,633,649	5,993,020
CATALINA MARKET CORP.....	4,950	118,503	127,464
CATHAY BANCORP INC.....	1,500	50,505	57,510
CBL & ASSOCIATES PROPERTIES INC.....	1,900	80,598	69,462
C-COR NET CORP.....	35,050	262,525	268,261
CDI CORP.....	8,345	224,898	170,938
CELESTICA INC.....	175,500	2,093,715	2,565,099
CENDANT CORP.....	36,000	732,240	761,008

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
CENTENE CORP DEL.....	1,700	51,816	50,808
CENTER FINANCIAL CORP.....	3,100	78,802	69,827
CENTERPOINT PROPERTIES TRUST.....	500,300	21,092,648	12,030,457
CENTILLIUM COMMUNICATIONS INC.....	136,016	386,285	325,907
CENTRAL FREIGHT LINES INC.....	18,120	33,339	105,242
CENTRAL PACIFIC FINANCIAL CORP.....	4,900	169,442	176,068
CENTURYTEL INC.....	23,400	840,060	759,072
CEPHEID.....	71,942	539,565	629,854
CERIDIAN CORP NEW.....	119,600	2,427,880	2,098,716
CHALLENGER CORPORATION.....	727	8	8
CHECKPOINT SYSTEMS INC.....	168,150	3,674,078	2,723,853
CHEMTURA CORP.....	14,300	245,388	163,913
CHEVRONTEXACO CORP.....	2,800	171,920	165,736
CHILDRENS PLACE RETAIL STORES.....	2,400	98,184	110,748
CHIQUITA BRANDS INTERNATIONAL INC.....	11,900	299,880	321,350
CHITTENDEN CORP.....	7,725	208,266	207,396
CHOICE HOTELS INTERNATIONAL INC.....	9,500	583,205	466,601
CHRISTOPHER & BANKS CORP.....	11,040	177,413	196,320
CHURCH & DWIGHT INC.....	87,400	3,335,184	2,783,304
CIGNA CORP.....	11,700	1,349,244	825,937
CIRCOR INTERNATIONAL INC.....	6,245	163,994	139,669
CIRCUIT CITY STORES INC.....	70,442	1,189,765	1,065,488
CIRRUS LOGIC INC.....	20,050	158,395	134,624
CISCO SYSTEM INC.....	207,900	3,663,198	3,899,130
CITIGROUP INC.....	117,900	5,160,483	5,358,379
CITY NATIONAL CORP.....	800	57,632	57,241
CLAIRES STORES INC.....	7,500	176,100	169,973
CLEAR CHANNEL COMMUNICATIONS.....	27,850	927,405	961,649
CNS INC.....	2,450	64,460	71,208
COACH INC.....	22,000	730,180	623,018
COHERENT INC.....	16,260	516,906	439,749
COLDWATER CREEK INC.....	20,509	628,601	316,492
COLE KENNETH PRODUCTIONS INC.....	7,700	220,605	224,565
COLGATE-PALMOLIVE CO.....	54,200	2,845,500	2,712,456
COMCAST CORP.....	34,700	1,067,025	1,102,278
COMFORT SYSTEMS USA INC.....	11,450	94,234	78,810
COMMERCIAL NET LEASE REALTY INC.....	23,850	476,285	421,958
COMMONWEALTH TELEPHONE.....	7,750	311,860	384,753
COMMSCOPE INC.....	7,200	134,640	131,326
COMPANIA ANONIMA NACIONAL.....	14,600	216,810	228,215
COMPTON PETEROLEUM CORP.....	57,000	681,736	677,150
COMPUCREDIT CORP.....	17,050	713,713	375,195
COMPUTER SCIENCES CORP.....	16,600	739,530	822,688
COMPUTER TASK GROUP INC.....	21,130	82,196	85,496
COMSTOCK RESOURCES INC.....	104,000	3,026,400	2,872,872
COMTECH TELECOMMUNICATIONS.....	21,550	756,405	762,903
CONNETICS CORP.....	3,350	63,851	72,063
CONOCOPHILLIPS.....	18,712	1,233,869	749,765
CONSOL ENERGY INC.....	60,190	4,195,243	2,580,407
CONSOLIDATED GRAPHICS INC.....	1,450	55,985	70,352

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SECURITY	SHARES	VALUE (\$)	COST (\$)
CONSOLIDATED TOMOKA LD.....	1,450	108,750	113,846
CORE LABORATORIES.....	12,100	385,143	314,222
CORINTHIAN COLLEGES INC.....	13,320	168,898	168,127
CORUS BANKSHARES INC.....	7,601	442,302	248,510
COST PLUS INC.....	7,700	165,627	178,031
COVALENT GROUP INC.....	281,245	717,175	652,435
COVENANT TRANSPORTATION INC.....	21,845	274,592	327,476
COX RADIO INC.....	148,200	2,295,618	2,318,017
CRAY INC.....	22,500	24,975	54,187
CREDENCE SYSTEMS CORP.....	43,210	383,273	431,793
CRYOLIFE INC.....	48,940	381,732	339,836
CSG SYSTEMS INTERNATIONAL INC.....	3,550	72,385	61,832
CSK AUTO CORP.....	227,100	3,803,925	3,629,764
CSX CORP.....	16,300	716,059	684,972
CTS CORP.....	19,195	238,786	236,785
CUMULUS MEDIA INC.....	12,950	165,372	180,962
CURIS INC.....	126,877	576,022	511,983
CYPRESS SEMICONDUCTOR CORP.....	103,600	1,619,268	1,300,917
DARDEN RESTAURANTS INC.....	80,200	2,519,082	2,421,347
DATA CRAFT ASIA.....	206,000	195,700	216,550
DATASCOPE CORP.....	2,350	76,023	81,398
DAVE & BUSTERS INC.....	19,535	278,374	266,800
DEAN FOODS CO.....	63,600	2,349,384	1,745,536
DEERE & CO.....	1,600	104,608	116,457
DELL INC.....	29,800	1,060,880	1,121,912
DELTA & PINE LAND CO.....	112,500	2,883,375	2,565,178
DEVELOPERS DIVERSIFIED REALTY CORP.....	185,800	8,916,542	8,010,642
DEVON ENERGY CORP.....	4,600	279,542	193,637
DEVRY INC.....	297,700	5,498,519	5,013,684
DIAGEO PLC SPONSORED ADR.....	57,650	3,326,982	3,050,682
DIAMOND OFFSHORE DRILLING INC.....	15,900	939,054	729,286
DIEBOLD INC.....	43,000	2,064,000	2,061,523
DIGI INTERNATIONAL INC.....	4,950	52,520	72,296
DILLARDS INC.....	20,450	460,330	517,147
DISNEY WALT CO.....	22,000	554,180	615,997
DIVERSA CORP.....	18,950	90,202	189,230
DOLLAR THRIFTY AUTOMOTIVE.....	19,967	604,201	508,566
DONNELLY (R.R.) & SONS.....	74,700	2,790,792	2,321,203
DOUBLE EAGEL PETE CO.....	25,349	471,489	458,401
DOW CHEMICAL CO.....	75,400	3,257,280	3,429,290
DOWNEY FINANCIAL CORP.....	49,500	3,137,310	2,759,666
DRESSER RAND GROUP INC.....	150,200	3,603,298	3,326,853
DSP GROUP INC.....	6,600	168,102	160,711
DST SYSTEMS INC.....	47,500	2,550,750	2,213,016
DUKE ENERGY CORP.....	10,000	289,900	292,635
DURATEK INC.....	230,542	4,834,466	3,689,424
DYCOM INDUSTRIES INC.....	12,100	214,412	265,694
EDISON INTERNATIONAL.....	13,550	610,157	284,362
EDWARDS LIFE SCIENCES CORP.....	22,700	998,800	728,459
EGL INC.....	148,450	3,724,611	3,384,192

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ELECTRO RENT CORP.....	5,300	71,391	61,975
ELECTRO SCIENTIFIC INDS INC.....	16,700	370,406	357,814
EMCOR GROUP INC.....	6,675	368,060	274,077
EMMIS COMMUNICATIONS CORP.....	44,302	1,061,476	802,741
ENCANA CORP.....	55,600	2,734,964	1,708,534
ENERGIZER HOLDINGS INC.....	10,700	694,430	633,017
ENPRO INDUSTRIES INC.....	5,200	178,880	128,607
ENTEGRIS INC.....	344,797	3,610,024	3,430,359
EOG RESOURCES INC.....	22,900	1,461,707	949,658
EQUITY RESIDENTIAL PROPERTY.....	629,600	23,779,992	18,003,949
EQUITY ONE INC.....	88,100	2,050,968	1,194,601
ESCO TECHNOLOGIES INC.....	1,150	119,232	125,031
ESSEX PROPERTIES TRUST.....	125,600	11,046,520	5,998,760
ETHAN ALLEN INTERIORS INC.....	6,400	206,208	216,432
EVANS & SUTHERLAND COMPUTER.....	10,200	52,734	52,676
EXAR CORP.....	22,430	350,132	345,713
EXCEL TECHNOLOGY INC.....	4,300	107,027	112,611
EXELIXIS INC.....	77,932	583,711	654,465
EXPLORATION CO.....	6,900	28,704	27,523
EXXON MOBIL CORP.....	27,400	1,641,260	1,134,392
FEDERAL SIGNAL CORP.....	12,110	207,081	217,668
FEDERATED DEPARTMENT STORES INC.....	56,200	3,876,676	3,254,241
FEI COMPANY.....	56,780	1,188,405	1,251,495
FERRO CORP.....	109,600	2,080,208	2,572,804
FINANCIAL FED CORP.....	3,450	134,723	124,228
FIRST BANCORP PR.....	22,540	416,088	475,154
FIRST CITIZENS BANCSHARES INC.....	2,450	404,250	217,228
FIRST COMMUNITY BANCORP CALIF.....	1,600	75,520	70,784
FIRST FINANCIAL BANKSHARES INC.....	2,004	69,439	51,298
FIRST NIAGARA FINANCIAL GROUP INC.....	16,800	238,056	227,535
FIRSTFED FINANCIAL CORP.....	4,100	235,955	237,791
FLORIDA EAST COAST INDUSTRY.....	65,300	2,811,818	2,830,967
FLOWSERVE CORP.....	12,300	456,822	341,841
FLUSHING FINANCIAL CORP.....	13,360	233,132	239,403
FORD MOTOR CO.....	47,550	474,074	607,881
FORDING CANADIAN COAL TRUST.....	23,389	2,890,880	1,740,183
FOREST OIL CORP.....	109,300	4,913,035	2,760,282
FOSSIL INC.....	8,610	189,334	189,088
FOUNDATION COAL HOLDINGS INC.....	172,100	6,135,365	4,080,256
FRANKLIN RESOURCES INC.....	800	64,352	65,364
FREESCALE SEMICONDUCTOR INC.....	125,127	3,013,058	2,173,269
FREESCALE SEMICONDUCTOR INC.....	11,500	274,620	182,355
FREMONT GENERAL CORP.....	16,850	384,517	413,131
FSI INTERNATIONAL INC.....	27,525	110,100	136,828
FTI CONSULTING INC.....	237,500	5,913,750	4,598,649
FULLER CO.....	8,450	277,245	264,596
FULTON FINANCIAL CORP.....	9,675	169,313	165,385
GALLAGHER ARTHUR J & CO.....	32,500	928,200	846,300
GARDNER DENVER INC.....	2,500	104,550	80,405
GARTNER GROUP INC.....	15,600	175,344	174,104

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
GENCORP INC.....	219,100	4,130,035	3,714,792
GENENTECH INC.....	7,000	657,580	570,617
GENERAL COMMUNICATION INC.....	287,800	3,102,484	2,854,623
GENERAL ELECTRIC CO.....	181,750	6,108,618	6,302,909
GENERAL GROWTH PROPERTIES INC.....	596,400	26,891,676	13,880,061
GENESIS HEALTH CARE CORP.....	18,450	739,845	725,773
GENWORTH FINANCIAL INC.....	7,600	244,492	238,130
GERBER SCIENTIFIC INC.....	16,120	111,228	104,181
GILLETTE CO.....	6,200	333,994	226,096
GLOBAL INDUSTRIES LTD.....	50,000	688,500	626,130
GLOBAL SANTAFE CORP.....	7,000	328,160	302,377
GOLDCORP INC.....	96,755	1,747,395	1,351,993
GOODRICH PETROLEUM CORP.....	1,800	39,222	27,720
GOOGLE INC.....	2,400	686,400	558,329
GRAFTECH INTERNATIONAL LTD.....	20,220	120,107	165,404
GRANT PRIDECO INC.....	147,900	5,451,594	1,440,243
GREIF BROTHERS.....	5,650	332,503	355,169
GTECH HOLDINGS CORP.....	85,500	2,443,590	2,025,224
GUESS INC.....	7,300	157,899	150,898
GUIDANT CORP.....	2,100	148,344	151,039
GUILFORD PHARMACEUTICALS INC.....	110,075	407,278	577,796
GULF IS FABRICATION INC.....	1,800	48,600	42,569
GYMBOREE CORP.....	14,900	229,013	219,560
HAEMONETICS CORP.....	2,700	119,988	85,221
HALLIBURTON CO.....	35,800	2,218,526	1,491,862
HANDLEMAN CO.....	21,450	300,086	381,039
HANMI FINANCIAL CORP.....	8,200	150,470	145,023
HARRIS CORP.....	220,300	8,505,783	3,894,459
HEARST ARGYLE TELEVISION INC.....	13,650	354,491	336,482
HEICO CORP.....	100	2,405	1,934
HEICO CORP.....	5,455	100,918	85,515
HELIX TECHNOLOGY CORP.....	12,135	190,034	187,531
HERCULES INC.....	283,900	3,619,725	3,937,235
HERMAN MILLER INC.....	6,700	200,330	183,595
HERSHEY FOODS CORP.....	1,400	82,726	85,753
HEWLETT PACKARD CO.....	125,000	3,470,000	2,662,947
HEXCEL CORP.....	73,800	1,435,410	1,259,155
HILB ROGAL & HAMILTON CO.....	118,800	4,184,136	3,984,860
HOME DEPOT INC.....	80,700	3,253,824	3,170,667
HOME PROPERTIES NY INC.....	151,800	6,225,318	3,998,693
HORNBECK OFFSHORE SERVICES INC.....	3,650	129,575	108,496
HOST MARRIOTT CORP.....	771,500	13,493,535	10,004,790
HOUSTON EXPLORATION CO.....	63,400	3,734,260	3,619,962
HRPT PROPERTIES TRUST.....	4,650	59,520	49,452
HUDSON UNITED BANCORP.....	86,200	3,641,950	3,378,613
HUNT J B TRANSPORTATION SERVICES INC.....	121,000	2,186,470	2,211,790
HUSKY ENERGY INC.....	7,800	401,784	310,347
IBERIABANK CORP.....	1,050	53,025	50,353
IBM CORP.....	1,500	120,930	131,631
IMAGISTICS INTERNATIONAL INC.....	5,931	198,392	177,843

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
IMAX CORP.....	40,711	372,099	312,513
IMMUCOR INC.....	21,275	503,579	498,006
IMMUNOGEN INC.....	75,520	479,552	553,108
IMPERIAL OIL LTD NEW.....	18,560	1,883,283	1,219,367
INFOCUS CORP.....	16,125	57,566	104,262
INGRAM MICRO INC.....	17,050	298,546	291,387
INNOVATIVE SOLUTIONS & SUPPORT.....	4,650	78,399	98,196
INPUT/OUTPUT INC.....	689,500	5,957,280	4,590,688
INSIGHT COMMUNICATIONS INC.....	188,200	2,186,884	1,622,284
INSITUFORM TECHNOLOGIES INC.....	14,900	308,430	271,008
INTEGRATED DEVICE TECHNOLOGY.....	30,650	327,955	370,232
INTEL CORPORATION OF CALIFORNIA.....	55,300	1,422,316	1,536,256
INTERDIGITAL COMMUNICATIONS.....	12,800	227,584	212,030
INTERGRAPH CORP.....	19,150	781,512	562,625
INTERNET SECURITY SYSTEMS INC.....	2,450	55,664	50,547
INTERPOOL INC.....	10,380	198,154	193,523
INTERSIL HOLDINGS CORP.....	5,500	115,500	106,013
INTERWOVEN INC.....	15,300	122,400	126,290
INTUITIVE SURGICAL INC.....	12,261	912,218	604,997
INVESTMENT TECHNOLOGY GROUP.....	4,750	130,388	101,125
INVITROGEN CORP.....	1,450	122,859	103,930
IOWA TELECOMMUNICATIONS SERVICES.....	84,600	1,574,406	1,671,106
ITRON INC.....	2,000	92,540	78,410
ITT EDUCATIONAL SERVICES INC.....	21,150	1,075,266	795,056
J & J SNACK FOODS CORP.....	2,000	119,920	77,097
J JILL GROUP INC.....	10,950	194,034	180,103
J P MORGAN CHASE & CO.....	41,250	1,397,963	1,536,904
J2 GLOBAL COMMUNICATIONS INC.....	20,450	767,489	768,537
JACOBS ENGINEERING GROUP INC.....	38,300	2,389,920	1,665,282
JARDEN CORP.....	158,800	6,302,772	1,742,376
JLG INDUSTRIES INC.....	2,200	72,138	65,270
JOHNSON & JOHNSON.....	28,750	1,822,463	1,473,920
JOURNAL REGISTER CO.....	5,050	94,688	95,754
KADANT INC.....	129,000	2,515,500	2,785,939
KAMAN CORP.....	17,725	425,223	260,983
KANSAS CITY LIFE INSURANCE CO.....	1,100	55,924	37,612
KAYDON CORP.....	9,000	260,190	260,326
KCS ENERGY INC.....	50,000	1,156,000	1,091,274
KEANE INC.....	24,200	278,300	304,096
KEITHLEY INSTRUMENTS INC.....	14,050	203,023	229,781
KEMET CORP.....	552,650	4,487,518	5,484,199
KENSEY NASH CORP.....	18,895	572,519	553,071
KEY ENERGY GROUP INC.....	13,600	190,876	166,078
KEYNOTE SYSTEMS INC.....	56,178	737,055	706,870
KFX.....	9,100	146,055	76,904
KIMBALL INTERNATIONAL INC.....	14,650	185,176	226,787
KIMCO REALTY CORP.....	1,081,800	34,206,516	14,015,354
KINDRED HEALTHCARE INC.....	12,000	367,200	398,570
KITE REALTY GROUP.....	435,100	6,770,156	6,005,456
KMG AMERICAN CORP.....	194,900	1,740,457	1,866,891

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SECURITY	SHARES	VALUE (\$)	COST (\$)
KNOLL INC.....	9,170	170,012	154,764
KOMAG INC.....	9,500	316,920	279,976
KONINKLIJKE PHILIPS ELECTRIC.....	176,100	4,675,455	4,311,844
KOS PHARMACEUTICALS INC.....	5,900	401,908	324,488
KOSAN BIOSCIENCES INC.....	97,307	715,206	609,670
KULICKE & SOFFA INDUSTRY INC.....	33,200	277,552	295,082
LA QUINTA PROPERTIES INC.....	15,750	133,088	129,836
LADISH INC COM.....	6,709	120,829	82,454
LAIDLAW INTERNATIONAL INC.....	12,500	309,375	292,258
LAKELAND INDUSTRIES INC.....	94,972	1,473,965	1,333,332
LANDAMERICA FINANCIAL GROUP INC.....	12,522	740,301	546,920
LANDSTAR SYSTEM INC.....	134,800	4,895,936	1,549,767
LARGE SCALE BIOLOGY CORP.....	139,891	121,705	143,520
LATTICE SEMICONDUCTOR CORP.....	65,800	292,152	366,621
LAZARD LTD.....	102,300	2,600,466	2,473,017
LEAPFROG ENTERPRISES INC.....	80,231	1,078,305	993,176
LECROY CORP.....	141,560	2,096,504	2,520,550
LEGG MASON INC.....	26,200	2,738,686	1,400,956
LIBERTY CORP.....	1,350	64,787	59,428
LIBERTY MEDIA CORP.....	42,400	352,344	382,157
LIGHTBRIDGE INC.....	159,132	1,201,447	755,880
LILLY ELI & CO.....	2,200	121,044	131,150
LOCKHEED MARTIN CORP.....	6,500	404,560	406,297
LOEWS CORP.....	8,987	788,070	426,739
LONE STAR STEAKHOUSE & SALOON.....	2,250	59,378	58,316
LONGS DRUG STORES CORP.....	17,700	750,480	390,808
LONGVIEW ENERGY COMPANY.....	2,100	31,500	31,500
LSI LOGIC CORP.....	343,200	3,308,448	2,485,056
LTX CORP.....	63,190	269,189	422,150
LUBRIZOL CORP.....	52,800	2,183,280	1,750,447
LUMENIS LTD.....	121	248	190
LYDALL INC.....	7,255	63,626	70,444
MACDERMID INC.....	9,600	284,160	303,558
MACERICH CO.....	245,000	15,944,600	12,009,069
MACROVISION CORP.....	11,000	203,500	201,786
MAGMA DESIGN AUTOMATION INC.....	13,493	119,413	126,797
MAGUIRE PROPERTIES INC.....	464,000	13,548,800	10,003,432
MANNATECH INC.....	13,100	162,964	279,298
MANUGISTICS GROUP INC.....	74,800	142,120	203,757
MAPINFO CORP.....	80,201	907,875	941,376
MARRIOTT INTERNATIONAL INC.....	6,100	385,581	418,411
MASSEY ENERGY CORP.....	63,210	3,211,068	2,109,626
MATERIAL SCIENCES CORP.....	9,000	136,890	122,084
MATTSON TECHNOLOGY INC.....	11,400	108,300	94,365
MAXTOR CORP.....	82,150	399,249	442,718
MAXWELL TECHNOLOGIES INC.....	5,800	81,084	75,984
MBIA INC.....	12,000	695,640	688,248
MCAFFEE INC.....	95,200	2,917,880	1,948,653
MCDERMOTT INTERNATIONAL INC.....	52,510	1,814,221	735,343
MEDICIS PHARMACEUTICAL CORP.....	138,000	4,693,380	4,014,380

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
MEDSITE INC.....	4,882	4,882	4,882
MEDTRONIC INC.....	4,000	228,000	208,621
MEMC ELECTRONICS MATERIALS.....	512,400	8,639,064	6,776,093
MENTOR CORP.....	3,150	165,690	114,006
MERCURY COMPUTER SYSTEM INC.....	35,745	934,017	1,066,981
MERIX CORP.....	55,700	341,998	456,937
MERRILL LYNCH & CO.....	17,500	1,000,300	1,022,915
METHANEX CORP.....	21,190	322,088	319,386
METLIFE INC.....	15,910	779,272	496,717
MEYER (FRED) INC.....	15,350	188,805	201,278
MGM GRAND INC.....	1,900	80,294	81,457
MICROSOFT CORP.....	285,350	7,818,590	7,704,228
MICROVISION INC WASH.....	221,817	1,237,739	1,477,155
MIDLAND CO.....	3,045	96,252	98,615
MILLIPORE CORP.....	26,500	1,694,675	1,167,238
MIPS TECHNOLOGIES INC.....	13,850	86,840	125,566
MKS INSTRUMENTS INC.....	37,500	666,000	685,439
MOBILE MINI INC ARIZ.....	4,950	207,504	179,133
MODTECH HOLDINGS INC.....	600	5,436	4,981
MOLECULAR DEVICES CORP.....	8,600	179,396	167,825
MONACO COACH CORP.....	16,700	256,679	282,064
MONEYGRAM INTERNATIONAL INC.....	225,000	4,671,000	4,055,081
MONSANTO CO.....	12,200	778,848	552,592
MOODYS CORP.....	16,100	790,671	422,950
MORGAN STANLEY DEAN WITTER.....	27,300	1,388,751	1,530,223
MOTOROLA INC.....	169,400	3,706,472	2,610,894
MOVIE GALLERY INC.....	34,400	618,856	862,391
MRO SOFTWARE INC.....	94,300	1,590,841	1,149,706
MTS SYSTEM CORP.....	18,150	748,143	356,102
NABORS INDUSTRIES.....	18,200	1,219,400	823,195
NACCO INDUSTRY INC.....	6,600	719,070	473,839
NASDAQ STOCK MARKET INC.....	282,700	6,643,450	2,053,765
NASH FINCH CO.....	5,850	245,700	184,023
NATIONAL HEALTH INVESTORS INC.....	7,900	228,863	170,070
NATIONAL OILWELL INC.....	14,000	898,940	832,941
NBTY INC.....	11,600	253,924	258,668
NETIQ CORP.....	18,050	211,727	207,971
NETWORK EQUITY TECHNOLOGIES.....	181,200	898,752	1,225,970
NEW CENTURY FINANCIAL CORP.....	1,800	77,382	91,852
NEWALLIANCE BANCSHARES INC.....	18,000	261,900	257,075
NEWFIELD EXPLORATION CO.....	169,050	7,982,541	5,600,736
NEWMONT MINING CORP.....	1,600	63,328	60,227
NEWPARK RESOURCE INC.....	22,200	197,358	165,259
NEWPORT CORP.....	18,370	245,056	256,089
NEWS CORPORATION.....	240,500	3,898,505	4,022,358
NEXEN INC.....	3,000	130,890	96,363
NGP CAPITAL RESOURCES CO.....	1,600	22,944	24,000
NN INC.....	12,290	150,307	146,818
NOBLE CORP.....	9,430	672,359	473,622
NOKIA CORP.....	193,300	3,048,341	3,408,551

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
NORDSON CORP.....	5,800	206,016	196,489
NORSK HYDRO A S.....	12,500	1,342,000	1,018,473
NORTH FORK BANCORPORATION INC.....	108,700	2,988,163	2,969,732
NORTHROP CORP.....	104,550	5,864,210	5,541,586
NORTHWEST AIRLINES CORP.....	379,100	1,906,873	3,523,671
NOVATEL INC.....	33,395	891,647	860,381
NOVELL INC.....	32,300	212,534	199,549
NOVELLUS SYSTEM INC.....	1,800	48,258	51,782
NUCO 2 INC.....	117,300	2,937,192	2,962,260
NUCOR CORP.....	1,400	79,072	67,302
NYMAGIC INC.....	6,810	165,143	163,810
OAKLEY INC.....	67,708	1,184,213	1,155,928
OFFICEMAX INC DEL.....	55,600	1,642,980	1,754,086
OFFSHORE LOGISTICS INC.....	1,900	68,799	55,067
OIL STATES INTERNATIONAL INC.....	12,500	433,250	328,064
OPENWAVE SYSTEMS INC.....	36,100	621,281	617,269
ORBITAL SCIENCES.....	81,564	977,137	949,168
OREGON STEEL MILLS.....	16,485	370,583	319,711
ORIENT EXPRESS HOTELS LTD.....	112,250	3,449,443	2,525,336
OSI PHARMACEUTICALS INC.....	212	6,954	13,097
OSI PHARMACEUTICALS INC.....	3,746	195	524
OVERLAND STORAGE INC.....	36,984	310,666	571,162
OVERSEAS SHIPHOLDING GROUP.....	2,050	125,358	121,044
PACIFIC SUNWEAR CALIFORNIA INC.....	12,600	300,888	297,619
PACKETEER INC.....	4,350	51,417	52,298
PAN AMERICAN SILVER CORP.....	11,320	176,479	189,479
PANACOS PHARMACEUTICALS INC.....	749,947	6,862,015	6,256,802
PANTRY INC.....	8,600	308,654	316,121
PAR PHARMACEUTIAL COS INC.....	154,500	3,734,265	5,586,326
PARALLEL PETE CORP.....	5,700	73,701	30,039
PARAMETRIC TECHNOLOGY CORP.....	964,800	5,846,688	3,858,341
PARKER DRILLING CO.....	10,850	87,560	82,539
PASON SYSTEM INC.....	4,200	91,523	75,521
PATHMARK STORES INC.....	5,900	63,720	51,358
PATTERSON UTI ENERGY INC.....	45,500	1,547,910	743,643
PAXAR CORP.....	110,000	2,069,100	1,974,053
PAYLESS SHOESOURCE INC.....	37,800	700,812	659,883
PEABODY ENERGY CORP.....	62,160	4,455,007	2,481,520
PEGASYS INC.....	103,822	640,582	802,401
PENN VA CORP.....	12,134	680,475	654,172
PENN WEST ENERGY.....	9,400	271,295	224,416
PER SE TECHNOLOGIES INC.....	185,250	3,571,620	2,536,807
PEROT SYSTEMS CORP.....	243,500	3,506,400	3,674,305
PERRIGO CO.....	46,800	670,644	680,386
PETRO-CANADA.....	13,200	1,065,240	825,934
PETROHAWK ENERGY CORP.....	3,800	44,460	42,116
PETROLED BRASILEIOR.....	28,580	1,787,965	1,178,480
PETROQUEST ENERGY INC.....	12,600	98,280	103,711
PFF BANCORP INC.....	10,004	297,419	217,315
PFIZER INC.....	167,920	4,276,922	5,022,411

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PG&E CORP.....	105,450	3,956,484	3,692,557
PHELPS DODGE CORP.....	3,200	344,096	365,246
PHOENIX TECHNOLOGY LTD.....	29,800	222,606	189,335
PHOTRONICS INC.....	20,150	418,516	489,532
PIER 1 IMPORTS INC.....	20,800	258,960	322,199
PILGRIMS PRIDE CORP.....	5,300	179,670	166,685
PIONEER DRILLING CO.....	1,900	29,640	23,275
PIONEER NATURAL RESOURCE CO.....	55,000	2,717,000	2,392,926
PIXAR.....	1,600	70,240	69,322
PLAINS EXPLORATION & PRODUCTION.....	39,000	1,444,950	733,910
PLANAR SYSTEMS INC.....	15,000	115,050	152,767
PLATINUM UNDERWRITERS HOLDINGS.....	94,700	3,075,856	2,315,152
POGO PRODUCING CO.....	123,450	6,913,200	5,769,330
POLARIS INDUSTRIES PARTNERS INC.....	8,800	463,584	527,710
PORTFOLIO RECOVERY ASSOCIATES INC.....	4,000	159,880	160,775
POWELL INDUSTRIES INC.....	5,721	126,491	109,968
PRE PAID LEGAL SERVICES INC.....	8,650	350,239	326,658
PRECISION DRILLING CORP.....	49,680	2,342,412	1,665,192
PREFERRED BANK LOS ANGELES CA.....	23,300	950,873	921,572
PRG SCHULTZ INTERNATIONAL INC.....	258,250	844,478	1,195,040
PRIDE INTERNATIONAL INC.....	70,300	1,778,590	1,665,772
PRINCIPAL FINANCIAL GROUP.....	5,200	238,160	239,749
PROCENTURY CORP.....	13,585	135,850	140,964
PROCTER & GAMBLE CO.....	24,100	1,337,068	992,152
PROGRESS SOFTWARE CORP.....	1,650	50,589	50,296
PROLOGIS TRUST.....	702,172	30,551,504	18,318,017
PROVIDENT FINANCIAL SERVICES INC.....	24,950	443,611	439,028
PRUDENTIAL FINANCIAL INC.....	8,138	523,843	297,584
PUBLIC STORAGE INC.....	282,600	19,081,152	8,013,476
QUAKER CHEMICAL CORP.....	3,025	53,664	66,816
QUALCOMM INC.....	6,600	262,086	191,632
QUANEX CORP.....	13,250	815,008	663,996
QUANTA SERVICES INC.....	34,500	414,000	310,259
QUESTAR CORP.....	4,200	327,684	287,395
QUIKSILVER INC.....	10,300	157,075	164,829
RAIT INVESTMENT TRUST.....	3,650	109,099	107,517
RALCORP HOLDINGS INC.....	83,400	3,698,790	2,631,609
RAYTHEON CO.....	11,700	458,874	399,884
REAL RESOURCE INC.....	19,279	405,669	346,847
RED ROBIN GOURMET BURGERS INC.....	900	43,272	49,436
REGAL BELOIT CORP.....	6,450	215,237	162,510
REGENCY CENTERS CORP.....	117,700	6,865,441	6,016,230
REMEC INC.....	21,080	126,480	143,258
RENT-WAY INC.....	13,000	96,200	107,090
REPUBLIC SERVICES INC.....	10,000	362,300	355,243
RESTORATION HARDWARE INC.....	10,651	76,048	69,261
REYNOLDS & REYNOLDS.....	7,905	225,609	204,428
RIO TINTO PLC.....	8,910	1,275,467	1,051,292
RITA MEDICAL SYSTEM INC.....	141,709	501,650	421,474
RLI CORP.....	4,500	207,450	184,226

