

PERMANENT UNIVERSITY FUND

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

December 31, 2006

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 and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PUF's asset allocation policy targets.

Market Value and Book Value of the PUF

On December 31, 2006, the market value and book value of the PUF was \$10.8 billion and \$9.7 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings - January 1, 2006 through December 31, 2006

Name	Market Value	Total Return	Percentage of Fund December 31, 2006
TEMPLETON INSTL FDS INC	\$ 202,178,280	29.09%	1.87%
ISHARES TR S&P 100 INDEX FD	118,921,581	18.11%	1.10%
ISHARES TR S&P GLOBAL 100	83,112,683	19.60%	0.77%
ISHARES TR RUSSELL 2000 INDEX	75,972,387	18.27%	0.70%
SPDR TR UNIT SER 1 S & P	61,342,135	N/A	0.57%
EQUITY OFFICE PPTYS TR COM	32,045,093	64.28%	0.30%
EQUITY RESIDENTIAL SH	22,684,743	34.64%	0.21%
AVALONBAY CMNTYS INC COM	22,233,348	49.69%	0.21%
SIMON PPTY GROUP INC NEW COM	21,736,328	36.97%	0.20%
HOST HOTELS & RESORTS INC	20,686,272	33.95%	0.19%

**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, 2006.

U.S. Equities	23.34%
Global Ex US Equities	20.99
Directional Hedge Funds	9.66
Absolute Return Hedge Funds	14.22
Private Capital	9.52
Inflation Linked	12.57
Fixed Income	7.54
Cash & Cash Equivalents	<u>2.16</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 is the market value of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IV LP	\$ 237,748
AUSTIN VENTURES IX LP	2,928,124
AUSTIN VENTURES V LP	2,179,330
AUSTIN VENTURES VI LP	2,935,588
AUSTIN VENTURES VII LP	5,917,908
AUSTIN VENTURES VIII LP	7,045,009
CTIP PARTNERS LP	689,501
ENCAP ENERGY CAPITAL FUND III-B LP	2,947,524
ENCAP ENERGY CAPITAL FUND IV-B LP	4,186,523
ENERGY ASSET OPTION FUND	6,788,193
ESCALATE CAPITAL I LP	10,152,800
GOLDSTON OIL CO - GLADEWATER JETER	1,875,320
GOLDSTON OIL CO - JETER #3	1,209,574
GOLDSTON OIL-GLADEWATER JETER	2,331,970
JATOTECH VENTURES LP	2,007,731
PRIME VIII LP	4,704,870
PTV SCIENCES II LP	372,039
PTV SCIENCES LP	16,588,653
RSTW PARTNERS III LP	1,693,292
SCF-III LP	123,575
SCF-IV LP	27,557,976
SCF-V LP	4,903,575
SCF-VI LP	4,427,610
TEXAS GROWTH FUND - 1991 TRUST	469,312
TEXAS GROWTH FUND - 1995 TRUST	1,219,933
WINGATE PARTNERS II LP	2,420,101
	<u>\$117,913,779</u>