

# PERMANENT HEALTH FUND

## **1 What is the Permanent Health Fund?**

The Permanent Health Fund is a pooled fund for the collective investment of state endowment funds for health-related institutions of higher education created August 30, 1999, with proceeds from state tobacco litigation.

## **2 What is the Fund's Goal?**

The Fund's goal is to preserve the purchasing power of the Fund's assets and annual distributions by earning an average annual real return of 5.1% over rolling ten-year periods or longer.

## **3 What is the Fund's Investment Strategy?**

Beginning with the purchase of General Endowment Fund (GEF) units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. The Fund pursues its investment strategy through its investment in the GEF. The GEF's strategy is to invest in a broadly diversified portfolio of fixed income and equity securities in both domestic and international markets using a long-term investment horizon. In addition to traditional exchange-traded equity and fixed income securities, the GEF's portfolio includes private investments, marketable alternative investments, and various other specialized public market investments.

## **4 What are the Significant Risks?**

Since the Fund no longer invests in individual securities, its significant risks are dependent on the holdings of the GEF. Equity values in the GEF can fluctuate in response to the activities of individual companies, and general market and economic conditions. In the short term, stock prices can fluctuate dramatically in response to these factors. Bond prices in the GEF can also fluctuate based on changes in interest rates, and the credit quality of the issues. Investments in international securities in the GEF can involve increased political and economic risk, as well as exposure to currency fluctuations. Endowment funds are permanent funds by their nature and as such, endowment contributions remain in the Fund and any short-term valuation swings are negated over the long term.

## **5 What is the Net Asset Value of the Fund?**

The net asset value of the Fund was \$1,025.7 million as of August 31, 2008.

## **6 What are the Fund's Expenses?**

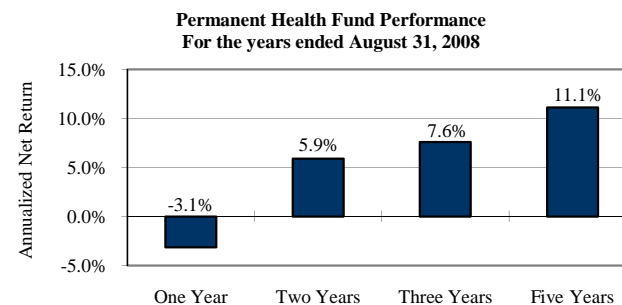
Prior to the purchase of GEF units on March 1, 2001, all of the Fund's operating expenses were paid out of the Fund's assets. The majority of the investment management fees are now incurred by the GEF. The Fund still incurs minimal fees which are paid out of the Fund's assets. Expenses are factored in to the Fund's market value per share and are not charged directly to the unitholder account. There are no individual unitholder account charges. The Fund's operating expenses for fiscal year 2008, including its pro-rata share of GEF expenses, represented .27% of the Fund's net assets.

## **7 Who is the Fund's Investment Manager?**

The Fund's investment manager is The University of Texas Investment Management Company (UTIMCO) which employs investment managers and administrative staff to manage the Fund. As of August 31, 2008, UTIMCO was responsible for the investment of \$23,207.0 million of Permanent University Fund and other U.T. System assets pursuant to an investment management agreement with the Board of Regents.

## **8 How has the Fund performed?**

Annualized net returns are total returns less investment management expenses. They are based on past results and are not an indication of future performance.



## **9 What Accounts are Appropriate for the Fund?**

The only funds eligible to purchase units of the Fund are permanent health funds established pursuant to Chapter 63 of the Texas Education Code under the fiduciary control of the Board of Regents of the U. T. System.

## **10 How are Units Purchased?**

Purchase of fund units may be made at the net asset value per unit of the Fund on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto).

## **11 How are Distributions Made?**

The Fund distributes cash to the endowment funds via the State Comptroller on the last business day of November, February, May, and August of each fiscal year. The amount distributed to the endowments is determined annually by UTIMCO and is approved by the Board of Regents. Distributions may increase annually by the average inflation rate (C.P.I.) provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's market value. The distribution amount will be adjusted further if the distribution percentage falls outside this range. The distribution rate for the Fund during the fiscal year ending August 31, 2008, was 5.11 cents per unit. The current distribution rate for the fiscal year ending August 31, 2009 is 5.28 cents per unit.

## **12 What Services are Available?**

UTIMCO provides a variety of services including an annual report delivered via the Internet. Monthly beneficiary reports are provided. Information on the Fund is also available via UTIMCO's Internet site.

## The University of Texas System

### Board of Regents

H. Scott Caven, Jr., *Chairman*  
James R. Huffines, *Vice-Chairman*  
Robert B. Rowling, *Vice-Chairman*  
John W. Barnhill, Jr.  
Janiece Longoria  
Colleen McHugh  
James D. Dannenbaum  
Paul Foster  
Printice L. Gary  
Benjamin L. Dower (*Student Regent*)

Francie A. Frederick, *General Counsel to the Board*

### System Administration

Office of the Chancellor  
601 Colorado Street  
Austin, Texas 78701

## Investment Management and Administration

### UTIMCO

401 Congress Avenue, Suite 2800  
Austin, Texas 78701

The net asset value of the Fund was \$1,025.7 million as of August 31, 2008.

### Custodian

BNY Mellon  
135 Santilli Highway  
Everett, Massachusetts 02149

# Permanent Health Fund



## Summary