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ROCKWOOD HOLDINGS INC.....	58,200	1,129,080	1,159,469
ROGERS CORP.....	74,810	2,922,827	3,041,485
ROPER INDUSTRIES INC.....	71,200	2,742,624	2,022,698
ROWAN COMPANIES INC.....	36,900	1,372,680	953,555
ROYAL DUTCH SHELL PLC.....	11,060	749,204	679,237
RSA SECURITY INC.....	7,400	97,236	86,943
RTI INTERNATIONAL METALS INC.....	11,000	381,480	269,979
RUBY TUESDAY INC.....	109,800	2,426,580	2,770,588
RUSSELL CORP.....	11,490	209,003	213,150
SAKS INC.....	69,900	1,517,529	1,137,469
SALIX PHARMACEUTICALS INC.....	21,142	430,874	376,028
SAVANNA ENERGY SERVICES CORP.....	12,800	266,752	205,069
SBC COMMUNICATIONS INC.....	42,650	1,027,012	1,080,865
SBS TECHNOLOGIES.....	10,150	98,049	117,032
SCHLUMBERGER LTD.....	27,920	2,407,542	1,818,112
SCHOLASTIC CORP.....	6,200	226,114	197,872
SCOTTISH POWER PLC.....	10,190	369,184	335,762
SEABOARD CORP.....	250	321,000	404,538
SEACHANGE INTERNATIONAL INC.....	28,850	176,562	438,595
SEACOR HOLDINGS INC.....	2,600	185,900	138,271
SEAGATE TECHNOLOGY INC.....	16,800	278,712	302,367
SELECT COMFORT CORP.....	13,400	259,022	251,214
SELECTIVE INSURANCE GROUP INC.....	2,050	97,047	95,483
SENIOR HOUSING PROPERTIES TRUST.....	31,650	601,350	566,720
SEQUOIA OIL & GAS.....	17,175	261,651	196,977
SERVICE CORP INTERNATIONAL.....	10,100	85,749	83,519
SIERRA PACIFIC RESOURCES.....	60,100	876,258	503,198
SILVER STAND RESOURCE INC.....	53,960	626,476	708,762
SIMON PROPERTY GROUP INC.....	399,600	30,397,572	20,007,302
SL GREEN REALTY CORP.....	355,800	23,529,054	9,999,439
SMITH A O CORP.....	12,870	362,162	347,582
SMITH INTERNATIONAL INC.....	67,800	2,355,372	1,980,130
SNB BANCSHARES INC TEXAS.....	368,575	4,146,469	4,566,618
SOFTBRANDS INC.....	2,705	4,869	4,615
SOTHEBYS HOLDINGS INC.....	8,900	154,771	142,970
SOUTH FINANCIAL GROUP INC.....	99,950	2,910,544	2,976,898
SOUTHERN UNION CO.....	277,085	6,821,827	4,682,539
SOVEREIGN BANCORP INC.....	107,000	2,495,240	2,319,495
SPIRIT FINANCE CORP.....	9,500	101,270	97,998
SPORTS AUTHORITY INC.....	8,600	277,780	235,235
SPRINT CORP.....	17,850	462,851	276,254
ST JUDE MEDICAL INC.....	5,800	266,220	270,910
ST PAUL COS.....	7,900	339,779	351,580
STAGE STORES INC.....	3,375	93,859	73,543
STANDARD MICROSYSTEMS CORP.....	4,400	114,621	99,899
STANDEX INTERNATIONAL CORP.....	2,420	64,469	66,793
STARWOOD HOTELS & RESORTS.....	391,200	22,806,960	13,990,098
STATOIL ASA.....	81,570	1,996,018	1,350,431
STEAK(THE) N SHAKE COMPANY.....	4,000	78,240	76,614
STEELCASE INC.....	152,310	2,235,911	2,075,322

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
STEWART INFORMATION SERVICES.....	16,167	777,148	463,977
STOLT-NIELSEN SA.....	56,360	2,182,259	1,638,919
SUN BANCORP INC N J.....	2,329	50,074	43,437
SUNCOR ENERGY INC.....	32,130	1,904,024	1,201,864
SUNOCO INC.....	11,300	821,510	553,367
SUNSTONE HOTEL INVESTMENT INC.....	245,100	6,201,030	4,995,564
SUPERIOR WELL SERVICES INC.....	500	11,000	8,551
SUPERVALU INC.....	7,300	254,040	212,839
SURMODICS INC.....	8,050	298,977	321,476
SVB FINANCIAL GROUP.....	14,426	678,599	449,228
SWIFT ENERGY CO.....	17,300	794,589	430,322
SWIFT TRANSPORTATION INC.....	11,000	219,340	237,740
SYBASE INC.....	238,950	5,335,754	3,519,950
SYMANTEC CORP.....	108,700	2,280,526	2,459,319
SYMBOL TECHNOLOGIES INC.....	26,100	239,598	258,030
SYMYX TECHNOLOGIES INC.....	53,479	1,496,877	1,318,873
SYNAPTICS INC.....	59,800	986,700	1,290,421
SYNOPSIS INC.....	142,900	2,715,100	2,556,291
TALBOTS INC.....	8,020	246,214	243,556
TALISMAN ENERGY INC.....	45,680	2,236,950	1,405,141
TANGER FACTORY OUTLET CENTERS INC.....	167,500	4,643,100	4,003,378
TECHNOLOGY SOLUTIONS CO.....	31,480	10,703	23,475
TECK COMINCO LTD.....	6,900	268,543	246,015
TEKELEC.....	16,200	319,302	254,869
TELEDYNE INC.....	11,700	451,971	350,097
TELEFLEX INC.....	17,800	1,225,530	934,465
TELETECH HOLDINGS INC.....	54,100	458,768	433,370
TELLABS INC.....	7,400	65,786	70,301
TEMPUR PEDIC INTERNATIONAL INC.....	32,500	522,275	616,200
TERADYNE INC.....	462,800	7,775,040	6,939,913
TERASTOR CORP.....	26,236	0	1
TERRA INDUSTRIES INC.....	70,250	512,825	544,742
TETRA TECHNOLOGIES INC.....	19,114	301,428	268,175
TEXAS CAPITAL BANCSHARES INC.....	2,350	51,559	42,604
TEXAS INSTRUMENTS INC.....	143,400	4,686,312	3,305,710
TEXTRON INC.....	68,450	4,880,485	4,708,051
THORATEC CORP.....	95,992	1,571,390	1,015,093
TIBCO SOFTWARE INC.....	24,100	184,124	165,994
TIFFANY & CO.....	99,400	3,719,548	3,095,436
TIMCO AVIATION SERVICES INC.....	497	107	2
TIME WARNER INC.....	65,900	1,180,928	1,130,391
TOO INC.....	7,600	202,616	167,688
TOTAL SA.....	10,120	1,334,221	1,125,137
TRAMMELL CROW CO.....	10,150	275,776	224,083
TRANS WORLD ENTERTAINMENT CORP.....	23,850	177,921	246,506
TRANSMONTAIGNE INC.....	23,450	222,072	242,153
TRANSOCEAN SEDCO FOREX INC.....	47,920	2,829,197	1,891,483
TRC COS INC.....	5,030	75,450	76,079
TREASURE IS RTY TR.....	600	450	408
TRICAN WELL SERVICE LTD.....	13,800	461,123	350,830

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
TRIMBLE NAVIGATION LTD.....	9,232	337,153	330,894
TRINITY INDUSTRIES INC.....	9,100	340,613	283,067
TRIQUINT SEMICONDUCTOR INC.....	25,800	99,588	99,357
TRIUMPH GROUP INC.....	3,450	135,482	117,200
TRUSTREET PROPERTIES INC.....	9,950	164,076	165,223
TYCO INTERNATIONAL LTD.....	134,100	3,732,003	4,258,375
TYSON FOODS INC.....	35,529	631,706	480,302
U S BANCORP.....	132,064	3,858,910	3,690,381
U S I HOLDINGS CORP.....	210,825	2,582,606	2,443,709
U S XPRESS ENTERPRISES.....	4,200	55,314	47,147
U STORE IT TR.....	120,200	2,471,312	2,012,303
ULTRATECH STEPPER INC.....	13,700	209,336	235,121
UNIONBANCAL CORP.....	9,300	630,261	536,786
UNISYS CORP.....	122,400	813,960	1,607,174
UNITED ONLINE INC.....	26,500	345,295	274,020
UNITED RENTALS INC.....	182,000	3,285,100	3,530,781
UNITED STATES CELLULAR CORP.....	1,350	74,088	45,384
UNITED TECHNOLOGIES CORP.....	79,350	3,967,500	3,853,681
UNITED THERAPEUTICS CORP.....	11,250	789,863	382,970
UNIVERSAL COMPRESSION HOLDINGS.....	1,900	78,280	49,568
UNIVERSAL HEALTH SERVICES INC.....	72,850	3,723,364	3,293,173
UNOVA INC.....	188,200	5,459,682	2,816,819
USANA HEALTH SCIENCES INC.....	1,100	57,200	46,645
USEC INC.....	29,150	343,096	384,732
USG CORP.....	9,850	619,073	325,516
VALEANT PHARMACEUTICALS INTERNATIONAL.....	36,300	725,274	748,127
VALUECLICK INC.....	9,050	130,682	121,159
VALUEVISION INTERNATIONAL INC.....	20,825	275,931	251,105
VARIAN INC.....	7,350	261,660	284,647
VARIAN SEMICONDUCTOR EQUIPMENT.....	7,700	348,887	272,043
VEECO INSTRUMENTS INC.....	18,080	332,130	350,162
VERITAS DGC INC.....	17,000	546,720	308,354
VERIZON COMMUNICATIONS.....	20,100	657,471	811,069
VIACOM INC.....	96,224	3,270,654	3,360,338
VIASAT INC.....	29,280	695,107	525,504
VIASYS HEALTHCARE INC.....	2,550	68,672	57,562
VICAL INC.....	115,692	550,694	503,680
VICOR CORP.....	48,994	781,454	463,379
VINTAGE PETROLEUM INC.....	60,550	2,326,937	2,031,824
VISHAY INTERTECHNOLOGY INC.....	42,840	552,636	699,609
VODAFONE GROUP.....	24,697	672,993	604,079
VOLT INFORMATION SCIENCES INC.....	5,950	135,065	150,231
VORNADO REALTY TRUST.....	512,289	44,067,100	20,002,050
W & T OFFSHORE INC.....	5,100	139,740	120,544
WACHOVIA CORP.....	79,188	3,929,309	3,915,921
WALGREEN CO.....	7,300	338,209	335,592
WAL-MART STORES INC.....	33,050	1,485,928	1,602,416
WARNACO GROUP INC.....	172,450	4,311,250	3,003,801
WARREN RESOURCE INC.....	92,682	1,055,648	781,399
WASHINGTON GROUP INTERNATIONAL INC.....	2,591	136,908	112,916

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
WASHINGTON MUTUAL INC.....	21,700	902,286	888,260
WASHINGTON TR BANCORP INC.....	4,107	117,050	111,439
WATSON PHARMACEUTICALS INC.....	2,200	75,856	65,868
WEATHERFORD INTERNATIONAL LTD.....	78,300	5,301,693	4,083,971
WEBSENSE INC.....	13,700	683,493	608,439
WEBTEC.....	3,800	98,800	75,635
WEINGARTEN REALTY INVESTMENT.....	45,800	1,765,590	995,818
WELLMAN INC.....	33,350	231,783	306,073
WESCO INTERNATIONAL INC.....	2,250	78,075	58,506
WESTCORP.....	1,100	67,925	61,836
WESTERN DIGITAL CORP.....	23,200	321,320	309,538
WESTWOOD ONE INC.....	11,600	235,828	252,971
WHITE FIRE ENERGY LTD.....	17,175	46,692	34,468
WILEY (JOHN) & SONS.....	2,750	120,038	116,214
WILLIAMS CLAYTON ENERGY INC.....	26,000	975,780	668,697
WILLIAMS COS INC.....	14,800	332,112	294,462
WILLIAMS SONOMA INC.....	27,800	1,118,950	1,017,775
WIND RIVERS SYSTEMS.....	3,250	42,705	50,249
WINNEBAGO INDUSTRIES.....	5,100	155,397	166,837
WJ COMMUNICATIONS INC.....	28,000	34,160	62,362
WOODHEAD DANIEL INC.....	40,647	539,386	606,875
WOODWARD GOVERNOR CO.....	3,700	301,735	228,607
WORLD ACCEPTANCE CORP.....	5,300	135,627	113,488
WYETH.....	78,000	3,571,620	3,164,326
YANKEE CANDLE INC.....	1,900	52,193	61,674
YANZHOU COAL MINING CO LTD.....	26,940	1,007,556	1,231,832
ZALE CORP.....	6,200	172,980	178,876
ZENITH NATIONAL INSURANCE CORP.....	1,900	119,985	97,084
ZOLL MED CORP.....	14,700	392,049	418,344
ZORAN CORP.....	23,800	375,088	317,799
ZYGO CORP.....	224,800	2,776,280	2,809,644
TOTAL DOMESTIC COMMON STOCKS		<u>1,311,874,682</u>	<u>999,902,108</u>

FOREIGN COMMON STOCKS

3I GROUP ORD.....	1,904	24,022	24,776
A P MOLLER - MAERSK A/S.....	70	751,447	671,313
AASTRA TECHNOLOGIES LTD.....	41,600	994,745	973,663
ACOM CO.....	15,000	979,889	983,137
AEGON.....	117,153	1,638,197	1,569,194
AEGON NV.....	117,153	0	0
AGF MANAGMENT LTD.....	56,100	845,679	770,379
AIDA ENGINEERING.....	299,000	1,681,513	1,360,519
AIFUL CORP.....	14,875	1,135,016	1,024,546
AIRBOSS OF AMERICA CORP.....	29,200	122,885	63,543
AISIN SEIKI CO.....	9,000	227,561	214,687
AKER KVAERNER.....	30,130	1,608,191	929,977
AKITA DRILLING LTD.....	6,300	104,673	81,211
ALBERTA CLIPPER ENERGY INC.....	22,325	90,946	80,601
ALTADIS SA.....	34,745	1,501,145	1,479,465
ALTEN NPV.....	39,800	1,173,284	697,476

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SCHEDULE A
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
AMADA.....	575,000	4,413,326	3,411,454
AMPLIFON.....	8,000	530,016	534,590
ANDRES WINES LTD.....	4,600	99,697	106,142
ANDRITZ AG NPV.....	3,608	343,891	329,402
ANTENA 3 DE TELEVISION.....	12,067	237,450	235,148
ANTOFAGASTA ORD.....	65,700	1,719,793	1,698,438
AOC HOLDINGS INC.....	12,000	225,132	181,728
AOYAMA TRADING.....	33,900	912,053	838,400
APRIL GROUP.....	25,600	841,572	806,942
ARC LAND SAKAMOTO.....	60,100	980,982	948,064
ARISTOCRAT LEISURE.....	70,667	665,112	529,624
ARRIVA ORD.....	13,490	137,204	132,434
ASAHI BREWERIES.....	1,100	13,491	14,314
ASAHI CHEMICAL INDUSTRY.....	3,000	13,956	14,402
ASATSU-DK INC.....	138,400	4,047,330	3,889,074
ASCENDAS REAL ESTATE INV TRUST.....	93,200	123,902	103,668
ASHTED GROUP ORD.....	254,400	555,646	375,558
ASM PACIFIC TECHNOLOGY.....	5,500	26,926	26,484
ASTRAZENECA.....	16,441	744,601	706,411
AUR RESOURCES INC.....	179,000	1,194,739	1,147,693
AUSTAL LIMITED ORD.....	336,983	484,734	474,216
AUSTRALIAN & NEW ZEALAND BANK.....	3,518	58,559	58,627
AUSTRALIAN STOCK EXCHANGE.....	18,580	370,542	293,945
AUTONOMY CORP.....	81,000	509,743	454,962
AUTOST TORINO MILA.....	27,000	575,227	504,736
AXA ASIA PAC HOLDINGS.....	264,834	980,725	707,338
AXIA NETMEDIA CORP.....	69,900	125,315	141,822
BANCO SANTANDER.....	8,272	100,716	94,305
BANK OF CHINA HONG KONG HOLDINGS.....	118,500	238,612	195,704
BANK OF RYUKYUS.....	75,000	1,869,348	1,809,740
BANK OF YOKOHAMA Y50.....	138,000	880,389	797,020
BASF AG.....	29,923	2,092,126	1,990,798
BAYTEX ENERGY TRUST.....	32,500	451,077	297,456
BCA INTESA DI RISP.....	90,048	399,791	367,350
BCE INC.....	48,500	1,268,323	1,158,060
BEKAERT SA NPW.....	5,939	490,834	488,390
BELLWAY ORD.....	23,000	359,890	307,866
BHP BILLITON.....	67,181	1,032,473	597,164
BIJOU BRIGITTE.....	13,300	2,602,400	931,597
BILIA AB.....	37,300	709,756	459,839
BIOMIRA INC.....	182,400	276,340	358,099
BNP PARIBAS.....	44,802	3,248,130	2,722,808
BOHLER UDDEHOLM.....	2,587	398,625	323,723
BORALEX INC.....	57,400	359,928	308,567
BOUYGUES.....	51,804	2,303,158	2,240,890
BOW VALLEY ENERGY LTD.....	47,500	181,508	48,213
BRAMBLES INDUSTRIES.....	79,221	528,421	434,659
BRAMBLES INDUSTRIES.....	21,922	129,462	121,264
BRITISH AIRWAYS.....	358,238	1,775,071	1,762,038
BRITISH LAND ORD.....	133,000	2,105,580	2,050,140

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BULGARI SPA.....	151,000	1,722,621	1,435,162
BURREN ENERGY ORD.....	279,000	3,657,612	1,846,357
CAIRN ENERGY (NEW) ORD GBP0.10.....	62,280	1,975,339	1,668,482
CALFRAC WELL SERVICES LTD.....	14,300	456,767	201,000
CALIAN TECHNOLOGY LTD.....	27,500	310,159	296,815
CAMBRIDGE ANTIBODY TECHNOLOGY.....	42,300	556,820	580,760
CANACCORD CAPITAL INC.....	99,800	901,316	811,116
CANADA BREAD CO LTD.....	13,600	588,940	364,116
CANAM MANAC GROUP INC.....	79,300	460,542	472,225
CANEX ENERGY INC.....	12,200	33,886	30,369
CANON INC.....	2,900	145,346	154,627
CANON SALES.....	62,000	1,202,231	845,191
CANWEL BUILDING MATERIALS INC.....	47,400	239,374	386,711
CAPITALAND.....	303,000	525,096	250,463
CAPITALIA SPA.....	52,381	290,538	286,346
CAPITAMALL TRUST.....	20,000	28,606	23,212
CAPITOL ENERGY RESOURCE LTD.....	13,176	48,796	46,455
CATALANA OCCIDENTE SA DE.....	6,800	549,866	396,822
CATHAY PACIFIC AIRWAYS.....	34,000	62,994	63,779
CCL INDUSTRIES INC.....	40,400	975,231	798,121
CELESIO AG.....	25,400	2,217,911	2,044,310
CENTURY LEASING SYSTEM.....	92,000	1,109,282	1,036,406
CHARLES VOGELE HOLDINGS AG.....	6,300	508,125	416,592
CHARTER ORD.....	174,800	1,034,332	773,985
CHEUNG KONG HOLDINGS.....	30,000	325,393	312,078
CHIBA BANK.....	86,000	610,555	536,148
CHUBU ELECTRIC POWER Y500.....	3,800	92,320	93,070
CHUBU SHIRYO CO.....	59,000	319,593	318,894
CHUGOKU BANK.....	15,000	188,150	167,507
CIA DISTRIB INTEGRAL LOGISTA.....	7,900	404,178	364,286
CLP HOLDINGS.....	50,500	294,339	231,390
COCA COLA.....	123,000	2,777,973	2,971,821
COCHLEAR LTD.....	4,923	155,312	127,728
CODAN.....	12,900	670,069	447,517
COFIDE.....	508,000	699,735	403,257
COGECO CABLE INC.....	39,600	1,081,576	720,919
COGECO INC.....	13,700	331,517	263,475
COLES MYER LTD.....	30,438	226,120	190,622
COLRUYT SA.....	12,000	1,593,886	2,049,158
COMMONWEALTH BANK OF AUSTRALIA.....	12,433	349,280	286,635
COMPTON PETROLEUM CORP.....	110,600	1,322,806	1,191,972
COMSYS HOLDINGS.....	80,000	839,340	696,387
CORIO.....	3,136	181,501	185,512
CORUS GROUP PLC ORD.....	746,216	637,500	634,884
CRANSWICK ORD.....	217,400	2,302,080	2,391,144
CREDIT SUISSE GROUP.....	62,449	2,697,050	2,750,737
CREW ENERGY INC.....	90,800	1,352,714	681,165
CRYPTOLOGIC INC.....	14,600	263,712	322,446
CSR ORD.....	4,357	8,771	5,884
CUMBERLAND RESOURCES LTD.....	67,800	88,452	91,746

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EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
CYCLE & CARRIAGE.....	73,196	486,540	578,346
DAI NIPPON PRINTING CO.....	36,000	570,765	491,914
DAIHEN CORP.....	52,000	174,059	120,434
DAIICHI PHARMACEUTICAL CO.....	110,100	2,555,972	2,366,915
DAIO PAPER CORP.....	19,000	146,686	155,125
DAISYO CORP.....	37,000	451,451	407,589
DAIWABO CO LTD.....	134,000	229,091	195,376
DANISCO.....	23,800	1,522,748	1,171,710
DANSKE BANK.....	1,800	54,392	36,873
DATAMIRROR CORP.....	9,600	66,661	87,844
DB RREEF TRUST NPV (STAPLED).....	415,193	425,706	422,895
DBS GROUP HOLDINGS LTD.....	116,000	1,073,978	1,001,355
DELHAIZE LE LION.....	40,777	2,350,010	2,113,710
DELPHI ENERGY CORP.....	14,900	51,418	37,560
DELTA GROUP.....	253,900	580,528	577,650
DENYO CO LTD.....	70,200	730,204	742,522
DEXIA.....	78,281	1,700,197	1,791,789
DIAGNOCURE INC.....	21,700	80,181	85,569
DIAWABO INFO SYSTEM.....	71,000	1,230,449	1,106,611
DONGWON FINANCIAL.....	24,550	532,054	345,322
DRAXIS HEALTH INC.....	120,900	549,499	600,391
DSM NV CVA.....	15,800	1,220,306	1,064,975
DUVERNAY OIL CORP.....	5,800	188,679	120,457
EADS EURO AERO.....	25,446	856,225	732,793
EASYHOME LTD.....	6,550	101,991	66,276
EASYJET ORD.....	287,800	1,514,046	1,150,146
EIFFAGE.....	25,700	2,421,107	1,704,538
ELCOTEQ NETWORK CORP.....	38,000	781,398	876,250
ELECTRIC POWER DEVELOP.....	8,500	260,809	249,334
EMBER RESOURCES INC.....	21,815	140,464	60,654
ENDESA SA.....	106,362	2,393,810	2,352,310
ENDEV ENERGY INC.....	39,300	63,841	31,251
ENERFLEX SYSTEMS LTD.....	9,300	221,913	221,845
ENTERPRISE INNS.....	34,900	518,835	524,196
EQUITABLE GROUP INC.....	14,600	325,646	291,194
ERAMET.....	14,000	1,553,915	832,024
ERSTE BANK DER OSTERREICHISCHEN.....	20,150	1,113,927	1,010,290
ESPRIT ENERGY TRUST.....	29,100	356,616	293,910
EUROZINC MINING CORP.....	260,400	181,914	190,367
EXEDY CORPORATION.....	46,000	918,882	1,024,478
EXPRO INTERNATIONAL GROUP.....	14,388	134,563	96,993
F.C.C.....	5,000	193,908	158,728
FAIRFAX FINANCIAL HOLDINGS LTD.....	9,200	1,531,346	1,430,090
FINMECCICA SPA.....	196,653	3,664,567	3,747,501
FIRST CALGARY PETES LTD.....	16,514	135,381	122,878
FIRST CHOICE HOLDINGS ORD.....	72,194	261,922	241,174
FIRST PACIFIC CO.....	5,312,000	1,811,185	1,671,665
FLINT ENERGY SERVICES LTD.....	6,400	166,989	136,462
FONCIERE DES REGION.....	4,500	496,982	487,361
FORTIS.....	18,264	519,096	409,173

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
FORTIS.....	228,286	6,491,114	5,530,729
FORTUM.....	5,400	104,864	106,468
FOSTER ELECTRIC CO.....	125,000	1,060,647	1,004,419
FOURLIS EUR1 ORD.....	49,100	422,699	419,044
FUJI ELECTRIC HOLDINGS CO.....	437,000	1,612,183	1,403,174
FUJI PHOTO FILM LTD.....	18,100	579,799	624,564
FUJI TELEVISION NETWORK.....	3,615	8,164,529	7,294,041
FUJI-TEC.....	798,332	4,353,167	4,176,463
FUJITSU KIDEN.....	21,000	219,571	223,133
FUKUDA DENSHI.....	6,000	213,794	219,486
FUTABA INDUSTRIAL.....	163,600	3,172,340	3,075,318
GABRIEL RESOURCES LTD.....	93,200	152,967	151,926
GAKKEN CO.....	430,000	913,124	996,167
GALLEON ENERGY INC.....	19,300	279,891	207,220
GALLEON ENERGY INC.....	114,143	1,655,319	1,047,063
GAMBRO.....	47,000	665,332	324,207
GAMMON LAKE RESOURCES INC.....	13,900	104,124	104,689
GARDA WORLD SECURITY CORP.....	72,900	707,463	481,845
GENERAL PROPERTY TRUST.....	74,386	218,471	139,660
GENERALI(SCHWEIZ) HOLDING.....	1,800	455,560	471,693
GERRY WEBER INTERNATIONAL AG NPV(REG).....	31,000	450,260	417,344
GESTEVIS TELECINO.....	57,900	1,338,716	1,385,551
GLEESON(M J) GROUP ORD.....	112,100	604,852	608,324
GMP CAP CORP.....	16,000	476,054	280,069
GROUPE LAPERRIERE & VERREAUULT.....	13,000	166,207	136,296
GUARDIAN CAPITAL GROUP LTD.....	11,400	193,822	162,737
GUNZE.....	41,000	199,586	186,330
HACHIJUNI BANK.....	173,000	1,192,406	1,153,824
HANKYU DEPARTMENT STORES Y50.....	12,000	83,250	99,199
HARRIS STEEL GROUP INC.....	50,100	969,868	703,830
HAWKER RESOURCES INC.....	6,499	31,453	21,730
HBOS.....	83,081	1,301,868	1,265,683
HEIJMANS CVA.....	8,900	440,016	419,020
HELLENIC TELECOM ORGANIZATION.....	34,550	713,854	611,788
HITACHI LTD.....	183,000	1,111,486	1,136,345
HITACHI SYSTEMS & S NAV.....	15,000	257,795	253,618
HKR INTERNATIONAL.....	1,089,000	721,596	590,133
HOME CAPITAL GROUP INC.....	96,900	3,126,964	1,568,661
HONDA MOTOR CO.....	10,700	569,973	556,310
HONG KONG ELECTRIC HOLDINGS.....	18,000	86,964	79,690
HSE INTEGRATED LTD.....	866	2,077	1,585
HUDBAY MINERALS INC.....	35,500	100,097	87,713
HUNTING PLC ORD.....	372,600	1,983,614	981,405
HUSKY ENERGY INC.....	30,560	1,574,171	813,578
HUTCHISON WHAMPOA.....	45,000	444,086	354,843
HYPO REAL ESTATE NPV.....	26,800	1,318,399	951,630
ICHIYOSHI SECURITIES.....	56,000	559,320	503,156
IHC CALAND NV.....	19,810	1,581,180	1,238,504
IMPERIAL CHEMICAL INDUSTRY.....	232,300	1,200,181	1,071,902
INCHCAPE ORD.....	20,700	774,451	504,309

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
INDIRA SISTEMAS SA.....	22,393	451,932	450,543
ING GROEP.....	41,846	1,211,470	934,446
INMET MINING CORP.....	40,100	622,713	570,262
INMOBILIARIA COLONIAL SA.....	33,134	1,888,756	1,626,480
INMOBILIARIA URBIS SA.....	58,000	1,176,966	652,870
INNOVATION GROUP PLC ORD.....	702,600	388,576	609,260
INTERNATIONAL POWER ORD.....	401,400	1,665,150	1,387,276
INTERNET RESEARCH INSTITUTE.....	100	152,967	153,330
INTESABCI SPA.....	195,483	932,809	825,686
INVESTA PROPERTY GROUP.....	3,103	4,801	4,593
IPSCO INC.....	16,400	1,049,070	412,837
ISOTECHNIKA INC.....	43,600	73,028	86,157
ITALCEMENTI EUR1.....	13,709	220,950	169,633
ITE GROUP ORD.....	435,700	819,518	716,590
IVERNIA INC.....	122,900	154,129	165,674
IZUMI CO.....	17,000	480,317	433,523
JACCS CO.....	119,000	1,001,169	983,889
JAMES HARDIE INDUSTRIES NPV.....	5,595	36,227	37,992
JAPAN RETAIL FUND.....	1	8,143	8,401
JAPAN TOBACCO INC.....	6	86,381	62,109
JKX OIL & GAS ORD.....	142,100	468,856	338,986
JM BYGG-&FASTIGH.....	41,600	1,533,853	1,025,441
JOINT CORP.....	5,000	178,612	196,034
JSP CORP.....	58,000	587,124	612,143
KANTO AUTO WORKS.....	191,000	2,414,676	2,226,922
KAS BANK NV CVA.....	25,300	575,320	528,849
KATO SANGYO CO.....	28,000	451,991	399,326
KAUFMAN & BROAD.....	7,300	515,781	425,785
KAWASAKI KISEN KAISHA.....	332,000	2,159,859	1,682,905
KAYABA INDUSTRY CO.....	121,000	468,169	465,749
KEIHIN CORP.....	44,000	795,789	703,274
KEIYO BANK LTD.....	521,000	2,737,787	2,710,795
KELDA GROUP ORD.....	15,434	186,714	192,593
KEPPEL CORP.....	157,090	1,081,483	908,353
KESKO ORD.....	48,400	1,377,998	987,096
KICK ENERGY CORP.....	97,500	697,542	177,276
KIER GROUP ORD.....	67,400	1,115,245	886,168
KILN ORD.....	295,300	532,700	514,932
KINDEN CORPORATION.....	24,000	190,903	158,628
KINGBOARD CHEMICAL HOLDING.....	13,000	30,526	41,214
KINGSWAY FINANCIAL SERVICES INC.....	18,900	345,994	297,828
KIRIN BREWERY CO.....	1,195,000	11,935,483	11,752,406
KITZ CORPORATION.....	137,000	670,608	617,858
KOBE STEEL.....	427,000	1,002,807	1,008,412
KOJIMA CO.....	30,000	349,574	347,909
KOMATSU.....	22,000	242,498	175,492
KT&G CORP.....	56,540	2,494,171	1,753,350
KUBOTA CORPORATION.....	207,000	1,279,606	1,016,089
KUHNE & NAGEL AG.....	7,200	1,579,085	1,289,573
KURABO INDUSTRIES.....	170,000	454,312	442,556

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EQUITY SECURITIES

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
KURIMOTO LTD.....	90,000	250,236	286,831
KYOWA EXECO CORP.....	114,000	1,033,986	971,554
KYOWA HAKKO KOGYO.....	152,000	1,114,680	1,082,021
KYUSHU ELECTRIC POWER CO INC.....	10,500	237,144	184,074
LA SENZA CORP.....	7,500	127,515	111,430
LE CHATEAU INC.....	3,800	158,640	75,673
LEADER ENERGY SERVICES LTD.....	13,221	41,173	19,479
LEGACY HOTELS REIT.....	110,000	663,833	660,356
LEIGHTON HOLDINGS LTD.....	2,430	27,179	20,645
LEND LEASE CORP.....	16,072	159,115	158,840
LINDE AG NPV.....	7,900	583,435	531,867
LINDEX.....	9,000	471,691	425,606
LION CORP.....	485,000	2,841,004	2,808,816
LORUS THERAPEUTICS INC.....	29,500	16,884	18,744
MABUCHI MOTOR Y50.....	79,800	4,100,040	4,608,263
MACARTHUR COAL LTD.....	319,760	1,558,818	1,288,347
MACQUARIE AIRPORTS NPV STAPLED.....	231,500	554,713	400,870
MAJOR DRILLING GROUP INTERNATIONAL INC.....	89,200	1,032,321	628,480
MAKITA CORP.....	166,000	3,286,094	2,519,595
MARUBENI CORP.....	346,000	1,432,132	1,061,577
MATSUSHITA ELECTRIC INDUSTRIAL CO.....	2,000	34,643	29,695
MAZDA MOTOR CORP.....	297,000	1,165,177	1,040,329
MELCOR DEVELOPMENTS LTD.....	400	29,627	30,069
MERCK KGAA.....	38,751	3,324,140	2,197,284
MI DEVELOPMENTS INC.....	39,700	1,312,085	1,305,315
MILANO ASSICURAZIO ITL1000.....	414,000	2,899,654	1,502,235
MINACS WORLDWIDE INC.....	69,900	226,509	173,221
MINISTOP CO.....	73,200	1,393,063	1,425,732
MITSUBISHI CHEMICAL Y50.....	432,000	1,376,056	1,387,199
MITSUBISHI GAS & CHEMICAL CO.....	207,000	1,339,209	801,122
MITSUBISHI TOKOYO FINANCIAL GROUP.....	76	772,754	711,047
MITSUMI CHEMICALS.....	6,000	35,146	35,397
MITSUMI O.S.K. LINES LTD.....	207,000	1,504,980	1,020,680
MITSUMI TRUST HOLDINGS NPV.....	51,000	566,743	524,180
MITSUMURA PRINTING.....	91,000	507,671	585,402
MONSOON ORD.....	128,100	947,187	727,675
MORGAN SINDALL ORD.....	44,400	675,978	581,674
MOSAID TECHNOLOGIES INC.....	7,700	136,683	169,893
MULLEN GROUP INCOME FUND.....	53,300	1,105,837	600,341
MUNCHENER RUCKVERSICHERUNGS.....	10,052	1,121,893	1,140,004
N.G.K. SPARK PLUG CO.....	48,000	661,682	599,315
NAMCO.....	36,900	604,624	500,150
NETELLER.....	40,500	627,528	492,695
NEXEN INC.....	11,800	511,191	332,030
NICHIAS CORP.....	71,000	321,348	337,597
NICHICON CORP.....	32,000	473,946	472,651
NIDEC TOSOK CORP.....	13,000	163,882	166,962
NIHON DEMPA KOGYO.....	9,700	234,350	207,222
NIHON KODEN CORP.....	72,000	1,199,190	770,131
NIHON UNISYS.....	25,000	242,948	270,055

