



**General Endowment Fund⁽¹⁾
Investment Summary Report
(\$ millions)**

Inception date of 3/1/01	1st Quarter 11/30/00	2nd Quarter 2/28/01	3rd Quarter 5/31/01	4th Quarter 8/31/01	Year-to- Date
Beginning Net Assets	\$ -	\$ -	\$ -	\$ 3,862.2	\$ -
Net Contributions (1)	-	-	3,860.6	(42.4)	3,818.2
Investment Return	-	-	25.3	(106.5)	(81.2)
Expenses	-	-	(1.6)	(1.8)	(3.4)
Distributions (2)	-	-	(22.1)	12.4	(9.7)
Ending Net Assets	\$ -	\$ -	\$ 3,862.2	\$ 3,723.9	\$ 3,723.9
Net Asset Value, Per Unit					
	\$ -	\$ -	\$ 100.612	\$ 97.811	\$ 97.811
No. of Units (End of Period):					
PHF			9,117,735	9,009,891	9,009,891
LTF			29,268,993	29,026,538	29,026,538
Total No. of units			38,386,728	38,036,429	\$ 38,036,429
Percentage Ownership:					
PHF			23.8%	23.7%	23.7%
LTF			76.2%	76.3%	76.3%
Total			100.0%	100.0%	100.0%
<p>(1) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.</p> <p>(2) The GEF distributes its net investment income and realized gain (loss) to its unitholders monthly based on their ownership of GEF units at month end. The distributed amounts are reinvested as GEF contributions. Since the distribution is proportional to the percentage of ownership by the unitholders, no additional units are purchased.</p>					

Commentary for the period of inception (March 1, 2001) to August 31, 2001

The net investment return for the six months ended August 31, 2001, was a negative 2.14%. UTIMCO's computed benchmark for endowment funds, the Endowment Policy Portfolio, posted a negative return of 1.30% for the same time period. (The GEF's total net unannualized investment return and the benchmark return for the fourth quarter was a negative 2.74% and negative 2.44%, respectively.) The alternative marketable assets (hedge and absolute return strategies), inflation hedging (real estate investment trusts and Goldman Sach's Commodity Index), and fixed income were the best performing asset classes during the past six months, posting positive investment returns ranging from 4.0% for fixed income to 12.5% for inflation hedging assets. Domestic, international and alternative nonmarketable equities posted negative returns ranging from a negative 3.9% for domestic equities to a negative 13.2% for international equities. The S&P 500 Index, as well as broad international stock indices, posted investment return losses of negative 8.0% and 14.6% respectively, for the six months ended August 31, 2001. For the same time period, the Lehman Aggregate Bond Index and the Salomon Non-U.S. World Government Bond Index posted positive returns of 4.5% and .9%, respectively.

The GEF ended the year with a market value of \$3,723.9. Period end asset allocation was 77% broadly defined equities, 21% fixed income and 2% money market funds versus and unconstrained neutral allocation of 80% equities, 20% fixed income and 0% money market funds.

Third Quarter Commentary

The General Endowment Fund (GEF), established by the Board of Regents effective on March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board. The GEF is organized as a mutual fund in which the Permanent Health Fund (PHF) and the Long Term Fund (LTF) purchase and redeem units quarterly at the GEF's market value per unit. The GEF provides for greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately.

The GEF's performance is measured against the endowment neutral policy portfolio return. Total net investment return for the quarter was .62% versus the neutral policy portfolio return of 1.17%. The neutral policy portfolio return is the neutrally weighted average index return for the various asset classes in the endowment portfolio. Fixed income, as an asset class, posted mixed returns for the quarter with the Lehman Aggregate Bond Index returning .69% and the Salomon Non-U. S. World Government Bond Index posting a negative return of 4.57%. Equities, as an asset class, posted positive returns with the S&P 500 Index and Russell 2000 Index posting returns of 1.62% and 5.07%, respectively for the quarter. Non-U. S. equities posted negative returns with the MSCI Eafe Net posting a negative return of 3.70% and the MSCI Emerging Markets posting a negative return of 5.29%. The benchmarks for the alternative marketable and alternative nonmarketable asset classes were positive for the quarter at 3.07% and 4.00%, respectively.