

PERMANENT UNIVERSITY FUND

FINANCIAL STATEMENTS

Years Ended August 31, 2003 and 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company "UTIMCO" and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of 18 institutions and 6 agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the PUF's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The PUF's net asset value after distributions increased by \$506.5 million from \$6,738.3 million to \$7,244.8 million, or approximately 7.5% during the year.
- Fiscal year 2003 contributions of PUF Lands mineral income increased by 26.8% from \$80.5 million to \$102.1 million and represented 1.5% of the average value of the PUF investments during the year. PUF Lands consist of more than 2.1 million acres in 24 counties primarily in West Texas.
- The PUF posted a net investment return of 12.02% for the fiscal year ended August 31, 2003, compared to a net investment return of negative 7.35% for the prior fiscal year.
- The PUF's annual distribution to the Available University Fund (AUF) increased by 7.3% in fiscal year 2003.

Market Commentary

The fiscal year ended August 31, 2003 was a year of two remarkably contrasting periods. The first was the period leading up to the conclusion of the major conflict in Iraq, where uncertainty and global market weakness prevailed. The second was the subsequent months following the market low registered on March 11, during which risk taking around the world was financially rewarded. The table on the next page outlines the dramatic contrast in results between these two periods:

PERMANENT UNIVERSITY FUND

<u>Index</u>	<u>Equity Description</u>	<u>9/1/02 - 3/11/03</u>	<u>3/11/03 - 8/31/03</u>
S&P 500	U.S. Large Capitalization	-11.1%	26.9%
Russell 2000	U.S. Small Capitalization	-10.8%	44.3%
MSCI EAFE	International Developed Markets	-15.7%	29.8%
MSCI Emerging Markets Free	International Emerging Markets	-7.6%	40.9%

Navigating these two disparate investment environments proved challenging. However, by maintaining a diversified asset exposure - including a meaningful allocation to absolute return strategies (hedge funds) - the PUF was able to preserve capital during the dramatic negative results of the first six months. In addition, positive performance by many of the PUF's active managers added to returns. Finally, decisions to tactically reallocate capital during the spring and summer months away from defensive assets, including fixed income, and towards more economically sensitive instruments, such as small cap and emerging markets equities, enabled the PUF to participate in the financial markets' eventual anticipation of a strong global recovery, which resulted in superior investment returns.

Use of Financial Statements and Notes

The PUF's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: the Statement of Net Investment Assets, the Statement of Operations and Changes in Net Investment Assets, and the Statement of Cash Flows.

In compliance with the reporting requirements of Section 66.05 of the Texas Education Code, we have included a Schedule of Changes in Cost of Investments and Investment Income. Because this required schedule presents the majority of the cash flows of the PUF, a separate Statement of Cash Flows is not presented. We have also included a Comparison Summary of Investment in Securities, at Fair Value.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Investment Assets

The Statement of Net Investment Assets presents assets, liabilities, and net assets of the PUF under UTIMCO management as of the end of the fiscal year. This statement, along with all of the PUF's financial statements, is prepared using the accrual basis of accounting, whereby PUF investment income is recognized when earned and PUF expenses are recognized when incurred.

The PUF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by

PERMANENT UNIVERSITY FUND

increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the Texas A&M System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

Net assets consist of contributions from PUF Lands mineral income and accumulated undistributed realized and unrealized gains on investments.

Statement of Operations and Changes in Net Investment Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Investment Assets are based on activity of the PUF investments. The purpose of this statement is to present the results of operations, the changes in value of the investments of the PUF, the contributions from PUF Lands mineral income, and the distributions to the AUF.

PUF investments earned realized and unrealized investment gains of \$638.8 million during the year compared to realized and unrealized losses of \$676.0 million for the year ended August 31, 2002. Expenses totaled \$20.2 million in fiscal year 2003 and \$21.0 million in fiscal year 2002.

The net increase in net investment assets resulting from operations totaled \$767.5 million for the fiscal year ended August 31, 2003, compared to a net decrease in net investment assets resulting from operations of \$544.0 million for the fiscal year ended August 31, 2002.

Distributions to the AUF increased from \$338.4 million in fiscal year 2002 to \$363.0 million in fiscal year 2003.

The PUF's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and
- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

PUF distributions are controlled by a spending policy approved by the UT Board as directed by the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. To achieve this, the annual distribution is currently established at 4.75% of the prior twelve quarters' average net asset value of the PUF investments, as determined each February 28 for the following fiscal year.

PERMANENT UNIVERSITY FUND

The distributions to the AUF are subject to the following overriding conditions:

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7 percent of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

Schedule of Changes in Cost of Investments and Investment Income

The Schedule of Changes in Cost of Investments and Investment Income is prepared for the purpose of complying with the reporting requirement of Section 66.05 of the Texas Education Code, and provides relevant information about the purchases and sales of PUF investments for the fiscal year ended August 31, 2003. Purchases of PUF investments during the fiscal year totaled \$6,629.1 million, and sales, maturities and redemptions totaled \$6,755.5 million.

Schedule of Investment in Securities, at Fair Value

The Schedule of Investment in Securities, at Fair Value provides a comparative listing of investments by type of security. The total investment in securities increased from \$6,834.4 million to \$7,352.3 million during the year.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the PUF's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

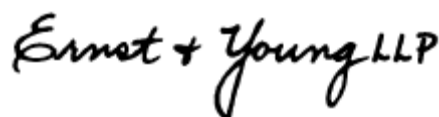
We have audited the accompanying statements of net investment assets and the summary of investment in securities of the Permanent University Fund (PUF) as of August 31, 2003, the related statements of operations and changes in net investment assets, and the schedule of changes in cost of investments and investment income for the year then ended. These financial statements are the responsibility of the PUF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the PUF for the year ended August 31, 2002, were audited by other auditors whose report dated October 18, 2002 included an explanatory paragraph and a qualified opinion regarding the exclusion of 2.1 million acres of land from those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The financial statements referred to above include only the investment assets and liabilities and changes therein related to the investments of the PUF which are managed by The University of Texas Investment Management Company (UTIMCO) and are not intended to be a complete presentation of the PUF's assets, liabilities, income, and expenses. The PUF's 2.1 million acres of land are not included in this report. (See Note 1).

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position and summary of investment in securities of the PUF managed by UTIMCO as of August 31, 2003, the results of its operations and its cash flows managed by UTIMCO, the changes in its net investment assets managed by UTIMCO, and the changes in cost of its investments and investment income managed by UTIMCO for the year then ended, in conformity with accounting principles generally accepted in the United States.



October 17, 2003

PERMANENT UNIVERSITY FUND

Statements of Net Investment Assets

August 31, 2003 and 2002

(in thousands)

Investment Assets	2003	2002
Investment in Securities, at Fair Value (Cost \$7,249,708 and \$7,416,247, respectively)	\$ 7,352,310	\$ 6,834,428
Collateral for Securities Loaned, at Fair Value	159,065	127,482
Deposit with Broker for Futures Contracts	54,591	43,810
Unrealized Gains on Foreign Currency Exchange Contracts	12,938	14,878
Receivables		
Investment Securities Sold	143,690	119,664
Accrued Income	12,289	15,410
Other	<u>3,419</u>	<u>551</u>
Total Investment Assets	<u>7,738,302</u>	<u>7,156,223</u>
Liabilities		
Payable Upon Return of Securities Loaned	159,065	127,482
Unrealized Losses on Foreign Currency Exchange Contracts	8,774	4,529
Payables		
Investment Securities Purchased	323,058	283,507
Other	<u>2,577</u>	<u>2,430</u>
Total Liabilities	<u>493,474</u>	<u>417,948</u>
Net Investment Assets	<u>\$ 7,244,828</u>	<u>\$ 6,738,275</u>

Supplementary Disclosure:

Net Investment Assets Consist Of:

Contributions from PUF Lands	\$ 3,581,374	\$ 3,479,267
Accumulated Undistributed Net Realized Gain on Investments including Foreign Currency Transactions	3,556,188	3,830,585
Net Unrealized Appreciation (Depreciation) of Investments including Translation of Assets and Liabilities in Foreign Currencies	<u>107,266</u>	<u>(571,577)</u>
Net Investment Assets	<u>\$ 7,244,828</u>	<u>\$ 6,738,275</u>

The accompanying notes are an integral part of these financial statements.

PERMANENT UNIVERSITY FUND

Statements of Operations and Changes in Net Investment Assets

Years Ended August 31, 2003 and 2002

(in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 66,216	\$ 78,204
Dividends	63,899	62,752
Income Distributions from Limited Partnerships	15,158	8,998
Other	<u>3,673</u>	<u>3,162</u>
Total Investment Income	<u>148,946</u>	<u>153,116</u>
Expenses		
Investment Management and Consulting Fees	8,792	11,252
UTIMCO Management Fee	5,187	3,275
PUF Lands Expense	5,061	5,221
Custodial Fees and Expenses	675	726
Other Expenses	<u>529</u>	<u>573</u>
Total Expenses	<u>20,244</u>	<u>21,047</u>
Net Investment Income	<u>128,702</u>	<u>132,069</u>
Realized and Unrealized (Gain) Loss on Investments		
Net Realized Loss on Investment Securities and Foreign Currency Related Transactions	(40,077)	(308,061)
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	<u>678,843</u>	<u>(367,958)</u>
Net Gain (Loss) on Investments	<u>638,766</u>	<u>(676,019)</u>
Net Increase (Decrease) in Net Investment Assets Resulting from Operations	\$ 767,468	\$ (543,950)
Net Investment Assets		
Beginning of Period	6,738,275	7,540,148
Contributions from PUF Lands	102,107	80,511
Distributions to Available University Fund	<u>(363,022)</u>	<u>(338,434)</u>
End of Period	<u>\$ 7,244,828</u>	<u>\$ 6,738,275</u>

*The accompanying notes are an integral
part of these financial statements.*

PERMANENT UNIVERSITY FUND

Schedule of Changes in Cost of Investments and Investment Income

Year ended August 31, 2003

(in thousands)

	Beginning Cost	Purchases	Sales, Maturities & Redemptions	Gains (Losses)	Reclass	Ending Cost	Investment Income
Equity Securities							
Commingled Investments	\$ 1,171,767	\$ 525,704	\$ (22,130)	\$ (25,051)	\$ -	\$ 1,650,290	\$ 5,960
Index Funds	1,631,133	664,051	(746,778)	(177,514)	-	1,370,892	23,053
Domestic Common Stock	964,036	851,145	(924,717)	(2,515)	798	888,747	29,889
Limited Partnerships	1,088,065	154,958	(134,640)	55,949	(585)	1,163,747	15,158
Foreign Common Stock	240,169	228,817	(189,034)	(22,420)	(213)	257,319	4,899
Other	1,076	-	(194)	2	-	884	1,227
Total Equity Securities	<u>5,096,246</u>	<u>2,424,675</u>	<u>(2,017,493)</u>	<u>(171,549)</u>	<u>-</u>	<u>5,331,879</u>	<u>80,186</u>
Debt Securities							
U.S. Government Obligations (Direct and Guaranteed)	172,696	1,291,967	(1,351,319)	4,448	-	117,792	8,374
U.S. Government Agencies (Non-Guaranteed)	334,421	1,580,156	(1,480,020)	6,155	-	440,712	16,595
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. \$)	1,448	467	(1,388)	373	-	900	101
Foreign Government and Provincial Obligations (U.S. \$)	8,982	11,733	(10,650)	377	-	10,442	961
Foreign Government and Provincial Obligations (Non-U.S. \$)	95,166	570,703	(558,606)	12,969	-	120,232	4,283
Municipal and County Bonds	14,443	3,997	(6,564)	392	-	12,268	846
Corporate Bonds	427,885	256,581	(426,992)	10,624	(85)	268,013	21,515
Foreign Corporate Bonds	19,212	5,338	(7,953)	672	-	17,269	903
Commingled Investment	20,777	1,729	(2,343)	(294)	-	19,869	1,729
Commercial Paper	-	141,929	(141,098)	69	-	900	53
Repurchase Agreements	-	322,400	(322,400)	-	-	-	22
Other	8,300	24	-	-	(553)	7,771	12
Total Debt Securities	<u>1,103,330</u>	<u>4,187,024</u>	<u>(4,309,333)</u>	<u>35,785</u>	<u>(638)</u>	<u>1,016,168</u>	<u>55,394</u>
Purchased Options	<u>-</u>	<u>11,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,255</u>	<u>-</u>
Preferred Stock							
Domestic Preferred Stock	6,918	5,256	-	-	3,245	15,419	93
Foreign Preferred Stock	1,060	429	(1,327)	61	-	223	-
Total Preferred Stock	<u>7,978</u>	<u>5,685</u>	<u>(1,327)</u>	<u>61</u>	<u>3,245</u>	<u>15,642</u>	<u>93</u>
Convertible Securities	<u>10,734</u>	<u>422</u>	<u>(116)</u>	<u>(254)</u>	<u>(2,607)</u>	<u>8,179</u>	<u>5</u>
Cash and Cash Equivalents							
Money Markets Funds and Cash Held at State Treasury	1,197,959	-	(427,254)*	95,880**	-	866,585	12,188
Securities Lending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,080</u>
Total Investment in Securities	<u>\$ 7,416,247</u>	<u>\$ 6,629,061</u>	<u>\$ (6,755,523)</u>	<u>\$ (40,077)</u>	<u>\$ -</u>	<u>\$ 7,249,708</u>	<u>\$ 148,946</u>

* Net decrease in cash and money markets during the year.

** Includes net realized gains on futures contracts and foreign currency contracts.

The accompanying notes are an integral part of these financial statements.

PERMANENT UNIVERSITY FUND

Comparison Summary of Investment in Securities, at Fair Value

August 31, 2003 and 2002

(in thousands)

	2003	2002
Equity Securities		
Commingled Investments	\$ 1,848,446	\$ 1,125,861
Index Funds	1,399,273	1,281,021
Domestic Common Stock	1,093,492	1,008,546
Limited Partnerships	828,392	886,013
Foreign Common Stock	257,202	192,579
Other	7,135	5,053
Total Equity Securities	5,433,940	4,499,073
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	119,002	180,180
U.S. Government Agencies (Non-Guaranteed)	446,193	353,554
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	1,133	1,599
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	10,937	9,099
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	126,874	100,015
Municipal and County Bonds	12,681	15,743
Corporate Bonds	271,516	430,147
Foreign Corporate Bonds	19,376	20,425
Commingled Investment	18,920	17,307
Commercial Paper	900	-
Other	2,421	2,949
Total Debt Securities	1,029,953	1,131,018
Preferred Stock		
Domestic Preferred Stock	9,238	2,472
Foreign Preferred Stock	227	1,202
Total Preferred Stock	9,465	3,674
Purchased Options	11,147	-
Convertible Securities	1,203	2,719
Cash and Cash Equivalents		
Money Market Funds Maintained to Back Futures Contracts	578,373	604,130
Other Money Market Funds and Cash Held at State Treasury	288,229	593,814
Total Cash and Cash Equivalents	866,602	1,197,944
Total Investment in Securities	\$ 7,352,310	\$ 6,834,428

The accompanying notes are an integral part of these financial statements.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

(A) The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to the University of Texas, as well as an additional 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 over 2.1 million acres of land located in 24 counties primarily in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF, and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas Investment Management Company (UTIMCO).

(B) The accompanying financial statements report the investment in securities of the PUF, including the assets, liabilities, mineral contributions and investment income. Expenses related to the PUF's security investments and PUF Lands, as well as distributions from the PUF to the AUF, are also included. The PUF Lands asset values are not included in the accompanying financial statements.

The Schedule of Changes in Cost of Investments and Investment Income has been prepared for the purpose of complying with the reporting requirement of Section 66.05 of the Texas Education Code.

The PUF uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The PUF is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The PUF also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of UT System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the PUF. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Significant Accounting Policies

(A) ***Security Valuation*** -- Investments are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the PUF are valued based upon prices supplied by Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Limited partnerships and other equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting period. In the rare case when no ascertainable value is available, the limited partnership is valued at cost.

Securities held by the PUF in index funds are generally valued as follows:

Stocks traded on security exchanges are valued at closing market prices on the valuation date.

Stocks traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.

Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Commingled investments are valued based on net asset value information provided by the investment company.

(B) ***Foreign Currency Translation*** -- The accounting records of the PUF are maintained in U.S. dollars. Investments in securities are valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The PUF does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Security classifications, as domestic or foreign, on the comparison summary of investment in securities, at fair value are based on currency.

(C) ***Investment Income*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Premiums and discounts on bonds are not amortized.

(D) ***Security Transactions*** -- Security transactions are recorded on a trade date basis for most securities. International index fund transactions are recorded on a settlement date basis due to trading practices which impose restrictions in acquiring per unit information on the trade date. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(E) ***Federal Income Taxes*** -- The PUF is not subject to federal income tax.

(F) ***Use of Estimates*** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

(G) ***Foreign Currency Contracts*** -- The PUF enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the PUF agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the PUF's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of assets and liabilities. Realized and unrealized gains and losses are included in the statements of operations. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of investment assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(H) ***Cash and Cash Equivalents*** -- Cash and cash equivalents consist of money markets, cash held at the State Treasury, foreign currencies and other overnight funds. A portion of the PUF's cash and cash equivalents are maintained to support the notional value of future contracts held (see Note 9). Cash and cash equivalents are an integral part of the PUF's investment activities, and as such are included in the investment in securities balance on the statement of net investment assets.

(I) ***Recently Issued Accounting Standards*** -- In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the PUF until the fiscal year ending 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the PUF's financial statement balances.

(J) ***Contributions from PUF Lands*** -- The mineral income earned from PUF Lands is recorded on a cash basis as remitted by UT System administration and presented on the accompanying statements of operations and changes in net investment assets as an increase in net investment assets, styled "Contributions from PUF Lands."

(K) ***Reclassifications*** -- Certain items in the 2002 financial statements and related notes have been reclassified to conform with 2003 classification.

Note 3 – Investments

Under provisions of the Texas Constitution and certain state statutes, the PUF may invest in a wide variety of investments subject to the investment policy adopted by the UT System Board of Regents.

The PUF's investments have been categorized as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, to give an indication of the level of credit risk assumed by the PUF at August 31, 2003 and 2002. All of the securities shown in the comparison summary of investment in securities, at fair value are considered credit risk category 1 investments except for commingled equity investments,

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

index funds, limited partnerships, other equity securities, commingled debt investments, purchased options and cash and cash equivalents. Credit risk category 1 investments are investments that are insured or registered held by the PUF or its agent in the PUF's name. All of the exceptions are not categorized by credit risk category because they are not evidenced by securities that exist in physical or book entry form. The amounts identified as securities on loan that have cash held as collateral (see Note 7) would also be considered not categorized.

Note 4 – Commingled Investments

The commingled investments consist of investments in other entities in which the PUF has an ownership percentage, shares or limited partnership interest. The international equity fund is majority owned by the PUF and The University of Texas System General Endowment Fund. The market values of the commingled investments consist of the following:

	August 31,	
	2003	2002
Equity Commingled Investments:		
Merger Arbitrage and Special Situation Funds	\$ 581,755,897	\$ 477,940,743
Hedge Funds	561,770,382	324,619,273
Emerging Market Mutual Funds	319,038,238	222,499,570
International Equity Fund	135,691,424	-
Small Capitalization International Stock Fund	123,428,656	100,801,027
Fund of Hedge Funds	88,127,748	-
Opportunistic Small Cap Value Fund	37,621,494	-
Energy Sector Index Fund	<u>1,011,800</u>	<u>-</u>
Total Equity Commingled Investments	<u>\$ 1,848,445,639</u>	<u>\$ 1,125,860,613</u>
Debt Commingled Investment:		
High Yield Bond Fund	<u>\$ 18,920,153</u>	<u>\$ 17,306,568</u>

The merger arbitrage and special situation funds invest in securities of companies facing a major corporate event. These events might include mergers, tender offers, recapitalizations, spin-offs, liquidations and substantial corporate self-tenders. In addition, these funds may invest in distressed companies that are subject to reorganizations, bankruptcies, or other special situations that can create arbitrage opportunities through the exploitation of inefficiencies in the pricing of related securities. The research-intensive investments within these funds are typically uncorrelated with the overall market and dependent on the occurrence of specific "investment events" to realize the return.

Hedge funds invest in global equity securities both long and short. Investment return is expected to be realized from long and short security selection, and only modestly by the direction of the overall equity markets.

The emerging market funds utilize a long and short investment strategy and invest primarily in emerging and developed markets in Asia and the Pacific region and emerging markets in Latin America, Eastern Europe, the Middle East, and Russia.

The international equity fund invests in non-U.S. equity assets, cash equivalents, currencies and

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

currency forwards.

The fund of hedge funds invest in other hedge funds including merger arbitrage and special situation funds, hedge funds, and other relative value hedge funds and absolute return strategies.

The opportunistic small cap value fund makes active strategic-block value investments in a limited number of small-capitalization public companies.

Note 5 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P Mid-Cap 400 Index.

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index. The fund is a commingled ‘superfund’ comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Russell 2000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Russell 3000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Russell 2000 Equity Index Fund B's objective is approximating as closely as practicable the capitalization weighted total return of the segment of the U.S. market for publicly traded common stocks represented by the Russell 2000 Index.

The EAFE Equity Index Transition Fund is a temporary fund established to accommodate the transition of existing investments into an existing index fund. The EAFE Equity Index Transition Fund will be folded into the EAFE Equity Index Fund B upon completion of the transition.

The Russell 2000 Equity Index Transition Fund is a temporary fund established to accommodate the transition of existing investments into an existing index fund. The Russell 2000 Equity Index Transition Fund will be folded into the Russell 2000 Index Fund B upon completion of the transition.