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SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
NIKKO SECURITIES.....	2,626,000	12,959,850	12,279,475
NINTENDO CO.....	21,000	2,191,929	2,183,543
NIPPON BUILDING FUND INC.....	4	33,221	34,944
NIPPON CHEMICAL INDUSTRIAL CO.....	318,000	924,228	1,120,991
NIPPON FINE CHEMICAL CO.....	273,502	1,619,331	1,690,949
NIPPON KAYAKU CO.....	173,000	1,245,332	1,109,970
NIPPON MINING HOLDING.....	144,000	964,017	800,682
NIPPON SHINYAKU CO.....	158,000	1,219,813	1,046,173
NIPPON SHOKUBAI CO.....	1,000	9,718	8,589
NIPPON STEEL.....	106,000	307,122	247,431
NIPPON TEL & TEL CORP.....	152	656,499	639,768
NIPPON YUSEN KK.....	207,000	1,294,507	1,050,572
NIPPONKOA INSURANCE CO.....	373,000	2,624,610	2,513,379
NISSAN SHATAI CO.....	93,000	635,983	625,658
NISSHIN STEEL CO Y50.....	292,000	835,525	671,208
NITTA CORP.....	14,000	186,440	206,566
NOKIA.....	125,950	1,964,127	1,991,779
NORDBANKEN HOLDINGS.....	326,000	3,144,543	2,205,708
NORSK HYDRO.....	67,380	7,150,638	4,498,721
NORTHBRIDGE FINANCIAL CORP.....	81,300	2,251,300	1,941,990
NORTHSTAR AEROSPACE INC.....	23,300	98,056	101,185
NOVAGOLD RESOURCES INC.....	51,900	376,549	420,734
NOVARTIS AG.....	465	22,466	23,119
NOVICOURT INC.....	76,450	96,520	236,790
NURUN INC.....	51,500	120,937	95,458
NUTRECO HOLDING.....	12,300	547,603	549,857
OESTERREICHISCHE EL WIRTSCH.....	7,107	2,408,020	1,355,485
OILEXCO INC.....	65,000	209,536	137,602
OKINAWA CELLULAR.....	100	207,855	210,737
OMV AG.....	117,451	6,377,340	3,304,238
ONEX CORP.....	42,100	715,427	713,818
ONO PHARMACEUTICAL CO.....	10,000	493,094	464,645
ORIENT OVERSEAS INT.....	377,438	1,503,021	901,015
ORIGIN ENERGY.....	164,760	897,256	889,944
ORKLA ASA.....	111,050	4,449,822	3,123,787
OSAKA STEEL CO.....	24,700	339,824	313,382
OSIM INTERNATIONAL.....	982,000	757,649	682,167
OVERSEA-CHINESE BANKING CORP.....	54,000	200,303	190,880
OVERSEAS UNION ENTERPRISES.....	24,000	134,603	90,104
PACIFIC INDUSTRIAL.....	169,000	854,618	786,978
PACIFIC RODERA ENERGY INC.....	29,600	28,651	41,443
PAL CO LTD.....	10,000	555,181	487,843
PAN-OCEAN ENERGY CORP.....	9,700	295,384	162,259
PASON SYSTEMS INC.....	51,600	1,124,421	614,217
PENN WEST ENERGY TRUST.....	74,190	2,141,213	1,351,970
PETRO-CANADA.....	16,800	678,731	502,727
PREUSSAGE AG.....	37,561	885,085	932,750
PRIMARY HEALTH CARE.....	58,500	463,152	469,835
PROMINA GROUP.....	551,400	1,975,658	1,529,953
PROSPEX RESOURCES LTD.....	26,000	84,252	71,089

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
QANTAS AIRWAYS LIMITED.....	194,748	469,575	524,476
QUADRA MINING LTD.....	45,700	225,019	238,539
QUADRANT HOLDING.....	3,800	449,919	434,520
QUEST CAPITAL CORP.....	110,300	213,526	183,740
RAMSAY HEALTH CARE LTD.....	70,900	485,167	472,517
REAL RESOURCES INC.....	72,916	1,534,299	569,072
REITMANS (CANADA) LTD.....	100,300	1,460,475	912,644
REPSOL SA.....	140,379	4,140,030	2,959,198
RICARDO PLC ORD.....	77,600	358,688	417,530
RIDER RESOURCES LTD.....	31,800	481,778	213,949
RINKER GROUP.....	28,366	306,183	182,578
RIO TINTO LIMITED.....	22,696	857,690	780,086
ROCHE HOLDINGS.....	1,107	152,356	157,168
ROYAL DUTCH SHELL.....	21,418	0	0
ROYAL DUTCH SHELL PLC.....	21,418	696,454	643,103
SACYR VALLERMOSO SA.....	90,800	2,320,511	1,825,828
SAIPEM.....	87,520	1,457,075	1,061,285
SALZGITTER AG ORD.....	106,700	3,953,809	1,483,536
SAMUEL MANU-TECH INC.....	86,300	762,688	833,169
SANGETSU.....	69,000	1,875,017	1,613,862
SANTOS LIMITED.....	141,986	1,235,039	876,389
SANWA SHUTTER CORP.....	97,000	576,929	570,875
SANYO SHINPAN FINANCE CO.....	18,000	1,264,948	1,221,689
SATORI ELECTRIC CO.....	33,000	448,671	443,155
SAVANNA ENERGY SERVICES CORP.....	101,050	2,105,882	1,255,086
SAVILLS ORD.....	67,400	883,020	514,035
SCHERING AG.....	5,652	356,245	339,348
SEINO TRANSPORTATION.....	75,000	669,456	669,997
SEMBCORP INDUSTRIES.....	605,740	1,010,196	738,390
SEMBCORP LOGISTICS.....	110,000	105,107	110,959
SEMBCORP MARINE SGD0.10.....	356,000	591,590	410,289
SEQUOIA OIL & GAS TR.....	942	14,351	10,803
SERONO SA.....	933	616,094	593,090
SFK PULP FUND.....	325,700	1,206,195	1,700,459
SHANGRI-LA ASIA.....	106,000	184,119	156,493
SHERRITT INTERNATIONAL CORP.....	64,500	591,200	409,680
SHIGA BANK.....	71,000	444,010	449,173
SHINKO ELECTRIC INDUSTRIES CO.....	61,000	3,364,646	2,038,829
SICO INC.....	30,500	384,298	380,203
SIERRA SYSTEMS GROUP INC.....	10,700	88,259	88,843
SINGAPORE AIRLINES.....	41,000	287,130	269,488
SINGAPORE PETROLEUM.....	65,000	210,244	199,621
SINGAPORE PRESS HOLDINGS.....	1,202,000	3,224,452	3,238,294
SINGAPORE TELECOMMUNICATIONS.....	375,429	574,858	85,729
SMARTONE TELECOMMUNICATIONS.....	6,500	7,569	7,453
SMRT CORP.....	263,000	168,575	106,234
SODEXHO ALLIANCE.....	84,937	2,943,677	2,799,939
SOLARWORLD AG NPV.....	14,200	1,547,299	402,600
SOMPO JAPAN INSURANCE INC.....	88,000	1,002,456	833,392
SOSHIN ELECTRIC CO.....	23,000	256,004	236,594

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
STANTEC INC.....	10,800	340,335	249,719
STAR MICRONICS CO.....	29,000	368,453	236,847
STATOIL DEN NORSKE STATS OLJESELSKAP.....	29,900	727,756	274,244
STOCKLAND.....	60,523	268,225	270,619
STOCKMANN AB OY.....	11,700	479,162	421,598
STOLT OFFSHORE.....	77,400	966,175	679,161
STOREBRAND ASA.....	141,400	1,405,424	733,470
STORK NV.....	23,500	1,169,065	791,306
SUEZ.....	19,745	574,059	418,889
SULZER AG.....	2,700	1,277,643	1,087,830
SUMITOMO BAKELITE CO.....	24,000	159,158	151,860
SUMITOMO CHEMICAL.....	46,000	254,141	214,870
SUMITOMO CORP.....	172,630	1,623,236	1,491,078
SUMITOMO CORP LEASING.....	38,000	1,398,479	1,406,962
SUMITOMO ELECTRIC IND.....	52,000	635,407	534,362
SUMITOMO RUBBER INDUSTRIES.....	123,000	1,293,805	1,194,397
SUMITOMO TRUST & BANKING CO.....	133,000	917,902	834,050
SUN HUNG KAI PROPERTIES.....	8,000	80,956	61,090
SUNCORP METWAY LTD.....	43,763	647,590	664,073
SUNTEC REAL ESTATE INVESTMENT.....	55,000	37,538	44,119
SUNTELEPHONE CO.....	188,499	1,324,675	1,490,484
SWIRE PACIFIC.....	4,500	42,758	29,127
SWISS LIFE HOLDING.....	10,100	1,405,308	1,450,623
SWISS REINSURANCE.....	5,759	369,762	354,947
SWISSCOM AG.....	1,550	519,766	498,088
SYNGENTA AG.....	22,142	2,347,128	1,931,306
SYSTEMS XCELLENCE INC.....	143,300	287,058	287,174
TACHI-S CO.....	14,000	150,790	170,153
TAIGA FOREST PRODUCTS LTD.....	32,500	687,148	797,389
TAIHEIYO CEMENT CORP.....	254,000	852,495	733,050
TAIKO BANK.....	45,000	121,879	123,142
TAISHO PHARMACEUTICAL CO.....	162,000	3,214,199	3,407,510
TAIYO YUDEN CO.....	200,000	2,346,695	2,178,553
TAKEFUJI.....	171,450	11,925,212	11,862,809
TAMRON CO LTD.....	27,000	337,454	431,321
TATE & LYLE.....	1,626	13,479	14,029
TDC.....	13,900	735,765	633,051
TECHEM AG-NPV.....	19,100	825,208	876,795
TECHNIP SA EUR.....	26,900	1,536,704	1,139,005
TECK COMINCO LTD.....	26,730	1,040,312	753,065
TEIJIN.....	284,000	1,500,049	1,149,247
TELECOM ITALIA.....	259,956	813,015	851,643
TELECOM ITALIA DI RISP.....	163,700	427,215	442,897
TELEKOM AUSTRIA.....	69,517	1,461,118	1,346,104
TELENOR AS ORD.....	40,200	368,100	301,769
TELEVISION BROADCAST ORD.....	27,000	149,553	138,040
TELSTRA CORP.....	101,720	357,585	334,723
TESCO.....	71,547	418,213	413,616
THK CO.....	41,000	924,146	894,228
THUNDER ENERGY TRUST.....	33,490	387,583	339,361

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2005

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
TIMBERWEST FOREST CORP.....	33,000	400,800	429,660
TOA CORP.....	83,000	737,877	789,221
TOCHIGI BANK.....	217,000	1,478,103	1,435,331
TOENEC CORP.....	39,000	174,760	174,128
TOKAI RIKI DENKI Y50.....	9,000	163,585	150,409
TOKYO BROADCASTING SYSTEM INC.....	19,600	375,651	325,457
TOPPAN PRINTING.....	5,000	49,534	47,861
TOREX RETAIL ORD.....	325,800	670,605	676,330
TORSTAR CORP.....	32,000	688,158	647,057
TOTAL ENERGY SERVICES TRUST.....	22,600	268,210	153,031
TOTAL FINA ELF.....	3,775	989,356	593,108
TOYO SUISAN KAISHA LTD.....	1,000	17,555	16,129
TOYO TIRE & RUBBER.....	362,000	1,638,422	1,586,300
TRANSCOM WORLDWIDE S.A.....	80,600	604,982	392,065
TRICAN WELL SERVICE LTD.....	162,210	5,420,198	2,029,049
TRINITY MIRROR ORD.....	39,012	434,981	445,422
TRUE ENERGY INC.....	8,400	42,067	18,601
TSUBAKIMOTO CHAIN CO.....	345,000	1,803,618	1,555,971
TSURUMI MANUFACTURE CO.....	151,497	1,326,374	1,341,836
TUSK ENERGY CORP.....	8,589	37,230	32,094
TV ASAHI CORP.....	2,084	4,988,023	4,496,201
TVA GROUP INC.....	37,500	631,576	666,188
TWENTSCHE KABEL HOLDINGS CVA.....	9,853	458,655	311,788
UBISOFT ENTMT.....	32,400	1,658,040	1,265,647
UFJ HOLDINGS.....	64	397,355	274,484
UNIBAIL EUR5.....	134	19,133	19,123
UNITED OVERSEAS BANK.....	75,000	632,066	660,484
UNITED OVERSEAS LAND.....	20,200	27,933	28,713
UNIVAR NV ORD.....	17,700	681,349	351,908
UTS ENERGY CORP.....	74,900	265,406	186,592
VA STAHL AG.....	51,684	4,219,985	3,333,902
VALLOUREC.....	9,600	4,014,230	2,128,981
VAN HOUTTE INC.....	47,300	800,609	788,125
VEBA AG.....	3,268	310,881	297,186
VECTOR AEROSPACE CORP.....	132,200	405,023	416,360
VEIDEKKE.....	56,700	1,526,496	574,727
VENTURE PRODUCTION ORD.....	216,074	1,973,152	920,315
VFC INC.....	19,100	218,635	166,847
VIVENDI UNIVERSAL.....	10,164	318,380	270,851
VOLVO.....	8,400	346,223	174,559
VTECH HOLDINGS.....	331,000	922,029	863,412
WAJAX INCOME FUND UNIT.....	43,600	899,083	613,996
WAKACHIKU CONSTRUC.....	504,000	1,015,846	1,072,994
WALLENSTAM.....	31,800	360,129	258,559
WESCAST INDUSTRIES INC.....	14,700	364,995	370,537
WESTPAC BANKING CORP.....	48,176	714,339	509,813
WESTPOINT INNOVATIONS INC.....	2,400	202	0
WESTPORT INNOVATIONS INC.....	33,500	37,783	46,207
WHARF HOLDINGS.....	141,000	517,945	449,328
WHITE FIRE ENERGY LTD.....	942	2,561	1,397

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES
August 31, 2005

SCHEDULE A
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
WING HANG BANK.....	2,500	18,383	16,366
WOOD GROUP (JOHN).....	300,760	1,114,320	849,084
WOODSIDE PETROLEUM ORD.....	42,710	1,056,768	712,411
WOOLWORTHS LIMITED.....	11,534	140,786	143,130
WORLEY GROUP NPV.....	121,200	867,605	652,052
YAMAHA MOTOR CO.....	63,000	1,176,272	1,161,769
YAMANA GOLD INC.....	22,100	85,379	86,146
YAMATO KOGYO.....	148,000	2,097,449	1,393,988
ZINIFEX.....	374,800	1,097,971	887,580
ZURICH FINANCIAL SERVICES.....	22,267	3,922,757	3,021,462
TOTAL FOREIGN COMMON STOCKS		<u>516,815,775</u>	<u>431,884,790</u>
OTHER - EQUITY SECURITIES			
FEMPARTNERS INC.....	5,432	1	1
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST....		4,613,112	234,338
GOLDSTON OIL CO - JETER #3.....		2,815,706	59,001
GOLDSTON OIL-GLADEWATER JETER.....		6,117,899	265,750
SEAGATE TECHNOLOGY INC.....	42,300	0	0
SONGBIRD HEARING INC.....	812,527	528	528
SONGBIRD HEARING INC.....	1	0	0
TERASTOR CORP.....	1	0	0
TIMCO AVIATION SERVICES INC.....	188	0	0
TOTAL OTHER - EQUITY SECURITIES		<u>13,547,246</u>	<u>559,618</u>
TOTAL EQUITY SECURITIES		<u><u>1,842,237,703</u></u>	<u><u>1,432,346,516</u></u>

PERMANENT UNIVERSITY FUND
PREFERRED STOCKS AND CONVERTIBLE SECURITIES
August 31, 2005

SCHEDULE B

SECURITY	SHARES	VALUE (\$)	COST (\$)
DOMESTIC PREFERRED STOCKS			
DG FUNDING TRUST			
PRIVATE PLACEMENT.....	233	2,516,400	2,335,585
FEDERAL NATIONAL MORTGAGE ASSOCIATION			
2004-1.....	3,100	173,794	155,000
TERASTOR CORP			
SERIES A.....	280,128	0	5
SERIES B.....	320,670	0	2
SERIES C.....	69,698	0	4
SERIES E.....	5,048,544	0	1
SERIES E ITV DISSOLU.....	305,667	0	1
SERIES F.....	2,603,268	0	1
SERIES F ITV DISSOLU.....	104,917	0	1
TOTAL DOMESTIC PREFERRED STOCKS		2,690,194	2,490,600
CONVERTIBLE SECURITIES			
FEMPARTNERS INC			
SERIES A CONV PFD.....	10,865	86,920	86,920
SERIES B CONV PFD.....	3,395	27,163	27,163
SONGBIRD HEARING INC			
SERIES A3 CONV PFD.....	881,528	114,599	5,504,749
SERIES A4 CONV PFD.....	87,805	11,415	2,451,519
SERIES B CONV PFD.....	3,183,569	413,864	1,558,892
SERIES C CONV PFD.....	29,278,408	3,806,193	3,806,193
SERIES D CONV PFD.....	4,232,814	550,266	550,266
TOTAL CONVERTIBLE SECURITIES		5,010,420	13,985,702
TOTAL PREFERRED STOCKS AND CONVERTIBLE SECURITIES		7,700,614	16,476,302

PERMANENT UNIVERSITY FUND
PURCHASED OPTIONS
August 31, 2005

SCHEDULE C

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
PURCHASED OPTIONS			
NEW S & P 500 INDEX			
PUT SEP 05 1225.000.....	572	686,400	934,076
RUSSELL 2000 INDEX FUTURE			
PUT DEC 06 609.425.....	50,663	1,081,290	0
PUT DEC 06 609.710.....	50,639	1,085,089	0
PUT DEC 06 610.950.....	50,536	1,101,493	0
PUT DEC 06 618.3958.....	49,928	1,203,055	0
PUT DEC 06 636.2863.....	48,524	1,467,261	0
PUT JUN 07 620.540.....	49,756	1,480,490	0
S & P 500 INDEX FUTURE			
PUT JAN 06 1154.810.....	187,152	1,537,267	0
PUT JAN 06 1156.150.....	106,820	905,086	0
PUT JAN 2006 1151.920.....	268,030	2,057,398	0
PUT JAN 2006 1156.630.....	53,388	457,375	0
PUT SEP 06 1163.2129.....	53,086	2,728,298	0
PUT SEP 06 1163.4088.....	53,077	2,712,792	0
S&P/TSE 60 INDEX FUTURE			
PUT DEC 06 569.7193.....	27,097	626,716	0
PUT DEC 06 570.3948.....	27,065	630,497	0
UTIMCO NASDAQ STOCK BASKET OTC			
CALL DEC 05 112.250.....	65,000	351,319	325,000
PURCHASED SWAPTIONS			
OTC ECAL 6MEU/3.7 SWP30@3.7 BRC			
CALL NOV 05 003.700.....	16	26,195	24,071
OTC ECAL 6MEU/3.7 SWP30@3.7 JPM			
CALL NOV 2005 003.700.....	8	14,483	10,533
TOTAL PURCHASED OPTIONS		20,152,504	1,293,680

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

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
U. S. GOVERNMENT OBLIGATIONS			
COMMIT TO PURCHASE FEDERAL HOME ASSOCIATION			
5% DUE 10/01/35.....	9,965,000	9,884,034	9,799,351
COMMIT TO PURCHASE FEDERAL HOME LOAN MORTGAGE CORP			
4.5% DUE 09/01/18.....	15,100,000	14,977,313	14,755,953
5% DUE 09/01/19.....	-5,000,000	-5,035,940	-5,002,344
COMMIT TO PURCHASE FEDERAL NATIONAL MORTGAGE ASSOCIATION			
4.198% DUE 09/22/35.....	3,000,000	2,992,800	2,982,891
4.5% DUE 09/01/35.....	33,470,000	32,465,900	31,989,998
4.5% DUE 10/01/20.....	2,595,000	2,570,672	2,547,560
5% DUE 09/01/20.....	4,500,000	4,530,938	4,502,813
5% DUE 09/01/20.....	9,650,000	9,716,344	9,645,477
5% DUE 09/01/35.....	9,940,000	9,871,664	9,786,736
5% DUE 10/01/20.....	10,800,000	10,864,130	10,816,031
5.5% DUE 09/01/35.....	40,100,000	40,501,000	40,208,352
5.5% DUE 10/01/35.....	20,133,000	20,309,164	20,187,967
6% DUE 10/01/35.....	7,895,000	8,067,703	8,062,105
FEDERAL HOME LOAN BANK CONS			
3.24% BONDS DUE 08/20/07.....	2,780,000	2,736,393	2,731,350
6.25% BONDS DUE 03/01/11.....	4,000,000	4,041,960	4,280,156
6.435% BONDS DUE 12/12/11.....	700,000	784,298	822,493
FEDERAL HOME LOAN MORTGAGE CORP			
0% DUE 12/12/05.....	8,200,000	8,108,137	8,108,137
3.5% CMO 2731 PK DUE 05/15/26.....	1,414,622	1,394,002	1,396,940
3.57% CMO 2738 UA DUE 12/15/23.....	1,274,765	1,258,674	1,261,170
4% CMO 2893 PA DUE 04/15/25.....	439,901	436,176	438,733
4% CMO 2931 DA DUE 07/15/14.....	845,000	839,145	838,002
4.42% CMO 2266 F DUE 11/15/30.....	129,493	130,089	129,463
4.5% CMO 2508 CR DUE 03/15/16.....	1,146,478	1,148,739	1,150,419
4.5% CMO 2773 EA DUE 05/15/10.....	1,071,747	1,073,930	1,076,771
4.5% CMO 2931 DA DUE 09/15/29.....	269,263	267,554	265,055
5% CMO 2581 QG DUE 12/15/31.....	1,100,000	1,100,739	1,065,281
5% CMO 2827 TA DUE 01/15/21.....	1,714,169	1,723,039	1,731,478
5% PART CERT B1-7624 DUE 01/01/20.....	1,528,965	1,541,367	1,531,533
5% PART CERT B1-7975 DUE 04/01/20.....	218,232	219,991	218,598
5% PART CERT B1-8104 DUE 04/01/20.....	727,180	733,042	728,402
5% PART CERT B1-8317 DUE 04/01/20.....	679,092	684,566	680,233
5% PART CERT B1-8386 DUE 06/01/20.....	99,074	99,873	99,240
5% PART CERT B1-8394 DUE 05/01/20.....	248,323	250,324	248,740
5% PART CERT B1-9020 DUE 04/01/20.....	166,781	168,125	167,061
5% PART CERT B1-9104 DUE 04/01/20.....	603,393	608,257	604,407
5% PART CERT B1-9140 DUE 04/01/20.....	250,959	252,982	251,380
5% PART CERT B1-9182 DUE 05/01/20.....	177,284	178,714	177,582
5% PART CERT G1-1672 DUE 03/01/15.....	230,260	232,164	230,980
5% PART CERT G1-1745 DUE 07/01/15.....	2,704,989	2,727,615	2,710,483
5% PART CERT G1-8026 DUE 12/01/19.....	127,443	128,477	127,657
5% PART CERT JO-2154 DUE 04/01/20.....	173,270	174,667	173,561
5% PASS THRU 0254663 DUE 07/01/15.....	1,470,656	1,482,958	1,475,022
5.1% PART CERT 84-7040 DUE 02/01/29.....	1,549,864	1,592,234	1,607,984

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
5.496% PART CERT 78-6190 DUE 07/01/27.....	225,010	232,422	223,604
5.5% DUE 11/15/33.....	3,192,297	3,215,802	3,124,461
6.5% PART CERT A4-5788 DUE 05/01/35.....	364,394	376,979	378,400
6.53% DEBS DUE 11/26/12.....	5,500,000	5,773,196	5,578,564
7.5% CMO 1215-H DUE 03/15/07.....	199,873	199,568	190,472
7.5% CMO 2206Z DUE 01/15/30.....	1,095,461	1,147,962	1,017,215
7.645% PART CERT 30-0088 DUE 05/01/25.....	8,268,530	9,440,381	8,273,697
7.75% CMO 1394-IA DUE 10/15/22.....	7,244,468	7,636,187	7,184,244
8% CMO 2182-ZB DUE 09/15/29.....	1,138,882	1,216,242	1,130,782
8.3% CMO 1245-I DUE 04/15/07.....	198,081	197,778	197,138
8.5% CMO 1311-KA DUE 07/15/22.....	778,151	779,412	777,008
9.9% REMIC CMO 17-I DUE 10/15/19.....	316,564	316,136	315,090
10% REMIC CMO 18-D DUE 11/15/19.....	858,263	857,135	861,452
11% PART CERT 170147 DUE 11/01/15.....	11,329	12,814	11,304
11.5% PART CERT 170139 DUE 08/01/15.....	10,068	11,074	10,022
13.5% PART CERT 170037 DUE 10/01/10.....	5,728	6,389	5,688
15.5% PART CERT 170051 DUE 06/01/11.....	497	570	494
16.25% PART CERT 170047 DUE 05/01/11.....	656	761	655
FEDERAL NATIONAL MORTGAGE ASSOCIATION			
2.92% CMO 03-M2 A DUE 05/25/09.....	1,210,224	1,156,127	1,167,611
3.46% CMO 03-W12 1A2 DUE 06/25/43.....	353,713	351,830	352,387
3.5% CMO DUE 11/25/13.....	1,625,000	1,596,959	1,593,262
3.539% CMO DUE 06/25/44.....	250,613	249,794	249,595
3.65125% CMO 05-T2 1A1 DUE 11/28/35.....	1,590,114	1,588,260	1,590,362
3.77% CMO 03-W6 1A32 DUE 10/25/42.....	1,223,982	1,212,416	1,218,435
4% CMO 05-35 AC DUE 08/25/18.....	1,977,770	1,947,297	1,929,485
4% CMO DUE 11/25/17.....	583,723	580,931	582,948
4.1875% CMO 04-63 FA DUE 08/25/34.....	1,567,922	1,565,701	1,567,922
4.243% CMO 03-W6 1A31 DUE 10/25/42.....	1,788,896	1,782,084	1,786,800
4.2875% CMO 04-W8 1AF DUE 06/25/44.....	1,399,135	1,397,839	1,398,260
4.4375% CMO 2002-08 F DUE 09/25/32.....	118,037	118,518	118,000
4.5% DUE 10/15/20.....	4,000,000	3,980,400	3,955,625
4.5% PASS THRU 0255176 DUE 04/01/19.....	2,252,483	2,235,384	2,245,796
4.5% PASS THRU 0357425 DUE 09/01/33.....	14,378	13,981	13,947
4.5375% CMO 2002-10 FB DUE 03/25/17.....	776,794	783,873	776,794
4.86% PASS THRU 0422883 DUE 12/01/26.....	240,776	242,273	245,667
4.992% PASS THRU 0800171 DUE 12/01/34.....	1,065,052	1,076,190	1,086,353
5% CMO 03-26 AT DUE 11/25/32.....	1,400,000	1,395,598	1,330,438
5% PASS THRU 0190341 DUE 09/01/18.....	355,665	358,468	364,390
5% PASS THRU 0254510 DUE 11/01/17.....	407,857	411,161	417,863
5% PASS THRU 0254545 DUE 12/01/17.....	59,458	59,939	60,916
5% PASS THRU 0254663 DUE 02/01/13.....	1,466,035	1,486,195	1,468,783
5% PASS THRU 0254685 DUE 04/01/18.....	603,803	608,562	618,615
5% PASS THRU 0357312 DUE 12/01/17.....	2,726,865	2,748,950	2,765,212
5% PASS THRU 0555545 DUE 06/01/18.....	330,654	333,260	338,766
5% PASS THRU 0555750 DUE 09/01/18.....	742,167	748,016	760,373
5% PASS THRU 0653195 DUE 08/01/17.....	723,180	729,037	740,920
5% PASS THRU 0662408 DUE 01/01/18.....	111,903	112,809	114,648
5% PASS THRU 0677681 DUE 02/01/18.....	13,900	14,010	14,241

PERMANENT UNIVERSITY FUND
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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
5% PASS THRU 0685181 DUE 02/01/18.....	1,413,799	1,424,942	1,448,482
5% PASS THRU 0703443 DUE 05/01/18.....	349,861	352,619	358,444
5% PASS THRU 0705284 DUE 06/01/18.....	549,140	553,587	562,611
5% PASS THRU 0708706 DUE 06/01/18.....	330,595	333,200	338,705
5% PASS THRU 0720372 DUE 06/01/18.....	380,685	383,685	390,024
5% PASS THRU 0730057 DUE 08/01/18.....	114,006	114,904	116,802
5% PASS THRU 0743925 DUE 11/01/18.....	652,761	657,906	660,105
5% PASS THRU 0775689 DUE 05/01/19.....	622,752	627,449	626,426
5% PASS THRU 0793917 DUE 09/01/19.....	893,095	899,830	898,363
5% PASS THRU 0796379 DUE 12/01/19.....	943,949	951,068	949,516
5% PASS THRU 0797773 DUE 03/01/20.....	842,775	849,158	847,747
5% PASS THRU 0798733 DUE 11/01/19.....	46,750	47,102	47,025
5% PASS THRU 0799263 DUE 12/01/19.....	24,069	24,251	24,211
5% PASS THRU 0810968 DUE 04/01/20.....	310,769	313,122	312,602
5% PASS THRU 0811870 DUE 02/01/20.....	424,259	427,472	426,761
5% PASS THRU 0815437 DUE 02/01/20.....	147,646	148,764	148,517
5% PASS THRU 0816349 DUE 04/01/20.....	302,923	305,217	304,710
5% PASS THRU 0819732 DUE 04/01/20.....	172,739	174,047	173,758
5% PASS THRU 0819952 DUE 04/01/20.....	542,504	546,613	545,704
5% PASS THRU 0820006 DUE 04/01/20.....	362,113	364,855	364,248
5.001% PASS THRU 0399907 DUE 08/01/27.....	367,434	377,955	376,735
5.5% DEBS DUE 02/15/06.....	4,565,000	4,599,498	4,615,653
5.5% PASS THRU 0357735 DUE 02/01/35.....	9,530,360	9,631,795	9,619,707
5.5% PASS THRU 0456654 DUE 02/01/14.....	78,650	80,396	81,790
5.5% PASS THRU 0535704 DUE 12/01/30.....	69,942	70,790	71,035
5.5% PASS THRU 0555531 DUE 06/01/33.....	1,996,137	2,018,513	2,028,418
5.5% PASS THRU 0555800 DUE 10/01/33.....	7,615,682	7,701,054	7,735,272
5.5% PASS THRU 0648962 DUE 11/01/32.....	1,030,587	1,042,383	1,047,253
5.5% PASS THRU 0668399 DUE 01/01/33.....	788,774	797,802	801,099
5.5% PASS THRU 0713467 DUE 04/01/33.....	337,098	340,877	342,365
5.5% PASS THRU 0725042 DUE 01/01/34.....	95,128	96,194	96,644
5.5% PASS THRU 0725425 DUE 04/01/34.....	20,813,402	21,046,720	20,990,641
5.5% PASS THRU 0725773 DUE 09/01/34.....	9,516,049	9,617,266	9,615,824
5.5% PASS THRU 0725946 DUE 11/01/34.....	10,680,699	10,794,303	10,799,454
5.5% PASS THRU 0735228 DUE 02/01/35.....	3,266,372	3,301,114	3,317,687
5.5% PASS THRU 0761826 DUE 08/01/33.....	282,901	286,139	285,310
5.5% PASS THRU 0767725 DUE 12/01/33.....	1,647,682	1,666,152	1,673,202
5.5% PASS THRU 0780901 DUE 05/01/34.....	2,489,366	2,515,844	2,528,262
5.5% PASS THRU 0821504 DUE 06/01/35.....	1,859,140	1,878,928	1,887,536
5.5% PASS THRU 0822621 DUE 06/01/35.....	1,232,199	1,245,305	1,251,452
5.5% PASS THRU 0823279 DUE 06/01/35.....	2,842,249	2,872,500	2,880,441
5.5% PASS THRU 0823854 DUE 05/01/35.....	645,804	652,677	654,482
5.5% PASS THRU 0829376 DUE 06/01/35.....	763,228	771,351	775,153
5.5% PASS THRU 255706 DUE 05/01/35.....	97,245	98,280	98,802
5.55% PASS THRU 0594245 DUE 06/01/30.....	82,492	85,012	84,979
6% PASS THRU 0426612 DUE 10/01/28.....	879,306	902,738	797,696
6% PASS THRU 0443239 DUE 10/01/28.....	302,734	310,801	273,217
6% PASS THRU 0529320 DUE 07/01/29.....	1,882,891	1,934,951	1,699,309
6% PASS THRU 0555198 DUE 01/01/23.....	264,972	272,926	275,633

