

PERMANENT UNIVERSITY FUND

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND**

PERMANENT HEALTH FUND

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND**

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND**

Statement of Investment Performance Statistics

and Independent Auditors' Report

For the Year Ended August 31, 2007

Independent Auditors' Report

The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Intermediate Term Fund and The University of Texas System Long Term Fund (collectively the "Funds"), as of and for the year ended August 31, 2007, and have issued our unqualified reports thereon dated October 29, 2007.

We have also audited the accompanying Statement of Investment Performance Statistics of the Funds (the "Statement") for the year ended August 31, 2007. This statement is the responsibility of the Funds' management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Statement of Investment Performance Statistics referred to above, presents fairly, in all material respects, the composite rates of return on the respective investment portfolios of the Funds for the year ended August 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 29, 2007

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STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
FOR THE YEAR ENDED AUGUST 31, 2007

Investment Manager/Strategy	Rate of Return for the Year Ended August 31, 2007				
	Permanent University Fund	General Endowment Fund	Intermediate Term Fund	Permanent Health Fund	Long Term Fund
NET OF FEES					
Domestic Equities					
Blackrock Small Cap	5.6%	5.6%	-	-	-
Blavin	18.5	18.5	18.5	-	-
Global 100 Index Exchange Traded Funds	15.8	15.8	15.9	-	-
Healthcare Exchange Traded Funds	-	-	6.3	-	-
MBA Investments	-	13.0	-	-	-
Relational Investors	16.4	16.4	16.4	-	-
S & P 500 Index Futures	15.0	15.0	15.7	-	-
Structured Active Management	22.1	21.9	-	-	-
TCW MultiCap	13.0	13.0	12.1	-	-
TCW Small Value	9.1	9.2	-	-	-
Value Act Capital	18.2	18.2	18.2	-	-
Westport (funded 2004)	18.6	19.0	-	-	-
Westport (funded 2006)	19.5	19.1	21.1	-	-
Long Large Cap Spread Trade	9.9	10.0	9.0	-	-
Short Small Cap Spread Trade	(7.2)	(7.1)	(6.7)	-	-
Total Domestic Equities	15.1	15.1	14.7	-	-
International Equities					
Non U.S. Developed Equities					
Blackrock Global	14.1	14.0	12.9	-	-
Bridgewater Currency Overlay	(0.5)	(0.4)	-	-	-
Cundill Japan	(0.4)	(0.4)	-	-	-
Dalton Japan	6.6	6.3	-	-	-
Globeflex	23.1	22.9	23.7	-	-
Globeflex Canadian	21.7	21.4	-	-	-
Globeflex Japan	(0.5)	(0.5)	-	-	-
Globeflex Microcap	19.5	19.5	18.2	-	-
GSAM International Flex	16.1	16.0	19.7	-	-
International Futures & Exchange Traded Funds	18.3	18.8	14.5	-	-
JMBO Fund	8.6	8.6	9.6	-	-
Lansdowne Europe	18.7	18.7	18.7	-	-
Total Non U.S. Developed Equities	14.1	14.1	15.1	-	-
Emerging Markets Equities					
Blakeney Management	45.2	45.2	-	-	-
Dalton Taiwan	35.3	35.3	35.3	-	-
Franklin Templeton	32.6	32.7	32.7	-	-
Franklin Templeton Alpha	33.8	33.8	34.3	-	-
Lansdowne Emerging	38.1	38.1	38.8	-	-
Total Emerging Markets Equities	37.3	37.7	37.5	-	-
Total International Equities	23.6	24.0	25.6	-	-

See note to statements of investment performance statistics.

