

**PERMANENT UNIVERSITY FUND**

**Report on Certain Specified Data  
as Required by Art. 4413 (34e) of the Civil Statutes**

**December 31, 2010**

**This report is available on the UTIMCO website at [www.utimco.org](http://www.utimco.org)**

## **PERMANENT UNIVERSITY FUND**

### **Beneficiaries of the Fund**

The Permanent University Fund (PUF) is a public endowment contributing to the support of institutions of The University of Texas System (UT System) and the Texas A&M University System (A&M System). The Constitution of 1876 established the PUF through the appropriation of land grants previously given to The University of Texas plus 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 2.1 million acres located in 24 counties primarily in West Texas.

### **Responsibility and Management of the Fund**

The State Constitution vests fiduciary responsibility for the PUF with the Board of Regents of The University of Texas System. The Board has entered into a contract with a nonprofit corporation, The University of Texas Investment Management Company (UTIMCO), for UTIMCO to invest funds under the control and management of the Board. UTIMCO may not engage in any business other than investing funds designated by the Board under the contract. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers who are employed from time to time.

### **Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of PUF assets and annual distributions by earning an average annual total real return over rolling ten-year periods or longer at least equal to the target distribution rate after all expenses. The current distribution rate is 4.75%. The PUF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

### **Market Value and Book Value of the PUF**

On December 31, 2010 the market value and book value of the PUF was \$11.9 billion and \$10.3 billion, respectively, exclusive of land acreage.

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### Investment Performance of Ten Largest Stock Holdings - January 1, 2010 through December 31, 2010

Name	Market Value	Total Return	Percentage of Fund December 31, 2010
ISHARES MSCI BRAZIL INDEX FUND	29,597,992	7.74%	0.24%
HONGKONG LAND HLDGS LTD ORD	16,604,556	50.46%	0.14%
SAMSUNG ELECTRONICS CO LTD	14,364,194	21.31%	0.12%
MITSUBISHI ESTATE CO NPV	12,507,757	2.75%	0.10%
MITSUI FUDOSAN CO Y50	11,965,269	5.45%	0.10%
SIMON PROPERTY GROUP INC	11,622,422	28.42%	0.10%
MASSEY ENERGY CO	11,060,484	28.51%	0.09%
SCHLUMBERGER LTD	10,892,241	30.04%	0.09%
SUN HUNG KAI PROPERTIES	10,773,991	13.49%	0.09%
HALLIBURTON CO	10,697,174	37.30%	0.09%

*\*N/A- PUF has held the investment for less than a 12-month period, therefore, performance for this time period is not available.*

## Asset Allocation

Asset allocation is the primary determinant in the volatility of the PUF's performance, subject to the asset allocation range as specified by the investment policy, and is the responsibility of UTIMCO. The following represents asset allocation at December 31, 2010.

<b>Asset Class</b>	<b>12/31/2010</b>
Investment Grade Fixed Income	12.3%
Credit-Related Fixed Income	12.9%
Real Estate	4.4%
Natural Resources	12.7%
Developed Country Equity	43.5%
Emerging Markets Equity	14.2%
<b>TOTAL</b>	<b>100.0%</b>

## Economically Targeted Investments

The PUF invests in various private equity funds which are considered economically targeted investments. Economically targeted investments means an investment in which at least 50% of the total investment is allocated to economic development within the state of Texas or investment in businesses or entities located within the state of Texas. These private equity investments are made through internally created investment pools.

The following is the market value of PUF's proportionate share of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IX LP	\$ 8,286,455
AUSTIN VENTURES V LP	232,901
AUSTIN VENTURES VI LP	2,655,172
AUSTIN VENTURES VII LP	3,704,794
AUSTIN VENTURES VIII LP	8,615,494
AUSTIN VENTURES X LP	5,496,201
ENCAP ENERGY CAPITAL FUND IV-B LP	295,917
ENCAP ENERGY CAPITAL FUND VII LP	33,765,129
ENERGY ASSET OPTION FUND	1,132,574
ESCALATE CAPITAL I LP	11,755,051
GOLDSTON OIL CO - GLADEWATER JETER	1,032,909
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST	829,317
GOLDSTON OIL CO -JETER #3	238,030
GOLDSTON OIL CO -JETER #4	119,212
GOLDSTON OIL CO -JETER #5	69,132
JATOTECH VENTURES LP	264,038
PINTO TV ANNEX FUND LP	5,075,703
PTV SCIENCES FUND II LP	25,016,523
PTV SCIENCES LP	8,036,876
SCF-V LP	9,089,292
SCF-VI LP	19,050,931
SCF PARTNERS VII LP	7,838,335
SOUTHWEST OPPORTUNITY FUND I LP	9,808,464
WINGATE PARTNERS II L P	534,053
	<u>\$ 162,942,503</u>