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6.4% CMO 93-G40 H DUE 12/25/23.....	6,315,000	6,526,165	6,078,188
6.5% CMO 03-W1 1A1 DUE 12/25/42.....	667,317	691,083	699,849
6.5% PASS THRU 0254086 DUE 11/01/21.....	1,355,783	1,412,759	1,414,251
6.5% PASS THRU 0323606 DUE 03/01/29.....	1,371,586	1,423,773	1,269,574
6.5% PASS THRU 0323755 DUE 11/01/13.....	2,093,606	2,171,710	2,014,114
6.8% CMO 93-59 J DUE 05/25/08.....	1,537,468	1,570,467	1,537,468
6.825% PASS THRU 0381817 DUE 08/01/09.....	2,826,599	3,030,776	2,681,736
6.9% CMO 93-43 J DUE 04/25/08.....	3,341,379	3,414,018	3,330,771
7% PASS THRU 0323937 DUE 09/01/14.....	2,580,407	2,702,903	2,734,425
7.46% PASS THRU 0381809 DUE 08/01/29.....	1,217,364	1,483,259	1,225,067
8.375% CMO 92-G41 MB DUE 08/25/22.....	1,396,931	1,486,547	1,395,324
8.5% CMO 91-71 D DUE 06/25/06.....	16,245	16,402	16,224
8.5% CMO 92-G19 M DUE 04/25/22.....	1,633,796	1,751,251	1,622,514
8.6% CMO 50 CL G DUE 08/25/19.....	277,167	297,458	273,160
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
4.125% PASS THRU 0080119 DUE 10/20/27.....	270,180	274,315	271,193
4.25% PASS THRU 0080364 DUE 01/20/30.....	366,873	372,712	374,079
4.375% PASS THRU 0008351 DUE 01/20/24.....	157,838	160,321	160,453
4.375% PASS THRU 0008865 DUE 05/20/26.....	193,258	195,939	193,742
4.375% PASS THRU 0080180 DUE 03/20/28.....	35,835	36,445	36,401
4.375% PASS THRU 0080393 DUE 04/20/30.....	270,333	274,780	264,291
4.375% PASS THRU 0080397 DUE 04/20/30.....	336,021	341,576	336,398
4.375% PASS THRU 0080407 DUE 05/20/30.....	180,315	183,281	176,263
4.375% PASS THRU 0080409 DUE 05/20/30.....	678,595	689,808	679,547
4.375% PASS THRU 0080418 DUE 06/20/30.....	267,396	271,831	273,496
4.75% PASS THRU 0080095 DUE 07/20/27.....	417,287	424,267	424,394
5.5% PASS THRU 0569547 DUE 01/15/32.....	59,585	60,810	57,956
6.75% CMO 2001-616 CL DUE 10/16/40.....	10,346,391	12,388,968	10,146,392
7% PASS THRU 0001212 DUE 06/20/23.....	101,852	107,178	101,628
8% PASS THRU 0016676 DUE 04/15/07.....	17,764	18,218	17,714
8.25% PASS THRU 0008790 DUE 04/15/06.....	2,586	2,632	2,585
8.25% PASS THRU 0009675 DUE 04/15/06.....	791	805	790
8.25% PASS THRU 0010215 DUE 06/15/06.....	3,624	3,689	3,623
8.25% PASS THRU 0010770 DUE 05/15/06.....	1,549	1,577	1,532
8.25% PASS THRU 0010834 DUE 06/15/06.....	1,089	1,108	1,088
8.5% PASS THRU 0002841 DUE 11/20/29.....	85,003	92,190	87,799
8.5% PASS THRU 0002855 DUE 12/20/29.....	129,502	140,451	133,762
8.5% PASS THRU 0002910 DUE 04/20/30.....	59,697	64,734	61,660
8.5% PASS THRU 0002936 DUE 06/20/30.....	133,362	144,596	137,748
8.5% PASS THRU 0002947 DUE 07/20/30.....	92,335	100,112	95,372
8.5% PASS THRU 0002974 DUE 09/20/30.....	52,585	57,014	54,315
8.5% PASS THRU 0003029 DUE 01/20/31.....	101,391	109,923	104,726
8.5% PASS THRU 0003043 DUE 02/20/31.....	117,107	126,962	120,959
8.5% PASS THRU 0508335 DUE 04/15/30.....	40,487	44,059	42,815
8.5% PASS THRU 0511172 DUE 01/15/30.....	50,931	55,425	53,859
8.5% PASS THRU 0521511 DUE 10/15/29.....	23,421	25,495	24,768
8.5% PASS THRU 0522981 DUE 02/15/30.....	36,920	40,178	39,043
8.5% PASS THRU 0526031 DUE 08/15/30.....	54,687	59,512	57,831
8.5% PASS THRU 0526032 DUE 08/15/30.....	11,319	12,317	11,969

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
8.5% PASS THRU 0538114 DUE 09/15/30.....	38,226	41,599	40,424
8.5% PASS THRU 0780840 DUE 07/20/28.....	109,965	119,414	113,582
10% PASS THRU 0151185 DUE 03/15/16.....	35,966	40,513	35,415
10% PASS THRU 0233778 DUE 02/15/18.....	50,455	56,865	50,192
10.5% PASS THRU 0224630 DUE 10/15/17.....	10,779	12,206	10,375
11% PASS THRU 0035288 DUE 03/15/10.....	23,430	25,605	23,244
11.5% PASS THRU 0131670 DUE 05/15/15.....	10,856	12,133	10,804
12.5% PASS THRU 0040744 DUE 05/15/10.....	2,870	3,193	2,827
12.5% PASS THRU 0043162 DUE 11/15/10.....	5,652	6,289	5,408
12.5% PASS THRU 0044298 DUE 11/15/10.....	10,959	12,054	10,487
13% PASS THRU 0047171 DUE 04/15/11.....	938	1,054	909
13% PASS THRU 0047219 DUE 04/15/11.....	1,071	1,047	1,035
13% PASS THRU 0049550 DUE 07/15/11.....	20,084	22,570	18,102
13.5% PASS THRU 0039589 DUE 08/15/10.....	18,396	20,734	18,374
13.5% PASS THRU 0040310 DUE 05/15/10.....	8,891	10,021	8,858
13.5% PASS THRU 0041007 DUE 07/15/10.....	7,154	8,063	7,144
13.5% PASS THRU 0041570 DUE 05/15/10.....	3,657	4,121	3,638
13.5% PASS THRU 0045053 DUE 05/15/11.....	4,591	5,197	4,212
13.5% PASS THRU 0045236 DUE 05/15/11.....	5,354	6,060	4,911
13.5% PASS THRU 0048879 DUE 05/15/11.....	6,863	7,769	6,281
SMALL BUSINESS ADMINISTRATION			
7.22% PART CERT 2000-20 1 DUE 11/01/20.....	562,211	615,738	590,366
7.64% PART CERT 00-10A DUE 03/01/10.....	209,270	227,581	217,706
SYNTHETIC			
6% CUSTODY RECPT DUE 08/15/11.....	6,660,000	7,279,180	6,435,760
TENNESSEE VALLEY AUTHORITY POWER			
4.875% BONDS DUE 12/15/16.....	1,500,000	1,582,340	1,537,124
UNITED STATES TREASURY			
0% BILLS DUE 02/16/06.....	2,970,000	2,914,820	2,914,820
0% BILLS DUE 09/01/05.....	4,130,000	4,099,065	4,099,065
0% BILLS DUE 09/15/05.....	5,398,562	5,364,368	5,364,368
0% BILLS DUE 12/01/05.....	1,249,518	1,238,449	1,238,449
0.875% INFLATION INDEX NOTE DUE 04/15/10.....	17,011,922	16,612,533	16,690,768
1.625% INFLATION INDEX BOND DUE 01/15/15.....	21,359,023	21,333,158	21,330,745
1.875% INFLATION INDEX NOTE DUE 07/15/13.....	22,293,647	22,782,190	22,308,406
1.875% INFLATION INDEX NOTE DUE 07/15/15.....	22,687,412	23,160,648	22,554,775
1.875% NOTES DUE 01/31/06.....	9,740,000	9,667,710	9,652,873
2% INFLATION INDEX NOTE DUE 01/15/14.....	77,464,411	79,854,885	79,103,586
2% INFLATION INDEX NOTE DUE 07/15/14.....	55,055,064	56,820,679	56,128,647
2.375% INFLATION INDEX BOND DUE 01/15/25.....	54,640,558	59,244,461	55,732,773
3% INFLATION INDEX NOTE DUE 07/15/12.....	36,114,972	39,521,913	39,427,716
3.375% INFLATION INDEX BOND DUE 04/15/32.....	2,938,828	3,956,054	3,901,957
3.375% INFLATION INDEX NOTE DUE 01/15/07.....	14,462,999	14,990,667	15,130,189
3.375% INFLATION INDEX NOTE DUE 01/15/12.....	10,601,989	11,803,821	11,901,417
3.5% INFLATION INDEX NOTE DUE 01/15/11.....	31,013,138	34,309,493	34,557,350
3.5% NOTES DUE 08/15/09.....	7,600,000	7,501,436	7,496,391
3.625% INFLATION INDEX BOND DUE 04/15/28.....	33,465,208	44,483,894	42,032,128
3.625% INFLATION INDEX NOTE DUE 01/15/08.....	13,965,356	14,810,372	14,750,480
3.625% NOTES DUE 04/30/07.....	33,250,000	33,138,313	33,272,989

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
3.625% NOTES DUE 06/15/10.....	265,000	262,143	261,854
3.625% NOTES DUE 06/30/07.....	26,200,000	26,099,706	26,052,625
3.875% INFLATION INDEX BOND DUE 04/15/29.....	2,872,615	3,995,291	3,815,715
3.875% INFLATION INDEX NOTE DUE 01/15/09.....	22,902,073	24,902,432	25,323,828
3.875% NOTES DUE 05/15/10.....	38,055,000	38,062,421	38,156,374
4% NOTES DUE 02/15/15.....	5,240,000	5,224,647	5,086,354
4.125% NOTES DUE 05/15/15.....	13,145,000	13,229,720	13,195,334
4.25% INFLATION INDEX NOTE DUE 01/15/10.....	57,891,377	64,965,009	66,733,972
4.25% NOTES DUE 08/15/15.....	4,990,000	5,084,341	4,998,577
4.75% NOTES DUE 05/15/14.....	5,200,000	5,477,670	5,413,688
5.25% BONDS DUE 02/15/29.....	14,835,000	16,880,034	15,951,783
5.25% BONDS DUE 11/15/28.....	3,900,000	4,431,983	4,213,752
5.375% BONDS DUE 02/15/31.....	12,495,000	14,649,412	14,273,329
6.25% BONDS DUE 05/15/30.....	575,000	745,007	735,618
6.25% BONDS DUE 08/15/23.....	600,000	743,485	748,242
6.625% BONDS DUE 02/15/27.....	500,000	660,215	634,610
8.125% BONDS DUE 05/15/21.....	6,500,000	9,346,292	9,076,698
8.125% BONDS DUE 08/15/19.....	2,900,000	4,080,503	3,992,234
8.875% BONDS DUE 02/15/19.....	12,000,000	17,697,660	17,636,837
10.625% BONDS DUE 08/15/15.....	900,000	1,379,145	1,368,232
TOTAL U. S. GOVERNMENT OBLIGATIONS		<u>1,177,159,868</u>	<u>1,160,275,299</u>
FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS			
AUSTRALIA COMMONWEALTH			
4% BONDS DUE 08/20/10.....	800,000	890,061	901,767
AUSTRIA REPUBLIC			
4% BONDS DUE 07/15/09.....	1,100,000	1,429,947	1,103,602
5% BONDS DUE 07/15/12.....	800,000	1,116,113	888,183
5.5% BONDS DUE 01/15/10.....	600,000	828,060	624,920
6.25% BONDS DUE 07/15/27.....	860,000	1,486,662	842,840
BANQUE CENTRALE DE TUNISIE			
7.375% BONDS DUE 04/25/12.....	500,000	572,500	484,375
BRAZIL(FEDERATIVE REPUBLIC)			
8% BONDS DUE 01/15/18.....	790,000	814,411	783,267
CENTRAL BANK OF TUNISIA BONDS			
7.375% BONDS DUE 04/25/12.....	100,000	113,380	115,250
CHILE REPUBLIC			
5.5% BONDS DUE 01/15/13.....	300,000	316,950	297,273
DENMARK (KINGDOM OF)			
7% BONDS DUE 11/15/07.....	13,830,000	2,512,493	1,759,617
DUTCH (GOVT OF)			
3.75% BONDS DUE 07/15/14.....	600,000	778,126	787,372
FEDERAL REPUBLIC OF BRAZIL			
11% BONDS DUE 01/11/12.....	1,000,000	1,180,000	1,190,500
FRANCE GOVERNMENT			
4% BONDS DUE 04/25/09.....	1,900,000	2,464,066	1,648,659
4% BONDS DUE 04/25/14.....	400,000	528,836	543,133
4% BONDS DUE 04/25/55.....	100,000	133,193	126,172
4% BONDS DUE 10/25/14.....	1,600,000	2,114,358	2,149,237

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
4% DEBS DUE 10/25/09.....	5,820,000	7,587,191	4,825,955
4.75% BONDS DUE 04/25/35.....	200,000	296,640	288,431
5.75% BONDS DUE 10/25/32.....	300,000	505,837	488,156
GERMANY FEDERAL REPUBLIC			
3.5% BONDS DUE 10/09/09.....	400,000	511,372	547,736
3.75% BONDS DUE 07/04/13.....	800,000	1,040,945	964,812
4% BONDS DUE 07/04/09.....	1,600,000	2,079,922	2,249,976
4.25% BONDS DUE 01/04/14.....	3,300,000	4,437,975	4,486,937
4.25% BONDS DUE 07/04/14.....	1,300,000	1,750,691	1,751,862
4.5% BONDS DUE 01/04/13.....	1,880,000	2,559,515	2,552,051
5% BONDS DUE 01/04/12.....	200,000	277,823	260,753
5% BONDS DUE 07/04/11.....	2,300,000	3,176,580	2,394,530
5% BONDS DUE 07/04/12.....	2,100,000	2,930,056	2,913,913
5.25% BONDS DUE 01/04/11.....	500,000	693,943	701,866
5.25% BONDS DUE 07/04/10.....	18,800,000	25,907,282	27,136,564
5.375% BONDS DUE 01/04/10.....	5,140,000	7,057,875	7,459,260
5.5% BONDS DUE 01/04/31.....	200,000	324,557	309,580
5.625% BONDS DUE 01/04/28.....	8,160,000	13,216,854	11,657,165
6.25% BONDS DUE 01/04/30.....	4,400,000	7,757,156	7,666,595
6.5% BONDS DUE 07/04/27.....	8,660,000	15,427,251	13,515,299
GOVERNMENT OF CANADA			
3% BONDS DUE 12/01/36.....	103,781	112,351	100,566
5.75% BONDS DUE 06/01/33.....	500,000	533,836	484,862
ISRAEL STATE			
5.5% NOTES DUE 09/18/23.....	600,000	664,201	653,810
ONTARIO PROVIDENCE CANADA			
3.375% BONDS DUE 01/15/08.....	3,300,000	3,246,332	3,297,789
POLAND (GOVT OF)			
6% BONDS DUE 05/24/09.....	8,900,000	2,839,229	3,040,340
REPUBLIC OF ITALY			
4.5% BONDS DUE 05/01/09.....	4,800,000	6,318,281	6,290,042
5.5% BONDS DUE 11/01/10.....	5,910,000	8,251,103	8,124,936
RUSSIAN FEDERATION			
5% BONDS DUE 03/31/30.....	5,030,000	5,741,745	5,132,172
SOUTH AFRICA (REPUBLIC OF)			
7.375% NOTES DUE 04/25/12.....	1,010,000	1,146,350	1,089,039
SPAIN (GOVT OF)			
5.15% BONDS DUE 07/30/09.....	700,000	946,124	645,588
5.75% BONDS DUE 07/30/32.....	300,000	504,362	506,220
6% BONDS DUE 01/31/29.....	2,240,000	3,809,977	2,214,585
SPAIN (KINGDOM OF)			
4.2% BONDS DUE 01/31/37.....	600,000	816,497	787,963
UNITED KINGDOM TREASURY			
4.75% BONDS DUE 06/07/10.....	1,300,000	2,404,892	2,408,057
5% BONDS DUE 03/07/08.....	1,800,000	3,309,098	3,288,916
7.25% BONDS DUE 12/07/07.....	670,000	1,286,525	1,220,357
8% BONDS DUE 09/27/13.....	1,050,000	2,385,789	2,389,204
UNITED MEXICAN STATES			
6.375% BONDS DUE 01/16/13.....	200,000	215,600	196,186

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
7.5% NOTES DUE 01/14/12.....	800,000	910,000	834,400
8% NOTES DUE 09/24/22.....	220,000	270,600	228,580
8% NOTES DUE 09/24/22.....	500,000	615,000	486,240
8.3% BONDS DUE 08/15/31.....	600,000	760,500	630,221
9.875% BOND DUE 02/01/10.....	570,000	687,705	647,430
11.375% BOND DUE 09/15/16.....	1,000,000	1,490,000	1,382,500
TOTAL FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS		164,084,718	152,497,611
CORPORATE OBLIGATIONS			
AB SPNTAB SWEDMTG			
0% DUE 10/21/05.....	3,000,000	2,972,898	2,972,898
ABITIBI-CONSOLIDATED INC			
7.875% DUE 08/01/09.....	190,000	190,950	190,000
8.85% DUE 08/01/30.....	195,000	184,275	188,906
AGL CAP CORP			
6% DUE 10/01/34.....	750,000	793,895	748,643
ALABAMA POWER CO			
3.5% DUE 11/15/07.....	235,000	231,271	232,596
ALLIED WASTE NORTH AMERICA INC			
6.5% DUE 11/15/10.....	195,000	191,588	190,613
ALLSTATE LIFE GLOBAL			
4.25% DUE 02/26/10.....	455,000	451,584	457,066
AMERICAN ELECTRIC & POWER INC			
4.709% DUE 08/16/07.....	225,000	226,144	226,718
AMERICAN GENERAL FINANCE			
4.875% DUE 07/15/12.....	520,000	526,012	519,449
AMERICAN HOME MORTGAGE			
4.29% DUE 10/25/34.....	784,535	773,106	779,634
AMERIQUEST MORTGAGE			
4.2175% DUE 03/25/35.....	119,622	119,606	119,678
4.4475% DUE 02/25/33.....	9,915	9,918	9,929
4.4475% DUE 07/01/10.....	19,763	19,774	19,795
4.5975% DUE 06/25/34.....	995,413	997,149	994,378
ANHEUSER BUSCH COMPANIES INC			
5.05% DUE 10/15/16.....	1,375,000	1,423,437	1,415,549
ANZ DELAWARE INC			
0% DUE 12/27/05.....	1,800,000	1,776,313	1,776,313
APPALACHIAN POWER CO			
4.4% DUE 06/01/10.....	150,000	148,953	149,715
AT & T CORPORATION			
9.05% DUE 11/15/11.....	970,000	1,113,076	1,119,322
AT&T WIRELESS SERVICES INC			
7.875% DUE 03/01/11.....	2,410,000	2,785,434	2,834,496
ATCHISON TOPEKA & SANTA FE RAILROAD			
7.57% EQUIP TRUST DUE 02/15/09.....	1,695,000	1,867,787	1,648,506
ATMOS ENERGY CORP			
4% DUE 10/15/09.....	345,000	336,637	339,808
BAE SYSTEM HOLDINGS INC			
4.05% NOTES DUE 08/15/08.....	500,000	499,717	500,000

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SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
4.75% NOTES DUE 08/15/10.....	1,950,000	1,959,218	1,944,384
BANC AMERICA COMMERCIAL MORTGAGE			
4.877% DUE 11/10/42.....	1,500,000	1,520,786	1,507,544
BANC AMERICAN MORTGAGE SECURITIES			
5% DUE 05/25/34.....	1,486,901	1,488,143	1,474,820
BANK OF AMERICA CORP			
4.5% DUE 08/01/10.....	1,500,000	1,505,102	1,497,795
BANK ONE ISSUANCE			
4.02% DUE 10/15/08.....	3,700,000	3,700,992	3,702,891
BANQUE CENTRALE DE TUNISIE			
7.5% DUE 08/06/09.....	300,000	429,833	288,797
BARCLAYS US FUNDING			
3.655% DUE 11/28/05.....	5,100,000	5,035,794	5,035,794
BEAR STEARNS COMMERCIAL MORTGAGE			
2.96% DUE 08/13/39.....	817,088	793,560	796,917
4.2075% DUE 12/25/42.....	235,060	235,284	235,171
4.3675% DUE 10/25/32.....	24,724	24,764	24,724
4.75% DUE 10/13/14.....	1,375,000	1,386,378	1,375,215
BELLSOUTH CORP			
4.75% DUE 11/15/12.....	220,000	221,759	222,594
5.2% DUE 12/15/16.....	1,380,000	1,412,187	1,378,316
BOEING CAPITAL CORPORATION			
5.4% DUE 11/30/09.....	3,300,000	3,426,614	3,292,740
BRITISH TELECOMMUNICATIONS			
8.375% DUE 12/15/10.....	570,000	669,298	676,004
BURLINGTON NORTHERN SANTA FE CORP			
6.462% DUE 01/15/21.....	1,278,803	1,407,285	1,278,803
8.125% DUE 04/15/20.....	666,000	874,946	766,646
CAJA DE MADRID			
2.132% BONDS DUE 05/31/06.....	100,000	122,945	131,972
CALIFORNIA INFRASTRUCTURE			
6.42% DUE 09/25/08.....	1,235,048	1,249,821	1,254,346
CALPINE CORP			
8.5% DUE 07/15/10.....	450,000	337,500	335,463
9.875% DUE 12/01/11.....	210,000	159,600	164,063
CAPITAL ONE PRIME			
3.954% DUE 09/15/06.....	770,000	770,000	770,000
CAPITAL ONE PRIME AUTO			
3.06% DUE 03/17/08.....	625,000	620,348	620,508
CARNIVAL CORP			
6.15% DUE 04/15/08.....	500,000	521,528	525,230
7.2% DUE 10/01/23.....	1,770,000	2,155,513	1,620,663
CARRINGTON MORTGAGE			
4.1175% DUE 06/25/35.....	1,618,819	1,618,651	1,618,819
CATERPILLAR FINANCIAL SERVICES CORP			
4.3% DUE 06/01/10.....	1,300,000	1,297,191	1,296,113
CBA (DELAWARE)			
0% DUE 11/23/05.....	5,800,000	5,745,314	5,745,314

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SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
CENTERPOINT ENERGY INC			
7.25% DUE 09/01/10.....	405,000	447,704	444,581
CHARTER COMMONS HOLDINGS CAPITAL CORP			
8.625% DUE 04/01/09.....	615,000	508,913	455,275
CHASE CREDIT CARD			
4.1% DUE 03/16/09.....	620,000	620,880	621,066
CHESAPEAKE ENERGY CORP			
6.875% DUE 01/15/16.....	130,000	134,713	136,500
CIT EQUIPMENT			
3.852% DUE 09/20/06.....	770,000	770,000	770,000
CIT GROUP INC NEW			
3.65% DUE 11/23/07.....	345,000	340,204	340,839
CITIGROUP INC			
4.625% DUE 08/03/10.....	1,200,000	1,210,060	1,199,844
4.7% DUE 05/29/15.....	1,200,000	1,198,609	1,207,692
COMCAST CABLE COMMUNICATIONS INC			
6.2% DUE 11/15/08.....	2,120,000	2,226,899	1,981,140
COMCAST CORP			
5.85% DUE 01/15/10.....	2,200,000	2,306,104	2,237,669
COMM 2003 LNB1 COML CTF			
3.251% DUE 06/10/38.....	1,354,643	1,296,536	1,298,182
CONSECO FINANCIAL SECURITIES			
4.34% DUE 12/15/29.....	95,985	95,979	95,985
CONSUMERS ENERGY CO			
4.4% DUE 08/15/09.....	390,000	387,290	391,357
5.8% DUE 09/15/35.....	150,000	156,371	149,711
COX COMMUNICATIONS INC NEW			
4.625% DUE 01/15/10.....	665,000	659,148	663,404
CREDIT SUISSE FIRST BOSTON USA INC			
4.125% DUE 01/15/10.....	290,000	286,092	289,226
4.24% DUE 03/25/33.....	5,195	5,196	5,204
6.5% DUE 01/15/12.....	1,300,000	1,429,662	1,426,230
CWABS INC			
4.1175% DUE 05/25/35.....	1,533,543	1,533,483	1,533,543
CWALT INC			
3.98% DUE 06/25/34.....	12,637	12,636	12,629
CWMBS INC			
4.3575% DUE 03/25/35.....	441,781	442,770	441,781
4.3575% DUE 03/25/35.....	2,834,539	2,835,163	2,839,854
4.3675% DUE 02/25/35.....	1,190,270	1,190,929	1,190,270
4.3775% DUE 06/25/35.....	386,094	387,124	386,092
4.615466% DUE 06/20/35.....	319,808	319,143	319,508
DAIMLER CHRYSLER			
4.05% DUE 06/04/08.....	3,750,000	3,688,301	3,737,138
4.875% DUE 06/15/10.....	2,100,000	2,081,766	2,093,973
6.4% DUE 05/15/06.....	1,500,000	1,519,959	1,541,595
DELL INC			
7.1% DUE 04/15/28.....	1,350,000	1,697,030	1,677,483

PERMANENT UNIVERSITY FUND
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SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
DELPHINUS			
2.423% DUE 11/28/31.....	3,500,000	4,350,102	4,012,154
DEUTSCHE BANK			
5.82038% DUE 12/29/49.....	3,300,000	3,324,750	3,300,178
DEVON ENERGY CORP			
2.75% DUE 08/01/06.....	425,000	417,380	419,280
DEXIA MUNICIPAL AGENCY			
4% BONDS DUE 01/26/11.....	1,300,000	1,698,730	1,663,535
DNB NOR BANK ASA			
0% DUE 11/07/05.....	100,000	98,784	98,784
3.59% DUE 11/18/05.....	10,800,000	10,668,606	10,668,606
3.59% DUE 11/21/05.....	4,000,000	3,950,868	3,950,868
DOW JONES CDX NA HY 4			
8.25% DUE 06/29/10.....	3,014,550	3,061,652	3,014,098
DUKE ENERGY FIELD SERVICES LLC			
5.75% DUE 11/15/06.....	205,000	208,321	209,844
DUTCH MBS VI BV MTG BKD			
2.365% DUE 11/02/35.....	599,309	732,408	677,703
DUTCH MORTGAGE PORTFOLIO LOANS			
2.382% DUE 11/20/35.....	1,210,196	1,482,496	1,411,674
ECHOSTAR DBS CORP			
6.375% DUE 10/01/11.....	255,000	253,406	254,775
EDISON MISSION ENERGY FUNDING			
7.33% DUE 09/15/08.....	1,288,936	1,314,714	1,319,548
EL PASO CORP			
7% NOTES DUE 05/15/11.....	230,000	230,575	230,150
EL PASO NATURAL GAS CO			
7.625% DUE 08/01/10.....	365,000	390,735	387,356
EMC MORTGAGE LOAN TRUST			
4.4075% DUE 05/25/40.....	125,417	125,803	125,417
ENERGY TRANSFER PARTNERS			
5.65% DUE 08/01/12.....	265,000	267,987	264,169
ENERGY GULF STATES INC			
4.875% DUE 11/01/11.....	195,000	193,825	195,162
ENTERPRISE PRODUCTS OPERATION LP			
4.625% DUE 10/15/09.....	1,200,000	1,191,316	1,196,628
4.95% DUE 06/01/10.....	350,000	349,827	348,696
EOP OPERATION LTD			
4.65% DUE 10/01/10.....	395,000	393,826	395,154
EXELON CORP			
4.45% DUE 06/15/10.....	370,000	367,403	369,363
5.625% DUE 06/15/35.....	1,400,000	1,409,167	1,396,360
FAIRFAX FINANCIAL HOLDINGS LTD			
7.75% DUE 04/26/12.....	30,000	29,700	28,556
8.25% DUE 10/01/15.....	24,000	23,760	22,680
FINANCIAL ASSET SECURITIES CORP			
3.93% DUE 11/26/35.....	3,581,936	3,578,230	3,581,936
FIRST FRANKLIN MORTGAGE			
2.82% DUE 03/25/34.....	830,452	830,437	830,452

PERMANENT UNIVERSITY FUND
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SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
FIRST REPUBLIC MORTGAGE LOAN			
4.32% DUE 11/15/31.....	1,452,469	1,458,171	1,452,469
FIRSTENERGY CORP			
6.45% DUE 11/15/11.....	585,000	633,618	641,571
FLEET FINANCIAL GROUP INC			
6.875% DUE 01/15/28.....	700,000	847,807	840,448
FLORIDA POWER & LIGHT CO			
4.85% DUE 02/01/13.....	1,375,000	1,414,816	1,410,668
FLORIDA POWER CORP			
4.5% DUE 06/01/10.....	485,000	485,708	489,856
FORD MOTOR CO			
7.45% NOTES DUE 07/16/31.....	200,000	159,926	177,000
FORD MOTOR CREDIT CO			
4.87% DUE 03/21/07.....	2,400,000	2,367,864	2,368,830
5.7% DUE 01/15/10.....	815,000	765,352	756,848
5.8% DUE 01/12/09.....	1,900,000	1,818,249	1,786,000
GENERAL ELECTRIC CAPITAL CORP			
0% DUE 10/20/05.....	1,200,000	1,189,350	1,189,350
0% DUE 11/15/05.....	1,100,000	1,089,825	1,089,825
6.75% DUE 03/15/32.....	516,000	629,531	568,425
GENERAL MOTORS ACCEPTANCE CORP			
3.337% DUE 05/10/36.....	1,287,694	1,237,181	1,249,365
4.67% DUE 03/20/07.....	300,000	294,953	290,250
4.67688% DUE 05/18/06.....	600,000	598,553	598,904
4.87% DUE 10/20/05.....	1,700,000	1,701,443	1,700,000
5.05% DUE 01/16/07.....	2,200,000	2,167,812	2,160,111
6.125% DUE 01/22/08.....	1,300,000	1,278,204	1,341,379
6.75% DUE 01/15/06.....	100,000	100,592	102,194
GMAC MORTGAGE CORP LOAN TRUST			
4.17938% DUE 11/18/25.....	112,644	112,678	112,697
5.5% DUE 09/25/34.....	959,904	971,086	963,804
GOLDMAN SACHS GROUP INC			
3.492% DUE 06/01/34.....	1,699,016	1,676,421	1,667,690
4.12% DUE 11/15/15.....	789,253	789,197	789,253
4.2275% DUE 10/25/33.....	246,405	246,479	246,405
4.5% DUE 06/15/10.....	355,000	353,582	354,272
5.25% DUE 10/15/13.....	1,300,000	1,333,803	1,331,278
GPU INC			
7.7% DUE 12/01/05.....	1,300,000	1,311,210	1,379,105
HBOS TREASURY PLC			
3.76% DUE 11/30/05.....	2,300,000	2,277,900	2,277,900
HERMES			
2.455% DUE 04/18/12.....	594,641	726,631	759,243
HOUSEHOLD CREDIT CARD MASTER			
4.1% DUE 07/15/08.....	1,535,000	1,535,046	1,535,300
HOUSEHOLD FINANCE CORP			
4.125% DUE 11/16/09.....	620,000	612,504	616,336
4.125% DUE 12/15/08.....	1,300,000	1,290,236	1,296,269
6.375% DUE 11/27/12.....	2,125,000	2,337,160	2,293,993

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
HSBC BANK USA NA GLOBAL 5.625% DUE 08/15/35.....	1,100,000	1,134,840	1,091,805
ICI WILMINGTON INC 4.375% DUE 12/01/08.....	930,000	923,018	923,810
IMPAC SECURED ASSET CORP 3.83125% DUE 08/25/34.....	200,608	200,614	200,608
INDIANAPOLIS LIFE INSURANCE CO 8.66% SURPLUS NOTES DUE 04/01/11.....	3,330,000	3,726,683	3,330,000
INTERNATIONAL LEASE CORP 4.875% DUE 09/01/10.....	425,000	428,437	424,341
J P MORGAN CHASE & CO 5.75% DUE 01/02/13.....	1,300,000	1,386,610	1,363,479
JAPAN FINANCIAL CORP 5.875% DUE 03/14/11.....	1,700,000	1,836,940	1,661,852
8.375% DUE 12/07/06.....	900,000	1,693,139	1,464,088
KELLOGG CO 7.45% BONDS DUE 04/01/31.....	700,000	920,128	917,735
KERN RIV FUNDING CORP 4.893% DUE 04/30/18.....	184,227	186,054	186,069
KIMCO REALTY CORP 5.19% DUE 10/01/13.....	1,500,000	1,528,311	1,500,000
KINDER MORGAN ENERGY 5.35% DUE 08/15/07.....	3,300,000	3,327,631	3,297,756
KOREA DEV BANK NOTES 4.75% DUE 07/20/09.....	800,000	804,340	797,464
KREDIT FUER WIEDER 3.5% DUE 11/15/05.....	2,800,000	3,452,189	2,752,459
LANDESBANK-BADGEN 5.5% DUE 04/02/07.....	240,000	309,479	215,285
LB UBS COMMERCIAL MORTGAGE TRUST 2.599% DUE 05/15/27.....	1,378,954	1,336,921	1,335,377
LENFEST COMMUNICATIONS 8.375% DUE 11/01/05.....	1,500,000	1,509,669	1,646,625
LONG BEACH MORTGAGE 4.3575% DUE 06/25/33.....	127,351	127,393	127,501
4.3575% DUE 07/25/33.....	256,790	257,015	257,151
MAFI II REMIC TRUST 4.29% DUE 04/25/29.....	2,128	2,128	2,101
MASTER ASSET SECURITY 4% DUE 12/25/33.....	218,437	217,329	217,993
MELLON RESIDENTIAL 4.41% DUE 12/15/30.....	1,076,160	1,077,177	1,080,532
MESA TRUST ASSET BACKED CERTIFICATES 4.4375% DUE 11/25/31.....	228,528	228,742	228,528
METROPOLITAN LIFE 4.625% DUE 08/19/10.....	960,000	967,473	955,056
MORGAN STANLEY 4.1875% DUE 11/25/34.....	387,310	387,585	387,310

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SCHEDULE D
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SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
MORGAN STANLEY DEAN WITTER			
4.3675% DUE 07/25/32.....	1,461	1,473	1,462
NEW YORK LIFE GLOBAL			
3.875% DUE 01/15/09.....	520,000	514,570	516,750
NEXTEL COMMUNICATIONS INC			
5.95% DUE 03/15/14.....	245,000	254,546	254,800
NORTHERN BORDER PIPELINE CO			
6.25% DUE 05/01/07.....	80,000	82,269	82,750
NOVASTAR MORTGAGE FUNDING			
4.3125% DUE 05/20/28.....	176,879	176,897	176,851
4.5975% DUE 01/25/31.....	37,194	37,203	37,182
ONEOK INC			
5.2% DUE 06/15/15.....	1,345,000	1,366,847	1,344,274
PACIFIC GAS & ELECTRIC CO			
3.6% DUE 03/01/09.....	490,000	478,012	481,371
PARK PLACE SECURITIES INC			
4.1975% DUE 02/25/35.....	110,948	111,033	110,948
PEARSON			
7% DUE 10/27/14.....	780,000	1,590,755	1,529,886
PEMEX PROJECT FUNDING			
7.375% DUE 12/15/14.....	1,250,000	1,410,000	1,233,948
8.625% DUE 02/01/22.....	200,000	245,000	210,176
9.25% DUE 03/30/18.....	2,000,000	2,560,000	2,448,000
PEPCO HOLDINGS INC			
3.75% DUE 02/15/06.....	295,000	294,497	294,770
PETRO-CANADA			
7% DUE 11/15/28.....	1,300,000	1,536,652	1,354,613
POTASH CORP SASK INC			
4.875% DUE 03/01/13.....	1,500,000	1,514,792	1,519,920
PPL ELECTRIC UTILITIES CORP			
5.875% DUE 08/15/07.....	190,000	195,390	197,834
PRUDENTIAL FINANCIAL INC			
5.4% DUE 06/13/35.....	1,150,000	1,144,832	1,132,736
PSEG ENERGY HOLDINGS INC			
8.5% DUE 06/15/11.....	145,000	157,688	153,700
PUBLIC SERVICE CO			
4.375% DUE 10/01/08.....	715,000	714,797	722,844
QWEST COMMUNICATIONS INTERNATIONAL INC			
7.25% DUE 02/15/11.....	195,000	190,125	189,150
QWEST CORP			
8.875% DUE 03/15/12.....	900,000	983,250	894,129
RABOBANK CAPITAL FUNDING			
5.254% DUE 10/29/49.....	500,000	511,278	500,000
RABOBANK USA FINANCIAL			
0% DUE 11/28/05.....	1,500,000	1,481,146	1,481,146
RAS LAFFAN LIQUEFIELD			
5.298% DUE 09/30/20.....	750,000	768,525	750,000
5.838% DUE 09/30/27.....	500,000	518,130	500,000