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STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
FOR THE YEAR ENDED AUGUST 31, 2007

Investment Manager/Strategy	Rate of Return for the Year Ended August 31, 2007				
	Permanent University Fund	General Endowment Fund	Intermediate Term Fund	Permanent Health Fund	Long Term Fund
NET OF FEES					
Directional Hedge Funds	19.0	19.0	19.0	-	-
Absolute Return Hedge Funds	14.7	14.7	14.3	-	-
Private Markets					
Internal	28.6	31.9	-	-	-
Inflation Linked REITS					
Cohen & Steers	3.1	3.2	3.1		
Morgan Stanley REITS	18.5	18.4	18.0	-	-
Total REITS	5.7	5.7	5.0		
Commodities					
Goldman Sachs Commodity Index Futures	(7.0)	(7.0)	(6.9)	-	-
PIMCO Real Return	(15.1)	(15.0)	(13.9)	-	-
Total Commodities	(9.8)	(9.7)	(8.0)		
Treasury Inflation Protected Securities (TIPS)					
Internal TIPS	4.1	4.1	4.0	-	-
PIMCO TIPS	3.3	3.2	2.9	-	-
Reams TIPS	4.6	4.6	4.7	-	-
Total TIPS	3.8	3.8	3.8		
Total Inflation Linked	0.1	0.1	2.7		
Fixed Income					
Global Advisors	6.0	6.0	6.0		
GMO Emerging Debt Fund	9.4	9.4	-	-	-
Internal Fixed Income	6.5	6.5	5.9	-	-
PIMCO Fixed Income	3.3	3.9	3.4	-	-
Reams Core Plus	5.9	5.9	5.9	-	-
Total Fixed Income	5.1	5.3	5.1		
TOTAL FUND (Net of fees)	15.3%	15.9%	10.6%	15.8%	15.8%
TOTAL FUND (Gross of fees)	15.6%	16.1%	10.9%	15.9%	15.9%

See note to statements of investment performance statistics.

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NOTE TO STATEMENT OF INVESTMENT PERFORMANCE STATISTICS

1. BASIS OF PRESENTATION

The accompanying investment performance statistics have been computed net of investment management fees using the Modified Dietz Method, a time-weighted rate of return calculation published by the CFA Institute, formerly known as the Association for Investment Management and Research. The total fund has been computed net and gross of investment management fees for comparative purposes.

For the Permanent University Fund, The University of Texas System General Endowment Fund (GEF), and The University of Texas System Intermediate Term Fund, the individual investment manager returns reported in the statement of investment performance statistics represent investment managers that were funded for the entire year ended August 31, 2007. The returns for the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF) are presented only for the total fund since the PHF and LTF purchased units in the GEF and no longer have individual investment managers. The return for the categories of total domestic equities, total non U.S. developed equities, total emerging markets equities, total international equities, total directional hedge funds, total absolute return hedge funds, private markets, REITS, total commodities, total TIPS, total inflation linked, total fixed income and total fund include investment managers that were funded or terminated during the year ended August 31, 2007.

The formula for the Modified Dietz Method is shown in Appendix I.

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FORMULA FOR MODIFIED DIETZ METHOD

The formula for estimating the time-weighted rate of return using the Modified Dietz Method, R_{DIETZ} , is:

	Gross of Fees		Net of Fees
R_{DIETZ}	$= \frac{MVE - MVB - F}{MVB + FW}$	$R_{DIETZ(net)}$	$= \frac{MVE - MVB - F - FEES}{MVB + FW}$

where MVB is the market value at the beginning of the period, including accrued income from the previous period;
 MVE is the market value at the end of the period, including accrued income for the period;
 F is the sum of the cash flows within the period (contributions to the portfolio are positive flows, and withdrawals or distributions are negative flows);
 FW is the sum of each cash flow, F_i , multiplied by its weight, W_i ; and
 $FEES$ is the sum of investment management fees paid during the period.

W_i is the proportion of the total number of days in the period that the cash flow F_i has been in (or out of) the portfolio. The formula for W_i is:

$$W_i = \frac{CD - D_i}{CD}$$

where CD is the total number of days in the period; and
 D_i is the number of days since the beginning of the period in which cash flow F_i occurred.