



**Permanent University Fund ⁽¹⁾
Investment Summary Report
(\$ millions)**

	1st Quarter 11/30/2002	2nd Quarter 2/28/2003	3rd Quarter 5/31/2003	4th Quarter 8/31/2003	Year-to- Date
Beginning Net Assets	\$ 6,738.3	\$ 6,397.1	\$ 6,300.0	\$ 6,850.9	\$ 6,738.3
PUF Lands Receipts (2)	22.2	23.6	31.3	25.0	102.1
Investment Return	4.3	(115.7)	524.8	374.2	787.6
Expenses	(4.7)	(5.0)	(5.2)	(5.3)	(20.2)
Distributions to AUF	(363.0)	-	-	-	(363.0)
Ending Net Assets	\$ 6,397.1	\$ 6,300.0	\$ 6,850.9	\$ 7,244.8	\$ 7,244.8
AUF distribution:					
From PUF Investments	\$ 363.0	\$ -	\$ -	\$ -	\$ 363.0
From Surface Income	0.8	2.1	0.9	2.7	6.5
Total	\$ 363.8	\$ 2.1	\$ 0.9	\$ 2.7	\$ 369.5
<p>(1) Excludes PUF Lands mineral and surface interests with estimated August 31, 2003 values of \$822.4 million and \$163.9 million, respectively.</p> <p>(2) PUF Land Receipts - As of August 31, 2003: 1,116,238 acres under lease; 520,620 producing acres; 3,114 active leases; and 2,077 producing leases.</p>					

Year End Commentary

The net investment return for the year ended August 31, 2003, was 12.02%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a return of 12.77% for the same time period. The inflation hedging asset class was the best performer for the year posting a positive investment return of 22.16%. All other asset classes, excluding private capital, also posted positive returns ranging from 1.97% to 21.28%. The private capital asset class posted a negative return of 6.25%.

The PUF ended the year with a market value of \$7,244.8 million. Period end asset allocation was 35% domestic public equities, 19% international public equities, 12% private capital, 9% absolute return, 8% inflation hedging, 7% opportunistic fixed income, 9% deflation hedge fixed income, and 1% cash and cash equivalents.



Third Quarter Commentary

The net investment return for the quarter ended May 31, 2003, was 8.23%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a return of 10.88% for the same time period. The domestic public equities asset class was the best performer for the quarter posting a positive investment return of 14.27%. All other asset classes, excluding private capital, also posted positive returns ranging from 3.73% to 13.55%. The private capital asset class posted a negative return of 2.89%.

The PUF ended the quarter with a market value of \$6,850.9 million. Period end asset allocation was 35% domestic public equities, 18% international public equities, 12% private capital, 10% absolute return, 8% inflation hedging, 8% opportunistic fixed income, 9% deflation hedge fixed income, and 0% cash and cash equivalents.

Second Quarter Commentary

The net investment return for the quarter ended February 28, 2003, was a negative 1.86%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a negative return of 4.30% for the same time period. The inflation hedging asset class was the best performer for the quarter posting a positive investment return of 10.51%. The fixed income and absolute return asset classes posted positive returns of 4.61% and 4.01%, respectively. The equities asset classes posted investment returns ranging from negative 9.16% to positive 3.40%. The private capital asset class posted a negative return of 1.96%.

The PUF ended the quarter with a market value of \$6,300.0 million. Period end asset allocation was 30% domestic public equities, 15% international public equities, 14% private capital, 9% absolute return, 10% inflation hedging, 12% opportunistic fixed income, 9% deflation hedge fixed income, and 1% cash and cash equivalents.

First Quarter Commentary

The net investment return for the quarter ended November 30, 2002, was a positive .06%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a positive return of 1.60% for the same time period. The absolute return asset class was the best performer for the quarter posting a positive investment return of 3.47%. The fixed income asset class posted a positive return of 1.02%. The equities asset classes posted investment returns ranging from negative 1.14% to positive 2.29%. The inflation hedging asset class posted a negative return of 2.35%, and the private capital alternative equities asset class posted a negative return of 4.22%.

The PUF ended the quarter with a market value of \$6,397.1 million. Period end asset allocation was 32% domestic public equities, 16% international public equities, 14% private capital, 8% absolute return, 9% inflation hedging, 10% opportunistic fixed income, 10% deflation hedge fixed income, and 1% cash and cash equivalents. The PUF distributed \$363.0 million to the Available University Fund during the quarter. This amount represented the annual PUF distribution for the fiscal year ending August 31, 2003.