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
RENAISSANCE HOME EQUITY			
4.03% DUE 07/25/34.....	215,994	216,012	215,994
4.5375% DUE 12/25/33.....	193,917	195,076	193,917
RESIDENTIAL ASSET MORTGAGE PRODUCTS IN			
4.3175% DUE 06/25/32.....	90,052	90,165	90,108
RESIDENTIAL ASSET SECURITIES CORP			
4.1675% DUE 04/25/13.....	183,521	183,521	183,521
RESIDENTIAL CAPITAL CORP			
6.375% DUE 06/30/10.....	920,000	939,133	920,607
ROUSE CO			
3.625% DUE 03/15/09.....	310,000	292,600	293,663
ROYAL BANK SCOTLAND			
3.7% DUE 11/16/05.....	500,000	495,375	495,375
SAXON ASSET SECURITIES			
4.4375% DUE 12/25/32.....	15,211	15,215	15,237
SBC COMMUNICATIONS INC			
4.125% DUE 09/15/09.....	1,525,000	1,506,129	1,523,145
6.25% DUE 03/15/11.....	490,000	529,936	526,525
6.45% DUE 06/15/34.....	1,316,000	1,468,942	1,393,310
SEQUOIA MORTGAGE TRUST			
4.34688% DUE 10/19/26.....	1,080,964	1,081,754	1,084,004
SIENA MORTGAGES			
2.365% DUE 12/16/38.....	2,600,000	3,184,818	3,111,303
SIMON PROPERTY GROUP LP			
4.875% DUE 08/15/10.....	385,000	387,165	388,896
5.1% DUE 06/15/15.....	1,200,000	1,198,889	1,199,604
SLM STUDENT LOAN MORTGAGE			
3.63% NOTES DUE 07/27/09.....	74,250	74,247	74,218
SLM STUDENT LOAN TRUST			
3.63% DUE 04/25/10.....	446,421	446,246	446,295
4% DUE 09/16/13.....	674,174	674,542	674,253
4.23% DUE 10/25/08.....	201,487	201,446	201,502
4.25% DUE 07/26/10.....	695,000	696,682	693,047
SOCIETE GENERAL N A			
3.76% DUE 12/02/05.....	3,800,000	3,762,692	3,762,692
SOUTH CAROLINA ELECTRIC & GAS CO			
5.3% DUE 05/15/33.....	1,400,000	1,449,864	1,397,298
SOUTHERN CALIFORNIA EDISON CO			
5.35% DUE 07/15/35.....	225,000	229,763	224,892
SPRINT CAPITAL CORP			
8.375% DUE 03/15/12.....	495,000	591,074	595,742
SUMITOMO MITSUI			
5.625% DUE 07/29/49.....	200,000	203,822	198,946
SUNTRUST BANKS			
4.55% DUE 05/25/09.....	390,000	384,971	390,488
SWEDBANK			
4.43375% DUE 12/11/11.....	1,500,000	1,509,300	1,499,850
TARGET CORP			
5.875% DUE 03/01/12.....	2,000,000	2,159,614	2,158,120

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
TELECOM ITALIA CAPITAL			
4% DUE 01/15/10.....	1,205,000	1,173,252	1,175,528
TELEFONOS DE MEXICO			
4.5% DUE 11/19/08.....	210,000	208,751	209,763
TEXAS EASTERN TRANSMISSION CORP			
5.25% DUE 07/15/07.....	345,000	348,975	352,828
TEXTRON FINANCIAL CORP			
5.125% DUE 08/15/14.....	1,350,000	1,375,959	1,344,398
THOMSON CORP			
5.5% DUE 08/15/35.....	660,000	678,774	652,912
TOYOTA MOTOR CREDIT CORP			
3.75% DUE 10/12/07.....	1,600,000	1,599,286	1,600,000
TYCO INTERNATIONAL GROUP SA			
6.75% COMPANY GTY DUE 02/15/11.....	245,000	269,801	273,339
TYSON FOODS INC			
7.25% DUE 10/01/06.....	325,000	334,534	337,906
U S WEST COMMUNICATIONS INC			
7.2% DUE 11/10/26.....	295,000	268,450	267,713
UBS FINANCE DEL INC			
0% DUE 09/23/05.....	500,000	494,448	494,448
0% DUE 09/26/05.....	1,700,000	1,680,940	1,680,940
0% DUE 10/17/05.....	3,600,000	3,558,150	3,558,150
0% DUE 11/21/05.....	5,700,000	5,629,065	5,629,065
0% DUE 12/23/05.....	3,200,000	3,158,954	3,158,954
UNION PACIFIC RAILROAD CO			
7.16% EQUIP TR 96-G DUE 06/01/08.....	1,330,000	1,416,642	1,330,000
UNITED AIRLINES			
4.09% DUE 03/02/49.....	3,192,933	3,200,468	3,189,293
UNITED STATES STEEL CORP			
9.75% DUE 05/15/10.....	340,000	372,300	372,050
UNITED TECHNOLOGIES CORP			
5.4% DUE 05/01/35.....	950,000	993,760	942,742
VALSPAR CORP			
6% DUE 05/01/07.....	1,320,000	1,350,120	1,343,925
VERIZON GLOBAL FUNDING CORP			
4.375% DUE 06/01/13.....	2,700,000	2,650,844	2,638,322
VIACOM INC			
7.7% DUE 07/30/10.....	220,000	246,938	243,163
VIRGINIA ELEC & POWER CO			
4.75% DUE 03/01/13.....	1,375,000	1,382,131	1,367,493
VODAFONE GROUP			
5% DUE 09/15/15.....	600,000	610,552	595,452
WACHOVIA AUTO OWNER			
3.34% DUE 05/22/06.....	211,694	211,457	211,587
WACHOVIA BANK NA			
2.986% DUE 06/15/35.....	1,353,968	1,280,314	1,283,996
WAL-MART STORES INC			
5.25% DUE 09/01/35.....	1,100,000	1,109,970	1,095,380

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
WAMU MORTGAGE PASS-THOUGH CTFS			
4.06% DUE 04/25/45.....	1,732,011	1,728,235	1,732,011
4.14% DUE 01/25/45.....	1,202,114	1,202,501	1,202,114
WASHINGTON MUTUAL MORTGAGE			
4.3075% DUE 12/25/27.....	1,878,707	1,876,771	1,879,294
WEST DT LANDESBANK			
4.75% DUE 09/28/07.....	420,000	541,847	360,748
WESTAR ENERGY INC			
5.1% DUE 07/15/20.....	300,000	301,006	299,556
WISCONSIN ELECTRIC POWER CO			
3.5% DUE 12/01/07.....	345,000	339,058	341,219
WORLD OMNI AUTO			
3.8345% DUE 08/21/06.....	600,000	599,813	599,968
WRIGLEY (WM) JR CO			
4.3% DUE 07/15/10.....	1,300,000	1,302,198	1,297,686
TOTAL CORPORATE OBLIGATIONS		<u>279,351,047</u>	<u>274,212,253</u>
OTHER - DEBT SECURITIES			
ALASKA STATE HOUSING FINANCE			
7.32% DUE 12/01/20.....	3,930,000	4,242,867	3,930,000
BADGER TOB ASSET SEC CORP WIS			
6% DUE 06/01/17.....	115,000	123,195	104,413
CALIFORNIA INFRASTRUCTURE			
5% DUE 07/01/36.....	400,000	424,676	403,040
CALIFORNIA STATEWIDE FINANCING AUTHORITY			
5.625% DUE 05/01/29.....	95,000	100,688	85,605
CHICAGO ILL BOARD OF EDUCATION			
5% DUE 12/01/31.....	400,000	438,260	374,876
CHICAGO ILL WATERWORK SYSTEM			
5% DUE 11/01/26.....	200,000	218,900	188,170
CONNECTICUT STATE			
5.5% DUE 12/15/13.....	900,000	1,026,216	1,100,781
GOLDEN STATE TOB SECURITIZATION			
6.25% DUE 06/01/33.....	3,555,000	3,964,749	3,398,706
6.75% DUE 06/01/39.....	170,000	196,302	149,585
GUADALUPE VALLEY TEXAS ELECTRIC CO-OP INC			
8.61% 1ST MTGE SF DUE 01/01/11.....	2,360,000	2,360,000	2,360,000
HARRIS COUNTY TEXAS REF-TOLL-ROAD			
5% DUE 08/01/33.....	200,000	204,706	198,452
HAWAII (STATE OF)			
5.5% DUE 08/01/11.....	600,000	670,254	690,408
INDIANA TRANSPORTATION FINANCE AUTHORITY HIGHWAY			
5% DUE 06/01/28.....	100,000	105,502	99,711
LONG BEACH CALIFORNIA COMMUNITY COLLEGE			
5% DUE 05/01/28.....	200,000	212,792	201,000
LOS ANGELES CALIF WASTERWATER SYSTEM			
5% DUE 06/01/27.....	500,000	532,955	502,500
LOS ANGELES COUNTY CALIFORNIA SANITATION			
5% DUE 10/01/11.....	100,000	109,914	115,651

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2005

SCHEDULE D
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
LOUISVILLE & JEFFERSON COUNTY KY			
5% DUE 05/15/36.....	200,000	209,954	188,236
MARYLAND STATE HEALTH & HIGHER EDUCATION			
5% DUE 07/01/41.....	400,000	417,604	375,408
MICHIGAN STATE BUILDING AUTHORITY			
5.25% DUE 10/15/13.....	100,000	112,709	111,273
NEW HAMPSHIRE BANK			
5% DUE 08/15/13.....	500,000	553,060	538,475
NEW JERSEY ST TRANSN TR FD			
5% DUE 06/15/10.....	100,000	106,629	109,407
NEW YORK NY CITY			
5% DUE 06/15/34.....	100,000	105,525	100,388
OKLAHOMA STATE			
5% DUE 07/15/16.....	300,000	333,393	342,837
SEATTLE WASHINGTON WATER SYSTEM			
5% DUE 09/01/33.....	100,000	104,964	102,420
TOBACCO SETTLEMENT FINANCING CORP			
4.375% DUE 06/01/19.....	970,000	980,311	970,000
6% DUE 06/01/23.....	600,000	636,720	531,540
6.125% DUE 06/01/42.....	100,000	108,018	86,209
6.25% DUE 06/01/43.....	585,000	663,881	477,149
6.75% DUE 06/01/39.....	200,000	233,804	188,788
TOTAL OTHER - DEBT SECURITIES		<u>19,498,548</u>	<u>18,025,028</u>
TOTAL DEBT SECURITIES		<u><u>1,640,094,181</u></u>	<u><u>1,605,010,191</u></u>

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

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E

SECURITY	SHARES	VALUE (\$)	COST (\$)
INDEX FUNDS			
BGI ACTIVE INTERNATIONAL EQUITY FUND B.....	11,834,478	205,132,587	177,868,614
BGI EAFE EQUITY INDEX FUND B.....	2,656,042	110,496,910	91,312,517
BGI EMERGING MARKETS STRUCTURED TIERED FUND B.....	3,571,580	73,676,011	68,952,846
BGI EQUITY INDEX FUND B LENDABLE.....	307,179	9,703,059	15,396,106
BGI MID-CAP INDEX FUND B LENDABLE.....	825,302	40,388,711	40,263,941
BGI RUSSELL 2000 ALPHA TILTS FUND B.....	1,733,592	142,989,966	135,054,780
BGI RUSSELL 3000 ALPHA TILTS B.....	7,860,134	193,234,689	180,207,910
TOTAL INDEX FUNDS		775,621,933	709,056,714
HEDGE FUNDS			
AQR ABSOLUTE RETURN OFFSHORE.....	182	26,971,884	26,400,000
BGI GLOBAL MARKET NEUTRAL FUND B.....	15,439,781	176,527,647	173,491,627
BLUE RIDGE 2005.....	50,300,000	61,400,154	50,300,000
BLUE RIDGE OFFSHORE LP.....	59,400,000	72,508,333	59,400,000
BRAHMAN II OFFSHORE.....	26,510	35,904,361	34,306,775
BRIDGEWATER PURE ALPHA LEAD.....	40,093	64,920,999	61,185,557
EMINENCE FUND A 2005.....	50,563	18,170,951	16,800,000
EMINENCE FUND LTD CLASS A.....	122,292	43,948,755	33,000,000
EVERGLADES OFFSHORE.....	9,568	27,341,063	26,800,000
FARALLON CAPITAL OFFSHORE INVESTORS INC.....	28,020,177	278,290,796	150,950,579
INDUS ASIA PACIFIC FUND LTD.....	12,517	20,397,908	16,500,000
INDUS EVENT DRIVEN FUND LTD CL 1.....	8,080	10,127,284	10,000,000
INDUS EVENT DRIVEN FUND LTD CL 2.....	5,343	6,696,869	6,600,000
INDUS EVENT DRIVEN FUND LTD CL A.....	12,176	15,260,303	13,200,000
INDUS JAPAN FUND LTD.....	10,375	17,179,860	13,200,000
K CAPITAL LTD.....	13,066	23,730,345	23,924,712
MAVERICK FUND LTD A SHARES.....	359,370	301,294,672	171,044,848
MAVERICK FUND LTD B SHARES.....	38,305	32,115,215	25,066,723
MILLGATE INTL CL D.....	9,900	10,118,084	9,900,000
MILLGATE INTL CL D HOT ISSUE APRIL 2005.....	4,327	9,792,338	10,303,455
MILLGATE INTL CL D HOT ISSUE JUN 2005.....	6,500	6,330,094	6,500,000
MOON CAPITAL GLOBAL.....	19,524	19,552,231	19,500,000
MOON CAPITAL GLOBAL EQUITY.....	32,500	32,546,899	32,500,000
OCM EMERGING MARKETS (CAYMAN) FUND LTD.....	44,550,000	56,835,420	44,550,000
OCM HIGH YIELD PLUS CYMN FUND LTD.....	6,500,000	6,547,450	6,500,000
OZ EUROPE OVERSEAS FUND CL A SER 59.....	3,021	3,199,134	3,021,726
OZ EUROPE OVERSEAS FUND CL C SER 12.....	6	6,343	6,243
OZ EUROPE OVERSEAS FUND CL C SER 13.....	95	96,632	95,110
OZ EUROPE OVERSEAS FUND CL C SER 16.....	4	3,886	3,825
OZ EUROPE OVERSEAS FUND CL C SER 19.....	5	5,089	5,009
OZ EUROPE OVERSEAS FUND CL C SER 20.....	13	13,575	13,361
OZ EUROPE OVERSEAS FUND CL C SER 21.....		13	13
OZ EUROPE OVERSEAS FUND CL C SER 22.....	37	38,131	37,343
OZ EUROPE OVERSEAS FUND CL C SER 23.....	16	16,002	15,750
OZ OVERSEAS FUND CL A SER 371.....	59,332	67,442,277	59,405,762
OZ OVERSEAS FUND CL C SER 47.....	56	57,039	56,486
OZ OVERSEAS FUND CL C SER 48.....	139	145,934	139,498
OZ OVERSEAS FUND CL C SER 49.....	686	1,269,191	685,800

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
OZ OVERSEAS FUND CL C SER 50.....	14	14,140	14,000
OZ OVERSEAS FUND CL C SER 51.....	46	46,646	46,180
OZ OVERSEAS FUND CL C SER 52.....	406	546,169	406,035
OZ OVERSEAS FUND CL C SER 53.....	15	16,090	15,385
OZ OVERSEAS FUND CL C SER 54.....	5	4,464	5,279
OZ OVERSEAS FUND CL C SER 57.....	136	138,218	136,257
OZ OVERSEAS FUND CL C SER 58.....	91	91,747	90,838
OZ OVERSEAS FUND CL C SER 59.....	30	39,250	30,431
OZ OVERSEAS FUND CL C SER 60.....	2	2,290	2,256
OZ OVERSEAS FUND CL C SER 61.....	28	31,149	28,308
OZ OVERSEAS FUND CL C SER 62.....	41	43,327	41,429
OZ OVERSEAS FUND CL C SER 63.....	117	216,255	116,846
OZ OVERSEAS FUND CL C SER 64.....	15	18,949	14,691
OZ OVERSEAS FUND CL C SER 65.....	23	23,403	23,172
OZ OVERSEAS FUND CL C SER 66.....	44	44,439	43,999
OZ OVERSEAS FUND CL C SER 67.....	89	89,570	88,684
OZ OVERSEAS FUND CL C SER 68.....	694	700,540	693,604
OZ OVERSEAS FUND CL C SER 69.....	27	27,219	26,950
OZ OVERSEAS FUND CL C SER 70.....	408	412,323	408,241
OZ OVERSEAS FUND CL C SER 71.....	82	82,465	81,648
OZ OVERSEAS FUND CL C SER 73.....	53	53,602	53,071
OZ OVERSEAS FUND CL C SER 74.....	103	104,375	103,342
OZ OVERSEAS FUND CL C SER 75.....		104	103
OZ OVERSEAS FUND CL C SER 76.....	39	39,100	38,713
OZ OVERSEAS FUND CL C SER 77.....	12	12,412	12,289
OZ OVERSEAS FUND CL C SER 78.....	63	63,417	63,084
OZ OVERSEAS FUND CL C SER 79.....	5	4,900	4,875
OZ OVERSEAS FUND CL C SER 80.....	1	483	571
OZ OVERSEAS FUND CL C SER 83.....	14	14,561	14,415
OZ OVERSEAS FUND CL C SER 84.....	24	23,992	23,755
OZ OVERSEAS FUND CL C SER 85.....	153	154,682	153,150
OZ OVERSEAS FUND CL C SER 86.....	1,641	1,657,530	1,641,119
OZ OVERSEAS FUND CL C SER 88.....	2	2,105	2,489
OZ OVERSEAS FUND CL C SER 89.....	1	1,038	1,028
OZ OVERSEAS FUND CL C SER 90.....		248	245
OZ OVERSEAS FUND CL C SER 91.....	370	375,602	370,088
OZ OVERSEAS FUND CL C SER 92.....	125	126,585	125,332
OZ OVERSEAS FUND CL C SER 93.....	267	269,642	266,972
PERRY COMMITMENT FUND.....	19,500,000	19,875,570	19,500,000
PERRY PARTNERS INTERNATIONAL CL A.....	506,383	281,380,179	140,684,758
PERRY PARTNERS INTERNATIONAL CL S-10.....	1,011	101,093	101,093
PERRY PARTNERS INTERNATIONAL CL S-2.....	15,640	1,828,159	1,566,891
PERRY PARTNERS INTERNATIONAL CL S-3.....	1,077	217,745	107,667
PERRY PARTNERS INTERNATIONAL CL S-4.....	231	50,771	23,053
PERRY PARTNERS INTERNATIONAL CL S-5.....	16,988	343,677	1,237,616
PERRY PARTNERS INTERNATIONAL CL S-6.....	1,453	452,481	145,103
PERRY PARTNERS INTERNATIONAL CL S-7.....	108,677	16,942,783	10,854,393
PERRY PARTNERS INTERNATIONAL CL S-8.....	66,146	6,622,551	6,614,855
PERRY PARTNERS INTERNATIONAL CL S-9.....	14,642	1,460,588	1,464,249

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PROTEGE PARTNERS FUND LTD CL A S-2.....	80,796	103,830,522	92,600,662
PROTEGE PARTNERS FUND LTD CL A S-3.....	31,699	38,010,477	33,899,410
PROTEGE PARTNERS FUND LTD CL A S-5.....	160	174,793	167,560
PROTEGE PARTNERS FUND LTD CL B S-2.....	86,577,546	202,072	54,890
PROTEGE PARTNERS FUND LTD CL B S-3.....	126,500,192	13,030	759
PROTEGE PARTNERS FUND LTD CL B S-4.....	129,804	3,411	176
PROTEGE PARTNERS FUND LTD CL B S-5.....	136,139	1,705	1,693
SATELLITE OVERSEAS FUND V LTD.....	104,448	125,743,833	105,182,463
SG PARTNERS LP.....	33,000,000	34,026,927	33,000,000
SIRIOS OVERSEAS FUND LTD CL A.....	13,645	27,911,424	23,760,324
STANDARD PACIFIC CAPITAL OFFSHORE FUND LTD.....	119,157	35,209,489	32,318,631
STEADFAST INTL CLASS C SERIES.....	400,386	53,807,848	52,198,297
STEADFAST INTL SIDE POCKET.....	9,447	941,604	944,721
TPG - AXON PARTNERS(OFFSHORE)LTD.....	33,678	36,297,762	33,500,000
TOTAL HEDGE FUNDS		<u>2,237,746,686</u>	<u>1,700,528,340</u>
 LIMITED PARTNERSHIPS			
3I EUROPARTNERS II.....		5,503,522	7,268,551
3I EUROPARTNERS II FCPR.....		1,299,283	3,440,505
3I EUROPARTNERS III.....		11,122,835	7,907,917
3I EUROPARTNERS III FCPR.....		1,777,776	1,533,061
3I UK INVESTMENT PARTNERS.....		2,627,697	9,463,618
3I UKIP II.....		7,955,902	14,429,093
A/B INVESTMENT PARTNERS LP.....		9,940,768	4,028,754
ADVANCED TECHNOLOGY VENTURES VII LP.....		3,892,183	5,602,303
AG CAPITAL RECOVERY PARTNERS IV LP.....		5,981,780	3,570,487
AMERICAN INDUSTRIAL PARTNERS CAPITAL FUND LP.....		54,449	2,436,724
AMERICAN SECURITIES PARTNERS II LP.....		4,383,522	5,340,821
AMERICAN SECURITIES PARTNERS III LP.....		2,402,523	3,756,601
AMPERSAND 1995 LP.....		4,792,870	8,320,883
AMPERSAND 1999 LP.....		4,659,498	9,395,021
AMPERSAND 2001 LP.....		5,700,856	8,253,331
ARCH VENTURE FUND VI LP.....		1,567,265	2,147,356
ARCLIGHT ENERGY PARTNERS FUND I LP.....		12,159,760	11,827,639
ARCLIGHT ENERGY PARTNERS FUND II LP.....		8,319,760	8,044,198
ASIAN CORPORATE FINANCE FUND LP.....		897,862	4,833,347
ASIAN MEDIA INVESTORS I LP.....		3,377,021	3,377,021
ASP III ALTERNATIVE INVESTMENTS L P.....		3,978,047	4,372,153
ATLANTIC MEDICAL CAPITAL LP.....		1	1
ATLAS VENTURE FUND VI LP.....		4,212,217	5,212,424
AUSTIN VENTURES IV LP.....		310,189	2,667,674
AUSTIN VENTURES V LP.....		3,352,468	10,769,423
AUSTIN VENTURES VI LP.....		4,116,731	12,304,653
AUSTIN VENTURES VII LP.....		5,096,593	9,064,138
AUSTIN VENTURES VIII LP.....		4,450,911	5,426,650
B IV CAPITAL PARTNERS L P.....		6,061,182	6,220,195
BAKER COMMUNICATIONS FUND (CAYMAN) LP.....		10,903,899	4,184,667
BAKER COMMUNICATIONS FUND II (CAYMAN) LP.....		1,402,828	1,939,667
BAKER COMMUNICATIONS FUND II (QP) LP.....		6,081,478	10,935,254

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BAKER COMMUNICATIONS FUND LP.....		5,199,938	15,821,538
BAND OF ANGELS FUND LP.....		3,003,115	5,236,852
BARCLAYS PRIVATE EQUITY EUROPEAN FUND A LP.....		13,030,733	10,828,843
BEACON GROUP III FOCUS VALUE FUND LP.....		1,919,486	13,479,254
BLACKSTONE CAPITAL PARTNERS (CAYMAN) IV LP.....		6,562,221	4,204,121
BLACKSTONE CAPITAL PARTNERS IV LP.....		7,701,711	4,937,434
BLACKSTONE FC CAPITAL PARTNERS IV LP.....		295,796	254,997
BLACKSTONE FCH CAPITAL PARTNERS IV LP.....		2,278,498	1,745,168
BLACKSTONE TG CAPITAL PARTNERS IV LP.....		839,063	839,064
BRENTWOOD ASSOCIATES BUYOUT FUND II LP.....		2,181,300	9,827,758
BRENTWOOD ASSOCIATES PRIVATE EQUITY III LP.....		46,875,911	37,678,965
CANDOVER 2001 FUND US NO 2 LP.....		17,879,651	13,494,251
CANDOVER 2005 FUND US NO 3 LP.....		5,194	5,194
CARLYLE PARTNERS II LP.....		2,337,754	1,348,958
CARLYLE PARTNERS III FM (CAYMAN) LP.....		1,500,748	840,375
CARLYLE PARTNERS III HAWAII LP.....		1,384,466	1,313,346
CARLYLE PARTNERS III LOEWS LP.....		499,851	499,851
CARLYLE PARTNERS III LP.....		8,777,804	6,514,798
CARLYLE PARTNERS III TELECOMMUNICATIONS LP.....		1,125,314	96,606
CARLYLE PARTNERS IV LP.....		793,837	892,683
CARLYLE PIEDMONT DOMESTIC PARTNERS LP.....		325,766	325,766
CARLYLE-HORIZON PARTNERS LP.....		0	1
CGW SOUTHEAST PARTNERS IV LP.....		13,428,159	16,251,774
CITICORP MEZZANINE PARTNERS LP.....		5,658,730	11,864,982
CLAYTON, DUBILIER & RICE FUND V LP.....		6,235,915	12,417,367
CORTEC GROUP FUND II LP.....		1,080,430	11,662,548
CORTEC GROUP FUND III LP.....		4,300,101	4,409,740
CRESCENDO II LP.....		778,417	10,321,923
CRESCENDO III LP.....		1,965,006	15,414,353
CRESCENDO IV LP.....		1,796,023	4,917,230
CTIP PARTNERS LP.....		689,500	2,063,094
CVC EUROPEAN EQUITY PARTNERS LP.....		2,689,289	2,689,289
CVC EUROPEAN EQUITY PARTNERS LP.....		7,955,781	5,276,053
DDJ TOTAL RETURN LOAN FUND LP.....		6,214,627	6,125,000
DOUGHTY HANSON & CO II.....		3,917,051	9,654,565
DOUGHTY HANSON & CO IV LP.....		8,297,493	7,157,951
DOUGHTY HANSON III LP.....		19,337,881	13,242,593
ENCAP ENERGY CAPITAL FUND III-B LP.....		2,065,458	2,240,059
ENCAP ENERGY CAPITAL FUND IV-B LP.....		5,306,942	3,534,288
ENERGY ASSET OPTION FUND.....		7,903,434	6,717,317
EOS CAPITAL PARTNERS III LP.....		913,687	1,226,496
ESCALATE CAPITAL I LP.....		1,034,900	1,034,900
EVERCORE CAPITAL PARTNERS CAYMAN LP.....		6,016,046	5,006,542
EVERCORE CAPITAL PARTNERS II LP.....		7,014,025	8,552,302
EVERCORE CAPITAL PARTNERS LP.....		4,135,364	9,276,276
EVERCORE METC CAPITAL PARTNERS II LP.....		4,568,546	3,661,193
FISHER LYNCH VENTURE PARTNERSHIP LP.....		721,000	990,000
FOUNDATION CAPITAL IV LP.....		4,588,986	5,359,394
GREEN EQUITY INVESTORS III LP.....		27,856,738	21,562,478

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
GREEN EQUITY INVESTORS IV LP.....		3,176,391	2,846,211
HALPERN DENNY FUND II LP.....		2,275,763	19,689,597
HALPERN DENNY FUND III LP.....		8,460,294	10,645,883
HAMPSHIRE EQUITY PARTNERS II LP.....		12,522,243	22,139,516
HAMPSHIRE EQUITY PARTNERS III LP.....		8,625,279	13,303,841
HAMPSHIRE MEDIA PARTNERS II LP.....		134,230	1
HDA PARTNERS I LP.....		4,306,386	10,067,200
HELLMAN & FRIEDMAN CAPITAL PARTNERS II LP.....		2,264	1,405,393
HEP II LLC II.....		467,126	826,096
INFORMATION TECHNOLOGY VENTURES II LP.....		1,116,971	17,949,939
INFORMATION TECHNOLOGY VENTURES LP.....		0	1
INVERNESS PARTNERS II LP.....		5,360,210	6,683,712
INVERNESS/PHOENIX PARTNERS LP.....		2,834,257	12,529,205
J W CHILDS BERMUDA AIV TWO LP.....		1,716,782	1,189,001
JATOTECH VENTURES LP.....		1,168,393	3,402,813
JW CHILDS EQUITY PARTNERS III LP.....		5,431,230	6,178,783
KB MEZZANINE FUND II LP.....		780,405	15,479,926
KKR 1996 FUND (OVERSEAS) LP.....		5,336,609	5,136,358
KKR 1996 FUND LP.....		10,835,275	19,724,025
KNIGHTSBRIDGE VENTURE CAPITAL VI LP.....		540,738	700,000
KNIGHTSBRIDGE VENTURE COMPLETION 2005 LP.....		7,108,157	7,130,633
LAKE CAPITAL PARTNERS LP.....		5,130,730	4,312,255
LIGHTHOUSE CAPITAL PARTNERS IV LP.....		7,676,527	8,140,865
LIGHTHOUSE CAPITAL PARTNERS V LP.....		4,628,602	4,785,000
MATLIN PATTERSON GLOBAL OPPORTUNITIES PARTNERS II LP....		4,222,894	4,950,028
MATLIN PATTERSON GLOBAL OPPORTUNITIES PARTNERS LP.....		8,738,740	8,817,578
MORGENTHALER PARTNERS VI LP.....		2,028,038	4,024,619
MORGENTHALER PARTNERS VII LP.....		7,473,073	8,785,794
MORGENTHALER PARTNERS VII LP.....		484,853	474,583
MORGENTHALER VENTURE PARTNERS IV LP.....		1,207,652	6,721,652
MORGENTHALER VENTURE PARTNERS V LP.....		2,142,161	13,617,970
NORTH AMERICAN FUND II LP.....		5,284,659	6,241,146
NORTH AMERICAN FUND III LP.....		5,774,681	12,001,532
NORTHSTAR SEIDLER MEZZANINE PARTNERS II LP.....		4,809,244	8,202,478
OCM OPPORTUNITIES FUND III LP.....		5,768,355	4,116,484
OCM OPPORTUNITIES FUND IV LP.....		3,684,791	2,411,836
OCM OPPORTUNITIES FUND V LP.....		14,706,821	13,750,000
OCM OPPORTUNITIES FUND VI LP.....		6,125,000	6,125,000
OCM/GFI POWER OPPORTUNITIES FUND II LP.....		3,300,919	3,530,255
OSCCO III LP.....		150,513	2,793,752
PARTHENON INVESTORS II LP.....		7,134,556	6,943,708
PHILADELPHIA VENTURES II LP.....		128,520	4,497,809
PMI MEZZANINE FUND LP.....		15,811,715	12,960,794
POLARIS VENTURE PARTNERS IV LP.....		4,405,451	4,732,347
POMONA CAPITAL V LP.....		4,673,891	4,654,597
PRIME ENTERPRISES II LP.....		2,586,857	7,318,443
PRIME VIII LP.....		5,787,497	11,924,477
PRISM VENTURE PARTNERS I LP.....		2,891,631	13,959,453
PRISM VENTURE PARTNERS II LP.....		5,766,442	13,732,109