When deemed appropriate, a portion of the index funds may be invested in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Mid-Cap Index Fund B Lendable is majority owned by the PUF and The University of Texas System General Endowment Fund. The market values of the PUF's interests in these index funds are as follows:

	August 31,	
	2003	2002
Mid-Cap Index Fund B Lendable	\$ 468,330,163	\$ 570,464,012
EAFE Equity Index Fund B	281,251,540	382,334,592
Emerging Markets Structured Tiered Fund B	218,705,253	56,132,542
Russell 2000 Alpha Tilts Fund B	212,154,484	74,462,698
Equity Index Fund B Lendable	108,695,766	197,627,598
Russell 3000 Alpha Tilts Fund B	104,377,981	-
Russell 2000 Equity Index Fund B	5,323,981	-
EAFE Equity Index Transition Fund	412,619	-
Russell 2000 Equity Index Transition Fund	21,032	-
	<u>\$ 1,399,272,819</u>	<u>\$ 1,281,021,442</u>

Note 6 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges. The market values of the limited partnerships consist of the following:

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

	August 31,	
	2003	2002
U.S. Private Equity	\$ 427,450,782	\$ 452,802,148
Non-U.S. Private Equity	125,483,673	107,306,281
Venture Capital	114,657,694	168,636,160
Opportunistic	83,445,458	71,492,831
Mezzanine	64,670,130	73,693,410
Oil and Gas	8,583,765	3,797,496
Direct Investments	4,100,659	8,284,913
	<u>\$ 828,392,161</u>	<u>\$ 886,013,239</u>

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

Venture capital consists of interests in partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the PUF's direct interests in private companies.

Note 7 – Securities Lending

The PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income. The PUF receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2003 and 2002:

Securities on Loan	2003 Value	2002 Value	Type of Collateral	2003 Value of Collateral	2002 Value of Collateral
U.S. Government	\$ 62,899,948	\$ 55,425,205	Cash	\$ 63,659,881	\$ 55,914,798
Foreign Government	8,723,945	832,596	Cash	9,147,671	873,180
Corporate Bonds	33,253,536	49,909,136	Cash	34,353,149	51,699,500
Common Stock	<u>49,684,339</u>	<u>18,068,081</u>	Cash	<u>51,904,234</u>	<u>18,994,692</u>
Total	<u>\$ 154,561,768</u>	<u>\$ 124,235,018</u>	Total	<u>\$ 159,064,935</u>	<u>\$ 127,482,170</u>
U.S. Government	<u>\$ 510,071</u>	<u>\$ 4,502,822</u>	Non-Cash	<u>\$ 684,927</u>	<u>\$ 4,794,959</u>

Cash received as collateral for securities lending activities is recorded as an asset with an equal and offsetting liability to return the collateral. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

Note 8 – Commitments

The PUF had unfunded contractual commitments for Limited Partnerships and Other assets of \$489,452,054 as of August 31, 2003.

Note 9 – Futures Contracts

The PUF's activities include trading in derivatives such as futures contracts. During the years ended August 31, 2003 and 2002, the futures contracts were used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the PUF. The asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. Commodity index exposure was obtained through the Goldman Sachs Commodity Index (GSCI). The GSCI is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The PUF had \$54,591,354 and \$43,809,926 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2003 and 2002, respectively. It is the intention of the PUF not to utilize leverage when entering into these contracts and to maintain cash balances that when combined with the collateral deposited with a broker exceed the notional value of the futures contracts held. Short futures may be used by a limited number of external managers for the PUF to hedge the PUF's interest rate or country risk associated with security positions.

Futures contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts. Such carrying value at August 31, 2003 and 2002, is included in "Receivables Other" on the accompanying statements of net investment assets. The amount of net realized gain on the futures contracts was \$71,537,611 for the year ended August 31, 2003. The amount of net realized loss on

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

the futures contracts was \$46,185,245 for the year ended August 31, 2002. The PUF executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

The following discloses the notional, carrying and fair values at August 31, 2003, and the average carrying and fair values for the year ended August 31, 2003, for futures contracts:

	Notional Value at August 31, 2003		Carrying and Fair Value at August 31, 2003		Average Carrying and Fair Value for the Year Ended August 31, 2003	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Domestic Equity Futures	\$ 498,416,150	\$ 29,917,400	\$ 3,248,850	\$ -	\$ 2,113,484	\$ 1,919,095
International Equity Futures	30,172,888	75,085,078	539,866	655,046	475,728	506,187
Commodity Futures	97,123,062	-	-	100,437	898,146	799,359
Domestic Fixed Income Futures	128,208,531	146,563,172	178,983	134,816	334,752	336,348
International Fixed Income Futures	161,667,949	43,797,837	546,654	205,850	406,436	381,633

The following discloses the notional, carrying and fair values at August 31, 2002, and the average carrying and fair values for the year ended August 31, 2002, for futures contracts:

	Notional Value at August 31, 2002		Carrying and Fair Value at August 31, 2002		Average Carrying and Fair Value for the Year Ended August 31, 2002	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Domestic Equity Futures	\$ 417,191,940	\$ 10,362,825	\$ 102,030	\$ 1,457	\$ 1,455,612	\$ 1,703,571
International Equity Futures	25,621,117	19,465,687	399,959	337,130	498,235	487,316
Commodity Futures	178,767,300	-	83,225	-	738,662	624,036
Domestic Fixed Income Futures	76,192,172	155,464,891	151,170	245,101	480,304	483,656
International Fixed Income Futures	215,443,016	86,895,459	491,971	52,938	256,972	247,346

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 10 – Foreign Currency Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF’s foreign currency exchange contracts at August 31, 2003 and 2002. Foreign currency amounts are translated at exchange rates as of August 31, 2003 and 2002. The “Net Buy” amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the “Net Sell” amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2003	Net Sell August 31, 2003	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2003	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2003
Australian Dollar	\$ 27,268,134	\$ -	\$ 318,910	\$ 1,001,991
Canadian Dollar	-	44,951,328	553,914	559,836
Danish Krone	1,952,391	-	2,975	104,676
Euro	56,906,152	-	1,337,203	953,241
Hong Kong Dollar	261,499	-	2	72,401
Japanese Yen	123,325,998	-	2,025,842	1,142,503
Mexican New Peso	-	-	60,830	-
New Zealand Dollar	127,638	-	370,793	80,315
Norwegian Krone	-	4,407,362	2,631,780	116,033
Polish Zloty	1,412,058	-	35,287	94,712
Singapore Dollar	16,736,061	-	460,630	44,154
Swedish Krona	36,030,307	-	1,757,478	1,643,149
Swiss Franc	-	35,629,719	2,794,515	1,934,028
UK Pound	30,794,872	-	587,935	1,026,856
	<u>\$ 294,815,110</u>	<u>\$ 84,988,409</u>	<u>\$ 12,938,094</u>	<u>\$ 8,773,895</u>

Currency	Net Buy August 31, 2002	Net Sell August 31, 2002	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2002	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2002
Australian Dollar	\$ 7,251,442	\$ -	\$ 727,279	\$ 4,646
Canadian Dollar	-	16,575,827	677,196	251,973
Danish Krone	351,521	-	15,564	-
Euro	78,868,365	-	1,511,226	32,209
Japanese Yen	118,038,269	-	6,453,112	716,428
New Zealand Dollar	9,977,266	-	69,062	39,420
Norwegian Krone	9,798,409	-	4,740,335	582,652
Singapore Dollar	2,177,766	-	241	197,202
Swedish Krona	41,612,454	-	207,427	151,793
Swiss Franc	-	44,041,740	302,488	1,925,110
UK Pound	24,614,254	-	173,873	627,618
	<u>\$ 292,689,746</u>	<u>\$ 60,617,567</u>	<u>\$ 14,877,803</u>	<u>\$ 4,529,051</u>

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Note 11 – Note Purchase Commitment

During the fiscal year 2003, the PUF entered into note purchase agreements with the UT System Board of Regents and the Texas A&M System Board of Regents. These agreements commit the PUF to acquire up to \$400,000,000 of UT System flexible rate notes and \$80,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

The PUF receives an annual commitment fee equal to 0.1% of the commitment amount. The commitment fees earned by the PUF were \$356,658 for the year ended August 31, 2003.

Note 12 – Distributions to the Available University Fund

The Texas Constitution allows for (a) distributions to the AUF from the “total return” on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the Board of Regents of UT System to establish a distribution policy that provides stable, inflation adjusted annual distributions to the AUF and preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF assets in any fiscal year, except as necessary to pay debt service on PUF bonds. The PUF distribution to the AUF for the year ending August 31, 2004, in the amount of \$348,033,578 will be paid quarterly. The first payment of \$87,008,395 was made on September 2, 2003.

Note 13 – Fees and Expenses

The PUF incurs investment management fees from various external managers of the PUF. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.01% to 1.0%. In addition to quarterly investment management fees, the PUF may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers’ contracts. In addition, the PUF incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. The fee assessed for the years ended August 31, 2003 and 2002, was \$5,187,122 and \$3,274,506, respectively.

The PUF is assessed a fee to cover expenses related to the management of the PUF Lands. The fee assessed for the years ended August 31, 2003 and 2002, was \$5,061,283 and \$5,220,999, respectively.

PERMANENT UNIVERSITY FUND

Notes to Financial Statements (cont.)

Custodial fees and expenses are assessed by the financial institution which holds the PUF's assets. Fees are based on the number of accounts, market value of the PUF, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement, risk measurement and on-line communication services per the contractual agreement.

The PUF incurs other expenses related to its operations primarily consisting of audit fees, subscription fees, printing and graphic expenses, legal expenses and consultation fees.

PERMANENT UNIVERSITY FUND

DETAIL SCHEDULES OF INVESTMENT SECURITIES

August 31, 2003

Report of Independent Auditors

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

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Permanent University Fund (PUF) for the year ended August 31, 2003, and have issued our report thereon dated October 17, 2003. We also have audited the accompanying schedules of equity securities (Schedule A), debt securities (Schedule B), preferred stocks and convertible securities (Schedule C), and cash and cash equivalents (Schedule D) as of August 31, 2003. These schedules are the responsibility of the PUF's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules referred to above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the equity securities, debt securities, preferred stocks and convertible securities, and cash and cash equivalents of the PUF as of August 31, 2003, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

October 17, 2003

PERMANENT UNIVERSITY FUND

SCHEDULE A

EQUITY SECURITIES

August 31, 2003

SECURITY	SHARES	VALUE (\$)	COST (\$)
COMMINGLED INVESTMENTS			
ARROWSTREET GLOBAL OPP FUND LLC.....		23,088,648	26,400,000
BGI ACTIVE INTERNATIONAL EQUITY FUND B.....	12,143,787	135,691,424	132,580,113
BGI EQUITIZED GLOBAL MARKET NEUTRAL FUND B.....	10,002,387	112,402,729	110,366,423
CAPITAL GUARDIAN INTERNATIONAL EMERGING MARKETS.....	3,108,527	165,622,311	197,356,414
CAPITAL GUARDIAN INTERNATIONAL SMALL CAP.....	10,836,581	123,428,655	132,590,414
EMINENCE FUND LTD CLASS A.....	73,240	19,414,248	19,800,000
FARALLON CAPITAL OFFSHORE INVESTORS INC.....	28,020,177	207,271,387	150,950,579
GOLDMAN SACHS TRUST EMERGING MARKETS.....	2,435,102	23,109,114	26,826,026
ISHARES TR S&P GLOBAL ENERGY.....	20,000	1,011,800	1,009,200
MAVERICK FUND LTD A SHARES.....	393,195	267,506,409	187,144,263
MAVERICK FUND LTD B SHARES.....	43,688	29,722,934	28,589,212
OCM EMERGING MARKETS (CAYMAN) FUND LTD.....	33,000,000	37,981,515	33,000,000
OCM EMERGING MARKETS (CAYMAN) FUND LTD 2003.....	6,600,000	6,704,999	6,600,000
PERRY PARTNERS INTERNATIONAL INC.....	549,070	222,897,125	139,518,230
PERRY PARTNERS INTERNATIONAL INC S-2.....	15,640	1,636,569	1,566,891
PERRY PARTNERS INTERNATIONAL INC CL S-3.....	51,231	5,324,406	5,123,069
PROTEGE PARTNERS FUND LTD CL A S-4.....	26,132	28,490,838	26,400,000
PROTEGE PARTNERS FUND LTD CL A S-5.....	25,948	28,282,387	26,400,000
PROTEGE PARTNERS FUND LTD CL A S-6.....	25,592	27,894,066	26,400,000
PROTEGE PARTNERS FUND LTD CL A S-7.....	3,300	3,405,567	3,300,000
PROTEGE PARTNERS FUND LTD CL B S-2.....	86,577,546	54,890	54,890
SATELLITE OVERSEAS FUND V LTD.....	146,688	144,626,409	147,719,288
SIRIOS OVERSEAS FUND LTD.....	19,372	34,181,747	33,000,000
STANDARD PACIFIC CAPITAL OFFSHORE FUND LTD.....	118,497	30,767,152	33,000,000
TEMPLETON INSTITUTIONAL FUNDS INC.....	12,850,771	130,306,813	118,295,261
VALUEACT CAPITAL INTERNATIONAL LTD.....	258,190	37,621,494	36,300,000
TOTAL COMMINGLED INVESTMENTS		<u>1,848,445,636</u>	<u>1,650,290,273</u>
INDEX FUNDS			
BGI EAFE EQUITY INDEX FUND B.....	10,280,977	281,251,540	251,317,359
BGI EMERGING MARKETS STRUCTURED TIERED FUND B.....	18,350,737	218,705,253	178,787,143
BGI EQUITY INDEX FUND B LENDABLE.....	4,321,443	108,695,766	190,596,733
BGI MID-CAP INDEX FUND B LENDABLE.....	13,474,020	468,330,163	448,311,536
BGI RUSSEL 3000 ALPHA TILTS B.....	5,537,052	104,377,981	100,312,766
BGI RUSSELL 2000 ALPHA TILTS FUND B.....	3,556,253	212,154,484	196,436,619
BGI RUSSELL 2000 EQUITY INDEX FUND B.....	381,440	5,323,981	4,683,212
BGI TRANSITION FUNDS.....	44,663	433,651	446,627
TOTAL INDEX FUNDS		<u>1,399,272,819</u>	<u>1,370,891,995</u>
DOMESTIC COMMON STOCKS			
3M CO.....	7,700	1,097,019	990,119
A C MOORE ARTS & CRAFTS INC.....	64,700	1,733,313	1,426,725
A. SCHULMAN INC.....	7,800	124,956	138,642
AAR CORP.....	8,600	68,886	95,881
ABLE LABRATORIES INC.....	70,200	1,670,058	1,477,981
ACTIVCARD CORP.....	348,900	2,948,205	2,940,999
ADOBE SYSTEMS INC.....	42,450	1,648,334	1,388,033

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES

SCHEDULE A
(CONTINUED)

August 31, 2003

SECURITY	SHARES	VALUE (\$)	COST (\$)
ADTRAN INC.....	1,800	98,712	73,508
ADVANCED DIGITAL INFORMATION.....	6,000	81,000	60,627
ADVANCED FIBER COMMUNICATIONS.....	3,500	81,130	68,071
ADVANCED MICRO DEVICES.....	24,600	277,734	180,484
ADVISORY BOARD CO.....	4,100	174,619	139,086
ADVO INC.....	3,850	169,978	130,553
AEROFLEX INC.....	11,500	104,765	77,485
AFFILIATED COMPUTER SERVICES INC.....	9,175	455,172	410,218
AFFILIATED MANAGERS GROUP INC.....	53,400	3,620,520	2,561,967
AFFYMETRIX INC.....	65,600	1,514,048	1,441,195
AGCO CORP.....	297,100	6,559,968	4,962,655
AIRGAS INC.....	11,100	207,903	194,392
AIRTRAN HOLDINGS INC.....	8,300	111,469	94,566
ALBANY MOLECULAR RESEARCH INC.....	9,000	138,060	156,522
ALEXANDRIA REAL ESTATE.....	400,300	18,714,025	12,486,293
ALLEGHENY ENERGY INC.....	73,400	680,418	621,560
ALLEGHENY TECHNOLOGIES INC.....	8,100	60,345	53,318
ALLSTATE CORP.....	16,400	586,300	626,182
ALLTEL CORP.....	8,971	410,872	410,664
ALPHARMA INC.....	13,400	280,998	216,563
AMB PROPERTIES CORP.....	467,900	13,335,150	10,009,196
AMC ENTERTAINMENT INC.....	7,900	92,035	90,298
AMERICAN EXPRESS CO.....	13,800	621,690	487,738
AMERICAN GREETINGS.....	8,700	160,950	164,675
AMERICAN INTERNATIONAL GROUP INC.....	40,800	2,430,456	2,895,692
AMERICAN MANAGEMENT SYSTEMS INC.....	7,400	106,116	124,515
AMERICAN MEDICAL SECURITY GROUP INC.....	4,600	92,920	87,209
AMERICAN MORTGAGE ACCEPTANCE CO.....	4,500	69,030	75,263
AMERICAN PHARMACEUTICALS.....	2,000	95,340	42,204
AMERICAN POWER CONVERSION CORP.....	10,500	188,160	155,675
AMERICAN WEST HOLDINGS CORP.....	19,800	168,300	162,346
AMERICREDIT CORP.....	37,300	400,229	329,066
AMERIGROUP CORP.....	2,900	118,088	87,339
AMERON INTERNATIONAL CORP.....	6,200	209,126	201,027
AMERUS GROUP CO.....	5,600	180,488	158,439
AMGEN INC.....	35,748	2,357,223	1,556,599
AMLI RESIDENTIAL PROPERTIES TRUST.....	9,150	225,090	219,994
ANALOGIC CORP.....	81,600	4,161,600	3,937,062
ANAREN INC.....	5,600	67,144	48,041
ANDREW CORP.....	10,690	132,342	73,867
ANDRX GROUP.....	344,800	6,206,400	4,283,107
ANIXTER INTERNATIONAL INC.....	19,900	452,327	494,466
ANTHRACITE CAPITAL INC.....	11,100	120,879	135,239
AOL TIME WARNER INC.....	18,402	301,057	299,279
APACHE CORP.....	6,800	469,064	437,614
APARTMENT INVESTMENT & MANAGEMENT.....	305,100	11,761,605	12,005,047
APOLLO GROUP INC.....	2,700	172,989	171,244
APPLERA CORP-APPLIED BIOSYSTEM.....	42,220	918,707	759,287

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES

SCHEDULE A
(CONTINUED)

August 31, 2003

SECURITY	SHARES	VALUE (\$)	COST (\$)
APPLERA CORP-CELERA GENOMICS.....	27,600	280,968	261,821
APPLIED INDUSTRIAL TECHNOLOGIES INC.....	15,500	351,075	278,616
APPLIED MATERIALS.....	23,100	499,653	448,260
AQUANTIVE INC.....	6,200	66,650	62,301
ARBITRON INC.....	5,300	195,994	166,637
ARCH CHEMICAL INC.....	10,900	233,478	237,507
ARCHER-DANIELS-MIDLAND CO.....	65,900	914,033	822,521
ARCHSTONE-SMITH TRUST.....	546,281	14,285,248	12,001,964
ARCTIC CAT INC.....	3,100	66,340	58,295
ARTESYN TECHNOLOGIES INC.....	19,800	159,390	123,830
ASBURY AUTOMOTIVE GROUP INC.....	5,300	91,584	72,632
ASCENTIAL SOFTWARE CORP.....	21,700	379,750	353,258
ASK JEEVES INC.....	124,500	2,267,145	1,680,964
ASPECT COMMUNICATIONS INC.....	19,400	159,662	151,339
ASSOCIATED BANC CORP.....	4,610	176,010	141,778
AT RD INC.....	149,000	2,007,030	1,975,593
AT&T CORPORATION.....	40,300	898,690	654,061
AT&T WIRELESS SERVICES INC.....	60,600	522,372	799,317
AUDIOVOX CORP.....	32,100	439,128	345,686
AUTONATION INC.....	52,500	986,475	659,551
AVALONE BAY COMMUNITIES INC.....	213,600	9,911,040	8,024,829
AVIALL INC.....	20,300	257,810	188,829
AVID TECHNOLOGY INC.....	53,400	2,653,980	1,668,325
AVISTA CORP.....	17,100	266,247	255,206
AVNET INC.....	58,150	1,049,608	1,103,643
AVON PRODUCTS INC.....	31,936	2,047,098	1,687,875
AZTAR CORP.....	14,700	253,575	244,987
BANCORPSOUTH INC.....	15,050	324,328	276,642
BANK OF AMERICA CORP.....	36,200	2,868,850	1,878,695
BANK OF HAWAII CORP.....	21,600	732,240	717,713
BARNES GROUP INC.....	132,400	3,343,100	2,515,600
BEBE STORES INC.....	67,300	1,551,265	1,407,018
BED BATH & BEYOND INC.....	17,800	767,714	551,319
BELDEN INC.....	3,850	70,609	78,726
BEST BUY CO INC.....	10,900	566,909	439,688
BIOLASE TECHNOLOGY INC.....	5,900	68,853	70,070
BIO-RAD LABORATORIES INC.....	3,400	173,910	138,903
BLACKROCK INC.....	6,450	293,282	240,593
BLOCKBUSTER INC.....	3,800	77,862	62,764
BMC SOFTWARE INC.....	15,548	228,245	275,448
BOK FINANCIAL CORP.....	2,366	93,741	76,687
BOSTON PROPERTIES INC.....	341,600	14,671,720	12,015,238
BOSTON SCIENTIFIC CORP.....	22,100	1,328,210	914,428
BOWNE & CO INC.....	268,100	3,895,493	3,256,930
BP AMOCO PLC.....	9,114	380,236	381,212
BRADY CORP.....	1,650	58,773	49,846
BRANDYWINE REALTY TRUST.....	7,800	190,710	199,198
BRIGGS & STRATTON CORP.....	7,800	458,640	370,405

