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Value

2009 Annual Report

Ownership of Long Term Fund

(in millions)

	Accounts	Value
UT System Administration	32	\$ 25.5
Benefit of Multiple Components	5	4.9
UT Arlington	148	34.4
UT Austin	3,155	1,541.3
UT Dallas	79	139.2
UT El Paso	347	75.7
UT Pan American	57	18.0
UT Brownsville	14	0.6
UT Permian Basin	60	11.9
UT San Antonio	132	24.0
UT Tyler	102	47.7
UT Southwestern Medical Center at Dallas	327	483.9
UT Medical Branch at Galveston	357	220.1
UT Health Science Center at Houston	192	58.9
UT Health Science Center at San Antonio	126	64.3
UT M.D. Anderson Cancer Center	206	180.7
UT Health Center at Tyler	32	5.9
Medical Liability Fund	1	199.2
<b>Total</b>	<b>5,372</b>	<b>\$ 3,136.2</b>


Long Term Fund

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LTF Beneficiaries

UT Arlington  
 UT Austin  
 UT Brownsville  
 UT Dallas  
 UT El Paso  
 UT Pan American  
 UT Permian Basin  
 UT San Antonio  
 UT Health Science Center at Houston  
 UT Tyler  
 UT Health Center at Tyler  
 UT Southwestern Medical Center at Dallas  
 UT Medical Branch at Galveston  
 UT Health Science Center at San Antonio  
 UT M. D. Anderson Cancer Center  
 UT System





*A vision grows into one of the finest art collections on any U.S. campus*

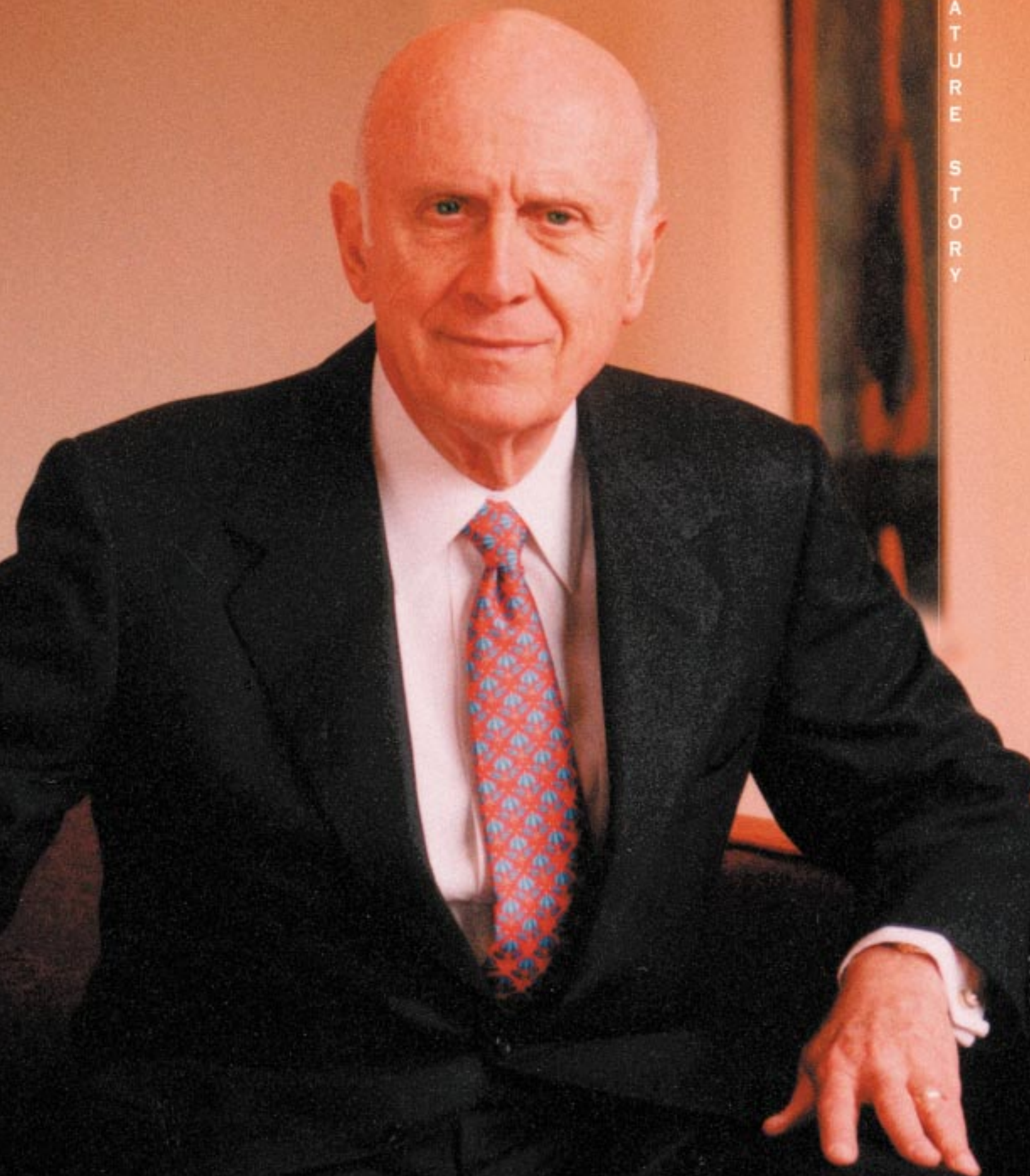
The vision of an art gallery at The University of Texas at Austin began when Archer M. Huntington commented, "Wherever I put my foot down, a museum springs up". Huntington, the son of one of the four founders of the Central Pacific Railroad, chose not to follow his father into industry, but instead devote his life to learning, fellowship, and philanthropic activity. Early in 1927, Mrs. T. S. Maxey, an acquaintance of the Huntingtons', donated to the University a bronze sculpture, *Diana of the Chase*, by Archer's wife, Anna Hyatt, the famous early twentieth-century sculptor. It is assumed that this gift sparked Mr. Huntington's interest in providing an art venue at The University of Texas at Austin. In October of 1927, Mr. Huntington donated approximately 4,300 acres of land in Galveston County to the University of Texas at Austin for the use and benefit of a museum. This gift, originally valued at \$145,000, became the Archer M. Huntington Museum Fund (Fund).

