

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, 2008

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, 2008, and have issued our unqualified reports thereon dated October 31, 2008.

We have also audited the accompanying Statement of Investment Performance Statistics of the Funds (the "Statement") for the year ended August 31, 2008. 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, 2008, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 31, 2008

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STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
FOR THE YEAR ENDED AUGUST 31, 2008

Investment Manager/Strategy	Rate of Return for the Year Ended August 31, 2008				
	Permanent University Fund	General Endowment Fund	Intermediate Term Fund	Permanent Health Fund	Long Term Fund
NET OF FEES					
Fixed Income - Investment Grade:					
GMO Emerging Debt Fund	1.4%	1.4%	- %	-	-
Internal Fixed Income	7.3	7.3	7.1	-	-
PIMCO Fixed Income	6.7	7.0	5.6	-	-
PIMCO TIPS	12.2	12.3	14.0	-	-
Reams TIPS	11.8	11.8	13.4	-	-
Total Fixed Income - Investment Grade	7.0	7.0	6.3	-	-
Real Estate:					
Cohen & Steers	(10.0)	(9.7)	(10.1)	-	-
Morgan Stanley REITs	(19.9)	(19.4)	(20.3)	-	-
Total Real Estate	(17.9)	(17.8)	(18.1)	-	-
Natural Resources:					
Blackrock Global	4.5	4.4	7.3	-	-
Blackrock Small Cap	41.5	39.9	49.8	-	-
Total Natural Resources	23.9	23.2	26.6	-	-
Developed Country - Domestic Equities:					
Blavin	(18.9)	(18.9)	(18.9)	-	-
Global 100 Index Exchange Traded Funds	(11.7)	(11.7)	(11.7)	-	-
Healthcare Exchange Traded Funds	-	-	(3.7)	-	-
Levin Large Cap	(4.2)	(4.2)	(4.2)	-	-
Levin Utilites	(0.2)	(0.2)	(0.2)	-	-
MBA Investments	-	(8.9)	-	-	-
New Mountain	(6.3)	(6.3)	(6.3)	-	-
Relational Investors	(17.4)	(17.4)	(17.4)	-	-
S & P 500 Index Futures	(37.4)	(14.6)	(11.4)	-	-
Value Act Capital	(8.9)	(8.9)	(8.9)	-	-
Westport (funded 2004)	(12.8)	(11.9)	-	-	-
Westport (funded 2006)	(5.0)	(5.5)	(5.9)	-	-
Long Large Cap Spread Trade	(13.1)	(13.0)	(13.7)	-	-
Short Small Cap Spread Trade	4.9	4.8	4.4	-	-
Total Developed Country - Domestic Equities	(12.1)	(11.7)	(10.6)	-	-
Developed Country - Non-U.S. Equities:					
BGI EAFE Index	(14.3)	(14.3)	(14.3)	-	-
Globeflex	(21.1)	(21.1)	(21.1)	-	-
Globeflex Canada	(12.0)	(12.0)	-	-	-
Globeflex Japan	(23.9)	(24.0)	-	-	-
Globeflex Microcap	(27.6)	(27.6)	(27.5)	-	-
International Futures & Exchange Traded Funds	(13.1)	(12.8)	(13.3)	-	-
Lansdowne Europe & Forwards	(17.5)	(17.5)	(17.5)	-	-
Total Developed Country - Non-U.S. Equities	(17.8)	(17.6)	(15.5)	-	-
Total Developed Country Equities	(15.0)	(14.8)	(13.0)	-	-

See note to statements of investment performance statistics.

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STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
FOR THE YEAR ENDED AUGUST 31, 2008

Investment Manager/Strategy	Rate of Return for the Year Ended August 31, 2008				
	Permanent University Fund	General Endowment Fund	Intermediate Term Fund	Permanent Health Fund	Long Term Fund
NET OF FEES					
Emerging Markets:					
BGI Emerging Markets Strategic Index	(12.0)	(12.0)	(11.8)	-	-
Blakeney Management	13.0	13.0	-	-	-
Lansdowne Emerging	(13.4)	(13.4)	(13.1)	-	-
Rexiter	(12.9)	(12.9)	(12.9)	-	-
Franklin Templeton Alpha	(8.4)	(8.4)	(8.4)	-	-
Total Emerging Markets	(9.7)	(9.8)	(11.7)	-	-
Hedge Funds	1.5	1.5	1.8	-	-
Private Investments	2.3	3.7	-	-	-
TOTAL FUND (Net of fees)	-3.3%	-3.1%	-0.7%	-3.1%	-3.1%
TOTAL FUND (Gross of fees)	-3.1%	-2.9%	-0.5%	-3.1%	-3.1%

See note to statements of investment performance statistics.

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NOTES TO STATEMENT OF INVESTMENT PERFORMANCE STATISTICS

1. ORGANIZATION

The University of Texas Investment Management Company (UTIMCO) is a 501(c)(3) corporation organized to manage the investment assets that are under the fiduciary control of The Board of Regents of The University of Texas System (UT Board.) UTIMCO manages these assets through five funds which include the Permanent University Fund (PUF), The University of Texas System General Endowment Fund (GEF), The University of Texas System Intermediate Term Fund (ITF), the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF) (collectively, the Funds).

The returns for PUF, GEF and ITF are comprised of investment strategies consisting of fixed income – investment grade, real estate, natural resources, developed country – domestic equities, developed country – non-U.S. equities, emerging markets, hedge funds and private investments. Returns, presented net and gross of fees, are also included on a total fund basis for each of these funds. The returns for PHF and LTF are presented only in total, as the PHF and LTF only invest in units in GEF and a negligible amount of cash and, therefore, do not directly employ these strategies. Although, the PHF and LTF also incur additional fees that are not reflected in the GEF, the total returns (net and gross of fees) for the PHF and LTF will be similar to those of the GEF.

The investment strategies of fixed income – investment grade, real estate, natural resources, developed country – domestic equities, developed country – non-U.S. equities, and emerging markets consist of assets managed directly by UTIMCO as well as by third-party managers via investment advisory agreements. The investment strategies of hedge funds and private investments consist primarily of externally managed collective investment vehicles such as private equity and hedge funds as well as various other pooled investment vehicles.

2. BASIS OF PRESENTATION

The accompanying investment performance statistics have been computed net of investment management fees using the Modified Dietz Method. The formula for the Modified Dietz Method is shown in Appendix I. Other formulas may produce different returns. Individual returns of various investment accounts in the Funds may vary based on factors such as the timing of cash flows. Past returns are no guarantee of future returns.

The total returns for the Funds have been computed net and gross of investment management fees for comparative purposes. For the PUF, GEF and ITF, the individual external investment manager returns reported in the statement of investment performance statistics represent only investment managers that were funded for the entire year ended August 31, 2008.

Interest and dividend income is based on the accrual method (interest income is recorded as earned, and dividend income is recorded on the ex-dividend date). Trade date is used when recording trades. Total return (or “return”) is defined as a percentage change in market value (including interest and dividend income), adjusted for any cash flows. Monthly returns are geometrically-linked to calculate annual returns.

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.