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
BRINKER INTERNATIONAL INC.....	13,400	458,280	419,507
BROOKFIELD PROPERTIES CORP.....	629,800	14,686,936	11,954,165
BROOKS AUTOMATION INC.....	90,700	2,217,615	1,769,625
BROWN SHOE INC.....	9,800	303,800	151,304
BROWN-FORMAN.....	2,200	173,888	172,919
BRUSH ENGINEERED MATERIALS INC.....	9,600	86,016	77,193
BUILDING MATERIALS HOLDINGS CORP.....	12,400	148,688	174,711
BURLINGTON NORTHERN SANTA FE CORP.....	9,000	255,150	251,579
BURLINGTON RESOURCES INC.....	33,000	1,597,860	1,745,604
CABLE DESIGN TECHNOLOGIES CORP.....	13,350	100,125	137,081
CAL DIVE INTERNATIONAL INC.....	282,200	5,996,750	5,561,648
CALGON CARBON CORP.....	617,400	3,877,272	5,466,945
CALLAWAY GOLF CO.....	95,300	1,432,359	1,452,554
CAPITOL FEDERAL FINANCIAL.....	2,200	62,348	22,038
CAPSTEAD MORTGAGE CORP.....	4,750	58,995	69,865
CARDINAL HEALTH INC.....	13,500	768,555	625,502
CAREMARK RX INC.....	10,600	266,378	257,638
CARLISLE COS INC.....	1,400	63,686	55,152
CARNIVAL CORP.....	17,300	598,407	533,432
CARRAMERICA REALTY CORP.....	388,300	10,930,645	10,114,703
CASELLA WASTE SYSTEMS INC.....	6,200	75,330	52,371
CATO CORP.....	2,850	67,688	29,359
CBL & ASSOCIATES PROPERTIES INC.....	331,800	16,248,246	8,024,683
CBRL GROUP INC.....	5,900	205,792	207,722
CCC INFORMATION SERVICES GROUP.....	6,900	106,122	130,778
CEC ENTERTAINMENT INC.....	5,500	215,710	203,765
CELANESE AG.....	83,800	2,564,280	2,502,137
CELGENE CORP.....	1,800	69,282	45,029
CENTENE CORP DEL.....	39,000	1,092,000	980,225
CENTERPOINT PROPERTIES TRUST.....	224,700	14,245,980	10,014,211
CENTILLIUM COMMUNICATIONS INC.....	138,100	1,327,141	1,296,919
CENTRAL GARDEN & PET CO.....	8,600	238,994	181,104
CENTRAL PACIFIC FINANCIAL CORP.....	4,500	119,340	126,195
CENTRAL VERMONT PUBLIC SERVICES CORP.....	4,600	99,268	81,270
CHARMING SHOPPES.....	29,000	174,000	128,493
CHELSEA PROPERTY GROUP INC.....	454,600	20,888,870	11,959,600
CHESAPEAKE CORP.....	8,400	199,920	157,312
CHIRON CORP.....	10,200	518,262	382,063
CHOICE HOTELS INTERNATIONAL INC.....	2,700	87,750	73,919
CHRISTOPHER & BANKS CORP.....	42,900	1,274,130	1,127,292
CIMA LABS INC.....	147,400	3,978,326	3,318,066
CINCINNATI BELL INC.....	28,200	159,330	149,235
CIRCUIT CITY STORES INC.....	7,700	80,311	68,490
CISCO SYSTEM INC.....	111,828	2,140,388	1,826,761
CITIGROUP INC.....	91,443	3,964,054	3,393,834
CITRIX SYSTEMS INC.....	37,600	778,696	744,919
CLAIRES STORES INC.....	5,800	200,390	175,058
CNA FINANCIAL CORP.....	19,112	415,686	503,305

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES

SCHEDULE A
(CONTINUED)

August 31, 2003

SECURITY	SHARES	VALUE (\$)	COST (\$)
COCA COLA CO.....	8,200	356,864	389,837
COGNIZANT TECH SOLUTIONS.....	67,600	2,354,508	1,627,112
COGNOS INC.....	16,550	507,423	474,941
COHERENT INC.....	2,900	75,980	54,791
COHU INC.....	3,450	76,245	60,476
COLGATE-PALMOLIVE CO.....	36,095	1,995,332	1,915,950
COMCAST CORP.....	42,407	1,262,032	1,558,680
COMMERCE BANCSHARES INC.....	1,575	68,355	67,896
COMMERCIAL CAP BANCORP INC.....	65,200	1,372,460	958,188
COMMERCIAL FEDERAL CORP.....	13,950	345,960	301,725
COMMERCIAL METALS CO.....	16,700	330,326	251,211
COMMERCIAL NET LEASE REALTY INC.....	7,700	129,591	124,051
COMPUTER ASSOCIATES INTERNATIONAL INC.....	66,300	1,699,269	1,465,676
COMPUTER NETWORK TECHNOLOGY.....	10,400	82,160	79,785
COMPUTER SCIENCES CORP.....	31,600	1,345,212	1,139,278
COMSTOCK RESOURCES INC.....	12,300	182,655	164,363
COMTECH TELECOMMUNICATIONS COR.....	5,200	126,412	96,584
COMVERSE TECHNOLOGY INC.....	4,000	65,600	60,853
CONCUR TECHNOLOGIES INC.....	6,000	66,660	58,789
CONNETICS CORP.....	11,300	211,762	176,349
CONOCOPHILLIPS.....	13,356	745,799	681,687
CONTINENTAL AIRLINES.....	4,800	73,248	70,871
CONVERGYS CORP.....	15,800	284,400	265,519
COPART INC.....	18,600	186,930	180,398
CORIXA CORP.....	12,800	101,632	83,897
CORNING INC.....	54,700	451,275	445,154
CORPORATE OFFICE PROPERTIES TRUST INC.....	168,800	3,122,800	2,201,246
CORRECTIONAL PROPERTIES TRUST.....	4,000	101,960	110,566
CORUS BANKSHARES INC.....	4,900	253,330	233,054
COSTCO WHOLESALE CORP.....	33,500	1,080,375	1,217,400
COVENANT TRANSPORTATION INC.....	3,700	62,715	62,926
CSG SYSTEMS INTERNATIONAL INC.....	17,200	267,460	243,189
CT COMMUNICATIONS INC.....	850	10,675	13,502
CULLEN/FROST BANKERS INC.....	186,600	7,103,862	5,440,024
CUMMINS INC.....	140,700	7,012,488	3,468,928
CURTISS-WRIGHT CORP.....	3,600	244,800	221,773
CV THERAPEUTICS INC.....	65,500	1,683,350	1,662,257
CVS CORP.....	14,300	466,180	386,071
CYTYC CORP.....	7,500	98,100	99,098
D & K HEALTHCARE RESOURCES INC.....	4,300	66,306	66,400
DADE BEHRING HOLDINGS INC.....	7,400	206,460	169,514
DAKTRONICS INC.....	9,300	150,753	144,311
DAVE & BUSTERS INC.....	8,600	86,344	68,873
DBS GROUP HOLDINGS LTD.....	51,000	366,563	267,521
DEAN FOODS CO.....	7,500	217,875	220,714
DELL INC.....	111,400	3,633,868	3,053,765
DELPHI CORP.....	28,504	258,246	191,015
DELTA & PINE LAND CO.....	251,500	6,262,350	5,734,598

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
DELUXE CORP.....	22,300	952,210	954,264
DEVON ENERGY CORP.....	12,900	667,575	600,024
DIAL CORP.....	237,600	4,816,152	3,042,423
DIGENE CORP.....	4,700	178,647	136,413
DIGITAL INSIGHT CORP.....	96,500	2,307,701	2,074,659
DIVERSA CORP.....	12,850	116,562	154,542
DOLLAR THRIFTY AUTOMOTIVE.....	5,000	118,750	85,720
DORAL FINANCIAL CORP.....	2,800	114,940	116,221
DOT HILL SYSTEM CORP.....	4,200	69,216	66,438
DUKE REALTY CORP.....	458,400	12,683,928	9,997,644
DURA AUTOMOTIVE SYSTEM INC.....	7,300	76,504	101,910
EAST GROUP PROPERTIES INC.....	3,000	81,900	64,976
EAST WEST BANCORP INC.....	53,500	2,371,655	1,674,770
EATON CORP.....	9,100	852,124	737,043
EBAY INC.....	33,600	1,861,776	1,386,324
ECHOSTAR COMMUNICATIONS.....	6,000	222,300	196,658
ECOLLEGE.....	5,800	79,460	65,096
EDO CORP.....	225,000	4,617,000	6,044,505
EFUNDS CORP.....	5,500	70,235	89,405
EL PASO ELECTRIC CO.....	5,600	62,440	67,212
ELECTRONIC ARTS.....	6,150	553,316	424,688
ELECTRONICS FOR IMAGING INC.....	74,900	1,604,358	1,554,566
ENDO PHARMACEUTICALS HOLDINGS INC.....	4,600	77,280	78,538
ENGINEERED SUPPORT SYSTEMS INC.....	6,100	357,826	233,450
ENSCO INTERNATIONAL INC.....	6,900	192,855	192,573
ENTEGRIS INC.....	88,900	1,308,608	946,938
ENTERASYS NETWORKS INC.....	39,300	226,761	122,650
ENTERGY CORP.....	35,600	1,867,220	1,449,803
ENZO BIOCHEM INC.....	185	3,293	2,570
EPIX MEDICAL INC.....	91,000	1,731,730	1,409,259
EQUITY RESIDENTIAL PROPERTY.....	638,300	18,561,764	15,994,880
EQUITY OFFICE PROPERTIES TRUST.....	557,347	15,505,394	14,652,531
EQUITY ONE INC.....	199,500	3,401,475	1,993,215
ERESEARCH TECHNOLOGY INC.....	3,300	105,138	93,039
ESCO TECHNOLOGIES INC.....	1,500	70,575	68,385
ESPERION THERAPEUTICS INC.....	4,100	74,169	69,522
ESSEX PROPERTIES TRUST.....	125,600	7,893,960	5,998,760
ESTERLINE TECHNOLOGIES CORP.....	7,600	150,176	133,820
EVERGREEN RESOURCES INC.....	42,300	2,363,301	1,958,796
EXAR CORP.....	59,400	969,408	1,087,403
EXPRESSJET HOLDINGS INC.....	6,300	85,365	87,227
EXULT INC.....	10,000	84,600	74,615
EXXON MOBIL CORP.....	130,574	4,922,640	5,117,287
FACTSET RESEARCH SYSTEMS INC.....	5,000	242,750	224,074
FAMILY DOLLAR GENERAL.....	4,904	196,748	137,345
FEDERAL NATIONAL MORTGAGE ASSOCIATION.....	10,200	660,858	718,534
FELCOR LODGING TRUST.....	17,350	167,254	266,129
FIDELITY NATIONAL FINANCIAL INC.....	5,800	167,620	171,954

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
FIFTH THIRD BANCORP.....	7,500	439,500	420,346
FILENET CORP.....	9,700	204,185	155,474
FINDWHAT.COM.....	52,900	1,153,220	1,135,859
FINISH LINE INC.....	36,300	984,093	631,728
FIRST CITIZENS BANCSHARES INC.....	3,000	321,630	241,282
FIRST FINANCIAL BANSHARES INC.....	2,000	74,320	67,107
FIRST INDUSTRIAL REALTY TRUST INC.....	2,200	66,990	66,686
FIRST NIAGARA FINANCIAL GROUP INC.....	4,400	65,780	68,598
FLAGSTAR BANCORP INC.....	12,500	244,125	268,215
FLEET BOSTON FINANCIAL CORP.....	75,514	2,234,459	1,830,999
FLORIDA EAST COAST INDUSTRY.....	85,700	2,648,130	1,970,188
FLOWERS FOOD INC.....	9,501	201,136	156,575
FLUSHING FINANCIAL CORP.....	5,600	124,152	113,906
FORD MOTOR CO.....	44,300	512,108	432,150
FOREST LABS INC.....	2,100	98,700	76,238
FOUNDRY NETWORKS INC.....	3,800	73,758	68,129
FOX ENTERTAINMENT GROUP INC.....	57,200	1,806,376	1,384,658
FPL GROUP INC.....	12,400	767,064	735,737
FREEPORT-MCMORAN COPPER & GOLD INC.....	6,973	209,190	121,060
FREMONT GENERAL CORP.....	10,800	139,104	78,066
FULTON FINANCIAL CORP.....	3,178	64,196	48,497
GABELLI ASSET MANAGEMENT INC.....	3,200	120,640	117,108
GAME STOP CORP.....	6,400	106,432	97,671
GATX CORP.....	4,600	97,428	96,156
GBC BANCORP CALIFORNIA.....	1,700	65,979	61,836
GENE LOGIC INC.....	22,500	114,975	195,972
GENERAL CABLE CORP.....	7,600	68,628	117,233
GENERAL DYNAMICS CORP.....	2,600	223,886	173,624
GENERAL ELECTRIC CO.....	160,844	4,756,157	6,031,417
GENERAL GROWTH PROPERTIES INC.....	493,900	34,251,965	16,158,799
GENERAL MOTORS CLASS H.....	16,700	249,498	202,154
GENERAL MOTORS CORP.....	37,500	1,541,250	2,021,030
GENERAL PROBE INC.....	3,100	196,354	122,698
GENESIS MICROCHIP INC.....	13,400	162,944	180,822
GENETECH INC.....	4,648	369,051	151,875
GENTIVA HEALTH SERVICES INC.....	10,900	115,322	96,071
GENZYME CORP.....	4,950	233,294	227,757
GEORGIA-PACIFIC CORP.....	9,600	222,432	142,733
GETTY IMAGES INC.....	31,450	1,283,160	1,056,659
GILEAD SCIENCES INC.....	34,450	2,297,126	1,689,899
GILLETTE CO.....	14,300	464,178	449,292
GLADSTONE COML CORP.....	66,600	1,002,330	997,709
GLENBOROUGH REALTY.....	13,850	254,148	255,051
GLOBAL INDUSTRIES LTD.....	11,700	56,862	62,004
GLOBESPANVIRATA INC.....	16,100	122,521	132,885
GOLDEN TELECOM INC.....	2,000	64,920	63,229
GRAINGER W W INC.....	4,655	231,959	212,789
GRANT PRIDECO INC.....	453,500	5,260,600	4,416,161

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
GREAT ATLANTIC & PACIFIC TEA CO.....	15,300	146,421	253,191
GREEN MOUNTAIN COFFEE INC.....	3,100	61,194	64,657
GRIFFON CORP.....	10,620	200,187	122,189
GROUP 1 AUTOMOTIVE INC.....	1,800	67,770	58,526
GROUP 1 SOFTWARE INC.....	7,500	128,550	139,651
GRUPO TELEVISIA SA.....	37,387	1,402,013	1,265,675
GTECH HOLDINGS CORP.....	167,000	7,077,460	3,632,897
GUIDANT CORP.....	4,300	215,860	154,904
GUITAR CENTER INC.....	4,200	140,868	135,541
GYMBOREE CORP.....	3,600	58,644	49,419
HALLIBURTON CO.....	69,565	1,682,082	1,378,061
HANDLEMAN CO.....	25,100	452,302	362,683
HARLAND JOHN H CO.....	4,600	115,874	113,132
HARLEY-DAVIDSON INC.....	19,000	946,580	859,188
HARRIS CORP.....	176,000	5,843,200	3,879,046
HAVERTY FURNITURE COMPANY.....	3,950	68,572	44,705
HEALTH NET INC.....	16,337	520,007	466,459
HEALTHCARE REALTY TRUST INC.....	6,500	205,790	174,107
HEARST ARGYLE TELEVISION INC.....	9,900	240,174	232,082
HERITAGE PROPERTY INVESTMENT TRUST INC.....	80,600	2,208,440	1,998,704
HEWITT ASSOCIATES INC.....	2,800	69,860	69,676
HEWLETT PACKARD CO.....	140,331	2,796,797	2,827,119
HILTON HOTELS CORP.....	340,600	5,204,368	3,995,435
HOLOGIC INC.....	4,200	68,842	31,756
HOME DEPOT INC.....	20,200	649,632	672,895
HOME PROPERTIES NY INC.....	151,800	5,684,910	3,998,693
HONG KONG LAND HOLDINGS.....	134,000	179,560	182,569
HORIZON FINANCIAL CORP.....	3,600	61,920	58,409
HOST MARRIOTT CORP.....	888,300	8,900,766	8,008,864
HOT TOPIC INC.....	2,300	81,627	61,856
HOUSTON EXPLORATION CO.....	3,500	120,015	103,526
HRPT PROPERTIES TRUST.....	66,000	598,620	578,785
HUGHES SUPPLY INC.....	7,150	253,825	200,035
HUNT J B TRANSPORTATION SERVICES INC.....	37,300	1,852,691	1,169,688
HYDRIL CO.....	4,400	102,960	114,940
HYPERCOM CORP.....	13,500	66,825	55,994
IBERIABANK CORP.....	2,600	124,800	107,347
IBM CORP.....	22,100	1,812,421	2,363,161
IDEXX LABORATORIES.....	4,900	203,399	130,633
IDT CORP.....	172,050	3,014,316	2,885,295
IDT CORP CL B.....	235,200	4,184,208	3,655,679
IDX SYSTEMS CORP.....	5,000	102,650	81,751
II-VI INC.....	4,050	101,250	90,067
IKON OFFICE SOLUTIONS INC.....	12,400	89,404	116,486
IMAGISTICS INTERNATIONAL INC.....	3,600	102,960	96,579
IMATION CORP.....	172,400	6,197,780	5,929,659
IMMUCOR INC.....	2,800	70,000	49,973
INCYTE PHARMACEUTICALS INC.....	12,700	50,292	62,878

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
INDEPENDENT BANK CORP.....	2,500	71,625	63,926
INET TECHNOLOGIES INC.....	10,100	127,947	75,986
INFINITY PROPERTY & CASUALTY CORP.....	40,500	1,085,400	649,214
INFOCUS CORP.....	13,300	68,894	95,107
INFOSPACE INC.....	10,400	164,320	145,525
INFOUSA INC.....	3,900	36,387	45,626
INGRAM MICRO INC.....	13,400	189,610	204,699
INNOVEX INC.....	6,800	89,624	72,716
INSIGHT COMMUNICATIONS INC.....	11,700	134,901	150,393
INSIGHT ENTERPRISES INC.....	10,300	185,194	198,876
INTEL CORPORATION OF CALIFORNIA.....	159,440	4,558,390	5,385,890
INTERGRAPH CORP.....	6,650	158,204	99,601
INTERPORE INTERNATIONAL.....	72,200	1,098,162	860,461
INTER-TEL INC.....	2,400	60,888	39,037
INTUIT.....	33,735	1,535,280	1,626,468
INVESTMENT TECHNOLOGY GROUP.....	54,300	990,432	1,011,838
INVITROGEN CORP.....	5,900	341,433	204,357
IOMEGA CORP.....	5,500	63,690	67,222
IPASS INC.....	101,800	2,137,800	1,880,628
IRON MOUNTAIN INC.....	15,800	584,600	455,002
IRWIN FINANCIAL CORP.....	2,600	58,526	65,687
ITT EDUCATIONAL SERVICES INC.....	2,800	121,380	83,203
J & J SNACK FOODS CORP.....	3,400	119,408	130,143
J2 GLOBAL COMMUNICATIONS INC.....	31,200	1,950,000	1,450,248
JARDEN CORP.....	204,600	6,725,202	5,051,025
JETBLUE AIRWAYS CORP.....	3,900	210,210	125,171
JO-ANN STORES INC.....	2,300	69,460	46,098
JOHNSON & JOHNSON.....	66,668	3,305,399	2,819,530
JOHNSON CONTROLS.....	2,000	198,000	124,811
JOS A BANK CLOTHIERS INC.....	23,500	1,104,500	812,281
JP MORGAN CHASE & CO.....	81,600	2,792,352	2,859,664
K2 INC.....	5,100	91,239	64,421
KAMAN CORP.....	11,300	144,075	128,747
KANSAS CITY LIFE INSURANCE CO.....	1,500	63,675	51,289
KEANE INC.....	10,400	153,192	134,163
KELLWOOD CO.....	8,300	303,033	212,801
KENNAMETAL INC.....	152,000	5,976,640	6,029,968
KEYSTONE PROPERTY TRUST CORP.....	3,100	60,853	49,122
KIMBALL INTERNATIONAL INC.....	11,450	172,094	174,754
KIMCO REALTY CORP.....	811,200	33,810,816	21,019,145
KINDRED HEALTHCARE INC.....	2,200	72,050	59,240
KNIGHT TRADING GROUP INC.....	14,500	135,720	74,238
KONINKLIJKE PHILIPS ELECTRIC.....	4,400	107,360	142,267
KOS PHARMACEUTICALS INC.....	15,600	589,368	334,572
KRAFT FOODS INC.....	60,800	1,805,760	1,978,191
K-SWISS INC.....	7,100	282,225	251,656
KVH INDUSTRIES INC.....	59,200	1,643,333	1,138,515
KYPHON INC.....	71,200	1,690,288	1,414,622