Over the ensuing thirty-five years the Fund ultimately contributed \$600,000 of the \$1.5 million raised to construct the Art Building, where the Archer M. Huntington Gallery, which opened its doors to the public in late 1963, was housed. Since that time, the distributions from the Fund have been used to support art acquisitions, exhibitions, publications, and salaries. Sales of the Fund's land and reinvestment of endowment income have contributed an additional \$7.7 million to the Fund. This \$7.7 million was invested in the Long Term Fund and has increased in value to \$21.3 million as of August 31, 2000. Looking back, the Fund's perpetual support to the University's art culture and education is impressive. Distributions to support the museum have grown from \$28,000 in fiscal year 1964 to \$811,000 in fiscal year 2000. The total value of all the Fund's assets as of August 31, 2000, was \$24.6 million.

The Huntington legacy continues to grow. For the past two decades, Jack S. Blanton, a former UT System regent, has been an advocate for the creation of a new, modern facility that would display the University's stellar art collections. Currently, these collections are displayed in two separate buildings on the campus. In 1996, the University launched a campaign to raise funds to construct and endow a new museum building. To date, over \$38 million has been raised toward the building construction and accompanying endowments. Lead gifts from the campaign have come from: Houston Endowment, Inc., in honor of Jack S. Blanton, its chairman; writer and art collector James A. Michener and his wife, Mari; former UT System Board of Regents Chairman Bernard Rapoport and his wife, Audre; and the Brown Foundation. In honor of the \$12 million gift from Houston Endowment, Inc. and in recognition of Jack Blanton's long-standing commitment to the arts at the University, the Board of Regents of UT System renamed the Archer M Huntington Art Gallery the Jack S. Blanton Museum of Art. On October 3, 2000, Kallmann McKinnell & Wood Architects, Inc. of Boston was awarded the commission to design the Blanton Museum of Art's new building on the campus in Austin. The new facility is scheduled to open in 2004.

The University of Texas at Austin has the distinction of having one of the finest art collections on any U.S. campus. Encompassing more than 14,000 works, the Blanton's permanent collection spans the history of Western civilization, from antiquity to the present. Highlights include: The Suida-Manning Collection of Renaissance and Baroque Art; twentieth century American art, featuring the Mari and James A. Michener Collection; the collection of contemporary Latin American art; and an encyclopedic collection of prints and drawings, the largest and most balanced collection of its kind in the South and Southwest. The next generation of art scholars and art lovers will be able to enjoy the tradition of excellence built on the vision of Archer M. Huntington and then expanded by Jack S. Blanton.





