

PERMANENT UNIVERSITY FUND

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

December 31, 2008

This report is available on the UTIMCO website at 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 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 average annual returns 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. 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 Class and Investment Type allocation.

Market Value and Book Value of the PUF

On December 31, 2008 the market value and book value of the PUF was \$8.8 billion and \$9.9 billion, respectively, exclusive of land acreage.

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Investment Performance of Ten Largest Stock Holdings - January 1, 2008 through December 31, 2008

| Name | Market Value | Total Return | Percentage of Fund December 31, 2008 |
|--------------------------------|-----------------|-----------------|---|
| VANGUARD EMERGING MARKETS ETF | \$ 122,793,350 | -52.49% | 1.38% |
| ISHARES TR S&P GLOBAL 100 | 61,956,895 | -36.11% | 0.70% |
| DEVRY INC | 27,729,030 | 10.76% | 0.31% |
| SPDR TR UNIT SER 1 S&P | 21,380,807 | N/A | 0.24% |
| SIMON PPTY GROUP INC | 14,277,094 | -35.94% | 0.16% |
| MITSUBISHI ESTATE CO NPV | 14,241,737 | -45.93% | 0.16% |
| PUBLIC STORAGE COM | 13,044,042 | 12.37% | 0.15% |
| HONGKONG LAND HOLDINGS LTD ORD | 12,264,592 | -47.84% | 0.14% |
| VORNADO REALTY TR COM | 11,185,993 | -28.39% | 0.13% |
| EQUITY RESIDENTIAL SH | 10,724,674 | -13.88% | 0.12% |

**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, 2008.

| Asset Class | December 31, 2008 |
|-------------------------------|--------------------------|
| Investment Grade Fixed Income | 13.5% |
| Credit-Related Fixed Income | 11.5% |
| Real Estate | 5.5% |
| Natural Resources | 6.5% |
| Developed Country Equity | 50.5% |
| Emerging Markets Equity | 15.2% |
| TOTAL | 102.7% |

The total Asset Class exposure exceeds 100% due to derivatives exposure not collateralized by Cash. Derivative exposure not collateralized by Cash is limited to 5% of the total PUF investments.

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 IV LP | \$ 13,407 |
| AUSTIN VENTURES IX LP | 6,796,272 |
| AUSTIN VENTURES V LP | 342,496 |
| AUSTIN VENTURES VI LP | 10,107,769 |
| AUSTIN VENTURES VII LP | 3,602,838 |
| AUSTIN VENTURES VIII LP | 4,442,730 |
| AUSTIN VENTURES X LP | 1,840,272 |
| ENCAP ENERGY CAPITAL FUND III-B LP | 10,978,919 |
| ENCAP ENERGY CAPITAL FUND IV-B LP | 1,009,748 |
| ENCAP ENERGY CAPITAL FUND VII LP | 14,019,915 |
| ENERGY ASSET OPTION FUND | 1,162,730 |
| ESCALATE CAPITAL I LP | 14,419,407 |
| GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST | 1,875,076 |
| GOLDSTON OIL CO - JETER #3 | 1,591,303 |
| GOLDSTON OIL-GLADEWATER JETER | 666,986 |
| GOLDSTON OIL CO -JETER #5 | 472,550 |
| GOLDSTON OIL CO -JETER #4 | 305,285 |
| JATOTECH VENTURES LP | 1,156,190 |
| PINTO TV ANNEX FUND LP | 3,757,857 |
| PRIME VIII LP | 1,897,362 |
| PTV SCIENCES II LP | 12,025,997 |
| PTV SCIENCES LP | 16,833,498 |
| SCF-IV LP | 8,519,431 |
| SCF-V LP | 130,907 |
| SCF-VI LP | 7,499,144 |
| SCF-VII LP | 15,759,631 |
| SOUTHWEST OPPORTUNITY FUND I LP | 6,025,126 |
| TEXAS GROWTH FUND - 1991 TRUST | 901 |
| WINGATE PARTNERS II LP | 964,446 |
| | <u>\$ 148,218,193</u> |