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
LA QUINTA PROPERTIES INC.....	43,500	236,640	216,204
LANDAMERICA FINANCIAL GROUP INC.....	16,500	757,350	535,171
LANDSTAR SYSTEM INC.....	57,500	3,545,450	2,663,834
LANNET INC.....	4,500	81,900	94,686
LEAPFROG ENTERPRISES INC.....	34,250	1,284,375	1,091,914
LEGATO SYSTEMS INC.....	8,100	91,692	54,209
LEHMAN BROTHERS HOLDINGS.....	19,800	1,301,454	1,089,416
LENNOX INTERNATIONAL INC.....	16,600	268,256	260,021
LEXAR MEDIA INC.....	11,800	196,824	63,830
LEXMARK INTERNATIONAL GROUP INC.....	23,400	1,568,736	1,533,913
LIBERTY CORP.....	4,400	188,760	175,542
LIBERTY MEDIA CORP.....	157,100	1,900,910	1,819,781
LIFEPOINT HOSPITALS INC.....	76,300	2,198,203	1,857,382
LILLY ELI & CO.....	24,400	1,623,332	1,554,443
LINEAR TECHNOLOGY CORP.....	17,900	738,196	654,237
LITTLEFUSE INC.....	2,700	68,175	91,677
LNR PROPERTY CORPORATION.....	5,800	232,000	213,556
LOEWS CORP.....	41,837	1,722,011	1,789,045
LONE STAR STEAKHOUSE & SALOON.....	9,400	203,322	150,691
LONGS DRUG STORES CORP.....	9,600	219,840	164,700
LONGVIEW FIBRE CO.....	7,300	71,759	68,798
LOOKSMART LTD.....	23,100	75,075	70,681
LOUISIANA-PACIFIC CORP.....	10,050	132,158	98,652
LUFKIN INDUSTRIES.....	3,300	84,810	90,497
M/I SCHOTTENSTEIN HOMES INC.....	6,600	286,308	276,006
MACK CALIFORNIA REALTY CORP.....	2,000	73,600	72,599
MACROVISION CORP.....	8,200	153,586	155,597
MAGUIRE PROPERTIES INC.....	309,400	6,497,400	5,997,502
MANOR CARE INC.....	3,300	91,080	91,762
MARATHON OIL CORP.....	2,000	55,780	63,654
MARITRANS INC.....	4,400	68,860	67,101
MARRIOTT INTERNATIONAL INC.....	305,400	12,469,482	12,002,511
MARSH & MCLENNAN COS INC.....	21,468	1,073,400	966,698
MARVEL ENTERTAINMENT GROUP INC.....	96,800	2,119,920	1,981,357
MAVERICK TUBE CORP.....	95,100	1,615,749	1,624,180
MAXTOR CORP.....	24,100	275,463	120,016
MBNA CORP.....	35,500	828,570	678,393
MCCLATCHY NEWSPAPERS INC.....	2,100	125,412	88,422
MCDATA CORP.....	13,700	138,918	199,949
MCKESSON CORP.....	55,000	1,800,700	1,690,496
MEDCO HEALTH SOLUTIONS INC.....	11,035	294,631	274,129
MEDIMMUNE INC.....	4,800	166,560	158,220
MEDTRONIC INC.....	20,600	1,021,348	986,305
MEMBERWORKS INC.....	5,700	205,770	111,418
MEMC ELECTRONICS MATERIALS.....	5,500	71,390	63,224
MENTOR GRAPHICS CORP.....	16,600	335,818	263,251
MERCK & CO INC.....	91,500	4,604,280	4,865,252
MERRILL LYNCH & CO.....	40,100	2,156,578	2,154,617

PERMANENT UNIVERSITY FUND
EQUITY SECURITIES

SCHEDULE A
(CONTINUED)

August 31, 2003

SECURITY	SHARES	VALUE (\$)	COST (\$)
METHODE ELECTRONICS INC.....	10,200	122,910	75,468
METLIFE INC.....	60,760	1,726,799	1,636,185
METROLOGIC INSTRUMENTS INC.....	1,750	70,473	40,628
MICREAL INC.....	6,100	82,838	61,997
MICROCHIP TECHNOLOGY INC.....	22,500	630,225	539,734
MICROMUSE INC.....	9,800	80,164	76,802
MICROS SYSTEMS INC.....	2,900	106,024	77,369
MICROSEMI CORP.....	8,800	174,064	127,564
MICROSOFT CORP.....	199,252	5,284,163	5,843,982
MID AMERICA APARTMENT COMMUNITIES INC.....	2,600	76,414	63,114
MILLIPORE CORP.....	130,800	5,938,320	4,013,926
MONDAVI ROBERT CORP.....	3,800	104,500	135,872
MONSANTO CO.....	81,769	2,102,281	1,425,621
MONY (THE) GROUP INC.....	16,600	465,464	477,012
MOODYS CORP.....	24,600	1,275,756	1,024,199
MOOG INC.....	3,450	130,065	91,989
MORGAN STANLEY DEAN WITTER.....	32,700	1,595,433	1,198,686
MOTOROLA INC.....	202,609	2,173,995	1,716,341
MOVIE GALLERY INC.....	10,000	214,200	124,882
MPS GROUP INC.....	54,700	522,385	417,831
MTS SYSTEM CORP.....	9,100	121,940	112,923
MYLAN LABORATORIES.....	39,700	1,445,080	1,059,352
NACCO INDUSTRY INC.....	7,000	543,900	397,343
NATIONAL CITY CORP.....	12,400	392,832	387,305
NATIONAL HEALTH INVESTORS INC.....	10,800	219,672	169,539
NATIONAL OILWELL INC.....	265,000	5,188,700	3,776,658
NATIONWIDE FINANCIAL SERVICES INC.....	10,110	298,245	300,208
NAUTILUS GROUP INC.....	5,000	58,500	61,990
NAVIGANT CONSULTING INC.....	8,700	132,240	123,013
NCI BUILDING SYSTEMS INC.....	3,600	69,120	61,594
NCO GROUP INC.....	7,000	148,400	130,106
NDCHEALTH CORP.....	6,100	129,198	122,493
NEKTER THERAPEUTICS.....	16,800	192,696	156,903
NEOPHARM INC.....	4,900	68,845	70,198
NETEGRITY INC.....	13,100	126,677	80,319
NETIQ CORP.....	4,600	62,514	73,126
NEUROCRINE BIOSCIENCES INC.....	6,300	337,365	325,237
NEW FOCUS INC.....	16,000	60,800	53,597
NEXTEL COMMUNICATIONS INC.....	60,100	1,161,733	764,953
NORTHEAST UTILITIES.....	4,700	81,169	78,020
NOVASTAR FINANCIAL INC.....	6,700	363,475	350,008
NOVELL INC.....	56,500	284,195	212,697
NU SKIN ENTERPRISES INC.....	23,700	267,810	269,236
NUVEEN INVESTMENTS INC.....	12,000	312,840	254,070
O M GROUP INC.....	7,300	98,404	112,990
OAKBAY ORDINARY SHARES.....	1,620,364	0	810,183
OCCIDENTAL PETROLEUM CORP.....	56,500	1,939,645	1,647,940
OCEANEERING INTERNATIONAL INC.....	5,250	129,045	126,543

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
OCEANFIRST FINANCIAL CORP.....	10,050	259,793	134,916
OFFICEMAX INC.....	10,800	100,440	62,912
OHIO CASUALTY CORP.....	4,400	60,720	59,187
OPEN TEXT CORP.....	43,100	1,599,872	1,468,727
ORACLE SYSTEMS CORP.....	268,800	3,448,704	3,058,728
OVERSEAS SHIPHOLDING GROUP.....	4,700	121,777	105,564
OVERTURE SERVICES INC.....	4,600	114,678	110,520
OWENS & MINOR INC.....	20,000	466,000	349,625
OXFORD HEALTH PLANS INC.....	7,500	271,875	297,726
PAB BANKSHARES INC.....	4,600	59,708	59,005
PACIFIC CAPITAL BANCORP.....	2,300	75,992	80,852
PACIFIC SUNWEAR CALIFORNIA INC.....	44,300	1,486,265	1,076,920
PACIFICARE HEALTH SYSTEM.....	10,872	541,426	281,103
PACKETEER INC.....	4,800	71,184	68,245
PAN PACIFIC RETAIL PROPERTIES INC.....	286,400	12,057,440	8,005,669
PAPA JOHNS INTERNATIONAL INC.....	7,800	196,560	215,622
PARAMETRIC TECHNOLOGY CORP.....	1,112,700	3,716,418	3,898,256
PAREXEL INTERNATIONAL CORP.....	6,300	106,029	80,787
PATHMARK STORES INC NEW.....	16,200	141,750	196,639
PATINA OIL & GAS CORP.....	11,150	413,108	260,636
PC CONNECTION INC.....	4,150	43,575	65,015
PEC SOLUTIONS INC.....	104,300	2,116,247	2,048,722
PEGASUS COMMUNICATIONS.....	3,200	61,664	71,181
PENNEY J C INC.....	102,100	2,166,562	1,966,623
PEPSICO INC.....	10,700	476,578	484,881
PEROT SYSTEMS CORP.....	40,600	416,556	415,229
PERRIGO CO.....	21,150	297,158	253,246
PETCO ANIMAL SUPPLIES INC.....	3,100	99,510	68,230
PF CHANGS CHINA BISTRO.....	15,800	732,646	546,752
PFF BANCORP INC.....	8,500	340,935	304,598
PFIZER INC.....	152,720	4,569,382	5,454,580
PG&E CORP.....	8,088	179,311	104,971
PHARMACOPEIA INC.....	9,750	119,438	131,436
PHOENIX COS INC.....	6,400	67,968	51,986
PHOTRONICS INC.....	90,900	2,207,052	2,026,642
PILGRIMS PRIDE CORP.....	16,200	209,142	163,855
PIONEER STANDARD ELECTRONICS INC.....	38,000	368,220	382,149
PLAINS EXPLORATION & PRODUCTION.....	165,000	2,014,650	1,181,642
PLAINS RESOURCES INC.....	165,000	2,245,650	1,574,311
PLANTRONICS INC.....	14,200	358,834	292,400
PLATINUM UNDERWRITERS HOLDINGS.....	199,100	5,405,565	4,867,441
PMA CAPITAL CORP.....	167,950	2,087,619	1,739,535
PNC FINANCIAL SERVICES GROUP.....	15,776	750,938	686,229
PNM RESEARCH INC.....	2,300	63,020	62,298
POLYONE CORP.....	33,900	149,838	208,139
POWER-ONE INC.....	119,200	1,407,752	1,205,629
PRACTICEWORKS INC.....	3,600	77,112	76,605
PRAXAIR INC.....	2,000	127,640	108,610

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
PRE PAID LEGAL SERVICES INC.....	12,300	275,766	311,820
PRICELINE COM INC.....	60,583	2,392,423	1,305,569
PRINCIPAL FINANCIAL GROUP.....	45,673	1,436,873	1,368,298
PROASSURANCE CORPORATION.....	176,800	4,550,832	3,316,444
PROCTER & GAMBLE CO.....	42,300	3,692,367	3,146,452
PROLOGIS TRUST.....	530,372	14,951,187	10,014,911
PROTECTIVE LIFE CORP.....	188,300	5,477,647	3,146,530
PRUDENTIAL FINANCIAL INC.....	59,538	2,167,779	1,818,755
PS BUSINESS PARKS INC.....	4,950	188,100	115,474
PSS WORLD MEDICAL INC.....	18,050	167,143	157,266
PUBLIC STORAGE INC.....	341,200	12,586,868	7,994,021
PULITZER INC.....	12,300	631,605	542,878
PUMA TECHNOLOGY INC.....	18,300	61,305	61,188
QAD INC.....	8,300	76,609	64,595
QUALCOMM INC.....	61,700	2,550,061	2,261,146
QUANTA SERVICES INC.....	9,100	86,541	64,543
QUINTILES TRANSNATIONAL CORP.....	22,300	317,552	256,670
R & G FINANCIAL.....	6,400	190,720	189,985
RADISYS CORP.....	2,750	48,813	62,002
RADWARE LTD.....	91,600	1,722,080	1,680,733
RALCORP HOLDINGS INC.....	2,500	71,050	66,180
RAMBUS INC.....	6,500	108,420	118,721
RED ROBIN GOURMET BURGERS INC.....	68,500	1,551,525	1,314,213
REDWOOD TRUST INC.....	3,800	164,160	101,735
REGENCY CENTERS CORP.....	116,800	4,120,704	3,998,358
REGENT COMMUNICATIONS INC.....	328,600	1,968,314	1,919,610
RELIANCE STEEL & ALUMINUM CO.....	2,800	64,596	76,689
REPUBLIC SERVICES INC.....	13,100	322,522	277,799
RESPIRONICS INC.....	1,700	71,009	57,488
REYNOLDS RJ TOP HOLDINGS INC.....	32,100	1,096,215	1,206,639
ROADWAY CORP.....	2,000	93,500	76,877
ROCK-TENN CO.....	7,600	122,740	104,473
ROCKWELL AUTOMATION INC.....	21,034	572,545	423,975
ROFIN SINAR TECHNOLOGIES INC.....	4,000	83,520	58,497
ROLLINS INC.....	7,300	130,889	139,204
ROSS STORES INC.....	5,400	271,458	193,471
ROUSE CO.....	312,000	12,439,440	10,010,914
ROYAL DUTCH PETROLEUM COMPANY.....	6,700	300,629	323,690
ROYAL GOLD INC.....	2,900	70,963	48,622
RSA SECURITY INC.....	12,100	146,652	134,623
RTI INTERNATIONAL METALS INC.....	16,600	174,300	199,835
RUBY TUESDAY INC.....	258,000	5,874,660	4,722,923
RUDDICK CORP.....	5,800	96,222	95,386
RYANS FAMILY STEAK HOUSES INC.....	4,600	61,548	63,438
RYERSON TULL INC.....	20,800	180,752	151,912
SAFENET INC.....	62,100	2,229,390	1,958,549
SAGEGUARD SCIENTIFICS INC.....	25,300	66,033	69,975
SANDISK CORP.....	13,200	797,940	403,520

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SANMINA-SCI CORP.....	8,300	74,783	65,683
SAP AG.....	700	20,958	15,448
SAVIENT PHARMACEUTICALS INC.....	30,900	135,960	183,440
SBC COMMUNICATIONS INC.....	120,837	2,713,999	2,996,202
SBS TECHNOLOGIES.....	4,350	50,025	82,981
SCANSOFT INC.....	10,700	46,866	73,799
SCHOLASTIC CORP.....	165,200	4,789,148	6,054,555
SCIENTIFIC-ATLANTA INC.....	7,100	241,400	213,490
SCOTTISH ANNUITY & LIFE HOLDINGS.....	67,900	1,560,342	1,482,776
SEAGATE TECHNOLOGY INC.....	42,300	0	0
SELECT COMFORT CORP.....	3,000	69,870	48,264
SELECT MEDICAL CORP.....	52,500	1,512,000	1,170,706
SEPRACOR INC.....	63,700	1,714,804	1,675,418
SEROLOGICALS CORP.....	7,900	109,810	118,290
SHELL TRANSPORTATION & TRADING.....	50,743	1,950,561	1,949,795
SHERWIN WILLIAMS CO.....	6,000	180,480	141,572
SHOPKO STORES INC.....	29,100	400,707	385,483
SHUFFLE MASTER INC.....	61,800	1,789,728	1,846,652
SHURGARD STORAGE CENTERS.....	133,400	4,495,580	4,000,164
SIERRA PACIFIC RESOURCES.....	10,600	53,318	59,844
SIGMA DESIGNS INC.....	20,100	184,719	214,816
SILICON LABORATORIES INC.....	1,700	75,548	48,277
SILICON STORAGE TECHNOLOGY INC.....	14,800	124,320	63,782
SILICON VALLEY BANCSHARES.....	28,300	667,880	685,299
SIMON PROPERTY GROUP INC.....	390,300	16,669,713	9,986,529
SINCLAIR BROADCAST GROUP INC.....	11,900	132,328	131,735
SIX FLAGS INC.....	13,400	71,690	90,617
SKYWEST INC.....	108,600	1,898,328	1,857,113
SKYWORKS SOLUTIONS INC.....	19,000	215,840	130,714
SL GREEN REALTY CORP.....	362,900	12,763,193	10,198,978
SLM CORP.....	50,505	2,029,291	1,816,091
SMITH A O CORP.....	7,050	253,095	142,315
SMITHFIELD FOODS INC.....	10,400	210,600	218,114
SOHO COM INC.....	2,200	65,824	74,447
SOLA INTERNATIONAL INC.....	4,200	71,820	71,920
SONIC AUTOMATIC INC.....	45,100	1,240,250	1,148,621
SONICWALL INC.....	12,100	76,593	60,212
SONUS NETWORKS INC.....	267,600	1,897,284	1,836,407
SOUND FEDERAL BANCORP INC.....	4,700	73,414	62,875
SOUTH FINANCIAL GROUP INC.....	4,900	120,442	104,602
SOUTHERN UNION CO.....	302,400	5,098,464	4,521,568
SOUTHTRUST CORP.....	13,200	382,668	333,802
SOUTHWEST AIRLINES CO.....	8,800	150,392	106,154
SOUTHWEST BANCORP TEXAS INC.....	65,300	2,414,794	2,038,850
SOUTHWEST GAS CORP.....	3,800	85,842	89,409
SPHERION CORP.....	32,850	228,308	268,629
SPORTS AUTHORITY INC.....	4,736	153,352	81,243
SPRINT CORP.....	83,000	1,225,910	1,156,483

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SPSS INC.....	3,900	74,334	64,462
SPX CORP.....	4,000	197,400	174,393
SRA INTERNATIONAL INC.....	51,600	1,876,692	1,576,746
STAGE STORES INC.....	6,200	173,042	154,350
STANDARD REGISTER CO.....	8,350	149,048	144,158
STANDEX INTERNATIONAL CORP.....	2,800	64,120	47,871
STAPLES INC.....	79,200	1,957,824	1,481,007
STARBUCKS CORP.....	40,335	1,145,111	987,959
STARWOOD HOTELS & RESORTS.....	575,900	19,482,697	15,990,123
STATEN ISLAND BANCORP INC.....	7,700	160,006	153,691
STEELCASE INC.....	9,400	111,296	104,642
STERICYCLE INC.....	18,000	862,380	524,547
STERLING BANCORP.....	2,960	93,625	81,756
STEWART & STEVENSON SERVICES.....	10,250	183,475	125,492
STEWART ENTERPRISES.....	26,600	109,592	107,237
STEWART INFORMATION SERVICES.....	24,150	706,629	491,259
STONE ENERGY CORP.....	5,800	224,460	241,408
STORAGE TECHNOLOGY.....	2,400	61,464	49,813
STRATASYS INC.....	3,800	154,622	103,482
STRYKER CORP.....	12,300	932,340	576,856
SUN BANCORP INC N J.....	3,500	75,565	68,251
SUNOCO INC.....	58,800	2,389,044	2,188,260
SUNTRUST BANKS.....	18,800	1,149,244	1,113,042
SUSQUEHANNA BANCSHARES INC.....	2,600	68,562	59,486
SWIFT ENERGY CO.....	5,200	67,080	45,661
SYBASE INC.....	9,300	157,263	130,077
SYSCO CORP.....	102,600	3,227,796	2,353,187
SYSTEMS & COMPUTER TECHNOLOGY.....	6,900	75,348	75,519
TALBOTS INC.....	131,100	4,807,437	3,293,432
TALK AMERICAN HOLDINGS INC.....	6,500	83,590	69,612
TARGET CORP.....	22,300	905,380	806,713
TECHNE CORP.....	5,100	171,768	147,917
TEKTRONIX INC.....	235,400	5,564,856	4,027,459
TELEDYNE INC.....	4,400	67,100	75,834
TELETECH HOLDINGS INC.....	15,150	79,083	95,219
TEREX CORP.....	4,800	110,880	91,456
TESORO PETROLEUM CORP.....	26,700	238,698	148,633
TEVA PHARMACEUTICAL INDUSTRIES LTD.....	8,050	471,408	431,342
TEXAS INSTRUMENTS INC.....	55,500	1,323,675	1,044,610
TEXAS REGIONAL BANCSHARES INC.....	65,500	2,201,455	2,221,933
THOR INDUSTRIES INC.....	3,500	189,665	143,918
THORATEC CORP.....	6,800	102,000	92,582
TIER TECHNOLOGIES INC.....	7,300	75,190	56,148
TIERONE CORP.....	44,300	985,675	1,024,165
TIFFANY & CO.....	5,800	225,736	226,222
TIME WARNER TELECOM INC.....	25,800	150,414	168,543
TLC VISION CORP.....	236,700	1,271,079	829,037
TOMMY HILFIGER CORP.....	194,700	2,402,598	2,178,672