Jack S. Blanton  
Photo credit: Marsha Miller

L T F



*Study for Saint John the Baptist, circa 1720*  
Giovanni Battista Piazzetta, Italian (Venetian), circa 1682-1754  
Black and white chalk on blue paper faded to gray-green, laid down  
The Suida-Manning Collection, 1999



*Woman with a String of Pearls, 1710s*  
Donato Creti, Italian (Bolognese), 1671-1749  
Oil on canvas  
The Suida-Manning Collection, 1999

### Long Term Fund Overview (\$3,136.2 million)

The UT System Long Term Fund (LTF) is an internal UT System mutual fund for the pooled investment of 5,372 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The LTF is structured as a mutual fund in which each endowment or account purchases units at the LTF's market value per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record. Distributions from the LTF fund scholarships, teaching, research, and medical liability insurance programs across the UT System.

### 2000 LTF Financial Highlights

The chart below illustrates the substantial growth in the LTF's net asset value. New contributions and investment return (after expenses and distributions) produced five-year asset growth of 25.7% and 74.3%, respectively.



Years Ended August 31,	1996	1997	1998	1999	2000
Beginning Net Asset Value	\$ 1,558.8	\$ 1,712.1	\$ 2,125.0	\$ 2,147.7	\$ 2,602.3
Net Contributions	54.1	66.1	80.5	85.0	118.9
Investment Return	182.3	433.8	42.6	482.5	547.1
Receipt of Funds from UT System for UTIMCO fee	-	-	2.0	2.2	1.9
Total Expenses	(3.7)	(4.5)	(7.2)	(8.3)	(9.6)
Distributions (Payout)	(76.4)	(79.1)	(90.9)	(101.5)	(115.2)
Distribution of Gain on Withdrawals	(3.0)	(3.4)	(4.3)	(5.3)	(9.2)
<b>Ending Net Asset Value</b>	<b>\$ 1,712.1</b>	<b>\$ 2,125.0</b>	<b>\$ 2,147.7</b>	<b>\$ 2,602.3</b>	<b>\$ 3,136.2</b>

(in millions)





*Portrait of a Man, circa 1516*

Sebastiano Luciani, called Sebastiano del Piombo, Italian (Venetian), circa 1485-1547  
Oil on Panel  
The Suida-Manning Collection, 1999



*An Angel with Cymbals, circa 1738*

Lorenzo De Ferrari, Italian (Genoese), 1680-1744  
Black and white chalks on gray-green paper, squared in black chalk  
The Suida-Manning Collection, 1999

**LTF Contributions**

Contributions to the LTF increased by 39.9% during the fiscal year reflecting the generosity of the many benefactors supporting UT System institutions. Fiscal year 2000 contributions of \$118.9 million represented 4.1% of the average value of LTF net assets during the year.

**LTF Investment Return**

The LTF is actively managed to the Endowment Policy Portfolio (EPP). The LTF's net investment return of 20.6% outperformed the 14.8% benchmark return generated by the EPP. In general, U.S. small cap stocks, nonmarketable alternative equities, and UTIMCO's adoption of an inflation hedging asset class contributed most to the Fund's outperformance.

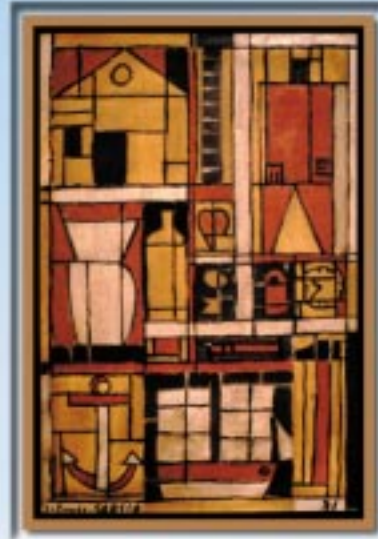
Asset Class	Average Asset Allocation for the Year Ended August 31, 2000			Investment Return		
	EPP	LTF	Over (Under) Weight	Portfolio Policy Benchmark	LTF	Attribution
Cash and Equivalents	0.0%	5.0%	5.0%	5.7%	5.5%	(0.2%)
U.S. Equities: Med/Large Capitalization	25.0%	27.1%	2.1%	16.3%	15.6%	(0.5%)
U.S. Equities: Small Capitalization	7.5%	10.4%	2.9%	27.2%	53.8%	2.7%
Non-U.S. Equities: Established Markets	12.0%	13.4%	1.4%	12.0%	11.9%	(0.2%)
Non-U.S. Equities: Emerging Markets	3.0%	2.6%	(0.4)%	4.5%	7.6%	0.2%
Alternative Assets: Marketable	10.0%	8.2%	(1.8)%	13.3%	18.1%	0.3%
Alternative Assets: Nonmarketable	15.0%	10.6%	(4.4)%	17.0%	40.3%	2.1%
Inflation Hedging	7.5%	4.9%	(2.6)%	N/A (1)	N/A (2)	0.9%
U.S. Fixed Income	15.0%	14.9%	(0.1)%	7.6%	7.9%	0.0%
Non-U.S. Fixed Income	5.0%	2.9%	(2.1)%	(5.9)%	(5.9)%	0.5%
<b>Total Fund Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>14.8%</b>	<b>20.6%</b>	<b>5.8%</b>

