

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

★**Fourth Quarter Commentary**

Total investment return (unannualized) for the quarter was 1.0%, which was a result of \$66.2 million in income return and \$11.9 million in price return. The PUF ended the quarter with a market value of \$7,465.6 million. The PUF's accrued investment income decreased by a nominal rate of 2.1% and by an inflation adjusted rate of 4.4% from the final quarter of the prior fiscal year. PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds was a negative 2.29% as bonds ran off at an average yield of 8.7% and were replaced by bonds yielding 6.41%. Period end asset allocation was 68% broadly defined equities and 32% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income.

★**Third Quarter Commentary**

Total investment return (unannualized) for the quarter was 4.06%, which was a result of \$68.5 million in income return and \$223.6 million in price return. The PUF ended the quarter with a market value of \$7,437.0 million. The PUF's accrued investment income increased by a nominal rate of 5.1% and by an inflation adjusted rate of 2.9% from the third quarter of the prior fiscal year. PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds was a negative 2.5% as bonds ran off at an average yield of 8.5% and were replaced by bonds yielding 6.0%. Period end asset allocation was 67% broadly defined equities and 33% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income.

★**Second Quarter Commentary**

Total investment return (unannualized) for the quarter was .9%, which was a result of \$63.7 million in income return and \$2.0 million in price return. The PUF ended the quarter with a market value of \$7,202.1 million. The PUF's accrued investment income decreased by a nominal rate of .6% and by an inflation adjusted rate of 2.2% from the second quarter of the prior fiscal year. PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds was a negative 3.38% as bonds ran off at an average yield of 9.08% and were replaced by bonds yielding 5.7%. Period end asset allocation was 66% broadly defined equities and 34% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income.

★First Quarter Commentary

Total investment return (unannualized) for the quarter was 11.1%, which was a result of \$65.5 million in income return, and \$656.7 million in price return. The PUF ended the quarter with a market value of \$7,188.9 million. The PUF's accrued investment income increased by a nominal rate of 3.8% and by an inflation adjusted rate of 2.3% from the first quarter of the prior fiscal year. PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds was a negative 3.80% as bonds ran off at an average yield of 9.33% and were replaced by bonds yielding 5.53%. Period end asset allocation was 64% broadly defined equities and 36% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income.

	1 st Quarter 11/30/98	2 nd Quarter 2/28/99	3 rd Quarter 5/31/99	4 th Quarter 8/31/99	Year To Date
Beginning Market Value	\$6,517.1	\$7,188.9	\$7,202.1	\$7,437.0	\$6,517.1
PUF Lands Receipts ⁽²⁾	15.1	11.2	11.3	16.7	54.3
Investment Income	65.5	63.7	68.5	66.2	263.9
Investment Income Distributed	(65.5)	(63.7)	(68.5)	(66.2)	(263.9)
Realized Gains (Losses)	113.4	117.0	110.9	106.4	447.7
Change in Unrealized Gains (Losses)	543.3	(115.0)	112.7	(94.5)	446.5
Ending Market Value	\$7,188.9	\$7,202.1	\$7,437.0	\$7,465.6	\$7,465.6
Distributed to the AUF:					
Investment Income	\$65.5	\$63.7	\$68.5	\$66.2	\$263.9
Surface Income	2.3	2.2	0.8	4.2	9.5
Total	\$67.8	\$65.9	\$69.3	\$70.4	\$273.4

- (1) Excludes PUF Lands mineral and surface interests with estimated August 31, 1999 values of \$558.8 million and \$156.3 million, respectively.
- (2) As of August 31, 1999: 1,273,368 acres under lease, 520,487 producing acres, 3,370 active leases and 2,048 producing leases.