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PRISM VENTURE PARTNERS II-A LP.....		2,174,611	2,222,490
PRISM VENTURE PARTNERS III LP.....		1,312,337	5,159,492
PRISM VENTURE PARTNERS IV LP.....		5,272,475	8,596,123
PRISM VENTURE PARTNERS V LP.....		297,930	525,000
PROSPECT VENTURE PARTNERS II LP.....		7,636,228	8,453,214
PTV SCIENCES LP.....		7,368,473	7,463,876
PUF/LTF WARBURG 1997 REVOCABLE TRUST.....		1,636,106	1,728,697
RICE PARTNERS II LP.....		3,219,410	11,981,830
RSTW PARTNERS III LP.....		6,164,479	17,978,478
SCF-III LP.....		7,038,775	5,616,422
SCF-IV LP.....		17,591,808	14,027,503
SCF-V LP.....		6,363,230	6,582,309
SCF-VI LP.....		919,440	919,440
SKM EQUITY FUND II LP.....		11,134,286	27,389,606
SKM EQUITY FUND III LP.....		5,832,671	8,476,081
TCV V LP.....		10,170,554	10,098,000
TECHNOLOGIES FOR INFORMATION & ENTERTAINMENT III LP.....		655,770	7,366,463
TEXAS GROWTH FUND - 1991 TRUST.....		193,117	3,301,704
TEXAS GROWTH FUND - 1995 TRUST.....		712,259	5,247,230
THIRD CINVEN FUND US (NO 5) LP.....		11,649,253	8,898,241
TPG PARTNERS IV LP.....		4,108,925	3,960,601
TPG PARTNERS IV-AIV 2 LP.....		236,518	239,225
UNION SQUARE VENTURES 2004 LP.....		1,317,471	1,662,500
VS&A COMMUNICATIONS PARTNERS II LP.....		621,956	7,253,726
VS&A COMMUNICATIONS PARTNERS III LP.....		9,128,307	17,159,698
WAND EQUITY PORTFOLIO II LP.....		10,742,521	20,377,408
WAND/CASEWISE INVESTMENTS LP.....		1,061,835	402,624
WAND/PARAGON INVESTMENTS I LP.....		214,318	474,711
WARBURG PINCUS (BERMUDA) PRIVATE EQUITY VIII LP.....		1,296,185	716,587
WARBURG PINCUS PRIVATE EQUITY VIII LP.....		11,492,196	10,309,676
WILLIS STEIN & PARTNERS II LP.....		9,615,671	27,414,679
WILLIS STEIN & PARTNERS LP.....		3,176,561	7,075,031
WINDJAMMER MEZZANINE & EQUITY FUND II LP.....		8,397,108	8,301,500
WINGATE PARTNERS II LP.....		4,425,625	7,267,932
WINGATE PARTNERS III LP.....		2,477,370	4,124,077
WOODLANDS VENTURE FUND LP.....		0	1
WOODLANDS/ESSEX VENTURE FUND III LP.....		1,221,287	3,950,201
ZN MEXICO II LP.....		10,475,941	11,818,979
TOTAL LIMITED PARTNERSHIPS		841,448,185	1,206,985,713
EXCHANGE TRADED FUNDS			
BLDRS INDEX FUNDS TR EMERGING.....	327,818	32,585,109	32,509,875
ISHARES INC MSCI SOUTH KOREA.....	192,400	6,753,240	6,485,804
ISHARES INC MSCI TAIWAN.....	1,046,500	12,296,375	13,022,227
ISHARES MSCI SINGAPORE.....	2,126,204	16,648,177	16,346,956
ISHARES TR RUSSELL 2000 INDEX.....	686,220	45,654,216	41,762,139
ISHARES TR S&P 100 INDEX FUND.....	637,448	35,716,211	34,697,813
ISHARES TR S&P GLOBAL 100.....	815,826	50,622,003	49,592,461
IUNITS S&P/TSX 60.....	55,000	2,789,117	2,407,197

PERMANENT UNIVERSITY FUND
INVESTMENT FUNDS
August 31, 2005

SCHEDULE E
(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
MIDCAP SPDR TR UNIT.....	161,449	21,054,564	18,939,697
PHARMACEUTICAL HOLDERS.....	216,710	15,527,272	16,245,060
SPDR TR UNIT SER 1 STANDARD.....	60,603	7,420,837	7,299,153
TOTAL EXCHANGE TRADED FUNDS		<u>247,067,121</u>	<u>239,308,382</u>
OTHER - HEDGE FUNDS			
STATE STREET RESEARCH ENERGY.....	24,375,000	39,385,905	24,375,000
TOTAL OTHER - HEDGE FUNDS		<u>39,385,905</u>	<u>24,375,000</u>
OTHER - INVESTMENT FUNDS			
GMO TRUST EMERGING COUNTRY DEBT FUND.....	1,866,351	21,929,619	19,096,659
PIMCO FUNDS PACIFIC INVESTMENT MANAGEMENT SERVICE.....	182,085	2,041,171	1,860,273
TOTAL OTHER - INVESTMENT FUNDS		<u>23,970,790</u>	<u>20,956,932</u>
OTHER - INVESTMENT FUNDS - EQUITY			
AUSTIN ALPHA LP.....	32,500,000	43,205,403	32,500,000
CAPITAL GUARDIAN INTERNATIONAL SMALL CAP.....	1,857,503	36,499,932	38,581,426
JMBO FUND LIMITED.....	105,628	19,750,915	19,500,000
RELATIONAL INVESTORS XI LP.....	1,739,817	204,996,876	184,876,880
TEMPLETON INSTITUTIONAL FUNDS INC.....	8,122,051	135,881,918	113,169,847
VALUE ACT CAPITAL INTL CL A S-3.....	108,136	21,423,279	19,500,000
VALUE ACT CAPITAL INTL LTD CL A S-1.....	400,073	79,725,135	64,081,904
VALUE ACT CAPITAL INTL LTD CL A S-6.....	209,461	41,740,855	39,000,000
TOTAL OTHER - INVESTMENT FUNDS - EQUITY		<u>583,224,313</u>	<u>511,210,057</u>
TOTAL INVESTMENT FUNDS		<u>4,748,464,933</u>	<u>4,412,421,138</u>

PERMANENT UNIVERSITY FUND
CASH AND CASH EQUIVALENTS
August 31, 2005

SCHEDULE F

SECURITY	VALUE (\$)	COST (\$)
MONEY MARKET FUNDS		
AUSTRALIAN DOLLAR TRADING.....	36,417	36,466
BGI CASH.....	1	1
BGI MONEY MARKET FUND.....	142,341	142,341
CANADIAN DOLLAR TRADING.....	6,153,569	6,099,590
CASH (INTEREST BEARING).....	(250,665)	(250,665)
CASH EQUITIZATION.....	149,757	149,757
CASH NON CUSTODIED.....	(9,611,128)	(9,611,128)
CASH NON CUSTODIED.....	(22,287)	(22,287)
CHF (SWISS FRANC) TRADING.....	120,616	118,007
DANISH KRONE TRADING.....	25,224	25,260
DREYFUS INSTITUTIONAL PREFERRED MONEY MARKET FUND.....	1,297,001,001	1,297,001,001
EURO EUROPEAN MONETARY UNIT.....	1,961,164	1,959,437
GBP (POUNDS AND PENCE) TRADING.....	147,159	146,503
HONG KONG DOLLAR TRADING.....	23,359	23,359
JAPANESE TRADING.....	18,726,218	19,092,645
MXN (MEXICAN PESO) INCOME.....	177	180
NEW ZEALAND DOLLAR TRADING.....	1	1
NORWEGIAN KRONE TRADING.....	13,253	13,231
PLN (POLISH ZLOTY) TRADING.....	163,394	164,307
SINGAPORE DOLLAR TRADING.....	89,348	90,251
SWEDISH TRADING.....	37,873	36,682
TEXAS STATE TREASURY FUND.....	1,038,967	1,038,967
TWD (TAIWAN DOLLAR).....	996,252	1,026,186
TOTAL MONEY MARKET FUNDS	<u>1,316,942,011</u>	<u>1,317,280,092</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>1,316,942,011</u>	 <u>1,317,280,092</u>

Financial Statements

The University of Texas System

General Endowment Fund

Years Ended August 31, 2005 and 2004

The University of Texas System General Endowment Fund

Financial Statements

Years Ended August 31, 2005 and 2004

Contents

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Statements of Changes in Fiduciary Net Assets	7
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THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND

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, 2005. 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 \$719.2 million from \$4,207.6 million to \$4,926.8 million or approximately 17.1% for the year ended August 31, 2005, compared to an increase of \$622.8 million or approximately 17.4% for the year ended August 31, 2004. The change in net fiduciary net assets from year to year is mainly attributable to the following:
 1. The PHF and LTF redeemed and purchased Fund units resulting in a net reduction in contributions of \$71.9 million for the year ended August 31, 2005, compared to a net increase in contributions for the year ended August 31, 2004 of \$73.4 million.
 2. The Fund posted a net investment return of 18.82% for the fiscal year ended August 31, 2005. Investments in commodities, limited partnerships and global equities were the leading contributors to the 2005 return. For the fiscal year ended August 31, 2004, the commodities and domestic and global equity asset classes were the leading performers contributing to a net investment return of 14.73%.
 3. 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 increase the cost basis of the units of the Fund, and 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.

THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT 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 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.

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets of the Fund as of the end of the fiscal year. These statements, along with all of the Fund's financial statements, are 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 the 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	2005	2004	2003
Investments, at Fair Value	\$ 5,002.9	\$ 4,207.6	\$ 3,671.9
Other Assets	656.2	469.1	202.9
Total Assets	5,659.1	4,676.7	3,874.8
Total Liabilities	732.3	469.1	290.0
Net Assets Held in Trust	\$ 4,926.8	\$ 4,207.6	\$ 3,584.8

Statements of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of these statements 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 \$689.8 million during the year ended August 31, 2005 compared to the net increase in fair value of investments of \$467.9 million for the year ended August 31, 2004. Expenses totaled \$23.1 million, \$10.7 million, and \$9.5 million, respectively, for the years ended August 31, 2005, 2004, and 2003.

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

The net increase in fiduciary net assets totaled \$719.2 million for the fiscal year ended August 31, 2005 compared to a net increase in net assets totaling \$622.8 million for the fiscal year ended August 31, 2004.

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

	2005	2004	2003
Investment Income	\$ 814.2	\$ 560.2	\$ 423.5
Less Investment Expenses	(23.1)	(10.7)	(5.8)
Net Investment Income	<u>791.1</u>	<u>549.5</u>	<u>417.7</u>
Participant Contributions	139.2	308.9	110.1
Total Additions	<u>930.3</u>	<u>858.4</u>	<u>527.8</u>
Participant Withdrawals	211.1	235.6	236.2
Total Deductions	<u>211.1</u>	<u>235.6</u>	<u>236.2</u>
Change in Fiduciary Net Assets	719.2	622.8	291.6
Net Assets Held in Trust, Beginning of Period	4,207.6	3,584.8	3,293.2
Net Assets Held in Trust, End of Period	<u>\$ 4,926.8</u>	<u>\$ 4,207.6</u>	<u>\$ 3,584.8</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

We have audited the accompanying financial statements of the The University of Texas General Endowment Fund (the "Fund") as of and for the years ended August 31, 2005 and 2004, 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. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 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, 2005 and 2004 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 General Endowment Fund as of August 31, 2005 and 2004, 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 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 an opinion on the financial statements of The University of Texas 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 August 31, 2005 and 2004 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. The University of Texas General Endowment Fund financial statements for the years ended August 31, 2002 and 2001, which are not presented with the accompanying financial statements, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on the financial statements. Their report on the 2002 and 2001 supplemental schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the years ended August 31, 2002 and 2001, taken as a whole.

Ernst & Young LLP

October 21, 2005

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

Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(Dollars in thousands, except per unit amounts)

Assets	2005	2004
Investments, at Fair Value		
Equity Securities	\$ 963,605	\$ 724,672
Preferred Stock	2,808	5,173
Purchased Options	10,867	-
Debt Securities	880,521	659,617
Convertible Securities	4,022	3,860
Investment Funds	2,619,756	2,292,046
Cash and Cash Equivalents	521,304	522,195
Total Investments	<u>5,002,883</u>	<u>4,207,563</u>
Collateral for Securities Loaned, at Fair Value	494,069	334,005
Deposit with Broker for Derivative Contracts	30,429	41,143
Unrealized Gains on Foreign Currency Exchange Contracts	5,591	938
Receivables		
Investment Securities Sold	109,587	84,982
Accrued Income	8,600	6,261
Other	7,976	1,844
Total Receivables	<u>126,163</u>	<u>93,087</u>
Total Assets	<u>5,659,135</u>	<u>4,676,736</u>
Liabilities		
Payable to Participants	1,547	16,005
Payable Upon Return of Securities Loaned	494,069	334,005
Written Options, at Fair Value	19,152	45
Unrealized Losses on Foreign Currency Exchange Contracts	4,525	656
Payables		
Investment Securities Purchased	197,646	112,561
Other	15,399	5,820
Total Liabilities	<u>732,338</u>	<u>469,092</u>
Net Assets Held in Trust	<u>\$ 4,926,797</u>	<u>\$ 4,207,644</u>
Number of Units:		
Permanent Health Fund (PHF)	6,628,710	6,923,785
The University of Texas System Long Term Fund (LTF)	<u>28,652,350</u>	<u>28,857,142</u>
Total	<u>35,281,060</u>	<u>35,780,927</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 139.644</u>	<u>\$ 117.595</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, 2005 and 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 689,817	\$ 467,899
Interest	54,685	27,024
Dividends	41,765	42,969
Income Distributions from Limited Partnerships	14,740	19,576
Securities Lending Income	12,527	1,807
Other	648	939
Total Investment Income	<u>814,182</u>	<u>560,214</u>
Less Investment Expenses		
Investment Management and Consulting Fees	10,436	8,461
Securities Lending Fees	11,157	1,192
Custodial Fees and Expenses	884	646
Legal Fees	317	189
Analytical and Risk Measurement Fees	276	169
Other Expenses	54	58
Total Investment Expenses	<u>23,124</u>	<u>10,715</u>
Net Investment Income	791,058	549,499
Participant Contributions	139,205	308,928
Total Additions	<u>930,263</u>	<u>858,427</u>
Deductions		
Participant Withdrawals	211,110	235,548
Total Deductions	<u>211,110</u>	<u>235,548</u>
Change in Fiduciary Net Assets	719,153	622,879
Net Assets Held in Trust, Beginning of Period	4,207,644	3,584,765
Net Assets Held in Trust, End of Period	<u>\$ 4,926,797</u>	<u>\$ 4,207,644</u>

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

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to 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 the 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.

(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 increase the cost basis of the units of the Fund, and 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 from the Fund will also be made at the market value price per unit at the valuation date at the time of

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

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.

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 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

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

written option. Options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net assets.

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 daily basis, and are included as an other receivable or other payable 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 -- The Fund enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. 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 other receivable or other payable 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 foreign 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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

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 2004 financial statements and related notes have been reclassified to conform with 2005 classification.

Note 3 – Investment Risk

The investment risk disclosure that follows relates to the Fund's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 4.

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Fund.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund's investment policy limits investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that are rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Investments, at Fair Value:		
U.S. Government Guaranteed	\$ 410,926,435	Exempt from Disclosure
U.S. Government Non-Guaranteed:		
U.S. Agency	41,600,824	AAA
U.S. Agency	6,659,997	A
U.S. Agency Asset Backed	189,909,003	AAA
Total U.S. Government Non-Guaranteed	<u>238,169,824</u>	
Total U.S. Government	<u>649,096,259</u>	
Corporate Obligations:		
Domestic	26,227,562	AAA
Domestic	6,148,398	AA
Domestic	30,974,114	A
Domestic	20,386,557	BAA/BBB
Domestic	5,955,125	BBB
Domestic	4,381,561	BAA
Domestic	5,814,983	BA/BB
Domestic	2,325,452	BB
Domestic	237,670	BA
Domestic	2,894,019	B
Domestic	299,038	CAA
Domestic	277,212	CA
		Rating
Domestic	1,530,659	Withdrawn
Commercial Paper	27,087,222	P
Foreign	7,389,342	AAA
Foreign	1,330,920	A
Foreign	429,833	BAA/BBB
Total Corporate Obligations	<u>143,689,667</u>	
Foreign Government and Provincial Obligations	55,025,083	AAA
Foreign Government and Provincial Obligations	11,543,947	AA
Foreign Government and Provincial Obligations	1,563,171	A
Foreign Government and Provincial Obligations	4,528,262	BAA/BBB
Foreign Government and Provincial Obligations	211,300	BAA
Foreign Government and Provincial Obligations	3,789,780	BA
Foreign Government and Provincial Obligations	573,976	B
Total Foreign Government and Provincial Obligations	<u>77,235,519</u>	
Other Debt Securities	4,205,197	AAA
Other Debt Securities	1,189,058	AA
Other Debt Securities	1,196,629	A
Other Debt Securities	3,908,654	BAA/BBB
Total Other Debt Securities	<u>10,499,538</u>	
Total Debt Securities	<u>\$ 880,520,983</u>	
Other Investment Funds - Debt	\$ 1,073,218	AAA
Other Investment Funds - Debt	11,808,257	BB
Total Other Investment Funds - Debt	<u>\$ 12,881,475</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 510,611,287	AAA
		Exempt from Disclosure
Cash and Cash Equivalents - Other	10,692,712	
Total Cash and Cash Equivalents	<u>\$ 521,303,999</u>	
Deposit with Broker for Derivative Contracts:		
U.S. Government Guaranteed	\$ 26,536,568	Exempt from Disclosure
Cash	3,892,797	Exempt from Disclosure
	<u>\$ 30,429,365</u>	

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that no more than 5% of the market value of domestic fixed income securities may be invested in corporate or municipal bonds of a single issuer. The Fund does not hold any direct investments in any one issuer that represents five percent or more of total investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2005, the Fund does not have any investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the Fund's modified duration by investment type as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
Investments in Securities:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 113,343,204	6.47
U.S. Treasury Strips	3,650,520	6.00
U.S. Treasury Bills	7,027,898	0.15
U.S. Treasury Inflation Protected	284,511,840	8.03
U.S. Agency Asset Backed	2,392,973	2.34
Total U.S. Government Guaranteed	410,926,435	7.42
U.S. Government Non-Guaranteed:		
U.S. Agency	48,260,821	4.87
U.S. Agency Asset Backed	189,909,003	3.39
Total U.S. Government Non-Guaranteed	238,169,824	3.69
Total U.S. Government	649,096,259	6.05
Corporate Obligations:		
Domestic	107,452,350	5.26
Commercial Paper	27,087,222	0.24
Foreign	9,150,095	6.17
Total Corporate Obligations	143,689,667	4.37
Foreign Government and Provincial Obligations	77,235,519	7.79
Other Debt Securities	10,499,538	11.31
Total Debt Securities	880,520,983	5.90
Other Investment Funds - Debt	12,881,475	5.97
Cash and Cash Equivalents:		
Money Market Funds	510,611,287	0.08
Other	10,692,712	-
Total Cash and Cash Equivalents	521,303,999	0.08
Total	\$ 1,414,706,457	3.76
Deposit with Brokers for Derivative Contracts:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 110,176	0.41
U.S. Treasury Bills	25,280,888	0.21
U.S. Treasury Inflation Protected	1,145,504	1.33
Total U.S. Government Guaranteed	26,536,568	0.26
Cash	3,892,797	-
Total Deposit with Brokers for Derivative Contracts	\$ 30,429,365	0.22

(E) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

In accordance with the Fund's investment policy statement, the Fund may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The Fund also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. As of August 31, 2005, the Fund's investments include the following investments that are highly sensitive to interest rate changes.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, these securities amounted to \$50,062,056.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, these securities amounted to \$97,192,500.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2005 these securities amounted to \$11,047,555.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. As of August 31, 2005, these securities amounted to \$4,967,598.

(F) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Fund's non-U.S. dollar investments. The Fund's investment policy statement limits investments in non-U.S. denominated bonds to 50% of the Fund's total fixed income exposure. The following table summarizes the Fund's exposure to non-U.S. dollar investments as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Investment Type	Fair Value	Investment Type	Fair Value
Foreign Common Stock:		Purchased Options:	
Australian Dollar	\$ 10,124,785	Canadian Dollar	\$ 676,961
Canadian Dollar	36,684,222	Euro	<u>36,207</u>
Swiss Franc	7,802,018	Total Purchased Options	<u>713,168</u>
Danish Krone	2,446,779	Limited Partnerships:	
Euro	61,022,142	Euro	49,292,741
UK Pound	21,563,653	UK Pound	<u>4,367,073</u>
Hong Kong Dollar	3,920,523	Total Limited Partnerships	<u>53,659,814</u>
Japanese Yen	104,257,087	Cash and Cash Equivalents:	
South Korean Won	1,609,388	Australian Dollar	63,237
Norwegian Krone	9,780,475	Canadian Dollar	3,422,722
Swedish Krona	4,338,954	Swiss Franc	43,231
Singapore Dollar	<u>5,665,952</u>	Danish Krone	23,105
Total Foreign Common Stock	<u>269,215,978</u>	Euro	1,425,974
Foreign Government and Provincial Obligations:		UK Pound	(36,249)
Australian Dollar	445,031	Hong Kong Dollar	11,058
Canadian Dollar	432,652	Japanese Yen	12,035,227
Danish Krone	508,675	Norwegian Krone	5,225
Euro	57,153,201	New Zealand Dollar	8,229
New Zealand Dollar	810,244	Polish Zloty	89,959
UK Pound	5,420,008	Swedish Krona	4,885
Polish Zloty	<u>1,563,171</u>	Singapore Dollar	29,906
Total Foreign Government and Provincial Obligations	<u>66,332,982</u>	Taiwan Dollar	<u>332</u>
Corporate Obligations:		Total Cash and Cash Equivalents	<u>17,126,841</u>
Euro	7,644,464	Total	
UK Pound	<u>752,506</u>	\$ 415,445,753	
Total Corporate Obligations	<u>8,396,970</u>		

Note 4 – Securities Lending

The Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income and related expenses are included in investment expenses. 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, 2005 and 2004:

Securities on Loan	2005 Value	2004 Value	Type of Collateral	2005 Value of Collateral	2004 Value of Collateral
U.S. Government	\$365,710,122	\$182,642,422	Cash	\$369,426,991	\$185,304,995
Foreign					
Government	18,437,869	2,499,918	Cash	19,305,472	2,647,227
Corporate Bonds	4,949,974	6,344,451	Cash	5,084,750	6,490,800
Common Stock	<u>96,373,309</u>	<u>134,881,538</u>	Cash	<u>100,251,659</u>	<u>139,561,726</u>
Total	<u>\$485,471,274</u>	<u>\$326,368,329</u>	Total	<u>\$494,068,872</u>	<u>\$334,004,748</u>
U.S. Government	\$ 7,564,102	\$ 1,659,095	Non-Cash	\$ 7,824,389	\$ 1,925,822
Common Stock	<u>736,292</u>	<u>211,905</u>	Non-Cash	<u>761,628</u>	<u>217,545</u>
Total	<u>\$ 8,300,394</u>	<u>\$ 1,871,000</u>	Total	<u>\$ 8,586,017</u>	<u>\$ 2,143,367</u>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the Fund, the Permanent University Fund, and other Board of Regent accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the Fund and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower would come from the Fund and the securities lending agent in the same proportion as the split of income.

The Fund's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2005 is shown in the following table.

<u>Description</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity In Days</u>
Repurchase Agreements	\$ 232,820,580	No Rating	1
Commercial Paper	200,108,779	P	36
Floating Rate Notes	4,522,477	AAA	
Floating Rate Notes	50,608,154	AA	
Total Floating Rate Notes	<u>55,130,631</u>		37
Certificates of Deposit	7,441,140	P	50
Asset Backed Securities	282,026	AAA	168
Other Receivables/Payables	(1,714,284)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 494,068,872</u>		20

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the Fund, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the Fund or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or a counterparties trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of fiduciary net assets. 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.

In the event of default, where the borrower is unable to return the securities loaned, the Fund has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the Fund from any loss due to borrower default.

As of August 31, 2005, the Fund had no credit risk exposure to borrowers because the amounts the Fund owed to borrowers exceeded the amounts the borrowers owed the Fund.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the year ended August 31, 2005.

Note 5 – 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,	
	2005	2004
Equity		
Long/Short - Global Equity	\$ 332,625,362	\$ 273,422,037
Long/Short - U.S.	45,804,355	24,233,471
Long/Short - Emerging Markets	57,332,230	28,308,696
Long/Short - Developed Asia	19,358,244	16,243,839
Long/Short - Technology and Life Sciences	17,529,023	15,946,459
Long/Short - International	13,769,372	-
	<u>486,418,586</u>	<u>358,154,502</u>
Absolute Return		
Multistrategy - Global Event Oriented and Arbitrage	455,378,668	403,356,212
Long/Short - Global Market Neutral	90,938,245	68,029,196
Fund of Funds	73,100,344	66,884,750
Multistrategy - Global Market Neutral	46,580,840	27,203,633
Multistrategy - European Event Oriented and Arbitrage	13,513,301	-
Multistrategy - Japan Event Oriented	16,374,912	7,499,888
Multistrategy - Global Special Situations	10,702,230	-
Global Long/Short Credit	3,525,550	-
	<u>710,114,090</u>	<u>572,973,679</u>
	<u>\$1,196,532,676</u>	<u>\$ 931,128,181</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.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Note 6 – Index Funds

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

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 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 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 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 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 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.

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 shown in the following table.

	August 31,	
	2005	2004
Russell 3000 Alpha Tilts Fund B	\$ 104,898,653	\$ 83,013,608
Active International Equity Fund B	103,098,490	84,262,819
EAFE Equity Index Fund B	84,053,770	178,747,438
Russell 2000 Alpha Tilts Fund B	68,518,288	61,557,741
Equity Index Fund B Lendable	63,571,680	90,651,897
Emerging Markets Structured Tiered Fund B	29,692,702	40,723,864
Mid-Cap Index Fund B Lendable	6,400,036	5,112,979
	<u>\$ 460,233,619</u>	<u>\$ 544,070,346</u>

Note 7 – 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,	
	2005	2004
U.S. Private Equity	\$ 210,055,735	\$ 180,898,416
Venture Capital	97,962,549	73,912,861
Non-U.S. Private Equity	70,820,029	57,810,513
Opportunistic	83,033,034	58,786,631
Mezzanine	16,840,151	20,678,016
Direct Investments	8,002,741	7,835,401
Oil and Gas	6,466,445	6,977,011
	<u>\$ 493,180,684</u>	<u>\$ 406,898,849</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 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.

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.

Direct investments represent the Fund's direct interests 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.

Note 8 – Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of \$422,388,756 as of August 31, 2005.

Note 9 – Written Options

During the year, the Fund wrote call options on Treasury note, commodity, and domestic and international equity index and exchange traded fund futures. Transactions in call options written during the year ended August 31, 2005 were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Call Options Outstanding at August 31, 2004	75	\$ 40,735
Options Written	794,139	3,040,599
Options Expired	(957)	(332,818)
Options Exercised	(75)	(40,735)
Call Options Outstanding at August 31, 2005	<u>793,182</u>	<u>\$ 2,707,781</u>

As of August 31, 2005, an amount of \$16,824,170 is included on the statement of fiduciary net assets as options written, at fair value. The Fund recognized losses of \$13,784,662 on call options written for the year ended August 31, 2005.

During the year ended August 31, 2004, the Fund wrote call options on Treasury and domestic 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>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

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 on the statement of fiduciary net assets as of August 31, 2004 for these outstanding contracts. The Fund recognized losses in the amount of \$63,790 on call options written for the year ended August 31, 2004.

The Fund also wrote put options on Treasury note and domestic and international equity index futures during the year ended August 31, 2005. Transactions in put options written during the year ended August 31, 2005, were as follows:

	<u>Contracts</u>	<u>Premiums Received</u>
Put Options Outstanding at August 31, 2004	-	\$ -
Options Written	752,351	845,288
Options Expired	(89,596)	(547,632)
Options Exercised	(390)	(111,930)
Put Options Outstanding at August 31, 2005	<u>662,365</u>	<u>\$ 185,726</u>

As of August 31, 2005, an amount of \$2,327,984 is included on the statement of fiduciary net assets as written options at fair value. The Fund recognized gains in the amount of \$1,595,143 on put options written for the year ended August 31, 2005.

Note 10 – Swaps

During the fiscal year ended August 31, 2005, the Fund entered into interest rate, credit default 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, 2005:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Coupon</u>	<u>Notional Value</u>	<u>Maturity Date</u>	<u>Fair Value at August 31, 2005</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate					
Australian					
	6.000%	\$ 4,800,000	6/15/2015	\$ -	\$ 131,074
	6.000%	8,400,000	8/15/2010	142,210	-
	6.000%	5,900,000	6/15/2015	-	160,492
	6.000%	10,300,000	6/15/2015	174,376	-
UK Pound					
	5.000%	900,000	6/18/2034	92,067	-
	5.000%	500,000	6/15/2008	10,391	-
	5.000%	1,000,000	6/15/2008	20,782	-
	5.000%	2,000,000	9/15/2010	94,387	-
	5.000%	5,400,000	9/15/2010	254,846	-
	5.000%	200,000	9/15/2015	-	15,545
	5.000%	1,300,000	9/15/2015	-	101,044
	5.000%	10,100,000	9/15/2010	476,657	-
	5.000%	100,000	9/15/2015	-	7,773
	5.000%	200,000	9/15/2010	9,439	-
	5.000%	4,300,000	9/15/2010	202,933	-
	5.000%	1,000,000	6/18/2034	-	103,077
Canadian					
	5.500%	2,100,000	12/16/2014	-	68,777
	6.000%	700,000	12/16/2019	15,380	-
	5.500%	2,000,000	12/16/2014	-	65,298
	4.500%	300,000	6/15/2025	-	188
Euro					
	6.000%	3,600,000	3/15/2032	594,854	-
	4.000%	800,000	6/17/2010	58,474	-
	4.000%	1,600,000	6/17/2010	116,966	-
	5.000%	1,100,000	6/16/2014	199,438	-
	4.000%	3,190,000	6/17/2010	-	233,164
	5.000%	300,000	6/17/2015	56,528	-
	4.000%	19,550,000	6/16/2014	-	1,694,416
	4.500%	400,000	6/17/2015	-	54,647
	4.500%	800,000	6/17/2015	-	109,294
	4.500%	700,000	6/17/2015	-	95,632
	4.500%	5,700,000	6/17/2015	-	778,716
	4.000%	2,100,000	12/15/2014	-	167,138
	4.000%	200,000	12/15/2014	-	15,918
Japanese Yen					
	0.800%	400,000,000	3/30/2012	24,626	-
	2.000%	545,000,000	12/20/2013	-	323,317
	2.000%	270,000,000	6/15/2012	-	170,101
	1.000%	400,000,000	3/20/2009	25,476	-

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Coupon</u>	<u>Notional Value</u>	<u>Maturity Date</u>	<u>Fair Value at August 31, 2005</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate					
U.S. Dollar					
	3.000%	\$ 35,700,000	6/15/2006	\$ -	\$ 289,378
	3.000%	5,000,000	6/15/2006	-	40,529
	5.500%	1,000,000	12/16/2014	33,214	-
	5.500%	2,300,000	12/16/2014	76,393	-
	5.000%	19,600,000	12/15/2015	-	809,072
	5.000%	7,600,000	12/15/2015	-	313,722
	5.000%	2,400,000	12/15/2015	-	99,070
	5.000%	4,300,000	12/15/2015	-	177,500
	5.000%	5,200,000	12/15/2015	-	214,652
	5.000%	700,000	12/15/2015	-	28,895
	5.000%	2,500,000	12/15/2015	-	103,198
	5.000%	1,400,000	12/15/2015	-	57,791
	5.000%	300,000	12/15/2015	-	12,384
	6.000%	200,000	12/15/2025	-	8,328
	4.000%	1,200,000	12/15/2010	17,088	-
	4.000%	1,500,000	12/15/2010	21,360	-
	4.000%	11,500,000	12/15/2010	163,763	-
	4.000%	1,600,000	12/15/2010	22,784	-
	4.000%	12,400,000	12/15/2010	162,178	-
	4.000%	2,500,000	12/15/2007	12,114	-
	4.000%	200,000	12/15/2007	-	969
	4.000%	100,000	12/15/2007	-	485
	5.000%	16,100,000	12/15/2012	-	581,863
	5.000%	400,000	12/15/2012	-	14,456
	4.000%	20,300,000	12/15/2007	98,365	-
	4.000%	3,900,000	12/15/2010	55,537	-
				<u>3,232,626</u>	<u>7,047,903</u>
Credit Default					
U.S. Dollar					
	3.500%	1,000,000	6/20/2006	<u>16,268</u>	<u>-</u>
Commodity					
U.S. Dollar					
	TBill + 36.5 Basis Points	24,990,395	9/23/2005	944,637	-
	TBill + 45 Basis Points	60,400,000	9/23/2005	<u>2,283,120</u>	<u>-</u>
				<u>3,227,757</u>	<u>-</u>
Total				<u>\$ 6,476,651</u>	<u>\$ 7,047,903</u>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

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>

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Note 11 – Futures Contracts

During the years ended August 31, 2005 and 2004, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The Fund had \$30,429,365 and \$41,143,075 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2005 and 2004, 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 \$47,597,850 and \$31,442,236 for the years ended August 31, 2005 and 2004, respectively.

The following discloses the name, number of contracts, notional value, and the carrying and fair values at August 31, 2005 for futures contracts:

Contract	Number of Contracts	Expiration	Notional Value at August 31, 2005		Carrying and Fair Value at August 31, 2005		
			Long	Short	Assets	Liabilities	
Domestic Fixed Income							
U.S. 5 Year Treasury Notes	314	Dec-05	\$ 34,029,750	\$ -	\$ 97,187	\$ -	
U.S. 10 Year Treasury Notes	33	Sep-05	-	3,726,422	3,609	-	
U.S. 10 Year Treasury Notes	87	Dec-05	-	9,750,797	-	43,500	
U.S. Treasury Bond	78	Sep-05	9,233,250	-	53,625	-	
U.S. Treasury Bond	7	Dec-05	826,219	-	4,813	-	
			<u>44,089,219</u>	<u>13,477,219</u>	<u>159,234</u>	<u>43,500</u>	
Domestic Equity							
Dow Jones Index	116	Sep-05	12,182,320	-	100,920	-	
Russell 2000 Index Mini	4,178	Sep-05	-	278,756,160	-	5,556,740	
S&P 500 Index	676	Sep-05	206,416,600	-	2,162,558	-	
S&P 500 Index	660	Dec-05	202,587,000	-	2,112,695	-	
S&P 500 Emini	16	Sep-05	-	977,200	-	-	
S&P Midcap 400 Index Mini	30	Sep-05	2,140,500	-	36,300	-	
S&P Midcap 400 Index Mini	404	Sep-05	-	28,825,400	-	488,840	
			<u>423,326,420</u>	<u>308,558,760</u>	<u>4,412,473</u>	<u>6,045,580</u>	
Commodities							
Goldman Sachs Commodities	1,542	Sep-05	178,910,550	-	-	1,117,950	
Foreign Fixed Income							
90 Day Euro Dollar	59	Mar-06	14,143,038	-	22,863	-	
90 Day Euro Dollar	116	Dec-05	27,816,800	-	37,700	-	
Euro-Bund	217	Sep-05	33,079,460	-	127,801	-	
Euro-Bund	137	Dec-05	20,609,629	-	80,684	-	
Japan 10 Year Bond	21	Sep-05	26,382,510	-	25,640	-	
Japan 10 Year Bond	5	Dec-05	6,267,150	-	6,105	-	
			<u>128,298,587</u>	<u>-</u>	<u>300,793</u>	<u>-</u>	
Foreign Equity							
Amsterdam Index	49	Sep-05	4,698,076	-	-	-	
DJ Euro Stoxx 50	1,075	Sep-05	43,232,302	-	364,833	-	
FTSE 100 Index	791	Sep-05	75,329,479	-	449,107	-	
FTSE/JSE TOP 40	395	Sep-05	8,522,672	-	58,419	-	
Hang Seng Index	25	Sep-05	2,395,733	-	-	811	
IBEX Index	34	Sep-05	-	4,194,244	-	-	
MSCI Singapore Index	123	Sep-05	3,937,577	-	-	7,341	
MSCI Taiwan Index	396	Sep-05	9,939,600	-	-	-	
S&P/MIB Index	23	Sep-05	-	4,741,533	-	-	
S&P/TSE 60 Index	44	Sep-05	-	4,447,033	-	-	
SPI 200 Index	91	Sep-05	-	7,585,657	-	-	
Topix Index	191	Sep-05	21,835,200	-	-	23,168	
			<u>169,890,639</u>	<u>20,968,467</u>	<u>872,359</u>	<u>31,320</u>	
Total			<u>\$ 944,515,415</u>	<u>\$ 343,004,446</u>	<u>\$ 5,744,859</u>	<u>\$ 7,238,350</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, 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	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	<u>35,266,125</u>	<u>-</u>	<u>131,108</u>	<u>-</u>
			<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	-	<u>52,196,960</u>	-	<u>413,116</u>
			<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	<u>130,669,650</u>	<u>-</u>	<u>132,525</u>	<u>-</u>
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	<u>7,468,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<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	<u>38,097,405</u>	<u>-</u>	<u>-</u>	<u>207,285</u>
			<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.)