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
TORO CO.....	1,700	79,866	68,755
TRADESTATION GROUP INC.....	30,000	298,500	297,031
TRANSACTION SYSTEMS ARCHITECTS INC.....	9,800	139,758	88,773
TRAVELERS PROPERTY CASUALTY.....	20,396	315,934	334,895
TRIAD HOSPITALS INC.....	49,900	1,616,760	1,496,624
TROY FINANCIAL CORP.....	1,900	66,956	51,319
TUESDAY MORNING CORP.....	2,200	76,164	38,797
TURNSTONE SYSTEMS INC.....	10,250	28,803	69,645
TYSON FOODS INC.....	131,679	1,474,805	1,382,393
U.S. BANCORP.....	162,714	3,888,865	3,535,491
UICI.....	14,000	175,000	207,633
ULTICOM INC.....	9,600	99,840	126,213
ULTIMATE ELECTRONICS INC.....	6,700	85,693	68,875
UNITED AUTO GROUP INC.....	5,100	130,560	124,963
UNITED DOMINION REALTY TRUST.....	570,300	10,447,896	10,016,625
UNITED INDUSTRIAL CORP.....	4,200	71,694	68,825
UNITED NATIONAL BANCORP.....	3,150	103,856	54,184
UNITED NATIONAL INC.....	8,400	249,900	183,448
UNITED ONLINE INC.....	53,800	2,037,406	1,139,816
UNITED PARCEL SERVICES INC.....	4,600	288,696	260,583
UNITED STATES CELLULAR CORP.....	5,500	153,780	156,191
UNITED STATIONERS INC.....	15,300	619,497	470,611
UNITED SURGICAL PARTNERS INTL.....	41,600	1,078,688	962,075
UNIVERSAL COMPRESSION HOLDINGS.....	11,300	260,126	244,479
UNIVERSAL CORP.....	1,500	62,850	58,357
UNIVERSAL ELECTRONICS.....	225,100	2,928,551	3,382,962
UNIVERSAL FOREST PRODUCTS INC.....	7,300	180,091	161,013
UNIVISION COMMUNICATIONS INC.....	24,400	914,756	866,304
UNOVA INC.....	5,900	94,105	93,672
URSTADT BIDDLE PROPERTIES INC.....	179,600	2,397,660	2,005,561
US ONCOLOGY INC.....	23,400	186,030	188,487
USANA HEALTH SCIENCES INC.....	5,900	214,288	243,521
USEC INC.....	41,500	297,970	205,601
USF CORP.....	1,900	60,591	60,925
USG CORP.....	17,600	293,216	236,775
V F CORP.....	4,600	184,460	175,549
VANS INC.....	174,500	1,640,300	1,524,146
VARIAN INC.....	2,550	86,700	74,962
VERINT SYSTEMS INC.....	6,100	138,104	158,635
VERITAS DGC INC.....	28,500	260,490	281,932
VERITAS SOFTWARE CO.....	14,100	486,732	338,805
VERITY INC.....	4,600	54,832	51,026
VERIZON COMMUNICATIONS.....	41,600	1,469,312	1,910,580
VIACOM INC.....	93,758	4,219,110	4,098,361
VIAD CORP.....	84,000	2,005,920	1,980,116
VICURON PHARMACEUTICALS INC.....	9,600	141,888	129,135
VINTAGE PETROLEUM INC.....	5,800	64,844	62,767
VISTEON CORP.....	45,612	307,881	388,070

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
VISX INC.....	5,600	112,112	98,850
VITALWORKS INC.....	12,500	62,625	96,699
VORNADO REALTY TRUST.....	629,589	29,685,121	21,999,513
W HOLDINGS CO INC.....	6,800	119,952	122,539
WACHOVIA CORP.....	65,438	2,758,212	2,305,847
WAL-MART STORES INC.....	133,676	7,909,609	6,604,308
WASHINGTON MUTUAL INC.....	6,900	268,962	250,857
WASTE MANAGEMENT INC.....	33,300	886,113	786,669
WATSCO INC.....	8,000	148,000	133,945
WATTS INDUSTRIES.....	6,100	111,996	86,000
WEBMETHODS INC.....	8,900	80,278	75,064
WEINGARTEN REALTY INVESTMENT.....	281,000	12,577,560	7,933,969
WELLPOINT HEALTH NETWORKS INC.....	2,900	226,200	222,510
WHITNEY HOLDING CO.....	2,300	79,925	75,837
WIRELESS FACILITIES INC.....	5,300	72,981	62,514
WOODWARD GOVERNOR CO.....	1,350	65,934	86,675
WORLD WRESTLING FEDERATION ENTERTAINMENT INC.....	11,500	116,150	153,020
XEROX CORP.....	21,441	231,134	190,734
YORK INTERNATIONAL CORP.....	5,700	183,996	134,224
ZALE CORP.....	2,000	101,900	82,656
ZIMMER HOLDINGS INC.....	41,600	2,152,384	1,790,756
ZORAN CORP.....	62,453	1,563,206	1,544,004
ZYGO CORP.....	4,000	46,600	73,454
TOTAL DOMESTIC COMMON STOCKS		<u>1,093,491,694</u>	<u>888,747,241</u>

LIMITED PARTNERSHIPS

3I EUROPARTNERS II.....		9,760,010	10,759,505
3I EUROPARTNERS II FCPR.....		4,524,656	5,007,500
3I EUROPARTNERS III.....		12,101,834	10,750,147
3I EUROPARTNERS III FCPR.....		1,517,873	1,746,004
3I UK INVESTMENT PARTNERS.....		5,602,747	9,833,435
3I UKIP II.....		13,091,457	17,652,210
A/B INVESTMENT PARTNERS LP.....		4,100,659	5,727,706
ADVANCED TECHNOLOGY VENTURES VII LP.....		2,107,917	2,751,192
AG CAPITAL RECOVERY PARTNERS IV LP.....		4,507,534	3,850,000
AMERICAN INDUSTRIAL PARTNERS CAPITAL FUND LP.....		585,371	2,931,751
AMERICAN SECURITIES PARTNERS II LP.....		12,937,060	13,569,437
AMERICAN SECURITIES PARTNERS III LP.....		4,365,397	4,536,854
AMPERSAND 1995 LIMITED PARTNERSHIP.....		8,051,434	10,976,045
AMPERSAND 1999 LIMITED PARTNERSHIP.....		8,531,411	12,350,957
AMPERSAND 2001 LIMITED PARTNERSHIP.....		2,589,456	3,440,831
ARCLIGHT ENERGY PARTNERS FUND I LP.....		8,310,143	8,905,827
ASIAN CORPORATE FINANCE FUND LP.....		2,332,154	6,397,210
ASIAN MEDIA INVESTORS I LP.....		4,432,340	4,432,340
ASP III ALTERNATIVE INVESTMENTS L P.....		1,323,860	1,323,744
ATLANTIC MEDICAL CAPITAL LP.....		3,171,106	7,475,973
ATLAS VENTURE FUND VI LP.....		1,484,626	1,979,407
AUSTIN VENTURES IV LP.....		1,110,494	3,054,686

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
AUSTIN VENTURES V LP.....		8,297,002	10,817,953
AUSTIN VENTURES VI LP.....		4,276,417	11,939,028
AUSTIN VENTURES VII LP.....		4,766,924	8,023,490
AUSTIN VENTURES VIII LP.....		1,769,892	2,644,049
B IV CAPITAL PARTNERS L P.....		2,625,289	2,507,695
BAKER COMMUNICATIONS FUND (CAYMAN) LP.....		4,451,709	4,037,538
BAKER COMMUNICATIONS FUND II (CAYMAN) LP.....		589,697	1,972,027
BAKER COMMUNICATIONS FUND II (QP) LP.....		2,728,926	6,636,833
BAKER COMMUNICATIONS FUND LP.....		6,317,104	16,709,440
BAND OF ANGELS FUND LP.....		2,097,170	3,971,852
BARCLAYS PRIVATE EQUITY EUROPEAN FUND A LP.....		5,764,781	5,625,247
BEACON GROUP III FOCUS VALUE FUND LP.....		2,712,494	13,382,477
BLACKSTONE CAPITAL PARTNERS IV LP.....		1,700,594	1,837,991
BRENTWOOD ASSOCIATES BUYOUT FUND II LP.....		289,801	9,827,758
BRENTWOOD ASSOCIATES PRIVATE EQUITY III LP.....		28,032,856	35,214,368
CANDOVER 2001 FUND US NO 2 LIMITED PARTNERSHIP.....		8,221,549	8,411,522
CARLYLE PARTNERS II LP.....		6,792,053	3,253,011
CARLYLE PARTNERS III (CITY NET) LP.....		16,840	87,586
CARLYLE PARTNERS III CASEMA (CAYMAN) LP.....		334,711	334,711
CARLYLE PARTNERS III LP.....		7,425,519	7,204,332
CARLYLE PARTNERSHIP III FM (CAYMAN) LP.....		76,445	76,445
CARLYLE-HORIZON PARTNERS LP.....		482,177	482,177
CGW SOUTHEAST PARTNERS IV LP.....		8,432,732	12,739,901
CITICORP MEZZANINE PARTNERS LP.....		6,070,813	11,864,982
CLAYTON, DUBILIER & RICE FUND V LP.....		11,219,114	15,935,721
CORTEC GROUP FUND II LP.....		3,720,843	15,039,423
CORTEC GROUP FUND III LP.....		4,792,997	5,364,762
CRESCENDO II LP.....		1,888,344	10,321,923
CRESCENDO III LP.....		2,501,503	15,414,353
CRESCENDO IV LP.....		1,270,837	3,988,278
CTIP PARTNERS LP.....		1,319,171	2,063,094
CVC EUROPEAN EQUITY PARTNERS LP.....		13,965,611	13,432,127
DOUGHTY HANSON & CO II.....		3,448,090	9,654,565
DOUGHTY HANSON III LP.....		36,029,883	27,475,916
ENCAP ENERGY CAPITAL FUND III-B LP.....		24,816,437	19,929,024
ENCAP ENERGY CAPITAL FUND IV-B LP.....		2,976,064	2,444,120
ENERGY ASSET OPTION FUND.....		8,583,765	7,534,800
EVERCORE CAPITAL PARTNERS CAYMAN LP.....		6,884,167	6,568,511
EVERCORE CAPITAL PARTNERS II LP.....		3,702,167	4,508,971
EVERCORE CAPITAL PARTNERS LP.....		8,645,932	11,158,935
FGSI PARTNERS LP.....		2,006,945	429,655
FOUNDATION CAPITAL IV LP.....		1,412,257	1,754,357
GREEN EQUITY INVESTORS III LP.....		34,245,153	35,124,315
H D A PARTNERS I LP.....		0	10,067,200
HALPERN DENNY FUND II LP.....		3,651,742	20,881,178
HALPERN DENNY FUND III LP.....		8,764,629	11,429,765
HAMPSHIRE EQUITY PARTNERS II LP.....		9,584,065	22,326,530
HAMPSHIRE EQUITY PARTNERS III LP.....		2,816,197	6,295,977

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
HAMPSHIRE MEDIA PARTNERS II LP.....		0	1
HELLMAN & FRIEDMAN CAPITAL PARTNERS II LP.....		8,956	1,421,298
HEP II LLC II.....		826,096	826,096
INFORMATION TECHNOLOGY VENTURES II LP.....		2,703,607	18,131,141
INFORMATION TECHNOLOGY VENTURES LP.....		1,388,039	3,567,582
INVERNESS PARTNERS II LP.....		1,710,335	2,145,877
INVERNESS/PHOENIX PARTNERS LP.....		6,486,606	11,966,738
JATOTECH VENTURES LP.....		929,017	2,727,885
JW CHILDS EQUITY PARTNERS III LP.....		1,150,712	1,456,615
KB MEZZANINE FUND II LP.....		4,854,752	18,440,132
KKR 1996 FUND (OVERSEAS) LP.....		17,395,861	10,409,029
KKR 1996 FUND LP.....		16,382,071	24,390,205
LAKE CAPITAL PARTNERS LP.....		197,374	765,242
LIGHTHOUSE CAPITAL PARTNERS IV LP.....		4,583,633	6,050,865
MATLINPATERSON GLOBAL OPPORTUNITIES PARTNERS LP.....		14,813,900	13,653,553
MORGENTHALER PARTNERS VI LP.....		2,281,187	4,128,867
MORGENTHALER PARTNERS VII LP.....		3,400,312	4,128,135
MORGENTHALER VENTURE PARTNERS IV LP.....		2,099,718	8,253,771
MORGENTHALER VENTURE PARTNERS V LP.....		5,733,899	17,233,976
NORTH AMERICAN FUND II LP.....		19,272,672	8,837,363
NORTH AMERICAN FUND III LP.....		8,136,643	12,001,532
NORTHSTAR SEIDLER MEZZANINE PARTNERS II LP.....		12,298,105	11,734,318
OCM OPPORTUNITIES FUND III LP.....		20,441,997	14,634,301
OCM OPPORTUNITIES FUND IV LP.....		19,954,202	13,200,000
OSCCO III LP.....		656,756	3,384,398
PARTHENON INVESTORS II LP.....		3,178,476	3,859,631
PHILADELPHIA VENTURES II LP.....		230,063	4,497,809
PMI MEZZANINE FUND LP.....		9,916,348	13,260,731
POLARIS VENTURE PARTNERS IV LP.....		376,389	552,347
POMONA CAPITAL V LP.....		2,181,129	2,448,278
PRIME ENTERPRISES II LP.....		1,748,417	7,238,563
PRIME VIII LP.....		5,768,215	11,924,477
PRISM VENTURE PARTNERS I LP.....		9,849,717	14,495,792
PRISM VENTURE PARTNERS II LP.....		12,390,800	14,712,699
PRISM VENTURE PARTNERS II-A LP.....		1,505,003	1,601,600
PRISM VENTURE PARTNERS III LP.....		2,502,587	4,594,272
PRISM VENTURE PARTNERS IV LP.....		3,999,520	5,089,873
PROSPECT VENTURE PARTNERS II LP.....		3,251,583	4,203,418
PUF/LTF WARBURG 1997 REVOCABLE TRUST.....		6,027,631	5,168,697
RICE PARTNERS II LP.....		3,735,770	12,320,287
RSTW PARTNERS III LP.....		21,447,423	28,465,849
SCF-III LP.....		18,378,792	11,721,012
SCF-IV LP.....		14,650,534	13,822,706
SCF-V LP.....		7,541	7,541
SKM EQUITY FUND II LP.....		17,047,658	27,174,251
SKM EQUITY FUND III LP.....		2,776,587	4,540,891
TECHNOLOGIES FOR INFORMATION & ENTERTAINMENT III LP.....		2,448,840	7,668,779
TEXAS GROWTH FUND - 1991 TRUST.....		367,296	3,329,945

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
TEXAS GROWTH FUND - 1995 TRUST.....		1,105,317	5,214,327
THIRD CINVEN FUND US (NO 5) LIMITED PARTNERSHIP.....		6,018,446	5,841,941
TRIAD VENTURES LIMITED II LP.....		114,960	1,535,953
VS&A COMMUNICATIONS PARTNERS II LP.....		12,092,781	10,902,550
VS&A COMMUNICATIONS PARTNERS III LP.....		14,833,547	20,339,543
WAND EQUITY PORTFOLIO II LP.....		14,184,055	22,473,813
WAND/CASEWISE INVESTMENTS LP.....		350,986	390,366
WAND/IMA INVESTMENTS III LP.....		616,174	669,443
WAND/PARAGON INVESTMENTS I LP.....		833,090	1,208,747
WARBURG PINCUS (BERMUDA) PRIVATE EQUITY VIII LP.....		994,512	716,587
WARBURG PINCUS PRIVATE EQUITY VIII LP.....		4,067,490	4,204,676
WILLIS STEIN & PARTNERS II LP.....		12,738,492	32,417,590
WILLIS STEIN & PARTNERS LP.....		3,646,822	7,914,711
WINDJAMMER MEZZANINE & EQUITY FUND II LP.....		6,346,918	6,910,624
WINGATE PARTNERS II LP.....		3,644,814	8,135,564
WINGATE PARTNERS III LP.....		3,317,862	4,076,859
WOODLANDS VENTURE FUND LP.....		0	1
WOODLANDS/ESSEX VENTURE FUND III LP.....		1,578,013	4,538,381
ZN MEXICO II LP.....		1,356,166	1,867,802
TOTAL LIMITED PARTNERSHIPS		828,392,161	1,163,746,520
FOREIGN COMMON STOCKS			
77TH BANK Y50.....	28,000	112,307	110,916
A P MOLLER - MAERSK A/S.....	34	223,200	217,712
ABITIBI-CONSOLIDATED INC.....	55,000	415,528	410,939
ABN AMRO HOLDINGS.....	89,496	1,567,210	1,540,011
ABN AMRO HOLDINGS.....	82,991	0	0
ACCOR.....	7,200	280,544	273,701
ACS ACTIVADES DE CONSTRUCCION.....	759	31,807	31,536
ADECCO SA.....	8,382	423,723	335,006
ADVANTEST.....	13,400	929,088	1,402,919
AEGON NV.....	288,775	3,576,280	4,688,212
AEGON NV.....	288,775	0	0
AEON CO.....	37,000	914,853	759,090
AIFUL CORP.....	4,445	248,384	353,633
AIR LIQUIDE.....	4,412	633,587	565,232
ALCAN ALUMINUM.....	5,800	210,023	201,294
ALLIANCE UNICHEM.....	39,685	320,136	321,912
ALLIANZ AG NPV.....	4,000	355,280	483,435
ALPHA BANK.....	18,350	382,783	352,029
ALPS ELECTRIC CO LTD.....	11,000	187,041	191,573
AMP INC.....	12,976	56,019	52,011
ANSELL LTD NPV.....	24,197	105,715	105,015
AOYAMA TRADING.....	6,800	108,166	97,288
ARM HOLDINGS.....	67,200	120,112	320,033
ASM LITHOGRAPHY HOLDINGS.....	24,200	381,268	939,815
ASM PACIFIC TECHNOLOGY.....	6,500	21,835	21,298
ASSA ABLOY SEK1.....	47,400	419,509	628,647

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
ASSICURAZIONI GENERALI.....	9,800	210,562	284,949
ASTRAZENECA.....	4,712	181,113	189,466
ASTRAZENECA.....	89,300	3,545,855	3,537,856
AUCKLAND INTERNATIONAL AIRPORT.....	3,513	12,772	12,337
AUSTRALIAN & NEW ZEALAND BANK.....	70,268	796,827	682,441
AVENTIS.....	24,858	1,207,380	1,206,621
BANCO POPULAR ESPANOL.....	2,811	126,534	127,109
BANCO SANTANDER.....	58,844	501,980	503,257
BANG & OLUFSEN A/S.....	2,700	97,805	93,576
BANGKOK BANK.....	1,073,500	2,207,611	1,676,445
BANK OF CHINA GROUP.....	16,864	230,335	242,433
BANK OF CHINA HONG KONG HOLDINGS.....	1,227,500	1,573,849	1,311,164
BANK OF IRELAND.....	18,642	221,044	166,970
BANK OF IRELAND.....	14,175	168,389	153,620
BANK OF MANDIRI.....	2,841,500	284,652	245,298
BARCLAYS.....	323,748	2,355,607	2,422,989
BAYER AG ORD.....	6,664	142,450	143,791
BAYERISCHE HYPO-UND VEREINBANK.....	86,684	1,354,274	1,385,017
BAYERISCHE MOTORENWERKE.....	6,300	248,935	208,080
BBVA.....	124,277	1,330,327	1,448,117
BCE INC.....	36,100	781,518	584,346
BENESSE CORP.....	10,800	198,543	187,482
BG GROUP PLC.....	211,100	910,733	862,919
BHP BILLITON.....	234,015	1,537,987	1,308,275
BHP BILLITON.....	426,307	3,015,885	2,315,188
BHP STEEL NPV.....	28,420	85,168	83,296
BNP PARIBAS.....	65,368	3,256,811	2,915,462
BOMBARDIER CAPITAL.....	186,100	712,389	437,575
BOOTS GROUP.....	115,644	1,209,101	1,222,050
BORAL LIMITED NEW.....	39,587	136,569	136,588
BOUYGUES.....	34,300	903,038	1,798,846
BP AMOCO.....	88,571	601,017	574,063
BRAMBLES INDUSTRIES.....	23,992	79,818	76,476
BRAMBLES INDUSTRIES.....	61,400	181,128	340,001
BRITISH AEROSPACE.....	184,215	497,535	566,123
BT GROUP.....	536,725	1,562,095	1,652,852
CANON INC.....	34,000	1,634,728	1,262,428
CAPITA GROUP.....	204,037	778,599	778,905
CAPITALAND SGD1.....	76,000	58,965	58,457
CARREFOUR.....	4,000	199,379	184,229
CARTER HOLT HARVEY LTD.....	12,585	12,492	12,290
CATHAY PACIFIC AIRWAYS.....	73,000	126,357	88,194
CENTRICA.....	92,997	261,467	317,242
CHEUNG KONG HOLDINGS.....	99,000	767,948	962,836
CHINA TELECOM CORP.....	3,566,000	983,018	661,349
CHUGAI PHARMACEUTICAL.....	27,487	291,172	393,811
CIRCLE K JAPAN.....	28,300	408,201	375,201
CLP HOLDINGS.....	42,500	187,452	189,066