N/A (1) - Asset class added to policy portfolio in December 1999. N/A (2) - Asset class funded during the period.

L T F



**Santa Rosa de Lima, 1966**  
 Fernando Botero, Columbian, b. 1932  
 Oil on canvas  
 Gift of John and Barbara Duncan, 1971



**Constructif en Rouge et Ochre, 1931**  
 Joaquin Torres-Garcia, Uruguayan, 1874-1949  
 Oil on linen  
 Gift of the Eugene McDermott Foundation in honor of Barbara Duncan, 1981

**LTF Expenses**

LTF expenses are paid from LTF assets. LTF expenses increased by 15.7% from \$8.3 million to \$9.6 million and represented .3% of average LTF market value, virtually unchanged from the prior fiscal year.

**LTF Distributions**

Consistent with the spending policy for the Endowment Policy Portfolio, the long-term target distribution rate for the LTF is 4.5% of the LTF's net asset value. Distributions are increased annually at the rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of LTF net asset value. UTIMCO smooths annual spending by calculating LTF net asset value for distribution purposes as the average value for the trailing twelve quarters.

The LTF's average annual distribution rate per unit was increased by 9.5% from \$0.21 per unit to \$0.23 per unit during the year 2000. The rate as of August 31, 2000, was \$0.245 per unit. This increase was greater than the rate of inflation and reflects the above average price appreciation experienced by the LTF in previous years. The fiscal 2000 distributions, at \$0.23 per unit, represented 4% of the LTF's average market value during the year.

**Long Term Fund Average Distribution Rate Per Unit**







*By the River, 1997*

Radcliffe Bailey, American, b. 1968

Acrylic, oil stick, Plexiglas, photographs, beeswax, gourd and tar on wood  
Purchased through the generosity of Mari and James A. Michener, 1997



*Oil Field Girls, 1940*

Jerry Bywaters, American, 1906-1986

Oil on board  
Purchased through the generosity of Mari and James A. Michener, 1997

**Preservation of LTF Purchasing Power**

Preserving LTF's purchasing power over time is dependent on the LTF's ability to meet its distribution policy objectives.

LTF distribution policy objectives are to:

**Provide a stable and predictable stream of distributions per unit**

For the preceding five-year period, starting with the fiscal year ended August 31, 1996, the rate of increase in the LTF's distribution rate per unit was 0.0%, 0.0%, 11.4%, 7.7% and 9.5%.

**Increase the distribution rate per unit at a rate at least equal to the rate of inflation**

The LTF distribution rate per unit was unchanged from the period August 31, 1992, through August 31, 1997. The level of distributions was held constant in order to ensure long term financial equilibrium and to bring the LTF's distribution rate to within the average of other colleges and universities. The LTF's distribution rate per unit increased from \$0.175 to \$0.23 per unit or by 31% on a nominal basis and by 24% on an inflation-adjusted basis over the three-year period ended August 31, 2000.

**Increase the value of the LTF net assets (after distributions) at a rate at least equal to the rate of inflation**

The average rate of inflation for the fiscal year was 3.35%. The purchasing power of the LTF's assets increased by 13.13% during the fiscal year versus a long-term average expected increase of 1.00% for the Endowment Policy Portfolio (EPP). This unusually high increase in purchasing power was attributable to above average equity returns and controlled spending.

Annual Average	Expected	For the Periods Ended August 31, 2000		
	EPP	One Year	Five Years	Ten Years
Rate of Investment Return	9.35%	20.79%	16.00%	13.77%
Receipt of Funds from UT System	0.00%	0.07%	0.05%	0.02%
Less:				
Expense Rate	0.35%	0.34%	0.29%	0.26%
Inflation Rate	3.50%	3.35%	2.47%	2.76%
Distribution Rate	4.50%	4.04%	4.23%	4.97%
<b>Change in Purchasing Power</b>	<b>1.00%</b>	<b>13.13%</b>	<b>9.06%</b>	<b>5.80%</b>