

PERMANENT UNIVERSITY FUND

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

December 31, 2005

This report is available on the UTIMCO website at www.utimco.org

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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 after inflation of 5.1% over rolling ten-year periods or longer. This 5.1% target was derived by adding the current target distribution rate of 4.75% plus an annual expected expense of .35%. 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.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect Fund asset allocation policy targets.

Market Value and Book Value of the PUF

On December 31, 2005, the market value and book value of the PUF was \$9.6 billion and \$9.4 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings – January 1, 2005 through December 31, 2005.

Name	Market Value	Total Return	Percentage of Fund December 31, 2005
BGI Active International Equity Fund B	225,761,242	16.97%	2.34
BGI Russell 3000 Alpha Tilts Fund B	201,358,877	12.11%	2.08
BGI Structured Tier Emerging Markets Fund B	85,707,496	31.12%	.89
BLDRS Index Funds TR Emerging	77,553,428	N.A.	.80
ISHARES TR S&P 100 Index Fund	60,926,470	5.50%	.63
ISHARES TR S&P Global 100	57,903,047	7.30%	.60
ISHARES TR Russell 2000 Index	54,001,166	N.A.	.56
ISHARES TR MSCI Emerging Markets	51,500,052	N.A.	.53
BGI Russell 2000 Alpha Tilts	48,646,038	6.55%	.50
BGI Mid Cap Index Fund B	42,081,643	16.62%	.44

**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 Fund'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, 2005.

U.S. Equities	19.09%
Global Ex US Equities	19.65
Directional Hedge Funds	8.84
Absolute Return Hedge Funds	15.01
Private Capital	9.05
Inflation Linked	14.23
Fixed Income	10.26
Cash & Cash Equivalents	<u>3.87</u>
	<u>100.00%</u>

Economically Targeted Investments

The PUF is invested, as well as committed to invest, 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.

The following are the book value and market value of these investments:

Investment Name	Book Value	Market Value
AUSTIN VENTURES IV LP	2,667,674	333,467
AUSTIN VENTURES V LP	10,769,423	2,926,558
AUSTIN VENTURES VI LP	12,315,673	3,627,692
AUSTIN VENTURES VII LP	9,010,805	5,250,605
AUSTIN VENTURES VIII LP	5,602,650	4,508,497
CTIP PARTNERS LP	2,063,094	689,500
ENCAP ENERGY CAPITAL FUND III-B LP	2,255,202	1,898,438
ENCAP ENERGY CAPITAL FUND IV-B LP	3,041,642	2,641,033
ENERGY ASSET OPTION FUND	7,044,503	7,901,397
ESCALATE CAPITAL I LP	3,272,407	3,021,430
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST	228,871	4,510,269
GOLDSTON OIL CO - JETER #3	53,489	2,650,956
GOLDSTON OIL-GLADEWATER JETER	230,409	5,690,397
JATOTECH VENTURES LP	3,689,913	1,416,281
PRIME VIII LP	11,924,477	5,100,325
PTV SCIENCES LP	9,587,815	9,597,652
RSTW PARTNERS III LP	16,141,657	4,688,457
SCF-III LP	4,232,043	5,834,849
SCF-IV LP	10,916,645	14,359,701
SCF-V LP	7,055,309	6,801,685
SCF-VI LP	1,613,618	1,505,279
TEXAS GROWTH FUND - 1991 TRUST	3,301,898	569,472
TEXAS GROWTH FUND - 1995 TRUST	5,251,068	1,331,618
WINGATE PARTNERS II LP	6,282,890	1,741,196
WINGATE PARTNERS III LP	5,785,697	4,138,358
	<u>144,338,872</u>	<u>102,735,112</u>