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
COCA COLA WEST JAPAN CO.....	5,200	85,077	83,427
COMMERCE ASSET HOLDINGS BHD MYR1.....	862,100	907,474	895,137
COMPAGNIE FINANCIERE RICHEMONT.....	146,504	2,803,404	2,956,908
COMPASS GROUP.....	26,800	148,474	147,933
CONTACT ENERGY NPV.....	4,168	11,907	11,601
CONTINENTAL AG NPV.....	22,395	583,707	567,666
CORIO NV.....	3,840	117,667	116,855
CREDIT SUISSE GROUP.....	27,768	867,410	800,517
CRH.....	24,500	466,690	366,452
CYCLE & CARRIAGE.....	13,000	34,708	34,617
DAI NIPPON PRINTING CO.....	17,000	216,652	179,641
DAIMLERCHRYSLER.....	14,100	541,504	616,704
DAITO TRUST CONSTRUCTION.....	5,700	153,394	149,902
DAIWA HOUSE INDUSTRY CO.....	28,000	218,135	213,083
DAIWA SECURITIES GROUP.....	75,000	484,016	623,207
DANONE.....	4,800	658,213	648,991
DBS GROUP HOLDINGS LTD.....	38,000	273,147	265,954
DELHAIZE LE LION.....	9,535	369,642	368,033
DEUTSCHE BANK.....	13,632	786,494	719,258
DEUTSCHE BOERSE.....	39,776	1,922,793	1,832,119
DEUTSCHE LUFTHANSA.....	130,402	1,782,446	1,527,227
DEUTSCHE TELEKOM INTERNATIONAL FINANCE BV.....	86,713	1,237,629	1,129,290
DNB HOLDINGS ASA.....	267,251	1,251,377	1,380,297
EADS EURO AERO.....	54,432	860,557	573,279
ELECTRICIDADEDE PORTUGUAL.....	52,152	113,370	114,191
ELISA OYJ.....	18,900	184,678	178,580
EMAP.....	7,665	103,601	103,985
ENDESA SA.....	17,056	265,532	264,508
ENEL.....	48,469	295,338	296,674
ENI.....	93,595	1,413,950	1,185,376
ENIRO AB SEKI.....	14,260	116,827	109,157
EPCOS AG.....	1,300	21,909	120,221
ERSTE BANK DER OSTERREICHISCHEN.....	933	85,942	84,583
ESPRIT HOLDINGS.....	11,000	27,361	27,319
ESSILOR INTERNATIONAL.....	7,300	296,543	274,219
EXEL.....	64,191	685,355	675,095
FAMILYMART.....	6,100	121,812	118,495
FANUC CO.....	4,000	263,970	222,539
FIAT SPA.....	97,734	660,981	673,161
FISHER & PAYKEL.....	1,036	7,354	7,253
FISHER & PAYKEL APPLIANCES.....	846	7,128	7,055
FLETCHER BUILDING NPV.....	5,827	14,124	13,899
FLETCHER CHALLENGE FORESTS LTD.....	2,552	1,635	1,617
FORENINGSSPARBANKEN.....	39,200	513,371	549,763
FORTUM.....	30,200	244,696	241,200
FOSTERS BREWING GROUP.....	117,297	344,679	301,506
FRANCE TELECOM SA.....	124,740	3,095,116	2,636,849
FRASER & NEAVE LTD.....	7,000	31,548	38,629

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
FUJI HEAVY LTD.....	116,000	571,649	570,325
FUJI PHOTO FILM LTD.....	46,000	1,379,842	1,561,067
FUJIKURA.....	54,000	243,435	236,727
FUJITSU LTD.....	116,000	554,748	539,042
FYFFES.....	68,265	107,925	112,306
GAMBRO AB.....	32,000	214,323	212,292
GENERAL PROPERTY TRUST.....	74,891	135,240	136,032
GKN.....	87,578	363,286	359,534
GLAXOSMITHKLINE PLC.....	160,054	3,055,706	3,451,250
HANG LUNG PROPERTIES.....	250,500	289,063	263,447
HANG SENG BANK.....	64,800	718,675	708,480
HBOS.....	325,733	3,627,207	3,361,945
HEINEKEN NV.....	48,625	1,858,345	2,093,244
HIROSE ELECTRONICS.....	7,200	770,723	778,281
HITACHI CHEMICAL.....	19,300	270,279	261,996
HOLCIM CHF.....	20,577	815,411	903,179
HONDA MOTOR CO.....	81,300	3,309,693	3,212,704
HONG KONG & CHINA GAS.....	30,000	40,388	39,724
HONG KONG EXCHANGES & CLEARING.....	22,000	39,490	39,465
HOYA CORP.....	6,400	489,818	451,798
HSBC HOLDINGS.....	254,372	3,271,129	3,123,168
HUTCHISON WHAMPOA.....	59,000	434,973	596,100
HYSAN DEVELOPMENT.....	40,000	47,183	46,675
IMI.....	90,514	476,758	477,236
IMPERIAL CHEMICAL INDUSTRY.....	77,724	238,503	236,403
INCO LTD.....	8,400	211,945	196,130
INDEPENDENT NEWSPAPERS NEW.....	2,137	5,377	5,250
INDUSTRIA DE DISENO TEXTIL INDITEX SA.....	39,000	969,830	713,942
INFINEON TECHNOLOGIES.....	13,400	196,256	567,681
ING GROEP.....	138,543	0	0
ING GROEP.....	138,543	2,701,409	2,810,155
INTESABCI SPA.....	258,392	775,888	732,140
IRISH LIFE & PERMANENT.....	12,227	145,248	145,755
JAPAN AIRLINES SYSTEMS CORP, TOKYO.....	40,000	94,275	170,935
JAPAN TELECOM CO.....	65	212,247	210,501
JFE HOLDINGS INC.....	3,100	62,436	65,235
JOHN FAIRFAX HOLDINGS.....	45,955	93,100	91,764
JOHNSON ELECTRIC HOLDINGS.....	350,000	545,238	787,037
KANEKA CORP.....	59,000	436,887	430,880
KANSAI ELECTRIC POWER.....	35,200	555,393	551,998
KARSTADT QUELLE.....	8,108	211,773	212,296
KBC BANK VERZEKERIN.....	14,693	571,376	570,869
KEYENCE CORP.....	1,540	321,647	376,511
KINGFISHER.....	313,558	1,349,039	1,107,929
KON KPN NV.....	195,879	1,357,001	1,132,537
KONINKLIJKE PHILIPS ELECTRIC.....	137,433	3,349,707	2,692,593
KOOKMIN BANK.....	51,450	1,875,474	1,950,908
KOYO SEIKO.....	43,000	423,440	415,259

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
KURITA WATER INDUSTRIES.....	18,800	218,807	210,206
L OREAL.....	5,600	389,184	363,948
LAGARDERE S.C.A.....	39,249	1,783,125	1,582,699
LI & FUNG HKD.....	322,000	547,033	580,156
MACQUARIE BANK.....	8,125	166,497	160,983
MACQUARIE GOODMAN INDUSTRIAL TRUST.....	120,285	121,453	118,425
MACQUARIE INFRA GR.....	71,785	149,610	153,017
MAN GROUP PLC.....	35,443	688,441	689,269
MARKS & SPENCER GROUP.....	75,847	365,312	356,566
MATSUMOTOKIYOSHI CO.....	3,200	138,773	132,437
METRO AG.....	21,289	769,913	769,179
MIRVAC GROUP.....	52,269	149,534	150,792
MISYS.....	63,253	281,642	277,812
MITSU MARINE & FIRE.....	130,730	780,929	752,367
MITSUBISHI CORP.....	35,000	295,766	240,059
MITSUBISHI ESTATE.....	264,000	2,366,678	2,106,822
MITSUBISHI GAS & CHEMICAL CO.....	57,000	144,112	140,099
MITSUBISHI HEAVY INDUSTRIES.....	85,000	274,640	279,285
MITSUBISHI MOTORS CORP.....	140,000	304,765	549,425
MITSUBISHI TOKOYO FINANCIAL GROUP.....	395	2,302,023	1,975,574
mitsui fudosan co.....	83,000	669,377	782,905
mitsui o.s.k. lines ltd.....	133,000	461,647	289,171
mizuho financial group.....	430	534,368	526,131
MUNCHENER RUCKVERSICHERUNGS.....	22,574	2,309,869	2,517,230
MURATA MANUFACTURING CO.....	6,500	365,444	599,283
NATIONAL AUSTRALIA BANK LTD.....	30,636	616,488	538,030
NATIONAL GRID GROUP.....	86,600	530,453	658,311
NEC CORP.....	251,000	1,871,529	2,759,657
NEC ELECTRONICS CP.....	300	20,338	10,721
NEPTUNE ORIENT.....	31,000	32,540	32,565
NESTLE SA, CHAM UND VEVEY.....	12,350	2,689,479	2,514,500
NEWS CORPORATION.....	53,261	455,046	488,225
NGC HOLDINGS.....	3,361	3,259	3,300
NIDEC CORP.....	1,500	120,201	108,711
NIKKO SECURITIES.....	57,000	274,057	344,561
NIKON.....	27,000	333,450	274,341
NINTENDO CO.....	200	16,644	16,532
NIPPON MEAT PACKERS.....	14,000	135,105	132,881
NIPPON STEEL.....	139,000	248,980	203,867
NIPPON TEL & TEL CORP.....	120	528,625	525,025
NISSAN MOTOR CO.....	115,000	1,234,959	667,550
NITTO DENKO CORP.....	15,200	670,895	452,399
NOKIA.....	247,007	4,046,140	5,846,378
NOMURA SECURITIES CO.....	104,000	1,513,472	1,349,622
NORSK HYDRO.....	23,040	1,210,989	1,044,646
NORSKE SKOGSINDUSTRIER.....	8,700	155,520	118,470
NOVARTIS AG.....	110,406	4,059,769	4,121,765
NOVO-NORDISK AS DKK2.....	8,700	308,718	307,509

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
NTT MOBILE COMMUNITY NETWORK.....	315	809,907	968,859
NUMICO KONINKLIJKE NV.....	6,200	120,279	145,736
OBAYASHI CORP.....	65,000	212,804	214,478
OJI PAPER CO.....	70,000	388,756	398,182
OLYMPUS OPTICAL CO.....	11,000	252,657	255,349
ORICA LIMITED.....	23,381	174,185	172,835
ORIGIN ENERGY.....	44,869	121,103	120,791
ORIX CORP.....	47,700	3,168,281	2,997,972
OVERSEAS CHINESE BANKING CORP.....	15,000	94,130	95,028
PEARSON.....	94,500	923,758	1,210,581
PECHINEY.....	5,300	268,657	181,252
PLACER DOME INC.....	16,300	222,323	188,512
POHJOLA-YHTYMA.....	1,000	17,863	17,722
PROMINA GROUP.....	881,328	1,705,614	1,415,636
PRUDENTIAL PLC.....	76,723	529,722	733,515
QANTAS AIRWAYS LIMITED.....	433,146	908,346	981,423
QBE INSURANCE GROUP.....	85,997	546,040	463,059
RAS.....	22,166	318,802	320,319
RECKITT BENCKISER.....	10,300	193,875	167,587
REED ELSEVIER CAPITAL.....	28,200	216,336	237,887
REED ELSEVIER NV.....	8,500	93,695	100,784
RENAULT REGIE NATIONALE.....	32,923	1,984,424	1,683,087
REPSOL SA.....	69,615	1,175,498	1,118,874
RESORTS WORLD BHD RESORTS.....	518,000	1,404,053	1,215,124
REXAM.....	23,542	152,581	154,908
RICOH.....	118,000	2,174,323	1,790,973
RIO TINTO.....	8,000	176,017	172,567
RIO TINTO LIMITED.....	9,655	214,410	205,810
ROCHE HOLDINGS.....	28,089	2,150,973	2,197,997
RODAMCO EUROPE NV.....	4,919	246,104	244,934
ROHM CO.....	7,800	1,018,787	1,521,656
ROLLS ROYCE GROUP.....	87,677	235,415	229,471
ROYAL BANK OF SCOTLAND.....	56,300	1,401,687	1,228,730
ROYAL DUTCH PETROLEUM COMPANY.....	65,595	2,927,481	3,020,953
ROYAL SUN ALLIANCE INSURANCE.....	22,472	49,230	51,149
SABMILLER PLC.....	22,086	165,153	163,952
SAMSUNG ELECTRONICS.....	8,030	2,964,607	1,989,682
SANDEN.....	20,000	96,503	95,976
SANDVIK AB.....	21,300	571,910	572,623
SANKYO CO.....	2,100	68,752	67,384
SANOFI-SYNTHELABO.....	50,500	2,838,730	2,824,788
SANTOS LIMITED.....	27,633	104,451	104,487
SANYO CO.....	24,000	296,195	308,409
SAP AG.....	12,439	1,489,271	1,613,833
SCHNEIDER ELECTRIC.....	13,200	712,730	603,268
SCOTTISH & NEWCASTLE.....	11,220	66,730	67,905
SCOTTISH POWER.....	97,734	560,005	565,102
SEKISUI HOUSE.....	80,000	702,776	723,992

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
SEBACORP INDUSTRIES.....	58,000	43,345	43,348
SERONO SA.....	340	215,330	206,359
SES GLOBAL.....	29,300	220,354	190,922
SHANGRI-LA ASIA.....	325,000	270,856	339,381
SHIONOGI & CO.....	39,000	573,569	657,131
SHOWA SHELL SEKIYU.....	39,500	273,534	273,511
SIEMENS AG.....	51,725	3,222,769	2,922,623
SINGAPORE AIRLINES.....	35,000	223,630	295,136
SINGAPORE PRESS HOLDINGS.....	98,000	1,045,468	1,112,298
SINGAPORE TECHNOLOGIES ENGINEERING.....	25,000	27,668	27,440
SINGAPORE TELECOMMUNICATIONS.....	126,000	121,479	119,437
SINGAPORE TELECOMMUNICATIONS.....	1,129,000	1,094,928	1,130,604
SKANDINAVISKA ENSKILDA BANKEN.....	30,200	288,954	290,783
SKY CITY.....	3,058	15,830	15,355
SKY NETWORK TELEVISION LTD ORD.....	1,406	3,854	3,740
SMARTONE TELECOMMUNICATIONS.....	22,500	28,272	28,257
SMC CORP.....	2,700	300,360	232,408
SMITH & NEPHEW.....	9,300	59,724	53,799
SMITHS GROUP.....	93,800	1,044,512	1,072,470
SOCIETE GENERALE ORD.....	3,941	261,340	264,873
SONAE SGPS SA.....	176,411	92,967	90,837
SONY CORP.....	11,500	378,471	864,833
STAGECOACH HOLDINGS.....	59,068	71,942	72,514
STANDARD CHARTERED PLC.....	63,600	851,070	730,654
STATOIL DEN NORSKE STATS OLJESELSKAP.....	61,000	549,282	449,442
STMICROELECTRONICS.....	24,500	609,252	796,954
SUMITOMO CHEMICAL.....	3,000	10,850	10,852
SUMITOMO CORP.....	33,000	204,482	207,974
SUMITOMO MITSUI GROUP.....	5	17,441	60,673
SUN HUNG KAI PROPERTIES.....	191,000	1,377,519	1,131,993
SUNCOR ENERGY.....	23,100	432,974	388,842
SUZUKI MOTOR CO.....	62,000	851,251	678,366
SVENSKA HANDELSBANKEN.....	14,300	226,612	211,225
SWIRE PACIFIC.....	49,300	276,862	303,333
SWISS REINSURANCE.....	26,275	1,613,402	2,300,438
SWISSCOM AG.....	4,195	1,147,181	1,238,674
SYNGENTA AG.....	15,728	864,700	817,751
SYNTHESIS- STRATEC INC.....	322	261,867	192,272
TAIWAN SEMICONDUCTOR MANUFACTURING CO.....	785,200	1,540,149	1,075,732
TAKEDA CHEMICAL INDUSTRIES.....	33,800	1,222,455	1,479,664
TATE & LYLE.....	121,138	677,341	692,980
TAYLOR WOODROW.....	48,422	174,629	176,387
TDC.....	13,800	417,257	419,993
TDK CORP.....	10,600	690,436	623,922
TECHTRONIC INDUSTRIES ORD.....	12,000	26,925	27,894
TELECOM CORP OF NEW ZEALAND.....	80,854	235,637	190,417
TELECOM ITALIA.....	6,199	14,565	20,915
TELEFONICA SA.....	140,787	1,656,991	1,802,016

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
TELIA AB.....	35,000	137,301	137,340
TELSTRA CORP.....	105,445	342,611	331,534
TELUS CORP.....	25,300	432,260	165,889
TESCO.....	32,799	112,060	106,649
TEXWINCA HOLDINGS.....	16,000	12,411	12,324
THOMSON CORP.....	43,100	1,297,521	1,466,468
THYSSEN KRUPP AG.....	18,800	254,704	268,655
TIS INC.....	3,700	101,474	98,716
TOKYO ELECTRIC POWER CO.....	25,700	499,991	497,375
TOKYO ELECTRONICS.....	24,100	1,697,823	2,314,906
TOMKINS.....	9,458	39,308	38,785
TOPPAN FORMS.....	22,500	245,865	331,020
TORAY INDUSTRIES INC.....	106,000	372,472	357,540
TOSHIBA CORP.....	70,000	286,167	282,222
TOTAL FINA ELF.....	32,595	4,999,311	4,334,329
TOWER LTD.....	5,329	3,794	3,733
TOYOTA MOTOR CO.....	5,100	140,744	139,734
TRELLEBORG.....	8,200	101,995	101,022
UBS AG.....	16,122	869,670	780,902
UNICREDITO ITALIAN.....	237,019	1,100,744	918,315
UNILEVER NV NEW YORK.....	4,388	244,251	243,567
UNILEVER PCL.....	88,600	721,036	591,797
UNION ELECTRICA FENOSA.....	19,208	300,721	300,905
UNITED OVERSEAS BANK.....	243,000	1,760,568	1,695,642
UNY CO.....	28,000	280,528	280,012
UPM-KYMMENE OY.....	28,400	514,476	475,094
VEBA AG NPV.....	11,152	576,682	572,001
VENTURE MANUFACTURING SINGAPORE.....	195,000	2,247,133	1,500,933
VER NED UITGEVERSBEDR.....	58,910	1,830,367	2,064,965
VINCI.....	4,239	275,051	273,422
VIVENDI UNIVERSAL.....	51,500	865,656	1,201,073
VODAFONE GROUP.....	3,422,161	6,265,551	9,132,106
VOLKSWAGEN AG.....	56,645	2,779,917	2,377,519
VOLVO AB.....	15,000	362,388	359,744
VOLVO AB.....	8,500	194,679	193,667
WAREHOUSE GROUP LIMITED.....	1,983	5,859	5,722
WERELDHAVE NV.....	1,261	73,514	72,896
WEST JAPAN RAILWAY CO.....	179	621,315	606,250
WESTPAC BANKING CORP.....	37,370	378,538	382,874
WHARF HOLDINGS.....	17,000	39,888	39,133
WHITBREAD.....	70,429	831,609	837,233
WIMPEY (GEORGE).....	92,734	572,060	564,644
WMC LTD.....	42,000	137,282	91,718
WMC RESOURCES LTD.....	42,000	110,913	73,773
WOOLWORTHS LIMITED.....	64,037	487,428	334,256
WPP GROUP.....	348,680	3,179,539	2,636,439
XSTRATA.....	30,000	229,551	241,374
YAHOO JAPAN CORP.....	18	325,506	132,432

PERMANENT UNIVERSITY FUND

EQUITY SECURITIES

August 31, 2003

SCHEDULE A

(CONTINUED)

SECURITY	SHARES	VALUE (\$)	COST (\$)
YAMATO TRANSPORT.....	15,000	178,565	246,633
YAMAZAKI BAKING CO.....	23,000	148,037	148,689
YUE YUEN INDIVIDUAL HOLDING.....	9,500	28,381	28,458
ZURICH FINANCIAL SERVICES.....	9,143	1,175,067	885,743
TOTAL FOREIGN COMMON STOCKS		<u>257,202,022</u>	<u>257,319,181</u>
RIGHTS AND WARRANTS			
SONGBIRD HEARING INC.....	1	0	0
TERASTOR CORP.....	1	0	0
TIMCO AVIATION SERVICES INC.....	188	0	0
TOTAL RIGHTS AND WARRANTS		<u>0</u>	<u>0</u>
OTHER			
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST....		2,346,046	272,507
GOLDSTON OIL CO - JETER #3.....		1,419,618	100,007
GOLDSTON OIL-GLADEWATER JETER.....		3,369,686	511,776
TOTAL OTHER		<u>7,135,350</u>	<u>884,290</u>
TOTAL EQUITY SECURITIES		<u><u>5,433,939,682</u></u>	<u><u>5,331,879,500</u></u>