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, 2005 and 2004. Foreign currency amounts are translated at exchange rates as of August 31, 2005 and 2004. 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</u> <u>August 31, 2005</u>	<u>Net Sell</u> <u>August 31, 2005</u>	<u>Unrealized Gains</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>August 31, 2005</u>	<u>Unrealized Losses</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>August 31, 2005</u>
Australian Dollar	\$ 11,241,773	\$ –	\$ 72,978	\$ 102,864
Canadian Dollar	–	23,732,307	81,342	332,138
Chilean Peso	111,304	–	2,000	–
Chinese Yuan Renminbi	12,789,467	–	204	194,111
Czech Koruna	1,187,246	–	24,505	3,025
Euro	–	21,244,159	1,946,523	513,153
Hong Kong Dollar	2,506,473	–	143	599
Hungarian Forint	555,182	–	25,750	9,867
Indonesian Rupian	245,708	–	17,708	–
Japanese Yen	72,666,052	–	422,677	1,612,192
Mexican New Peso	4,482,342	–	101,162	15,319
New Taiwan Dollar	11,379,386	–	16,260	390,498
New Zealand Dollar	–	1,591,028	19,089	30,727
Norwegian Krone	–	6,405,779	25,632	40,379
Polish Zloty	144,004	–	198,238	18,817
New Russian Rubel	109,589	–	67	1,252
Singapore Dollar	2,041,585	–	45,933	47,622
Slovak Koruna	255,405	–	29	3,073
South African Comm Rand	2,983,209	–	96,999	6,745
South Korean Won	5,783,992	–	45,879	178,385
Swedish Krona	2,318,017	–	97,340	101,185
Swiss Franc	3,916,327	–	12,360	216,336
UK Pound	87,366,371	–	2,338,351	706,883
	<u>\$ 222,083,432</u>	<u>\$ 52,973,273</u>	<u>\$ 5,591,169</u>	<u>\$ 4,525,170</u>

<u>Currency</u>	<u>Net Buy</u> <u>August 31, 2004</u>	<u>Net Sell</u> <u>August 31, 2004</u>	<u>Unrealized Gains</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>August 31, 2004</u>	<u>Unrealized Losses</u> <u>on Foreign</u> <u>Currency Exchange</u> <u>Contracts</u> <u>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>

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%. The Fund received \$303,351 of revenue sharing income during the fiscal year ended August 31, 2005 and \$109,778 for the fiscal year ended August 31, 2004. These amounts are included in other investment income on the Statement of Changes in Fiduciary Net Assets.

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 0.9%. 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, 2005 and 2004
(in thousands)

	2005		2004	
	Value	% of Total	Value	% of Total
Equity Securities				
Domestic Common Stock	\$ 692,523	13.84%	\$ 521,436	12.39%
Foreign Common Stock	267,695	5.35%	201,632	4.79%
Other	3,387	0.07%	1,604	0.04%
Total Equity Securities	963,605	19.26%	724,672	17.22%
Preferred Stock				
Domestic Preferred Stock	2,808	0.06%	4,492	0.11%
Foreign Preferred Stock	–	0.00%	681	0.02%
Total Preferred Stock	2,808	0.06%	5,173	0.13%
Debt Securities				
U.S. Government Obligations	649,096	12.97%	399,821	9.50%
Corporate Obligations	143,690	2.87%	172,448	4.10%
Foreign Government and Provincial Obligations	77,236	1.54%	83,882	1.99%
Other	10,499	0.21%	3,466	0.08%
Total Debt Securities	880,521	17.59%	659,617	15.67%
Purchased Options	10,867	0.22%	–	0.00%
Convertible Securities	4,022	0.08%	3,860	0.09%
Investment Funds				
Hedge Funds	1,196,533	23.92%	931,128	22.13%
Index Funds	460,234	9.20%	544,070	12.93%
Limited Partnerships	493,181	9.86%	406,899	9.67%
Other	340,115	6.80%	214,042	5.09%
Exchange Traded Funds	129,693	2.59%	195,907	4.66%
Total Investment Funds	2,619,756	52.37%	2,292,046	54.48%
Cash and Cash Equivalents				
Money Market Funds Maintained to Back Futures Contracts	401,342	8.02%	448,086	10.65%
Money Market Funds – Other	119,962	2.40%	74,109	1.76%
Total Cash and Cash Equivalents	521,304	10.42%	522,195	12.41%
Total Investment in Securities	\$ 5,002,883	100.00%	\$ 4,207,563	100.00%

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

Financial Highlights

Years Ended August 31, 2005, 2004, 2003, 2002, and For the Period from Inception (March 1, 2001) to August 31, 2001

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 117.595	\$ 102.539	\$ 90.932	\$ 97.811	\$ 100.000
Income from Investment Operations					
Net Investment Income	2.826	2.247	1.972	1.895	1.200
Net Realized and Unrealized Gain (Loss) on Investments	19.223	12.809	9.635	(8.774)	(3.389)
Total Income (Loss) from Investment Operations	22.049	15.056	11.607	(6.879)	(2.189)
Net Asset Value, End of Period	<u>\$ 139.644</u>	<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)	\$4,926,797	\$4,207,644	\$3,584,765	\$3,293,194	\$3,723,912
Ratio of Expenses to Average Net Assets	0.26%	0.24%	0.17%	0.20%	0.09%
Ratio of Net Investment Income to Average Net Assets	2.20%	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, 2005

Industry	Percentage of		Industry	Percentage of	
	Value	Total Investments		Value	Total Investments
Agriculture Production-Crops	\$ 2,003,174	0.04%	Mineral Interests	\$ 3,386,651	0.07%
Amusement and Recreation Services	1,161,903	0.02%	Mining, Quarry Nonmetal Minerals	782,050	0.02%
Apparel and Accessory Stores	3,563,587	0.07%	Miscellaneous Manufacturing Industries	4,777,554	0.10%
Apparel and Other finished Products	2,922,892	0.06%	Miscellaneous Retail	6,051,047	0.12%
Auto Dealers, Gas Stations	4,258,332	0.09%	Mortgage/Asset Backed	29,891,435	0.60%
Auto Repair, Services, Parking	975,386	0.02%	Motion Pictures	3,083,928	0.06%
Banking and Financial Services	4,164,065	0.08%	Motor Freight Transport, Warehouse	5,438,758	0.11%
Building Construction-General Contractor	6,302,865	0.13%	Municipal	10,499,538	0.21%
Building Material, Hardware, Garden-Retail	1,922,274	0.04%	Nonclassifiable Establishment	11,912,723	0.24%
Business Services	42,975,120	0.86%	Nondepository Credit Instituion	35,753,875	0.71%
Chemicals and Allied Products	57,628,721	1.15%	Nondurable Goods-Wholesale	8,752,642	0.17%
Coal Mining	15,316,372	0.31%	Oil and Gas Extraction	61,433,025	1.23%
Commercial Paper	30,260,619	0.60%	Other Industry	17,943,492	0.36%
Communications	36,998,814	0.74%	Paper and Allied Products	1,101,496	0.02%
Construction-Special Trade	1,766,094	0.04%	Personal Services	97,782	0.00%
Depository Institutions	55,742,317	1.11%	Petroleum Refining and Related Industries	20,677,512	0.41%
Durable Goods-Wholesale	7,728,671	0.15%	Pipe Lines, Except Natural Gas	1,861,839	0.04%
Eating and Drinking Places	8,382,047	0.17%	Primary Metal Industries	18,210,653	0.36%
Educational Services	3,625,250	0.07%	Printing, Publishing and Allied	7,225,661	0.14%
Electric, Gas, Sanitary Service	26,145,926	0.52%	Purchased Options	10,866,822	0.22%
Electronics, Other Electronic Equipment, Except Computers	45,591,784	0.91%	Railroad Transportation	4,303,668	0.09%
Engineering, Research, Management and Related Services	14,752,781	0.29%	Real Estate	246,416,160	4.93%
Fabricated Metal Except Machinery and Trans Equipment	2,035,827	0.04%	Rubber and Miscellaneous Plastic Products	4,411,640	0.09%
Financial Services	553,668	0.01%	Security and Commodity Brokers	19,764,550	0.40%
Food and Kindred Products	22,151,642	0.44%	Stone, Clay, Glass, Concrete Products	4,429,881	0.09%
Food Stores	4,273,057	0.09%	Textile Mill Products	469,954	0.01%
Foreign Government and Provincial Obligations	77,235,520	1.54%	Tobacco Products	4,339,519	0.09%
Furniture and Fixtures	1,980,681	0.04%	Transit and Passenger Transportation	312,734	0.01%
General Merchandise Stores	7,816,620	0.16%	Transportation by Air	3,570,216	0.07%
Health Services	3,935,198	0.08%	Transportation Equipment	30,415,927	0.61%
Heavy Construction-Not Building Construction	5,322,072	0.11%	Transportation Services	3,341,102	0.07%
Home Furniture and Equipment Store	1,766,842	0.04%	Water Transportation	6,934,275	0.14%
Hotels, Other Lodging Places	14,549,941	0.29%	U. S. Government Obligations	633,928,113	12.67%
Industrial, Commercial Machinery, Computer Equipment	44,205,632	0.88%	Hedge Funds	1,196,532,676	23.92%
Insurance Agents, Brokers and Service	4,725,062	0.09%	Index Funds	460,233,619	9.20%
Insurance Carriers	27,195,658	0.54%	Limited Partnerships	493,180,684	9.86%
Leather and Leather Products	517,177	0.01%	Exchange Traded Funds	129,692,966	2.59%
Lumber and Wood Products, Except Furniture	219,813	0.00%	Other Investment Funds	340,116,449	6.80%
Measurement Instruments, Photography Goods, Watches	38,543,025	0.77%	Money Market Funds	521,303,999	10.41%
Metal Mining	8,220,364	0.16%	Total Investment Assets	\$ 5,002,883,408	100.00%

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

Schedule of Investments by Industry

August 31, 2004

Industry	Value	Percentage	Industry	Value	Percentage
		of Total			of Total
		Investments			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, 2005 and 2004

Permanent Health Fund

Financial Statements

Years Ended August 31, 2005 and 2004

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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 year ended August 31, 2005. 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), which was 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 \$111.5 million from \$814.4 million to \$925.9 million or by approximately 13.7% for the year ended August 31, 2005, compared to an increase of \$69.4 million or approximately 9.3% for the year ended August 31, 2004. The change in net fiduciary assets from year to year is mainly attributable to the following:
 1. The Fund posted a net investment return of 18.68% for the fiscal year ended August 31, 2005, compared to a net investment return of 14.60% for the prior fiscal year. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in commodities, limited partnerships and global equities were the leading contributors to the 2005 return. For the fiscal year ended August 31, 2004, the commodities and domestic and global equity asset classes were the leading performers.
 2. The Fund's distribution rate was \$.047 per unit for the fiscal year ended August 31, 2005. The per unit rate was not increased from the fiscal year ended August 31, 2004. The fiscal year distributions represented 4.39% of the Fund's average net asset value for the year ended August 31, 2005, and 4.81% of the Fund's average net asset value for the year ended August 31, 2004.

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3. There were no participant contributions to the Fund or withdrawals from the Fund during the years ended August 31, 2005 and 2004.

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.

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets of the Fund as of the end of the fiscal year. These statements, along with all of the Fund's financial statements, are 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 Statements of Fiduciary Net Assets is reflected in its investment in GEF units.

As of August 31, 2005, the Fund owned 6,628,710 GEF units representing an ownership percentage of 18.79%, compared to 6,923,785 GEF units representing an ownership percentage of 19.35% as of August 31, 2004. As of August 31, 2005 and 2004, the fair value of the GEF units was \$925.7 million and \$814.2 million, respectively.

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):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
General Endowment Fund Units, at Fair Value	\$ 925.7	\$ 814.2	\$ 744.8
Cash and Cash Equivalents	0.2	0.2	0.2
Net Assets Held in Trust	<u>\$ 925.9</u>	<u>\$ 814.4</u>	<u>\$ 745.0</u>

Statements of Changes in Fiduciary Net Assets

PERMANENT HEALTH FUND

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of these statements are 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 \$131.3 million during the year compared to \$92.6 million for the fiscal year ended August 31, 2004. Expenses totaled \$0.6 million for the fiscal years ended August 31, 2005 and 2004, and \$07 million for the fiscal year ended August 31, 2003.

Distributions to participants totaled \$38.5 million for each of the years ended August 31, 2005, 2004, and 2003.

The net increase in fiduciary net assets totaled \$111.5 million for the year ended August 31, 2005 compared to a net increase in fiduciary net assets of \$69.4 million for the year ended August 31, 2004.

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%.

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

	2005	2004	2003
Investment Income	\$ 150.6	\$ 108.6	\$ 86.0
Less Investment Expenses	(0.5)	(0.6)	(0.7)
Net Investment Income	150.1	108.0	85.3
Administrative Fee for UT System Oversight	-	-	-
Participant Distributions	38.6	38.6	38.6
Total Deductions	38.6	38.6	38.6
Change in Fiduciary Net Assets	111.5	69.4	46.7
Net Assets Held in Trust, Beginning of Period	814.4	745.0	698.3
Net Assets Held in Trust, End of Period	\$ 925.9	\$ 814.4	\$ 745.0

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

We have audited the accompanying financial statements of the Permanent Health Fund (the "Fund") as of and for the years ended August 31, 2005 and 2004, 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. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004 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, 2005 and 2004, 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 an opinion 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 August 31, 2005 and 2004 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. The Permanent Health Fund financial statements for the years ended August 31, 2002 and 2001, which are not presented with the accompanying financial statements, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on the financial statements. Their report on the 2002 and 2001 supplemental schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the years ended August 31, 2002 and 2001, taken as a whole.

Ernst & Young LLP

October 21, 2005

PERMANENT HEALTH FUND

Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(Dollars in thousands, except per unit amounts)

	<u>2005</u>	<u>2004</u>
Assets		
General Endowment Fund Units, at Fair Value	\$ 925,661	\$ 814,200
Cash and Cash Equivalents	<u>237</u>	<u>224</u>
Net Assets Held in Trust (820,000,000 Units)	<u>\$ 925,898</u>	<u>\$ 814,424</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 1.129</u>	<u>\$ 0.993</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, 2005 and 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 131,345	\$ 92,625
Allocation of General Endowment Fund Net Investment Income	19,225	16,012
Interest	3	1
Dividends	1	4
Total Investment Income	<u>150,574</u>	<u>108,642</u>
Less Investment Expenses		
UTIMCO Management Fee	517	622
Other Expenses	11	17
Total Investment Expenses	<u>528</u>	<u>639</u>
Net Investment Income	150,046	108,003
Total Additions	<u>150,046</u>	<u>108,003</u>
Deductions		
Administrative Fee for UT System Oversight	32	-
Participant Distributions	38,540	38,540
Total Deductions	<u>38,572</u>	<u>38,540</u>
Change in Fiduciary Net Assets	111,474	69,463
Net Assets Held in Trust, Beginning of Period	814,424	744,961
Net Assets Held in Trust, End of Period	<u>\$ 925,898</u>	<u>\$ 814,424</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), which was 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, 2005, the Fund is the minority participant in the GEF, with ownership of 6,628,710 units, which represents 18.79% of the GEF. At August 31, 2004, the Fund held 6,923,785 units, which represented 19.35% of the GEF.

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

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 increase the cost basis of the units in the GEF, and 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 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 years ended August 31, 2005 and 2004 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 4.79% as of August 31, 2005. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months 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

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

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.

Note 4 – Investment Risk

The investment risk disclosure that follows relates to the GEF's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to the GEF's securities lending transactions are provided in Note 5. Fair values presented are the Fund's pro-rata share of GEF investments based on its unit ownership in the GEF. As of August 31, 2005, the Fund's unit ownership in the GEF was 18.79% of the total.

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund's investment policy limits investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that are rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents the Fund's pro-rata share of each applicable GEF investment type grouped by rating as of August 31, 2005.

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

GEF Investment Type	Fund's Pro-Rata Share Fair Value	Rating
GEF Investments, at Fair Value:		
U.S. Government Guaranteed	\$ 77,213,077	Exempt from Disclosure
U.S. Government Non-Guaranteed:		
U.S. Agency	7,816,795	AAA
U.S. Agency	1,251,413	A
U.S. Agency Asset Backed	35,683,902	AAA
Total U.S. Government Non-Guaranteed	44,752,110	
Total U.S. Government	121,965,187	
Corporate Obligations:		
Domestic	4,928,159	AAA
Domestic	1,155,284	AA
Domestic	5,820,036	A
Domestic	3,830,634	BAA/BBB
Domestic	1,118,968	BBB
Domestic	823,295	BAA
Domestic	1,092,635	BA/BB
Domestic	436,953	BB
Domestic	44,658	BA
Domestic	543,786	B
Domestic	56,189	CAA
Domestic	52,088	CA Rating
Domestic	287,611	Withdrawn
Commercial Paper	5,089,689	P
Foreign	1,388,457	AAA
Foreign	250,080	A
Foreign	80,766	BAA/BBB
Total Corporate Obligations	26,999,288	
Foreign Government and Provincial Obligations	10,339,213	AAA
Foreign Government and Provincial Obligations	2,169,108	AA
Foreign Government and Provincial Obligations	293,720	A
Foreign Government and Provincial Obligations	850,861	BAA/BBB
Foreign Government and Provincial Obligations	39,703	BAA
Foreign Government and Provincial Obligations	712,100	BA
Foreign Government and Provincial Obligations	107,850	B
Total Foreign Government and Provincial Obligations	14,512,555	
Other Debt Securities	790,157	AAA
Other Debt Securities	223,424	AA
Other Debt Securities	224,847	A
Other Debt Securities	734,436	BAA/BBB
Total Other Debt Securities	1,972,864	
Total Debt Securities	\$ 165,449,894	
Other Investment Funds - Debt	\$ 201,658	AAA
Other Investment Funds - Debt	2,218,771	BB
Total Other Investment Funds - Debt	\$ 2,420,429	
Cash and Cash Equivalents - Money Market Funds	\$ 95,943,861	AAA
Cash and Cash Equivalents - Other	2,009,161	Exempt from Disclosure
Total Cash and Cash Equivalents	\$ 97,953,022	
Deposit with Broker for Derivative Contracts:		
U.S. Government Guaranteed	\$ 4,986,221	Exempt from Disclosure
Cash	731,457	Exempt from Disclosure
	\$ 5,717,678	

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

(B) Concentrations of Credit Risk

The GEF's investment policy statement contains the limitation that no more than 5% of the market value of domestic fixed income securities may be invested in corporate or municipal bonds of a single issuer. The GEF does not hold any direct investments in any one issuer that represents five percent or more of total investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the GEF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the GEF will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the GEF's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2005, the GEF does not have any investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the GEF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the GEF's investments to changes in interest rates. The GEF has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the GEF's modified duration and the Fund's pro-rata share of the GEF investment fair value by investment type as of August 31, 2005.

PERMANENT HEALTH FUND**Notes to Financial Statements (continued)**

GEF Investment Type	Fund's Pro-Rata Share Fair Value	Modified Duration
GEF Investments in Securities:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 21,297,188	6.47
U.S. Treasury Strips	685,933	6.00
U.S. Treasury Bills	1,320,542	0.15
U.S. Treasury Inflation Protected	53,459,775	8.03
U.S. Agency Asset Backed	449,639	2.34
Total U.S. Government Guaranteed	77,213,077	7.42
U.S. Government Non-Guaranteed:		
U.S. Agency	9,068,208	4.87
U.S. Agency Asset Backed	35,683,902	3.39
Total U.S. Government Non-Guaranteed	44,752,110	3.69
Total U.S. Government	121,965,187	6.05
Corporate Obligations:		
Domestic	20,190,296	5.26
Commercial Paper	5,089,689	0.24
Foreign	1,719,303	6.17
Total Corporate Obligations	26,999,288	4.37
Foreign Government and Provincial Obligations	14,512,555	7.79
Other Debt Securities	1,972,864	11.31
Total Debt Securities	165,449,894	5.90
Other Investment Funds - Debt	2,420,429	5.97
Cash and Cash Equivalents:		
Money Market Funds	95,943,861	0.08
Other	2,009,161	-
Total Cash and Cash Equivalents	97,953,022	0.08
Total	\$ 265,823,345	3.76
Deposit with Brokers for Derivative Contracts:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 20,702	0.41
U.S. Treasury Bills	4,750,279	0.21
U.S. Treasury Inflation Protected	215,240	1.33
Total U.S. Government Guaranteed	4,986,221	0.26
Cash	731,457	-
Total Deposit with Brokers for Derivative Contracts	\$ 5,717,678	0.22

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

(E) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

In accordance with the GEF's investment policy statement, the GEF may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The GEF also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. As of August 31, 2005, the GEF's investments include the following investments that are highly sensitive to interest rate changes.

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$9,406,660.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$18,262,471.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$2,075,836.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$933,412.

(F) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the GEF's non-U.S. dollar investments. The GEF's investment policy statement limits investments in non-U.S. denominated bonds to 50% of the GEF's total fixed income exposure. The following table summarizes the Fund's pro-rata exposure of the GEF's non-U.S. dollar investments as of August 31, 2005.

PERMANENT HEALTH FUND
Notes to Financial Statements (continued)

GEF Investment Type	Fund's Pro-Rata Share Fair Value	GEF Investment Type	Fund's Pro-Rata Share Fair Value
Foreign Common Stock:		Purchased Options:	
Australian Dollar	\$ 1,902,447	Canadian Dollar	\$ 127,201
Canadian Dollar	6,892,965	Euro	6,803
Swiss Franc	1,465,999	Total Purchased Options	<u>134,004</u>
Danish Krone	459,750	Limited Partnerships:	
Euro	11,466,061	Euro	9,262,106
UK Pound	4,051,811	UK Pound	<u>820,573</u>
Hong Kong Dollar	736,666	Total Limited Partnerships	<u>10,082,679</u>
Japanese Yen	19,589,906	Cash and Cash Equivalents:	
South Korean Won	302,404	Australian Dollar	11,882
Norwegian Krone	1,837,751	Canadian Dollar	643,130
Swedish Krona	815,289	Swiss Franc	8,123
Singapore Dollar	<u>1,064,632</u>	Danish Krone	4,341
Total Foreign Common Stock	<u>50,585,681</u>	Euro	267,941
Foreign Government and Provincial Obligations:		UK Pound	(6,811)
Australian Dollar	83,622	Hong Kong Dollar	2,078
Canadian Dollar	81,295	Japanese Yen	2,261,419
Danish Krone	95,580	Norwegian Krone	982
Euro	10,739,086	New Zealand Dollar	1,546
New Zealand Dollar	152,245	Polish Zloty	16,903
UK Pound	1,018,420	Swedish Krona	918
Polish Zloty	<u>293,720</u>	Singapore Dollar	5,619
Total Foreign Government and Provincial Obligations	<u>12,463,968</u>	Taiwan Dollar	<u>62</u>
Corporate Obligations:		Total Cash and Cash Equivalents	<u>3,218,133</u>
Euro	1,436,395		
UK Pound	<u>141,396</u>	Total	<u>\$ 78,062,256</u>
Total Corporate Obligations	<u>1,577,791</u>		

Note 5 – Securities Lending

The GEF loans securities to certain brokers who pay the GEF negotiated lenders' fees. These fees are included in GEF investment income and related expenses are included in investment expenses. The GEF 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 Fund's pro-rata share of the value of GEF securities loaned and the value of collateral held are as follows at August 31, 2005 and 2004:

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

GEF Securities on Loan	2005 Value	2004 Value	Type of Collateral	2005 Value of Collateral	2004 Value of Collateral
U.S. Government	\$ 68,716,932	\$ 34,318,511	Cash	\$ 69,415,332	\$ 34,818,809
Foreign					
Government	3,464,476	469,735	Cash	3,627,498	497,414
Corporate Bonds	930,100	1,192,122	Cash	955,425	1,219,621
Common Stock	18,108,545	25,344,241	Cash	18,837,287	26,223,648
Total	<u>\$ 91,220,053</u>	<u>\$ 61,324,609</u>	Total	<u>\$ 92,835,542</u>	<u>\$ 62,759,492</u>
U.S. Government	\$ 1,421,295	\$ 311,744	Non-Cash	\$ 1,470,203	\$ 361,862
Common Stock	138,349	39,817	Non-Cash	143,110	40,877
Total	<u>\$ 1,559,644</u>	<u>\$ 351,561</u>	Total	<u>\$ 1,613,313</u>	<u>\$ 402,739</u>

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the GEF, the Permanent University Fund, and other Board of Regent accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the GEF and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower would come from the GEF and the securities lending agent in the same proportion as the split of income.

The Fund's pro-rata share of the GEF's collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2005 is shown in the following table.

Description	Fund's Pro-Rata Share Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 43,746,987	No Rating	1
Commercial Paper	37,600,440	P	36
Floating Rate Notes	849,773	AAA	
Floating Rate Notes	9,509,272	AA	
Total Floating Rate Notes	<u>10,359,045</u>		37
Certificates of Deposit	1,398,190	P	50
Asset Backed Securities	52,993	AAA	168
Other Receivables/Payables	(322,114)	Not Rated	-
Total Collateral Pool Investment	<u>\$ 92,835,541</u>		20

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the GEF, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the GEF or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or a counterparties trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the

PERMANENT HEALTH FUND

Notes to Financial Statements (continued)

statements of fiduciary net assets. 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.

In the event of default, where the borrower is unable to return the securities loaned, the GEF has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the GEF from any loss due to borrower default.

As of August 31, 2005, the GEF had no credit risk exposure to borrowers because the amounts the GEF owed to borrowers exceeded the amounts the borrowers owed the GEF.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the year ended August 31, 2005.

Note 6 – 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 year ended August 31, 2005, were \$516,757, net of a rebate of \$169,581 of excess reserves from UTIMCO to the Fund. The fees assessed for the year ended August 31, 2004, were \$621,526.

Beginning in fiscal year 2005, the Fund is assessed a fee to cover costs associated with UT System personnel and UT System consultants hired to provide assistance to the Board of Regents and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the year ended August 31, 2005, the fee amounted to \$31,793.

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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 0.993	\$ 0.908	\$ 0.852	\$ 0.965	\$ 1.113
Income From Investment Operations					
Net Investment Income	0.023	0.019	0.017	0.018	0.024
Net Realized and Unrealized Gain (Loss) on Investments	<u>0.160</u>	<u>0.113</u>	<u>0.086</u>	<u>(0.084)</u>	<u>(0.126)</u>
Total Income (Loss) from Investment Operations	<u>0.183</u>	<u>0.132</u>	<u>0.103</u>	<u>(0.066)</u>	<u>(0.102)</u>
Less Distributions					
From Net Investment Income	0.023	0.019	0.017	0.018	0.024
From Net Realized Gain and In Excess of Net Realized Investment Return	<u>0.024</u>	<u>0.028</u>	<u>0.030</u>	<u>0.029</u>	<u>0.022</u>
Total Distributions	<u>0.047</u>	<u>0.047</u>	<u>0.047</u>	<u>0.047</u>	<u>0.046</u>
Net Asset Value, End of Period	<u>\$ 1.129</u>	<u>\$ 0.993</u>	<u>\$ 0.908</u>	<u>\$ 0.852</u>	<u>\$ 0.965</u>
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$ 925,898	\$ 814,424	\$ 744,961	\$ 698,250	\$ 881,433
Ratio of Expenses to Average Net Assets	0.32%	0.31%	0.27%	0.27%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.13%	1.92%	2.01%	1.91%	2.44%
Ratio of Distributions to Average Net Assets (5-quarter average)	4.39%	4.81%	5.48%	5.05%	4.51%
Ratio of Distributions to Average Net Assets (12-quarter average)	4.79%	5.14%	5.08%	4.66%	N/A

Financial Statements

The University of Texas System

Long Term Fund

Years Ended August 31, 2005 and 2004

The University of Texas System Long Term Fund

Financial Statements

Years Ended August 31, 2005 and 2004

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THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND

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, 2005. 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 6,880 privately raised endowments and other long-term funds of the 15 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), which was 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 \$607.6 from \$3,393.3 million to \$4,000.9 million or approximately 17.9% for the year ended August 31, 2005, compared to an increase of \$553.5 million or approximately 19.5% for the ended August 31, 2004. The change in net fiduciary assets from year to year is mainly attributable to the following:
 1. Participant contributions to the Fund decreased by 53.6% from fiscal year 2004 to 2005. Fiscal year contributions of \$146.3 million represented 3.9% 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.
 2. The Fund posted a net investment return of 18.68% for the fiscal year ended August 31, 2005, compared to a net investment return of 14.59% for the prior fiscal year. The net investment return of the Fund is dependent on the results of the investments held in the GEF. The GEF's investments in commodities, limited partnerships and global equities were the leading contributors to the 2005 return. For the fiscal year ended August 31, 2004, the commodities and domestic and global equity asset classes were the leading performers.

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3. The Fund's distribution rate per unit was increased by 2.0%, approximately the average rate of inflation, for the year ended August 31, 2005. This equated to an increase in the 2005 rate to \$0.2697 per unit from the 2004 rate of \$0.2645 per unit. The 2004 rate represented an increase of 2.5% over the fiscal year 2003 rate of \$0.258 per unit. Fiscal year 2005 distributions represented 4.51% of the Fund's average net asset value during the year, compared to the fiscal year 2004 distributions which represented 4.89% of the Fund's average net asset value for the year.

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 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.

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets of the Fund as of the end of the fiscal year. These statements, along with all of the Fund's financial statements, are 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 Statements of Fiduciary Net Assets are reflected in its investment in GEF units.

As of August 31, 2005, the Fund owned 28,652,350 GEF units representing an ownership percentage of 81.21%, compared to 28,857,142 GEF units representing an ownership percentage of 80.65% as of August 31, 2004. As of August 31, 2005 and 2004, the fair value of the GEF units was \$4,001.1 million and \$3,393.4 million, respectively.

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.

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LONG TERM FUND

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
General Endowment Fund Units, at Fair Value	\$ 4,001.1	\$ 3,393.4	\$ 2,840.0
Cash and Cash Equivalents	-	-	-
Receivable for Investment Securities Sold	1.5	16.0	40.5
Total Assets	<u>4,002.6</u>	<u>3,409.4</u>	<u>2,880.5</u>
Liabilities			
Payable to Participants	1.5	16.0	40.5
Other Payables	0.2	0.1	0.2
Total Liabilities	<u>1.7</u>	<u>16.1</u>	<u>40.7</u>
Net Assets Held in Trust	<u>\$ 4,000.9</u>	<u>\$ 3,393.3</u>	<u>\$ 2,839.8</u>

Statement of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of these statements are 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 \$558.6 million during the year compared to \$375.5 million for the year ended August 31, 2004. Expenses totaled \$5.8 million, \$6.1 million and \$3.0 million, respectively for the years ended August 31, 2005, 2004 and 2003.

Distributions to participants totaled \$167.8 million, \$158.1 million and \$143.9 million, respectively, for the years ended August 31, 2005, 2004 and 2003. The increase in distributions is a result of the UT Board increasing the distribution rate from \$0.2645 per unit to \$0.2697 per unit for fiscal year 2005, and additional contributions into the Fund. The increase for fiscal year 2004, is a result of the UT Board's increase of the distribution rate from \$.258 per unit to \$.2645 per unit, and additional contributions to 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

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- 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 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):

	2005	2004	2003
Investment Income	\$ 640.6	\$ 441.1	\$ 332.1
Less Investment Expenses	(2.4)	(3.1)	(0.1)
Net Investment Income	638.2	438.0	332.0
Participant Contributions	146.3	315.1	113.1
Total Additions	784.5	753.1	445.1
Administrative Expenses	3.4	3.0	2.9
Participant Withdrawals	5.7	38.6	53.5
Participant Distributions	167.8	158.0	143.9
Total Deductions	176.9	199.6	200.3
Change in Fiduciary Net Assets	607.6	553.5	244.8
Net Assets Held in Trust, Beginning of Period	3,393.3	2,839.8	2,595.0
Net Assets Held in Trust, End of Period	\$ 4,000.9	\$ 3,393.3	\$ 2,839.8

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

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, 2005 and 2004, 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. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004 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, 2005 and 2004, 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 an opinion 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 August 31, 2005 and 2004 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. The University of Texas System Long Term Fund financial statements for the years ended August 31, 2002 and 2001, which are not presented with the accompanying financial statements, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on the financial statements. Their report on the 2002 and 2001 supplemental schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the years ended August 31, 2002 and 2001, taken as a whole.

