



**Permanent Health Fund
Investment Summary Report
(\$ millions)**

	1st Quarter 11/30/00	2nd Quarter 2/28/01	3rd Quarter 5/31/01	4th Quarter 8/31/01	Year-to- Date
Beginning Net Assets	\$ 1,016.6	\$ 925.1	\$ 922.5	\$ 917.5	\$ 1,016.6
Investment Return	(80.2)	8.0	5.6	(25.5)	(92.1)
Expenses	(0.8)	(0.1)	(0.1)	(0.1)	(1.1)
Distributions (Payout)	(10.5)	(10.5)	(10.5)	(10.5)	(42.0)
Ending Net Assets	\$ 925.1	\$ 922.5	\$ 917.5	\$ 881.4	\$ 881.4
Net Asset Value, Per Unit	\$ 1.012448	\$ 1.009531	\$ 1.004086	\$ 0.096417	\$ 0.096417
No. of Units (End of Period)	913,765,506	913,765,506	913,765,506	913,765,506	913,765,506
Distribution Rate Per Unit	\$ 0.01150	\$ 0.01150	\$ 0.01150	\$ 0.01150	\$ 0.04600
<p>Note: On March 1, 2001, the Permanent Health Fund (PHF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's contribution of its net asset value as of February 28, 2001. Commencing with the 3rd quarter, the Investment Summary includes the summary activity of PHF's ownership in GEF.</p>					

Year End Commentary August 31, 2001

Beginning with the purchase of General Endowment Fund (GEF) units on March 1, 2001, the PHF no longer invests in individual securities except for GEF units and a negligible amount of cash. The PHF, therefore, is actively managed to the Endowment Policy Portfolio, UTIMCO's computed benchmark for endowment funds, through its investment in the GEF. Total net investment return for the year was negative 9.24% versus the neutral policy return of negative 5.71%. (PHF total net unannualized investment return and the benchmark return for the fourth quarter was negative 2.79% and 2.44%, respectively.)

Third Quarter Commentary

On March 1, 2001, the PHF purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's contribution of its net asset value as of February 28, 2001. The asset allocation and performance is representative of the asset allocation for the GEF. The PHF's performance is measured against the endowment neutral policy portfolio return. Total net investment return for the quarter was .60% versus the neutral policy return of 1.17%.

Second Quarter Commentary

The PHF's performance is measured against the endowment neutral policy portfolio return. Total net investment return for the quarter was .76% versus the neutral policy portfolio return of .59%. The neutral policy portfolio return is the neutrally weighted average index return for the various asset classes in the endowment portfolio. Fixed income, as an asset class, posted positive returns for the quarter with the Lehman Aggregate Bond Index returning 4.42% and the Salomon Non-U. S. World Government Bond Index posting a return of 3.23%. Equities, as an asset class, posted mixed returns with the S&P 500 Index and Russell 2000 Index posting returns of negative 5.43% and positive 6.75%, respectively for the quarter. Non-U. S. equities posted mixed returns with the MSCI Eafe Index posting a negative return of 4.26% and the MSCI Emerging Markets posting a positive return of 6.94%. The benchmarks for the alternative marketable and alternative nonmarketable asset classes were positive for the quarter at 3.38% and 4.00%, respectively.

Quarter-end asset allocation was 76% broadly defined equities, 19% fixed income and 5% cash and cash equivalents.

First Quarter Commentary

The PHF's performance is measured against the endowment neutral policy portfolio return. The neutral policy portfolio return is the neutrally weighted average index return for the various asset classes in the endowment portfolio. Fixed income, as an asset class, posted positive returns for the quarter with the Lehman Aggregate Bond Index returning 2.95% and the Salomon Non-U.S. World Government Bond Index posting a negative return of .50%. Equities, as an asset class, posted negative returns with the S&P 500 Index and Russell 2000 Index posting negative returns of 13.11% and 16.79%, respectively for the quarter. Non-U. S. equities also posted negative returns with the MSCI Eafe Index and the MSCI Emerging Markets posting negative returns of 10.60% and 22.95%, respectively. The benchmarks for alternative marketable, alternative nonmarketable and the inflation hedging asset class were positive for the quarter at 3.38%, 4.00% and 4.63%, respectively. Diversification of the endowment's assets to the alternative and inflation hedging asset classes mitigated the losses of the U. S. and non-U. S. equity portfolios for the quarter.

The net investment return for the quarter was a negative 7.90% versus the neutral policy portfolio return of a negative 5.03%. This was a result of total investment return of (\$80.2) million. Distributions made during the quarter totaled \$10.5 million. Period end asset allocation was 80% broadly defined equities and 20% fixed income. PHF market value ended the quarter at \$925.1 million.