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
U.S. GOVERNMENT OBLIGATIONS (DIRECT AND GUARANTEED)			
COMMIT TO PURCHASE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II JUMBOS			
6.5% DUE 09/20/33.....	17,000,000	17,624,220	17,541,875
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
3.25% PASS THRU 0080393 DUE 04/20/30.....	633,135	631,578	618,983
3.25% PASS THRU 0080407 DUE 05/20/30.....	416,890	415,868	407,522
4% PASS THRU 0080397 DUE 04/20/30.....	849,299	855,353	850,254
4% PASS THRU 0080409 DUE 05/20/30.....	1,577,723	1,588,969	1,579,935
4% PASS THRU 0080418 DUE 06/20/30.....	654,739	659,407	669,675
4.25% PASS THRU 0080364 DUE 01/20/30.....	838,900	845,644	855,376
4.375% PASS THRU 0008351 DUE 01/20/24.....	286,133	291,458	290,873
4.375% PASS THRU 0008865 DUE 05/20/26.....	422,673	432,614	423,730
4.375% PASS THRU 0080180 DUE 03/20/28.....	78,958	79,886	80,204
4.75% PASS THRU 0080095 DUE 07/20/27.....	989,557	1,014,726	1,006,411
5.5% PASS THRU 0569547 DUE 01/15/32.....	128,524	128,710	125,010
5.625% PASS THRU 0080119 DUE 10/20/27.....	712,841	733,073	715,514
6.75% CMO 2001-616 CL DUE 10/16/40.....	9,188,307	9,330,726	8,988,308
7% PASS THRU 0001212 DUE 06/20/23.....	330,164	350,645	329,437
8% PASS THRU 0016676 DUE 04/15/07.....	74,645	79,737	74,437
8.25% PASS THRU 0008790 DUE 04/15/06.....	11,720	12,259	11,717
8.25% PASS THRU 0009675 DUE 04/15/06.....	7,689	8,043	7,685
8.25% PASS THRU 0009813 DUE 04/15/06.....	10,166	10,634	10,161
8.25% PASS THRU 0010215 DUE 06/15/06.....	13,493	14,128	13,489
8.25% PASS THRU 0010770 DUE 05/15/06.....	9,538	9,997	9,434
8.25% PASS THRU 0010834 DUE 06/15/06.....	3,579	3,744	3,577
8.5% PASS THRU 0002841 DUE 11/20/29.....	632,546	680,011	653,351
8.5% PASS THRU 0002855 DUE 12/20/29.....	477,714	513,562	493,427
8.5% PASS THRU 0002910 DUE 04/20/30.....	260,596	280,151	269,167
8.5% PASS THRU 0002936 DUE 06/20/30.....	546,172	587,157	564,136
8.5% PASS THRU 0002947 DUE 07/20/30.....	380,270	408,567	392,777
8.5% PASS THRU 0002974 DUE 09/20/30.....	212,316	228,115	219,299
8.5% PASS THRU 0003029 DUE 01/20/31.....	533,334	573,021	550,875
8.5% PASS THRU 0003043 DUE 02/20/31.....	556,760	598,191	575,073
8.5% PASS THRU 0498620 DUE 05/15/30.....	48,746	52,632	51,549
8.5% PASS THRU 0508335 DUE 04/15/30.....	127,093	137,226	134,401
8.5% PASS THRU 0511172 DUE 01/15/30.....	124,956	134,919	132,141
8.5% PASS THRU 0521511 DUE 10/15/29.....	43,623	46,685	46,132
8.5% PASS THRU 0522981 DUE 02/15/30.....	74,106	79,276	78,367
8.5% PASS THRU 0525462 DUE 12/15/29.....	93,550	101,008	98,929
8.5% PASS THRU 0526031 DUE 08/15/30.....	91,188	97,549	96,431
8.5% PASS THRU 0526032 DUE 08/15/30.....	37,691	40,672	39,858
8.5% PASS THRU 0538114 DUE 09/15/30.....	38,985	41,705	41,227
8.5% PASS THRU 0780840 DUE 07/20/28.....	288,020	310,173	297,493
10% PASS THRU 0151185 DUE 03/15/16.....	93,304	105,927	91,874
10% PASS THRU 0233778 DUE 02/15/18.....	74,307	85,401	73,919
10.5% PASS THRU 0224630 DUE 10/15/17.....	48,692	56,795	46,863
11% PASS THRU 0035288 DUE 03/15/10.....	51,667	58,528	51,256
11.5% PASS THRU 0131670 DUE 05/15/15.....	11,939	14,173	11,881

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
12.5% PASS THRU 0040016 DUE 06/15/10.....	11,673	13,445	11,500
12.5% PASS THRU 0040744 DUE 05/15/10.....	13,943	16,078	13,737
12.5% PASS THRU 0043162 DUE 11/15/10.....	6,983	8,242	6,682
12.5% PASS THRU 0044298 DUE 11/15/10.....	14,488	16,559	13,864
13% PASS THRU 0047171 DUE 04/15/11.....	10,481	12,484	10,155
13% PASS THRU 0047219 DUE 04/15/11.....	5,610	6,154	5,420
13% PASS THRU 0049550 DUE 07/15/11.....	25,305	30,008	22,808
13.5% PASS THRU 0039589 DUE 08/15/10.....	23,211	27,743	23,183
13.5% PASS THRU 0040310 DUE 05/15/10.....	11,228	13,407	11,187
13.5% PASS THRU 0041007 DUE 07/15/10.....	12,847	15,293	12,829
13.5% PASS THRU 0041570 DUE 05/15/10.....	4,624	5,521	4,600
13.5% PASS THRU 0045053 DUE 05/15/11.....	5,506	6,649	5,052
13.5% PASS THRU 0045236 DUE 05/15/11.....	7,505	8,952	6,884
13.5% PASS THRU 0048879 DUE 05/15/11.....	15,497	18,690	14,182
SMALL BUSINESS ADMINISTRATION			
7.22% DUE 11/01/20.....	784,388	859,885	823,669
7.64% DUE 03/01/10.....	832,293	913,275	865,845
SYNTHETIC			
6% CUSTODY RECPT DUE 08/15/11.....	6,660,000	7,256,270	6,435,760
UNITED STATES TREASURY			
0% BILLS DUE 12/18/03.....	179,909	179,343	179,343
0% STRIPS DUE 02/15/22.....	4,000,000	1,402,480	1,367,188
0% STRIPS DUE 02/15/27.....	11,400,000	3,029,892	2,909,471
0% STRIPS DUE 05/15/17.....	3,800,000	1,820,998	1,971,554
0% STRIPS DUE 05/15/20.....	5,800,000	2,275,572	2,324,922
0% STRIPS DUE 05/15/26.....	750,000	206,130	199,674
0% STRIPS DUE 08/15/21.....	1,750,000	632,450	647,188
0% STRIPS DUE 11/15/26.....	6,500,000	1,736,670	1,675,206
1.875% INFLATION INDEX NT DUE 07/15/13.....	900,243	868,594	863,477
3% NOTES DUE 02/15/08.....	500,000	494,850	496,282
3.375% INFLATION INDEX NT DUE 01/15/07.....	8,238,769	8,927,479	8,899,779
3.625% INFLATION INDEX BD DUE 04/15/28.....	1,249,303	1,436,504	1,403,350
3.625% INFLATION INDEX NT DUE 01/15/08.....	-7,280	-8,015	4,544
3.875% INFLATION INDEX BD DUE 04/15/29.....	1,564,408	1,880,467	1,708,128
3.875% NOTES DUE 02/15/13.....	7,100,000	6,804,640	6,940,805
4.25% NOTES DUE 01/15/10.....	1,856,094	2,126,678	2,118,190
4.375% NOTES DUE 08/15/12.....	11,000,000	11,009,900	11,362,848
5.25% BONDS DUE 02/15/29.....	9,500,000	9,345,625	9,764,219
5.375% BONDS DUE 02/15/31.....	300,000	306,563	306,161
5.5% BONDS DUE 08/15/28.....	600,000	610,689	597,445
6% BONDS DUE 02/15/26.....	4,200,000	4,543,875	4,442,006
7.5% BONDS DUE 11/15/16.....	5,450,000	6,797,186	6,786,734
8.875% BONDS DUE 08/15/17.....	400,000	555,876	552,990
9.125% BONDS DUE 05/15/09.....	1,000,000	1,054,690	991,116
10.625% BONDS DUE 08/15/15.....	900,000	1,380,938	1,368,232
TOTAL U.S. GOVERNMENT OBLIGATIONS (DIRECT AND GUARANTEED)		<u>119,001,592</u>	<u>117,792,242</u>

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
U.S. GOVERNMENT AGENCIES (NON-GUARANTEED)			
COMMIT TO PURCHASE FEDERAL NATIONAL MORTGAGE ASSOCIATION			
4% DUE 09/01/18.....	10,500,000	10,001,250	9,988,594
4.5% DUE 09/01/18.....	1,900,000	1,866,156	1,867,047
5% DUE 06/01/33.....	50,100,000	48,369,984	48,553,922
5% DUE 09/01/18.....	1,100,000	1,103,953	1,092,438
5% DUE 09/01/33.....	20,800,000	20,124,000	20,117,736
5.5% DUE 09/01/18.....	-14,000,000	-14,299,687	-14,238,907
6% DUE 07/01/18.....	18,000,000	18,665,860	18,763,594
6.5% DUE 11/01/33.....	7,000,000	7,201,250	7,175,000
FEDERAL HOME LOAN BANKS CONS			
3.875% BONDS DUE 06/14/13.....	19,900,000	18,282,285	19,672,270
4.375% BONDS DUE 08/15/07.....	2,500,000	2,500,486	2,498,438
4.75% BONDS DUE 11/28/06.....	400,000	403,456	406,594
6.25% BONDS DUE 03/01/11.....	4,000,000	4,235,348	4,280,156
6.435% BONDS DUE 12/12/11.....	700,000	779,870	822,493
FEDERAL HOME LOAN MORTGAGE CORP			
1.57% CMO 2266 F DUE 11/15/30.....	651,574	656,871	651,421
3.645% PART CERT 78-6190 DUE 07/01/27.....	443,403	461,416	440,631
3.727% PART CERT 84-7040 DUE 02/01/29.....	2,793,865	2,907,366	2,898,635
5% CMO 2535 DT DUE 09/15/16.....	640,023	653,119	653,478
5.5% CMO 2448 D DUE 05/15/12.....	518,149	524,331	528,350
5.625% CMO 2434 TA DUE 07/15/28.....	225,234	227,960	231,006
5.75% BONDS DUE 04/29/09.....	1,600,000	1,639,868	1,666,800
6% BONDS DUE 05/25/12.....	7,200,000	7,334,496	7,537,965
6% CMO 2293 AE DUE 01/15/29.....	359,626	366,290	368,617
6% CMO 2456 AS DUE 06/15/28.....	273,946	275,307	278,493
6.25% BONDS DUE 06/28/11.....	1,300,000	1,333,255	1,369,550
6.5% PART CERT G0-1444 DUE 08/01/32.....	5,090,064	5,276,567	5,303,211
6.53% DEBS DUE 11/26/12.....	5,500,000	5,878,034	5,578,564
6.65% CMO 1578 H DUE 07/15/22.....	848,404	856,753	889,234
7% CMO 1457-PJ DUE 09/15/07.....	951,402	971,819	949,851
7% CMO 1477-ID DUE 11/15/09.....	5,282,342	5,446,102	5,214,280
7.5% CMO 1215-H DUE 03/15/07.....	845,410	878,710	805,646
7.5% CMO 1378-KE DUE 05/15/09.....	4,486,419	4,521,333	4,438,597
7.5% CMO 2206Z DUE 01/15/30.....	2,614,468	2,811,312	2,422,652
7.645% PART CERT 30-0088 DUE 05/01/25.....	8,584,062	9,943,147	8,589,427
7.75% CMO 1394-IA DUE 10/15/22.....	19,372,707	20,610,088	19,211,661
8% CMO 2182-ZB DUE 09/15/29.....	1,093,245	1,219,022	1,084,364
8.3% CMO 1245-I DUE 04/15/07.....	784,264	811,987	780,529
8.5% CMO 1311-KA DUE 07/15/22.....	1,984,001	2,109,902	1,981,089
9.9% REMIC CMO 17-I DUE 10/15/19.....	641,067	645,914	638,082
10% REMIC CMO 18-D DUE 11/15/19.....	2,048,493	2,051,689	2,056,106
10.5% PART CERT 380046 DUE 05/01/04.....	25,515	26,070	25,508
11% PART CERT 170147 DUE 11/01/15.....	22,440	26,157	22,391
11.5% PART CERT 170139 DUE 08/01/15.....	19,358	22,159	19,269
13.5% PART CERT 170037 DUE 10/01/10.....	13,331	15,678	13,238
15.5% PART CERT 170051 DUE 06/01/11.....	497	613	494

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
16.25% PART CERT 170047 DUE 05/01/11.....	1,328	1,639	1,326
FEDERAL NATIONAL MORTGAGE ASSOCIATION			
0% DISCOUNT NOTES DUE 02/18/04.....	2,900,000	2,884,161	2,884,161
0% DISCOUNT NOTES DUE 02/25/04.....	900,000	894,983	894,983
0% DISCOUNT NOTES DUE 10/29/03.....	6,100,000	6,083,911	6,083,911
0% DISCOUNT NOTES DUE 11/12/03.....	6,500,000	6,483,385	6,483,385
0% DISCOUNT NOTES DUE 11/26/03.....	13,400,000	13,363,418	13,363,418
0% DISCOUNT NOTES DUE 12/02/03.....	10,200,000	10,165,742	10,165,742
0% DISCOUNT NOTES DUE 12/11/03.....	5,700,000	5,663,971	5,663,971
0% DISCOUNT NOTES DUE 12/15/03.....	3,400,000	3,388,788	3,388,788
0% DISCOUNT NOTES DUE 12/16/03.....	3,200,000	3,187,960	3,187,960
1.52% CMO 2002-08 F DUE 09/25/32.....	615,992	611,009	615,800
1.62% CMO 2002-10 FB DUE 03/25/17.....	1,935,922	1,951,312	1,935,922
3.25% NOTES DUE 11/14/05.....	1,400,000	1,404,794	1,413,133
3.512% PASS THRU 0399907 DUE 08/01/27.....	664,770	691,777	681,597
3.629% PASS THRU 0422883 DUE 12/01/26.....	388,508	397,522	396,399
4% PASS THRU 0733021 DUE 08/01/18.....	3,500,000	3,338,398	3,387,344
4.5% PASS THRU 0724282 DUE 08/01/18.....	200,020	196,938	203,348
4.5% PASS THRU 0733481 DUE 08/01/18.....	300,030	295,143	305,023
4.625% NOTES DUE 12/30/09.....	3,100,000	3,055,923	3,110,323
5% NOTES DUE 01/20/07.....	1,575,000	1,595,837	1,598,783
5.5% PASS THRU 0456654 DUE 02/01/14.....	190,250	195,586	197,845
5.5% PASS THRU 0545967 DUE 10/01/17.....	23,351	23,897	24,283
5.5% PASS THRU 0545968 DUE 10/01/17.....	6,945,980	7,108,234	7,225,990
5.5% PASS THRU 0625178 DUE 02/01/17.....	506,332	517,088	526,743
5.5% PASS THRU 0650202 DUE 12/01/17.....	27,593	28,238	28,706
5.5% PASS THRU 0657373 DUE 09/01/17.....	606,941	621,119	629,797
5.5% PASS THRU 0663198 DUE 10/01/17.....	973,526	996,267	1,010,185
5.5% PASS THRU 0666743 DUE 11/01/17.....	132,151	134,958	137,478
5.5% PASS THRU 0669508 DUE 12/01/17.....	392,035	401,192	406,797
5.5% PASS THRU 0669989 DUE 02/01/18.....	411,306	420,914	427,726
5.5% PASS THRU 0673022 DUE 12/01/17.....	836,716	856,261	868,223
5.5% PASS THRU 0673213 DUE 02/01/18.....	1,045,952	1,070,384	1,087,708
5.5% PASS THRU 0675394 DUE 02/01/18.....	945,716	969,226	983,471
5.5% PASS THRU 0675605 DUE 01/01/17.....	429,486	439,518	446,632
5.5% PASS THRU 0677702 DUE 01/01/18.....	350,927	359,124	364,141
5.5% PASS THRU 0678002 DUE 12/01/17.....	365,393	373,155	379,980
5.5% PASS THRU 0678485 DUE 01/01/18.....	419,999	429,810	436,930
5.5% PASS THRU 0681515 DUE 02/01/18.....	193,421	198,423	201,143
5.5% PASS THRU 0682867 DUE 01/01/18.....	517,910	530,008	538,586
5.5% PASS THRU 0683076 DUE 02/01/18.....	273,798	280,194	284,728
5.5% PASS THRU 0683728 DUE 01/01/18.....	88,596	90,749	92,133
5.5% PASS THRU 0685184 DUE 02/01/18.....	172,502	176,361	179,456
5.5% PASS THRU 0685211 DUE 03/01/18.....	3,634,206	3,719,099	3,779,291
5.5% PASS THRU 0685642 DUE 02/01/18.....	5,409,795	5,536,165	5,625,765
5.5% PASS THRU 0704741 DUE 03/01/18.....	517,363	529,448	538,017
5.5% PASS THRU 0724091 DUE 06/01/18.....	336,694	345,611	350,135
6% PASS THRU 0058356 DUE 05/01/16.....	7,285	7,568	7,626

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6% PASS THRU 0252435 DUE 05/01/14.....	794,776	827,064	831,969
6% PASS THRU 0253175 DUE 01/01/15.....	15,020	15,621	15,723
6% PASS THRU 0253798 DUE 05/01/16.....	4,190,666	4,335,359	4,369,375
6% PASS THRU 0253879 DUE 07/01/16.....	253,547	263,372	264,145
6% PASS THRU 0323833 DUE 07/01/14.....	748,831	779,253	783,874
6% PASS THRU 0357256 DUE 08/01/17.....	4,130,807	4,288,294	4,303,462
6% PASS THRU 0399900 DUE 11/01/12.....	167,816	174,843	174,830
6% PASS THRU 0426612 DUE 10/01/28.....	2,024,423	2,063,488	1,836,531
6% PASS THRU 0443239 DUE 10/01/28.....	1,143,321	1,165,383	1,031,847
6% PASS THRU 0479037 DUE 01/01/14.....	19,422	20,223	20,234
6% PASS THRU 0479680 DUE 01/01/14.....	16,593	17,268	17,370
6% PASS THRU 0484798 DUE 04/01/14.....	16,841	17,525	17,629
6% PASS THRU 0484851 DUE 04/01/14.....	9,425	9,808	9,866
6% PASS THRU 0485603 DUE 03/01/14.....	11,651	12,124	12,196
6% PASS THRU 0486587 DUE 02/01/14.....	19,742	20,544	20,665
6% PASS THRU 0488144 DUE 03/01/14.....	12,262	12,761	12,836
6% PASS THRU 0488384 DUE 03/01/14.....	761,166	792,089	796,787
6% PASS THRU 0491024 DUE 07/01/14.....	762,362	793,333	798,038
6% PASS THRU 0492789 DUE 06/01/14.....	25,740	26,769	26,944
6% PASS THRU 0498792 DUE 07/01/14.....	13,919	14,484	14,570
6% PASS THRU 0504803 DUE 08/01/14.....	18,365	19,111	19,224
6% PASS THRU 0529320 DUE 07/01/29.....	3,959,415	4,035,819	3,573,372
6% PASS THRU 0535846 DUE 04/01/16.....	246,911	256,479	257,232
6% PASS THRU 0545214 DUE 08/01/16.....	740,868	769,576	775,538
6% PASS THRU 0555004 DUE 06/01/17.....	17,934	18,663	18,773
6% PASS THRU 0555170 DUE 11/01/17.....	19,195	19,936	20,093
6% PASS THRU 0555198 DUE 01/01/23.....	629,901	642,865	655,245
6% PASS THRU 0555243 DUE 03/01/17.....	744,482	774,726	779,321
6% PASS THRU 0555454 DUE 03/01/18.....	8,314,868	8,637,069	8,704,627
6% PASS THRU 0556925 DUE 08/01/16.....	20,811	21,605	21,785
6% PASS THRU 0566805 DUE 03/01/16.....	11,511	11,957	12,050
6% PASS THRU 0567688 DUE 02/01/16.....	14,539	15,121	15,220
6% PASS THRU 0572946 DUE 04/01/16.....	308,604	320,563	321,503
6% PASS THRU 0574004 DUE 04/01/16.....	17,772	18,461	18,604
6% PASS THRU 0574023 DUE 04/01/16.....	12,096	12,564	12,662
6% PASS THRU 0574570 DUE 03/01/16.....	273,849	284,461	285,295
6% PASS THRU 0574918 DUE 03/01/16.....	17,172	17,838	17,976
6% PASS THRU 0578741 DUE 04/01/16.....	207,832	215,886	216,519
6% PASS THRU 0580156 DUE 08/01/16.....	710,454	734,984	743,701
6% PASS THRU 0580511 DUE 04/01/16.....	669,174	695,104	700,489
6% PASS THRU 0581797 DUE 07/01/16.....	13,748	14,223	14,391
6% PASS THRU 0582067 DUE 05/01/16.....	9,656	10,030	10,108
6% PASS THRU 0582540 DUE 05/01/16.....	23,906	24,732	25,025
6% PASS THRU 0583621 DUE 05/01/16.....	11,453	11,897	11,989
6% PASS THRU 0583827 DUE 07/01/16.....	10,939	11,363	11,451
6% PASS THRU 0584366 DUE 07/01/16.....	21,378	22,193	22,378
6% PASS THRU 0585724 DUE 05/01/16.....	120,812	125,493	125,861
6% PASS THRU 0589191 DUE 07/01/16.....	190,876	198,153	198,854