Ernst & Young LLP

October 21, 2005

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

Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(Dollars in thousands, except per unit amounts)

	<u>2005</u>	<u>2004</u>
Assets		
General Endowment Fund Units, at Fair Value	\$ 4,001,136	\$ 3,393,444
Cash and Cash Equivalents	2	1
Receivable for Investment Securities Sold	1,547	16,005
Total Assets	<u>4,002,685</u>	<u>3,409,450</u>
Liabilities		
Payable to Participants	1,547	16,005
Other Payables	200	170
Total Liabilities	<u>1,747</u>	<u>16,175</u>
Net Assets Held in Trust (631,354,939 Units and 607,622,749 Units, respectively)	<u>\$ 4,000,938</u>	<u>\$ 3,393,275</u>
Net Asset Value Held in Trust Per Unit	<u>\$6.337</u>	<u>\$5.585</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, 2005 and 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income		
Net Increase in Fair Value of Investments	\$ 558,584	\$ 375,512
Allocation of General Endowment Fund Net Investment Income	82,016	65,588
Other	10	27
Total Investment Income	<u>640,610</u>	<u>441,127</u>
Less Investment Expenses		
UTIMCO Management Fee	2,237	2,990
Other Expenses	119	108
Total Investment Expenses	<u>2,356</u>	<u>3,098</u>
Net Investment Income	638,254	438,029
Participant Contributions	<u>146,261</u>	<u>315,113</u>
Total Additions	784,515	753,142
Deductions		
Administrative Expenses		
Fee for Endowment Compliance	2,526	2,381
Fee for UT System Oversight	120	-
Internal Fee for Educational Purposes	761	666
Total Administrative Expenses	<u>3,407</u>	<u>3,047</u>
Participant Withdrawals	5,612	38,613
Participant Distributions	<u>167,833</u>	<u>158,053</u>
Total Deductions	<u>176,852</u>	<u>199,713</u>
Change in Fiduciary Net Assets	607,663	553,429
Net Assets Held in Trust, Beginning of Period	<u>3,393,275</u>	<u>2,839,846</u>
Net Assets Held in Trust, End of Period	<u>\$ 4,000,938</u>	<u>\$ 3,393,275</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) which was 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, 2005, the Fund is the majority participant in the GEF, with ownership of 28,652,350 units, which represents 81.21% of the GEF. At August 31, 2004, the Fund held 28,857,142 units, which represented 80.65% 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

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LONG TERM FUND

Notes to Financial Statements (cont.)

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 increase the cost basis of the units in the GEF, and 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.

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, 2005, the quarterly rate was \$.067425 which equates to a yearly rate of \$.2697 per unit. For the fiscal year ended August 31, 2004, the quarterly distribution rate was \$.066125 which equated to a yearly rate of \$.2645 per unit. The ratio of distributions to average net assets (12-quarter average) was 4.78% as of August 31, 2005. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months 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 revenues and expenses during

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

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.

Note 4 – Investment Risk

The investment risk disclosure that follows relates to the GEF's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to the GEF's securities lending are provided in Note 5. Fair values presented are the Fund's pro-rata share of GEF investments based on its unit ownership in the GEF. As of August 31, 2005, the Fund's unit ownership in the GEF was 81.21% of the total.

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund's investment policy limits investments in U.S. Domestic bonds and non-dollar denominated bond investments to those that are rated investment grade, Baa3 or better by Moody's Investor Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment grade bonds. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents the Fund's pro-rata share of each applicable GEF investment type grouped by rating as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
Notes to Financial Statements (cont.)

<u>GEF Investment Type</u>	<u>Fund's Pro-Rata Share Fair Value</u>	<u>Rating</u>
GEF Investments, at Fair Value:		
U.S. Government Guaranteed	\$ 333,713,358	Exempt from Disclosure
U.S. Government Non-Guaranteed:		
U.S. Agency	33,784,029	AAA
U.S. Agency	5,408,584	A
U.S. Agency Asset Backed	<u>154,225,101</u>	AAA
Total U.S. Government Non-Guaranteed	<u>193,417,714</u>	
Total U.S. Government	<u>527,131,072</u>	
Corporate Obligations:		
Domestic	21,299,403	AAA
Domestic	4,993,114	AA
Domestic	25,154,078	A
Domestic	16,555,923	BAA/BBB
Domestic	4,836,157	BBB
Domestic	3,558,266	BAA
Domestic	4,722,348	BA/BB
Domestic	1,888,499	BB
Domestic	193,012	BA
Domestic	2,350,233	B
Domestic	242,849	CAA
Domestic	225,124	CA
		Rating
Domestic	1,243,048	Withdrawn
Commercial Paper	21,997,533	P
Foreign	6,000,885	AAA
Foreign	1,080,840	A
Foreign	<u>349,067</u>	BAA/BBB
Total Corporate Obligations	<u>116,690,379</u>	
Foreign Government and Provincial Obligations	44,685,870	AAA
Foreign Government and Provincial Obligations	9,374,839	AA
Foreign Government and Provincial Obligations	1,269,451	A
Foreign Government and Provincial Obligations	3,677,401	BAA/BBB
Foreign Government and Provincial Obligations	171,597	BAA
Foreign Government and Provincial Obligations	3,077,680	BA
Foreign Government and Provincial Obligations	<u>466,126</u>	B
Total Foreign Government and Provincial Obligations	<u>62,722,964</u>	
Other Debt Securities	3,415,040	AAA
Other Debt Securities	965,634	AA
Other Debt Securities	971,782	A
Other Debt Securities	<u>3,174,218</u>	BAA/BBB
Total Other Debt Securities	<u>8,526,674</u>	
Total Debt Securities	<u>\$ 715,071,089</u>	
Other Investment Funds - Debt	\$ 871,560	AAA
Other Investment Funds - Debt	9,589,486	BB
Total Other Investment Funds - Debt	<u>\$ 10,461,046</u>	
Cash and Cash Equivalents - Money Market Funds	\$ 414,667,426	AAA
Cash and Cash Equivalents - Other	8,683,551	Exempt from Disclosure
Total Cash and Cash Equivalents	<u>\$ 423,350,977</u>	
Deposit with Broker for Derivative Contracts:		
U.S. Government Guaranteed	\$ 21,550,347	Exempt from Disclosure
Cash	3,161,340	Exempt from Disclosure
	<u>\$ 24,711,687</u>	

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

(B) Concentrations of Credit Risk

The GEF's investment policy statement contains the limitation that no more than 5% of the market value of domestic fixed income securities may be invested in corporate or municipal bonds of a single issuer. The GEF does not hold any direct investments in any one issuer that represents five percent or more of total investments.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the GEF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the GEF will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the GEF's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2005, the GEF does not have any investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the GEF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the GEF's investments to changes in interest rates. The GEF has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the GEF's modified duration and the Fund's pro-rata share of the GEF investment fair value by investment type as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

GEF Investment Type	Fund's Pro-Rata Share Fair Value	Modified Duration
GEF Investments in Securities:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 92,046,016	6.47
U.S. Treasury Strips	2,964,587	6.00
U.S. Treasury Bills	5,707,356	0.15
U.S. Treasury Inflation Protected	231,052,065	8.03
U.S. Agency Asset Backed	1,943,334	2.34
Total U.S. Government Guaranteed	333,713,358	7.42
U.S. Government Non-Guaranteed:		
U.S. Agency	39,192,613	4.87
U.S. Agency Asset Backed	154,225,101	3.39
Total U.S. Government Non-Guaranteed	193,417,714	3.69
Total U.S. Government	527,131,072	6.05
Corporate Obligations:		
Domestic	87,262,054	5.26
Commercial Paper	21,997,533	0.24
Foreign	7,430,792	6.17
Total Corporate Obligations	116,690,379	4.37
Foreign Government and Provincial Obligations	62,722,964	7.79
Other Debt Securities	8,526,674	11.31
Total Debt Securities	715,071,089	5.90
Other Investment Funds - Debt	10,461,046	5.97
Cash and Cash Equivalents:		
Money Market Funds	414,667,426	0.08
Other	8,683,551	-
Total Cash and Cash Equivalents	423,350,977	0.08
Total	\$ 1,148,883,112	3.76
Deposit with Brokers for Derivative Contracts:		
U.S. Government Guaranteed:		
U.S. Treasury Bonds and Notes	\$ 89,474	0.41
U.S. Treasury Bills	20,530,609	0.21
U.S. Treasury Inflation Protected	930,264	1.33
Total U.S. Government Guaranteed	21,550,347	0.26
Cash	3,161,340	-
Total Deposit with Brokers for Derivative Contracts	\$ 24,711,687	0.22

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes*

In accordance with the GEF's investment policy statement, the GEF may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The GEF also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. As of August 31, 2005, the GEF's investments include the following investments that are highly sensitive to interest rate changes.

Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$40,655,395.

Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$78,930,029.

Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$8,971,720.

Step-up notes that grant the issuer the option to call the note on certain specified dates. At each call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note. The call feature embedded within a step-up note causes the fair value of the instrument to be considered highly sensitive to interest rate changes. As of August 31, 2005, the Fund's pro-rata share of these securities amounted to \$4,034,187.

(F) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the GEF's non-U.S. dollar investments. The GEF's investment policy statement limits investments in non-U.S. denominated bonds to 50% of the GEF's total fixed income exposure. The following table summarizes the Fund's pro-rata exposure of the GEF's non-U.S. dollar investments as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

GEF Investment Type	Fund's Pro-Rata Share Fair Value	GEF Investment Type	Fund's Pro-Rata Share Fair Value
Foreign Common Stock:		Purchased Options:	
Australian Dollar	\$ 8,222,338	Canadian Dollar	\$ 549,760
Canadian Dollar	29,791,257	Euro	29,404
Swiss Franc	6,336,019	Total Purchased Options	<u>579,164</u>
Danish Krone	1,987,029	Limited Partnerships:	
Euro	49,556,081	Euro	40,030,635
UK Pound	17,511,842	UK Pound	<u>3,546,500</u>
Hong Kong Dollar	3,183,857	Total Limited Partnerships	<u>43,577,135</u>
Japanese Yen	84,667,181	Cash and Cash Equivalents:	
South Korean Won	1,306,984	Australian Dollar	51,355
Norwegian Krone	7,942,724	Canadian Dollar	2,779,592
Swedish Krona	3,523,665	Swiss Franc	35,108
Singapore Dollar	<u>4,601,320</u>	Danish Krone	18,764
Total Foreign Common Stock	<u>218,630,297</u>	Euro	1,158,033
Foreign Government and Provincial Obligations:		UK Pound	(29,438)
Australian Dollar	361,409	Hong Kong Dollar	8,980
Canadian Dollar	351,357	Japanese Yen	9,773,808
Danish Krone	413,095	Norwegian Krone	4,243
Euro	46,414,115	New Zealand Dollar	6,683
New Zealand Dollar	657,999	Polish Zloty	73,056
UK Pound	4,401,588	Swedish Krona	3,967
Polish Zloty	<u>1,269,451</u>	Singapore Dollar	24,287
Total Foreign Government and Provincial Obligations	<u>53,869,014</u>	Taiwan Dollar	<u>270</u>
Corporate Obligations:		Total Cash and Cash Equivalents	<u>13,908,708</u>
Euro	6,208,069		
UK Pound	<u>611,110</u>	Total	<u>\$ 337,383,497</u>
Total Corporate Obligations	<u>6,819,179</u>		

Note 5 – Securities Lending

The GEF loans securities to certain brokers who pay the GEF negotiated lenders' fees. These fees are included in the GEF investment income and related expenses are included in investment expenses. The GEF 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 Fund's pro-rata share of the value of GEF securities loaned and the value of collateral held are as follows at August 31, 2005 and 2004.

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

Notes to Financial Statements (cont.)

GEF Securities on Loan	2005 Value	2004 Value	Type of Collateral	2005 Value of Collateral	2004 Value of Collateral
U.S. Government	\$ 296,993,190	\$ 148,323,911	Cash	\$ 300,011,659	\$ 150,486,186
Foreign Government	14,973,393	2,030,183	Cash	15,677,974	2,149,813
Corporate Bonds	4,019,874	5,152,329	Cash	4,129,325	5,271,179
Common Stock	78,264,764	109,537,297	Cash	81,414,372	113,338,078
Total	\$ 394,251,221	\$ 265,043,720	Total	\$ 401,233,330	\$ 271,245,256
U.S. Government	\$ 6,142,807	\$ 1,347,351	Non-Cash	\$ 6,354,186	\$ 1,563,960
Common Stock	597,943	172,088	Non-Cash	618,518	176,668
Total	\$ 6,740,750	\$ 1,519,439	Total	\$ 6,972,704	\$ 1,740,628

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the GEF, the Permanent University Fund, and other Board of Regent accounts that participate in securities lending activities. The pool is managed in accordance with investment guidelines established in the securities lending contract between the GEF and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities. The income remaining after the borrower rebates is then shared with the lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower would come from the Fund and the securities lending agent in the same proportion as the split of income.

The Fund's pro-rata share of the GEF's collateral pool investments, rating by NRSRO, and weighted average maturity as of August 31, 2005 is shown in the following table.

Description	Fund's Pro-Rata Share Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	\$ 189,073,593	No Rating	1
Commercial Paper	162,508,339	P	36
Floating Rate Notes	3,672,704	AAA	
Floating Rate Notes	41,098,882	AA	
Total Floating Rate Notes	44,771,586		37
Certificates of Deposit	6,042,950	P	50
Asset Backed Securities	229,033	AAA	168
Other Receivables/Payables	(1,392,170)	Not Rated	-
Total Collateral Pool Investment	\$ 401,233,331		20

Collateral pool investments are uninsured, and are held by the securities lending agent, in its name, on behalf of the GEF, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the GEF or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or a counterparties trust department or agent. Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

Notes to Financial Statements (cont.)

statements of fiduciary net assets. 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.

In the event of default, where the borrower is unable to return the securities loaned, the GEF has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the GEF from any loss due to borrower default.

As of August 31, 2005, the GEF had no credit risk exposure to borrowers because the amounts the GEF owed to borrowers exceeded the amounts the borrowers owed the GEF.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the year ended August 31, 2005.

Note 6 – 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 fee assessed for the year ended August 31, 2005, was \$2,236,783, net of a rebate of \$1,246,673 of prior year reserves from UTIMCO to the Fund. The fee assessed for the year ended August 31, 2004 was \$2,990,222.

The Fund is assessed an annual administrative fee on behalf of UT System institutions based on 0.08% of the market value of the Fund for the support of enhanced and expanded endowment compliance efforts. These fees are assessed and paid at the beginning of each fiscal year. The fees assessed for the fiscal years ending August 31, 2005 and 2004, were \$2,525,960 and \$2,380,591, 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, 2005 and 2004. The fees assessed for the years ended August 31, 2005 and 2004, were \$761,378 and \$665,745, respectively.

Beginning in fiscal year 2005, the Fund is assessed a fee to cover costs associated with UT System personnel and UT System consultants hired to provide assistance to the Board of Regents and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the year ended August 31, 2005, the fee amounted to \$120,446.

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 Schedule

Financial Highlights
Years Ended August 31,

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 5.585	\$ 5.114	\$ 4.788	\$ 5.412	\$ 6.198
Income from Investment Operations					
Net Investment Income	0.123	0.099	0.097	0.098	0.140
Net Realized and Unrealized Gain (Loss) on Investments	0.899	0.637	0.487	(0.471)	(0.681)
Total Income (Loss) from Investment Operations	1.022	0.736	0.584	(0.373)	(0.541)
Less Distributions					
From Net Investment Income	0.123	0.099	0.097	0.098	0.140
From Net Realized Gain	0.147	0.166	0.161	0.153	0.105
Total Distributions	0.270	0.265	0.258	0.251	0.245
Net Asset Value, End of Period	\$ 6.337	\$ 5.585	\$ 5.114	\$ 4.788	\$ 5.412

Ratios and Supplemental Data

Net Assets, End of Period (in thousands)	\$4,000,938	\$3,393,275	\$2,839,846	\$2,595,063	\$2,843,300
Ratio of Investment Expenses to Average Net Assets	0.32%	0.33%	0.29%	0.29%	0.21%
Ratio of Total Expenses to Average Net Assets	0.42%	0.43%	0.40%	0.39%	0.23%
Ratio of Net Investment Income to Average Net Assets	2.05%	1.84%	2.01%	1.89%	2.44%
Ratio of Distributions to Average Net Assets (5-quarter average)	4.51%	4.89%	5.40%	4.86%	4.31%
Ratio of Distributions to Average Net Assets (12-quarter average)	4.78%	4.98%	4.86%	4.38%	4.12%

Financial Statements

The University of Texas System

Short Intermediate Term Fund

Years Ended August 31, 2005 and 2004

The University of Texas System Short Intermediate Term Fund

Financial Statements

Years Ended August 31, 2005 and 2004

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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, 2005. 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 \$1,222.4 million at August 31, 2005 compared to \$1,178.0 million at August 31, 2004 and \$1,435.3 million at August 31, 2003.
- Investment income totaled \$30.0 million for the year ended August 31, 2005, compared to \$33.2 million for the year ended August 31, 2004 and \$25.9 million for the year ended August 31, 2003.
- The Fund posted a net investment return of 2.48% for the fiscal year ended August 31, 2005, compared to a net investment return of 2.49% 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.

Statements of Fiduciary Net Assets

The Statements of Fiduciary Net Assets present assets, liabilities, and net assets of the Fund as of the end of the fiscal year. These statements, along with all of the Fund's financial statements, are prepared using the accrual basis of accounting, whereby Fund

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

investment income is recognized when earned and Fund expenses are recognized when incurred.

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, 2005, the option adjusted duration of the portfolio was 2.07 years. Simplistically, if there is a 1.00% increase (decrease) in yields, the value of the portfolio would (decrease) increase by 2.07%.

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

	2005	2004	2003
Assets			
Investments, at Fair Value	\$ 1,349.5	\$ 1,383.3	\$ 1,633.2
Other Assets	10.0	129.7	6.3
Total Assets	<u>1,359.5</u>	<u>1,513.0</u>	<u>1,639.5</u>
Liabilities	<u>137.1</u>	<u>335.0</u>	<u>204.2</u>
Net Assets Held in Trust	<u>\$ 1,222.4</u>	<u>\$ 1,178.0</u>	<u>\$ 1,435.3</u>

Statements of Changes in Fiduciary Net Assets

Changes in fiduciary net assets as presented on the Statements of Changes in Fiduciary Net Assets are based on activity of the Fund. The purpose of these statements 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 decrease in fair value of investments of the Fund was \$1.5 million during the year compared to a increase of \$3.9 million for the year ended August 31, 2004. Expenses totaled \$0.5 million, \$0.6 million and \$0.7 million for the years ended August 31, 2005, 2004 and 2003, respectively.

The net increase in fiduciary net assets was \$44.4 million for the year ended August 31, 2005, compared to a net decrease of \$257.3 million for the year ended August 31, 2004.

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

Distributions to participants totaled \$31.1 million and \$28.6 million for the years ended August 31, 2005 and 2004, 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):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Investment Income	\$ 30.0	\$ 33.2	\$ 25.9
Less Investment Expenses	(0.4)	(0.7)	(0.7)
Net Investment Income	29.6	32.5	25.2
Participant Contributions	98.8	224.7	351.5
Total Additions	128.4	257.2	376.7
Administrative Fee For UT System Oversight	0.1	-	-
Participant Withdrawals	52.8	485.9	325.0
Participant Distributions	31.1	28.6	52.3
Total Deductions	84.0	514.5	377.3
Change in Fiduciary Net Assets	44.4	(257.3)	(0.6)
Net Assets Held in Trust, Beginning of Period	1,178.0	1,435.3	1,435.9
Net Assets Held in Trust, End of Period	<u>\$1,222.4</u>	<u>\$1,178.0</u>	<u>\$1,435.3</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

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, 2005 and 2004, 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. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004 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, 2005 and 2004, 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 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 an opinion 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 August 31, 2005 and 2004 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 21, 2005

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Statements of Fiduciary Net Assets

August 31, 2005 and 2004

(Dollars in thousands, except per unit amounts)

	<u>2005</u>	<u>2004</u>
Assets		
Investments, at Fair Value:		
Cash and Cash Equivalents	\$ 159,156	\$ 615,006
U.S. Treasury Securities	889,459	101,472
U.S. Agency Bonds	158,868	449,975
U.S. Agency Mortgage Backed Bonds	142,048	216,836
Total Investments	<u>1,349,531</u>	<u>1,383,289</u>
Receivables:		
Investment Securities Sold	-	126,603
Accrued Income Receivable	10,020	3,073
Total Receivables	<u>10,020</u>	<u>129,676</u>
Total Assets	<u>1,359,551</u>	<u>1,512,965</u>
Liabilities		
Investment Securities Purchased	133,594	332,929
Income Distributions Payable to Participants	3,520	2,029
Other Payables and Accrued Expenses	6	6
Total Liabilities	<u>137,120</u>	<u>334,964</u>
Net Assets Held in Trust (123,305,429 and 118,671,708 units, respectively)	<u>\$ 1,222,431</u>	<u>\$ 1,178,001</u>
Net Asset Value Held in Trust Per Unit	<u>\$ 9.914</u>	<u>\$ 9.927</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, 2005 and 2004
(in thousands)

	<u>2005</u>	<u>2004</u>
Additions		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	\$ (1,531)	\$ 3,938
Interest	30,839	28,576
Commitment Fees	701	655
Total Investment Income	<u>30,009</u>	<u>33,169</u>
Less Investment Expenses		
UTIMCO Management Fee	296	539
Custodial Fees and Expenses	69	73
Other Expenses	34	35
Total Investment Expenses	<u>399</u>	<u>647</u>
Net Investment Income	<u>29,610</u>	<u>32,522</u>
Participant Contributions	98,841	224,677
Total Additions	<u>128,451</u>	<u>257,199</u>
Deductions		
Administrative Fee for UT System Oversight Fee	59	-
Participant Withdrawals	52,880	485,941
Participant Distributions	31,082	28,584
Total Deductions	<u>84,021</u>	<u>514,525</u>
Change in Fiduciary Net Assets	44,430	(257,326)
Net Assets Held in Trust, Beginning of Period	<u>1,178,001</u>	<u>1,435,327</u>
Net Assets Held in Trust, End of Period	<u>\$ 1,222,431</u>	<u>\$ 1,178,001</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 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.

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 \$800 million and is expected to remain below this amount for thirty days, the Fund’s commitment will be \$300 million.

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, 2005, the Fund is committed to a maximum bond purchase commitment of \$36.7 million in the event of a failed remarketing of the Series 2001A bonds. The commitment amount as of August 31, 2004, was \$45.6 million. The amount of commitment is expected to decrease annually based on amortization of the Series 2001A bonds.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

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. As of August 31, 2005, there are \$10.3 million of commercial paper notes outstanding.

The commitment fees earned by the Fund were \$700,852 and \$654,798, respectively, for the years ended August 31, 2005 and 2004.

Note 4 – Investment Risk

(A) Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the “PUF”) in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Fund.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Fund’s investment policy limits investments in unaffiliated money market funds to those rated AAA_f by S&P. Commercial paper, negotiable certificates of deposit, and banker’s acceptances must be rated at least A-1 by S&P and P-1 by Moody’s Investor’s Service, Inc, and fixed income holdings are limited to securities that are issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, or U.S. Government Agencies, including U.S. Government Agency Mortgage Backed Securities. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3* unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of August 31, 2005.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

Investment Type	Fair Value	Rating
Cash and Cash Equivalents	<u>\$ 159,156,365</u>	AAA
U.S. Treasury Securities	<u>889,459,012</u>	Exempt from Disclosure
U.S. Agency Bonds	108,977,590	AAA
U.S. Agency Bonds	<u>49,890,000</u>	AAA
Total U.S. Agency Bonds	<u>158,867,590</u>	
U.S. Agency Mortgage Backed Bonds	<u>142,047,636</u>	AAA
Total Investments	<u>\$ 1,349,530,603</u>	

(B) Concentrations of Credit Risk

The Fund's investment policy statement contains the limitation that not more than 5% of the total value of the securities in the Fund shall be placed with any one issuer other than the U.S. Treasury, U.S. Agency, or U.S. Government sponsored entities. As of August 31, 2005, the Fund holds investments in U.S. Government sponsored entities totaling 12.0% of its total investments in Federal National Mortgage Association securities, and 10.3% of its total investments in Federal Home Loan Mortgage Corporation securities.

(C) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Fund's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2005, the Fund does not have any deposits or investments that are exposed to custodial credit risk.

(D) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Fund is measured by monitoring the option-adjusted duration of the

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

overall investment portfolio. Option-adjusted duration estimates the sensitivity of the Fund's investments to changes in interest rates. The Fund's investment policy limits the option-adjusted duration of the Fund to between one-half year and four years unless approved in advance by the UTIMCO Board of Directors. The table below summarizes the Fund's option adjusted duration by asset type as of August 31, 2005.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Option-Adjusted Duration</u>
Cash and Cash Equivalents	\$ 159,156,365	0.08
U.S. Treasury Securities	889,459,012	1.92
U.S. Agency Bonds	158,867,590	1.10
U.S. Agency Mortgage Backed Securities	142,047,636	4.51
Total Investments	<u>\$ 1,349,530,603</u>	2.07

(E) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

In accordance with the Fund's investment policy statement, the Fund may invest in floating rate securities. As of August 31, 2005, the Fund had no investments that would be categorized as being highly sensitive to interest rate changes.

Note 5 – Fees and Expenses

The Fund is assessed an investment management fee by The University of Texas Investment Management Company. For the year ended August 31, 2005 the fee was \$296,439, net of a rebate of \$193,403 of prior year reserves from UTIMCO to the Fund. For the year ended August 31, 2004, the fee was \$539,348.

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.

Beginning in fiscal year 2005, the Fund is assessed a fee to cover costs associated with UT System personnel and UT System consultants hired to provide assistance to the Board of Regents and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. For the year ended August 31, 2005, the fee amounted to \$58,491.

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

Note 6 – Subsequent Event

At its meeting on July 8, 2005 the Board of Regents approved a proposal to restructure the investment of the operating funds and short and intermediate term funds held by The

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

University of Texas System Administration and the fifteen institutions of The University of Texas System. Under the new structure participants in the Fund will liquidate their unit holdings as of January 31, 2006, and begin participation in new pooled investment funds established to allow The University of Texas System to pursue a more efficient and effective investment strategy for these funds. Upon the liquidation of participant units the Fund will cease operations.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Supplemental Schedules

Schedule of Investments

August 31, 2005

(In thousands)

Description	Coupon	Maturity	Par Value	Value		Cost	
				\$	%	\$	%
Cash and Cash Equivalents							
Dreyfus Institutional Pfd Money Market			\$ 159,156	\$ 159,156	11.79%	\$ 159,156	11.80%
U.S. Treasury Securities							
U.S. Treasury Notes	3.000%	12/31/2006	251,650	249,033	18.44%	250,373	18.58%
U.S. Treasury Notes	3.500%	2/15/2010	45,000	44,356	3.29%	44,258	3.28%
U.S. Treasury Notes	3.500%	5/31/2007	70,000	69,629	5.16%	69,752	5.17%
U.S. Treasury Notes	3.625%	4/30/2007	255,000	254,153	18.83%	254,473	18.87%
U.S. Treasury Notes	3.625%	6/15/2010	55,000	54,423	4.03%	54,648	4.05%
U.S. Treasury Notes	3.625%	6/30/2007	188,350	187,691	13.91%	187,094	13.87%
U.S. Treasury Notes	4.000%	4/15/2010	30,000	30,174	2.24%	29,684	2.20%
Total U.S. Treasury Securities			895,000	889,459	65.90%	890,282	66.02%
U.S. Agency Bonds							
Federal Nat'l Mtg Association Med Term Notes	2.200%	12/4/2006	26,740	26,148	1.94%	26,058	1.93%
Federal Nat'l Mtg Association Med Term Notes	3.000%	12/15/2006	31,000	30,606	2.27%	30,611	2.27%
Federal Home Loan Mortgage Corp Med Term Notes	2.750%	10/6/2006	10,000	9,864	0.73%	9,852	0.73%
Federal Home Loan Mortgage Corp Med Term Notes	3.625%	9/15/2006	42,498	42,360	3.14%	42,432	3.15%
Federal Home Loan Bank Consolidated Debs	3.750%	9/29/2006	50,000	49,890	3.70%	49,991	3.71%
Total U.S. Agency Bonds			160,238	158,868	11.78%	158,944	11.79%
U.S. Agency Mortgage Backed Bonds							
Fannie Mae Pool	7.000%	9/1/2014	6,423	6,719	0.50%	6,807	0.50%
Commitment to Purchase FHLMC Gold	4.500%	9/1/2018	37,000	36,699	2.72%	36,162	2.68%
Commitment to Purchase FNMA SFM	4.500%	9/1/2035	101,681	98,630	7.31%	97,184	7.21%
Total U.S. Agency Mortgage Backed Bonds			145,104	142,048	10.53%	140,153	10.39%
Total Investment in Securities			\$ 1,359,498	\$ 1,349,531	100.00%	\$ 1,348,535	100.00%

Ratios and Supplemental Data

	2005	2004
Ratio of Expenses to Average Net Assets	0.04%	0.05%
Ratio of Net Investment Income Distributed to Average Net Assets	2.59%	2.30%

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, 2005

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

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 the year ended August 31, 2005, and have issued our report thereon dated October 21, 2005. We have also audited the accompanying schedule of investment performance statistics of the Funds for the year ended August 31, 2005. 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 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 referred to above is free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule, assessing the accounting principles used and significant estimates made by management, and 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, 2005, on the basis described in Note 1.

Ernst & Young LLP

October 21, 2005

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, 2005

Investment Manager	Rate of Return for the Year Ended August 31, 2005				
	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	23.8 %	23.8 %	- %	- %	- %
Barclays Global Investors Russell 3000 Alpha Tilts	18.2	18.2	-	-	-
Barclays Global Investors S&P 500	12.6	12.6	-	-	-
Barclays Global Investors S&P 400 Mid Cap	25.2	25.1	-	-	-
Blackrock Hedge	73.9	73.9	-	-	-
Blackrock Small Cap	80.9	81.8	-	-	-
S & P 100 Index Exchange Traded Funds	6.9	6.9	-	-	-
S & P 500 Index Futures	12.3	12.4	-	-	-
Dow Jones Exchange Traded Funds and Futures	5.6	6.0	-	-	-
Forstmann Leff Mid Cap	37.4	37.4	-	-	-
Forstmann Leff Small Cap	34.7	35.2	-	-	-
GSAM Large Cap	13.0	12.5	-	-	-
GSAM Small Cap	21.6	21.1	-	-	-
MBA Investments	-	14.6	-	-	-
REITS	32.8	32.8	-	-	-
Small Cap Exchange Traded Funds, Futures and Options	27.8	26.8	-	-	-
TCW MultiCap	23.7	23.8	-	-	-
TCW Small Value	15.5	15.5	-	-	-
Value Act Capital	22.7	22.7	-	-	-
Long Large Cap Spread Trade	9.3	9.3	-	-	-
Short Small Cap Spread Trade	(21.4)	(21.4)	-	-	-
Total Domestic Equities	19.4	19.4	-	-	-
International Equities					
Barclays Global Investors EAFE International Fund	23.8	23.8	-	-	-
Barclays Global Investors International Alpha Tilts	25.9	25.9	-	-	-
Barclays Global Investors Emerging Markets Structured Fund	41.3	41.3	-	-	-
Capital Guardian Trust Small Cap International	38.2	38.1	-	-	-
Globeflex	40.8	40.7	-	-	-
Globeflex Canadian	55.3	55.3	-	-	-
Globeflex Japan	19.7	19.7	-	-	-
GSAM Structured International Equity	25.1	25.6	-	-	-
International Futures & Exchange Traded Funds	15.0	15.7	-	-	-
Franklin Templeton	36.1	36.1	-	-	-
Total International Equities	26.3	26.8	-	-	-
Equity Hedge Funds					
Blue Ridge	16.9	16.9	-	-	-
Brahman II	11.9	11.9	-	-	-
Eminence	20.1	20.1	-	-	-
Indus Asia Pacific	21.2	21.2	-	-	-
Indus Japan	16.9	16.9	-	-	-
Maverick Fund	12.6	12.6	-	-	-
Oaktree Capital Management	3.4	3.4	-	-	-
SG Partners	9.9	9.9	-	-	-
Sirios Overseas	13.9	13.9	-	-	-
Standard Pacific Capital Offshore Fund	8.0	8.0	-	-	-
Total Equity Hedge Funds	13.2	13.2	-	-	-

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, 2005

Investment Manager	Rate of Return for the Year Ended August 31, 2005				
	Permanent University Fund	General Endowment Fund	Permanent Health Fund	Long Term Fund	Short Intermediate Term Fund
NET OF FEES					
Absolute Return					
AQR Offshore	6.1	6.1	-	-	-
Barclays Global Investors Unequitized Global Markets	5.3	5.3	-	-	-
Bridgewater Pure Alpha	12.8	12.8	-	-	-
Farallon Capital Offshore Investors	19.0	19.0	-	-	-
Indus Event Driven	4.8	4.8	-	-	-
OZ Overseas Fund	13.5	13.5	-	-	-
Perry Partners International	23.0	22.8	-	-	-
Protégé Partners Fund	9.7	9.7	-	-	-
Satellite Fund	10.8	10.8	-	-	-
Total Absolute Return	14.3	14.4	-	-	-
Private Capital					
Internal	30.0	28.3	-	-	-
Commodities					
Goldman Sachs Commodity Index	37.5	37.5	-	-	-
PIMCO Real Return	23.1	23.1	-	-	-
Total Commodities	32.1	32.2	-	-	-
Fixed Income					
GMO Emerging Debt Fund	22.0	22.0	-	-	-
Internal Fixed Income	4.4	4.3	-	-	2.5
Internal TIPS	5.5	5.5	-	-	-
PIMCO Fixed Income	7.8	7.7	-	-	-
PIMCO TIPS	6.4	6.2	-	-	-
Total Fixed Income	6.5	6.5	-	-	-
TOTAL FUND (Net of fees)	18.8%	18.8%	18.7%	18.7%	2.5%
TOTAL FUND (Gross of fees)	19.1%	19.0%	18.8%	18.8%	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, 2005. 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, 2005.

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

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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.