



**Permanent University Fund ⁽¹⁾
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	\$ 8,452.3	\$ 7,652.6	\$ 7,686.9	\$ 7,749.6	\$ 8,452.3
PUF Lands Receipts (2)	30.5	27.6	35.2	22.3	115.6
Investment Return	(508.2)	9.7	32.8	(227.5)	(693.2)
Expenses	(4.9)	(3.0)	(5.3)	(4.3)	(17.5)
Distributions to AUF	(317.1)	-	-	-	(317.1)
Ending Net Assets	\$ 7,652.6	\$ 7,686.9	\$ 7,749.6	\$ 7,540.1	\$ 7,540.1
AUF distribution:					
From PUF Investments	\$ 317.1	\$ -	\$ -	\$ -	\$ 317.1
From Surface Income	1.1	2.3	2.1	3.7	9.2
Total	\$ 318.2	\$ 2.3	\$ 2.1	\$ 3.7	\$ 326.3
<p>(1) Excludes PUF Lands mineral and surface interests with estimated August 31, 2001 values of \$524.6 million and \$156.7 million, respectively.</p> <p>(2) PUF Land Receipts - As of August 31, 2001: 1,223,235 acres under lease; 521,297 producing acres; 3,260 active leases; and 2,069 producing leases.</p>					

Year End Commentary August 31, 2001

The net investment return for the year ended August 31, 2001, was a negative 8.64%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a negative return of 5.71% for the same time period. (The PUF's total net unannualized investment return and the benchmark return for the fourth quarter was a negative 2.96% and negative 2.44%, respectively.) The alternative marketable assets (hedge and absolute return strategies), inflation hedging (real estate investment trusts and Goldman Sach's Commodity Index), and fixed income were the best performing asset classes during the past year, posting positive investment returns ranging from 11.30% for fixed income to 20.10% for alternative marketable assets. Domestic, international and alternative nonmarketable equities posted negative returns ranging from a negative 11.04% for alternative nonmarketable equities to a negative 30.59% for international emerging markets. The S&P 500 Index, as well as broad international stock indices, posted investment losses ranging from negative 24.4% to negative 29.6% for the year ended August 31, 2001. The Lehman Aggregate Bond Index and the Salomon Non-U.S. World Government Bond Index posted positive returns of 12.35% and 3.67%, respectively.

The PUF ended the year with a market value of \$7,540.1. Period end asset allocation was 75% broadly defined equities, 20% fixed income and 5% money market funds versus and unconstrained neutral allocation of 80% equities, 20% fixed income and 0% money market funds. The high percentage in money market funds reflects the amount held at year-end to fund the September 4, 2001 AUF distribution for the fiscal year ending August 31, 2002.

Third Quarter Commentary

Total net investment return for the quarter was .37% versus the neutral policy portfolio return of 1.17%. 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 mixed returns for the quarter with the Lehman Aggregate Bond Index returning .69% and the Salomon Non-U. S. World Government Bond Index posting a negative return of 4.57%. Equities, as an asset class, posted positive returns with the S&P 500 Index and Russell 2000 Index posting returns of 1.62% and 5.07%, respectively for the quarter. Non-U. S. equities posted negative returns with the MSCI Eafe Net posting a negative return of 3.70% and the MSCI Emerging Markets posting a negative return of 5.29%. The benchmarks for the alternative marketable and alternative nonmarketable asset classes were positive for the quarter at 3.07% and 4.00%, respectively.

Quarter-end asset allocation was 76% broadly defined equities, 19% fixed income and 5% cash and cash equivalents versus an unconstrained neutral allocation of 80% equities, 20% fixed income and 0% cash and cash equivalents.

Second Quarter Commentary

Total net investment return for the quarter was .06% 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 versus an unconstrained neutral allocation of 80% equities, 20% fixed income and 0% cash and cash equivalents.

First Quarter Commentary

The PUF'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.

Total net investment return for the quarter was negative 6.25% versus the neutral policy portfolio return of negative 5.03%. The PUF ended the quarter with a market value of \$7,652.6 million. The PUF distributed \$317.1 million to the Available University Fund during the quarter. This amount represented the annual PUF distribution for the fiscal year ending August 31, 2001. Period end asset allocation was 81% broadly defined equities and 19% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income.