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6% PASS THRU 0591972 DUE 07/01/16.....	8,923	9,263	9,341
6% PASS THRU 0593104 DUE 07/01/16.....	8,663	8,998	9,068
6% PASS THRU 0594362 DUE 07/01/16.....	23,740	24,646	24,851
6% PASS THRU 0596507 DUE 09/01/16.....	694,803	721,292	727,317
6% PASS THRU 0596634 DUE 08/01/16.....	17,435	18,110	18,250
6% PASS THRU 0600974 DUE 08/01/16.....	787,598	818,117	824,455
6% PASS THRU 0602187 DUE 10/01/16.....	11,392	11,826	11,925
6% PASS THRU 0606443 DUE 09/01/16.....	11,309	11,740	11,838
6% PASS THRU 0609066 DUE 09/01/16.....	22,846	23,717	23,915
6% PASS THRU 0609676 DUE 10/01/16.....	760,529	790,000	796,120
6% PASS THRU 0611673 DUE 10/01/16.....	6,467	6,718	6,770
6% PASS THRU 0613843 DUE 11/01/16.....	213,890	222,044	222,829
6% PASS THRU 0613955 DUE 11/01/16.....	14,641	15,200	15,327
6% PASS THRU 0614235 DUE 12/01/16.....	2,862	2,971	2,996
6% PASS THRU 0616068 DUE 11/01/16.....	17,163	17,755	17,966
6% PASS THRU 0617733 DUE 07/01/17.....	768,293	798,736	804,246
6% PASS THRU 0631320 DUE 02/01/17.....	118,246	122,754	123,188
6% PASS THRU 0633818 DUE 03/01/17.....	223,527	231,402	232,870
6% PASS THRU 0633836 DUE 04/01/17.....	21,710	22,474	22,726
6% PASS THRU 0634573 DUE 12/01/16.....	16,861	17,504	17,650
6% PASS THRU 0636860 DUE 03/01/17.....	13,763	14,288	14,407
6% PASS THRU 0636945 DUE 06/01/17.....	736,042	764,104	770,487
6% PASS THRU 0637061 DUE 03/01/17.....	19,729	20,491	20,652
6% PASS THRU 0637179 DUE 04/01/17.....	635,470	659,697	665,208
6% PASS THRU 0637182 DUE 06/01/17.....	63,440	65,858	66,091
6% PASS THRU 0637675 DUE 04/01/17.....	764,885	794,047	800,680
6% PASS THRU 0638922 DUE 05/01/17.....	138,338	143,612	144,120
6% PASS THRU 0640174 DUE 04/01/17.....	174,738	181,400	182,042
6% PASS THRU 0641783 DUE 04/01/17.....	707,514	734,488	740,624
6% PASS THRU 0641795 DUE 04/01/17.....	681,841	707,836	713,749
6% PASS THRU 0648762 DUE 08/01/17.....	736,234	764,303	770,687
6% PASS THRU 0648900 DUE 09/01/17.....	322,816	335,608	336,309
6% PASS THRU 0650944 DUE 07/01/17.....	358,682	372,357	373,674
6% PASS THRU 0653112 DUE 07/01/17.....	749,856	776,272	784,947
6% PASS THRU 0654706 DUE 02/01/18.....	881,963	916,690	923,236
6% PASS THRU 0656709 DUE 08/01/17.....	757,137	786,476	792,569
6% PASS THRU 0657371 DUE 09/01/17.....	246,467	255,864	256,769
6% PASS THRU 0660109 DUE 09/01/17.....	37,249	38,725	38,805
6% PASS THRU 0660407 DUE 08/01/17.....	775,378	804,940	811,664
6% PASS THRU 0664112 DUE 10/01/17.....	1,992,351	2,072,045	2,075,625
6% PASS THRU 0670372 DUE 09/01/17.....	7,827,744	8,126,177	8,194,376
6% PASS THRU 0685625 DUE 02/01/18.....	58,888	61,222	61,350
6% PASS THRU 0693888 DUE 10/01/17.....	731,340	759,223	765,565
6.125% NOTES DUE 03/16/11.....	200,000	203,591	208,340
6.346% PASS THRU 0594245 DUE 06/01/30.....	362,438	374,444	373,368
6.4% CMO 93-G40 H DUE 12/25/23.....	6,315,000	6,534,905	6,078,188
6.5% CMO 03-W1 1A1 DUE 12/25/42.....	1,505,026	1,586,869	1,578,396
6.5% PASS THRU 0190310 DUE 04/01/31.....	500,050	518,138	521,302

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
6.5% PASS THRU 0254086 DUE 11/01/21.....	4,344,465	4,501,782	4,531,820
6.5% PASS THRU 0254346 DUE 06/01/32.....	377,401	391,052	393,278
6.5% PASS THRU 0256933 DUE 09/01/33.....	765,509	792,360	797,714
6.5% PASS THRU 0323606 DUE 03/01/29.....	3,801,054	3,942,109	3,518,351
6.5% PASS THRU 0323755 DUE 11/01/13.....	5,435,048	5,733,339	5,228,686
6.5% PASS THRU 0489507 DUE 07/01/29.....	158,901	164,698	165,586
6.5% PASS THRU 0489516 DUE 07/01/29.....	84,025	87,090	87,559
6.5% PASS THRU 0505662 DUE 06/01/29.....	280,244	290,468	292,329
6.5% PASS THRU 0505870 DUE 07/01/29.....	141,912	147,089	147,882
6.5% PASS THRU 0517885 DUE 02/01/30.....	4,506	4,652	4,696
6.5% PASS THRU 0573931 DUE 03/01/31.....	5,773	5,982	6,016
6.5% PASS THRU 0574167 DUE 03/01/31.....	311,742	321,640	325,186
6.5% PASS THRU 0576243 DUE 04/01/31.....	757,036	784,420	788,885
6.5% PASS THRU 0589084 DUE 09/01/31.....	300,133	309,662	313,076
6.5% PASS THRU 0590764 DUE 07/01/31.....	33,633	34,700	35,083
6.5% PASS THRU 0592825 DUE 08/01/31.....	101,049	104,704	105,300
6.5% PASS THRU 0603338 DUE 09/01/31.....	273,811	283,715	285,619
6.5% PASS THRU 0604934 DUE 10/01/31.....	281,913	292,110	294,070
6.5% PASS THRU 0606551 DUE 10/01/31.....	4,453,898	4,615,004	4,645,972
6.5% PASS THRU 0607848 DUE 11/01/31.....	356,532	369,428	371,907
6.5% PASS THRU 0611240 DUE 11/01/31.....	279,274	289,376	291,023
6.5% PASS THRU 0612771 DUE 11/01/31.....	200,000	207,234	208,414
6.5% PASS THRU 0614027 DUE 11/01/31.....	303,797	314,785	316,577
6.5% PASS THRU 0626996 DUE 06/01/32.....	420,985	436,213	439,337
6.5% PASS THRU 0628774 DUE 03/01/32.....	294,735	305,396	307,446
6.5% PASS THRU 0629362 DUE 08/01/31.....	251,117	260,201	261,947
6.5% PASS THRU 0632288 DUE 02/01/32.....	403,942	418,553	421,362
6.5% PASS THRU 0632484 DUE 01/01/32.....	758,839	786,288	790,764
6.5% PASS THRU 0634256 DUE 03/01/32.....	318,803	330,334	332,215
6.5% PASS THRU 0641346 DUE 04/01/32.....	3,983,992	4,128,100	4,155,802
6.5% PASS THRU 0641746 DUE 04/01/32.....	270,854	280,652	282,535
6.5% PASS THRU 0644227 DUE 05/01/32.....	923,667	957,078	962,526
6.5% PASS THRU 0648064 DUE 07/01/32.....	341,973	354,343	356,721
6.5% PASS THRU 0651263 DUE 07/01/32.....	206,333	213,797	215,014
6.5% PASS THRU 0656309 DUE 10/01/32.....	477,560	494,834	498,379
6.5% PASS THRU 0661034 DUE 09/01/32.....	989,720	1,025,520	1,031,358
6.5% PASS THRU 0661189 DUE 07/01/32.....	384,920	398,843	401,519
6.5% PASS THRU 0669662 DUE 05/01/32.....	3,855,748	3,995,218	4,022,027
6.5% PASS THRU 0671371 DUE 11/01/32.....	490,774	508,527	511,422
6.5% PASS THRU 0672786 DUE 09/01/32.....	865,984	897,309	903,059
6.5% PASS THRU 0688759 DUE 12/01/32.....	509,225	527,645	530,648
6.5% PASS THRU 0729408 DUE 07/01/33.....	191,641	198,573	199,703
6.5% PASS THRU 0733870 DUE 10/01/32.....	650,665	674,200	678,038
6.5% PASS THRU 0734850 DUE 08/01/33.....	750,510	779,065	782,084
6.8% CMO 93-59 J DUE 05/25/08.....	3,330,000	3,525,462	3,330,000
6.825% PASS THRU 0381817 DUE 08/01/09.....	2,893,280	3,212,566	2,745,000
6.9% CMO 93-43 J DUE 04/25/08.....	5,665,000	6,020,619	5,647,014
7% CMO 93-44 VC DUE 04/25/08.....	10,335,888	10,431,022	10,187,774

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
7% PASS THRU 0323937 DUE 09/01/14.....	6,761,477	7,182,749	7,165,053
7.46% PASS THRU 0381809 DUE 08/01/29.....	1,249,303	1,353,661	1,257,208
7.75% CMO 92-G64 GA DUE 03/25/22.....	1,206,562	1,224,581	1,187,303
8.375% CMO 92-G41 MB DUE 08/25/22.....	3,205,977	3,479,413	3,202,288
8.5% CMO 91-71 D DUE 06/25/06.....	198,628	208,665	198,371
8.5% CMO 92-G19 M DUE 04/25/22.....	3,733,470	4,158,413	3,707,688
8.6% CMO 50 CL G DUE 08/25/19.....	586,479	651,819	578,001
OVERSEAS PRIVATE INVESTMENT			
0.01% DUE 05/15/05.....	2,600,000	2,605,688	2,601,625
TENNESSEE VALLEY AUTHORITY POWER			
4.875% BONDS DUE 12/15/16.....	1,500,000	1,567,905	1,537,124
TOTAL U.S. GOVERNMENT AGENCIES (NON-GUARANTEED)		446,192,819	440,711,785
U.S. GOVERNMENT AGENCIES (NON-GUARANTEED) (NON US DOLLAR)			
FEDERAL HOME LOAN MORTGAGE CORP			
4.625% NOTES DUE 05/15/05.....	1,000,000	1,133,252	900,280
TOTAL U.S. GOVERNMENT AGENCIES (NON-GUARANTEED) (NON US DOLLAR)		1,133,252	900,280
FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS (US DOLLAR DENOMINATED)			
BANQUE CENTRALE DE TUNISIE			
7.375% BONDS DUE 04/25/12.....	500,000	542,500	484,375
CHILE REPUBLIC			
5.5% BONDS DUE 01/15/13.....	300,000	298,860	297,273
JAPAN HIGHWAY PUBLIC CORP			
7.25% BONDS DUE 07/26/05.....	1,500,000	1,637,175	1,586,250
SOUTH AFRICA (REPUBLIC OF)			
7.375% NOTES DUE 04/25/12.....	1,010,000	1,105,950	1,089,039
UNITED MEXICAN STATES			
6.375% BONDS DUE 01/16/13.....	200,000	201,186	196,186
7.5% NOTES DUE 01/14/12.....	800,000	873,200	834,400
8% NOTES DUE 09/24/22.....	220,000	231,000	228,580
8% NOTES DUE 09/24/22.....	500,000	522,500	486,240
8.3% BONDS DUE 08/15/31.....	600,000	646,500	630,222
8.375% NOTES DUE 01/14/11.....	1,000,000	1,156,100	1,068,750
9.875% BOND DUE 02/01/10.....	1,900,000	2,357,140	2,158,100
11.375% BOND DUE 09/15/16.....	1,000,000	1,365,000	1,382,500
TOTAL FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS (US DOLLAR DENOMINATED)		10,937,111	10,441,915
FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS (NON US DOLLAR)			
AUSTRALIA COMMONWEALTH			
4% BONDS DUE 08/20/10.....	800,000	712,648	737,152
AUSTRIA REPUBLIC			
4% BONDS DUE 07/15/09.....	1,100,000	1,223,994	1,103,602
5% BONDS DUE 07/15/12.....	800,000	935,639	888,183
5.5% BONDS DUE 01/15/10.....	600,000	721,544	624,920
6.25% BONDS DUE 07/15/27.....	860,000	1,131,617	842,840
BELGIUM (KINGDOM OF)			
7.5% BONDS DUE 07/29/08.....	1,200,000	1,548,039	1,185,411

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
CANADA GOVERNMENT			
5.5% BONDS DUE 06/01/09.....	1,300,000	992,887	856,755
5.5% BONDS DUE 06/01/10.....	2,900,000	2,208,095	1,890,738
6% BONDS DUE 06/01/08.....	6,200,000	4,833,745	4,930,570
7% BONDS DUE 12/01/06.....	7,500,000	5,957,945	5,262,635
DENMARK (KINGDOM OF)			
7% BONDS DUE 11/15/07.....	13,830,000	2,318,411	1,759,617
DEVELOPMENT BANK OF JAPAN			
1.7% BONDS DUE 09/20/22.....	155,000,000	1,293,150	1,519,789
FRANCE GOVERNMENT			
4% BONDS DUE 04/25/09.....	3,400,000	3,792,586	2,950,233
5.5% BONDS DUE 04/25/07.....	680,000	803,162	616,792
FRANCE REPUBLIC OAT			
4% DEBS DUE 10/25/09.....	5,820,000	6,466,455	4,825,955
GERMANY FEDERAL REPUBLIC			
4.5% BONDS DUE 01/04/13.....	480,000	540,852	610,221
4.5% BONDS DUE 07/04/09.....	1,600,000	1,829,892	1,848,937
4.75% BONDS DUE 07/04/28.....	400,000	431,694	436,920
5% BONDS DUE 01/04/12.....	600,000	701,229	782,260
5% BONDS DUE 07/04/11.....	2,300,000	2,690,316	2,394,530
5% BONDS DUE 07/04/12.....	4,400,000	5,139,446	5,199,934
5.25% BONDS DUE 01/04/08.....	1,870,000	2,202,126	1,947,935
5.375% BONDS DUE 01/04/10.....	14,840,000	17,736,381	17,047,014
5.625% BONDS DUE 01/04/28.....	2,400,000	2,916,374	3,221,670
6% BONDS DUE 01/05/06.....	1,600,000	1,881,713	1,736,418
6.25% BONDS DUE 01/04/24.....	800,000	1,043,883	1,102,206
6.25% BONDS DUE 04/26/06.....	700,000	833,010	862,149
6.5% BONDS DUE 07/04/27.....	11,460,000	15,490,877	16,288,215
HELLENIC REPUBLIC			
5.95% BONDS DUE 03/24/05.....	1,506,236	1,739,193	1,307,263
JAPAN FINANCIAL CORP			
1.55% NOTES DUE 02/21/12.....	700,000,000	6,134,299	6,365,811
REPUBLIC OF ITALY			
4.5% BONDS DUE 05/01/09.....	4,800,000	5,482,825	5,769,887
4.75% BONDS DUE 07/01/05.....	3,540,000	4,032,701	3,036,167
5.5% BONDS DUE 11/01/10.....	5,110,000	6,137,634	6,272,876
SPAIN (GOVT OF)			
4.95% BONDS DUE 07/30/05.....	440,000	503,848	388,885
5.15% BONDS DUE 07/30/09.....	700,000	826,554	645,588
6% BONDS DUE 01/31/29.....	2,240,000	2,855,243	2,214,585
SWEDEN (KINGDOM OF)			
5% BONDS DUE 01/28/09.....	14,900,000	1,846,194	1,468,582
UNITED KINGDOM TREASURY			
7.25% BONDS DUE 12/07/07.....	5,100,000	8,938,153	9,289,287
TOTAL FOREIGN GOVERNMENT AND PROVINCIAL OBLIGATIONS (NON US DOLLAR)		<u>126,874,354</u>	<u>120,232,532</u>

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
MUNICIPAL AND COUNTY BONDS			
ALASKA STATE HOUSING FINANCE			
7.32% DUE 12/01/20.....	7,720,000	8,211,301	7,720,000
CALIFORNIA STATE REVENUE ANTIC WTS			
2% DUE 06/16/04.....	2,100,000	2,102,667	2,118,221
CONNECTICUT STATE			
5.5% DUE 12/15/13.....	900,000	1,007,298	1,100,781
MICHIGAN STATE BUILDING AUTHORITY			
5.25% DUE 10/15/13.....	100,000	109,640	111,273
NEW JERSEY STATE TRANSN FUND AUTHORITY			
5% DUE 06/15/10.....	100,000	108,004	109,407
OKLAHOMA STATE REF BUILDING			
5% DUE 07/15/16.....	300,000	320,715	342,837
SEATTLE WASHINGTON WATER SYSTEM			
5% DUE 09/01/33.....	100,000	97,720	102,420
TEXAS STATE TAXABLE WATER DEVELOPMENT			
7% REF DUE 08/01/05.....	665,000	723,427	662,807
TOTAL MUNICIPAL AND COUNTY BONDS		<u>12,680,772</u>	<u>12,267,746</u>
CORPORATE BONDS			
ACE SECURITIES CORP			
1.46% DUE 06/25/32.....	1,038,453	1,038,806	1,038,412
AMERICAN GENERAL FINANCE			
2.75% DUE 06/15/08.....	1,320,000	1,241,209	1,319,327
AOL TIME WARNER INC			
5.625% DUE 05/01/05.....	1,200,000	1,257,744	1,196,172
6.15% DUE 05/01/07.....	4,840,000	5,297,525	4,888,646
AT&T BROADBAND CORP			
8.375% DUE 03/15/13.....	1,870,000	2,221,205	2,400,781
AT&T CORPORATION			
8.5% DUE 11/15/31.....	1,000,000	1,128,280	915,517
AT&T WIRELESS SERVICES INC			
8.75% DUE 03/01/31.....	1,320,000	1,563,989	1,749,964
ATCHISON TOPEKA & SANTA FE RAILROAD			
7.57% EQUIP TRUST DUE 02/15/09.....	1,695,000	1,963,810	1,648,506
ATLANTIC METHANOL CAP CO			
8.95% DUE 12/15/04.....	2,000,000	2,096,860	1,940,920
BANC ONE CORP			
2.625% DUE 06/30/08.....	2,250,000	2,111,470	2,241,563
BANK ONE CORP			
1.24375% DUE 09/26/03.....	1,500,000	1,500,225	1,499,190
BEAR STEARNS			
1.45% DUE 10/25/32.....	143,663	143,808	143,663
BELO CORP			
8% DUE 11/01/08.....	3,300,000	3,792,591	3,467,211
BEMIS CO INC			
6.5% DUE 08/15/08.....	660,000	724,350	658,852

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
BOEING CAPITAL CORPORATION			
5.4% DUE 11/30/09.....	3,300,000	3,381,498	3,292,740
BOEING CO			
6.125% DUE 02/15/33.....	2,750,000	2,587,998	2,698,905
BOSTON PROPERTIES INC			
6.25% DUE 01/15/13.....	1,320,000	1,373,108	1,315,380
BRITISH TELECOMMUNICATIONS			
2.435% DUE 12/15/03.....	1,300,000	1,303,848	1,300,000
BUNGLE LTD FINANCE CORP			
5.875% DUE 05/15/13.....	1,400,000	1,392,370	1,395,632
BURLINGTON NORTHERN SANTA FE CORP			
6.462% DUE 01/15/21.....	1,316,580	1,407,002	1,316,580
8.125% DUE 04/15/20.....	666,000	775,677	766,646
BURLINGTON RESOURCES FINANCIAL CO			
5.7% DUE 03/01/07.....	2,000,000	2,158,120	1,996,100
CANADIAN NATIONAL RESOURCE LTD			
5.45% DUE 10/01/12.....	2,000,000	2,023,740	1,996,720
CARNIVAL CORP			
6.15% DUE 10/01/03.....	3,330,000	3,341,955	3,419,244
7.2% DUE 10/01/23.....	3,320,000	3,380,192	3,039,888
CDC MORTGAGE CAPITAL			
1.41% DUE 08/25/32.....	129,244	129,141	129,244
1.46% DUE 01/25/32.....	670,126	668,424	670,126
CENDANT CORP			
6.25% DUE 03/15/10.....	3,650,000	3,820,492	3,694,114
CENTEX CORP			
7.875% DUE 02/01/11.....	2,800,000	3,209,920	3,184,468
CHELSEA GCA REALTY PARTNER			
7.25% DUE 10/21/07.....	2,664,000	2,935,808	2,688,695
CHICAGO ILL BOARD OF EDUCATION			
5% DUE 12/01/31.....	400,000	390,504	374,876
CHICAGO ILL WATERWORK SYSTEM			
5% DUE 11/01/26.....	200,000	196,750	188,170
CIT GROUP INC			
4% DUE 05/08/08.....	1,400,000	1,386,000	1,393,350
5.625% DUE 05/17/04.....	1,090,000	1,119,288	1,111,604
7.5% DUE 11/14/03.....	200,000	202,342	206,750
COMCAST CABLE COMMUNICATIONS INC			
6.2% DUE 11/15/08.....	3,320,000	3,557,048	3,102,540
COMCAST CORP			
5.5% DUE 03/15/11.....	2,250,000	2,274,255	2,239,943
5.85% DUE 01/15/10.....	1,500,000	1,563,510	1,497,930
6.5% DUE 01/15/15.....	1,500,000	1,573,125	1,487,280
COMMONWEALTH EDISON CO			
5.875% DUE 02/01/33.....	1,500,000	1,450,970	1,493,460
COMPUTER SCIENCES CORP			
3.5% DUE 04/15/08.....	1,400,000	1,374,184	1,385,524

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
CONSECO FINANCIAL SECURITIES			
1.49% DUE 12/15/29.....	145,379	145,125	145,379
CONSOLIDATED NATURAL GAS CO			
7.25% DUE 10/01/04.....	700,000	736,750	682,388
CONSTELLATION ENERGY GROUP INC			
4.55% DUE 06/15/15.....	1,400,000	1,221,500	1,393,728
CONTINENTAL AIRLINES			
6.503% DUE 12/15/12.....	3,324,000	3,100,993	3,201,650
COX COMMUNICATIONS INC			
6.75% DUE 03/15/11.....	1,320,000	1,446,218	1,259,095
COX ENTERPRISES			
4.375% DUE 05/01/08.....	1,400,000	1,394,960	1,399,090
8% DUE 02/15/07.....	1,320,000	1,501,078	1,354,439
CREDIT SUISSE FIRST BOSTON MORTGAGE SECURITIES CORP			
1.57% DUE 10/25/32.....	428,967	429,718	428,967
CWABS INC			
1.38% DUE 05/25/32.....	1,013,952	1,012,502	1,013,952
DAIMLERCHRYSLER			
3.4% DUE 12/15/04.....	3,300,000	3,326,268	3,298,581
4.05% DUE 06/04/08.....	3,750,000	3,602,114	3,737,138
DENVER ARENA TRUST			
6.94% DUE 11/17/19.....	829,621	847,038	866,954
DEUTSCHE BANK			
2.94% DUE 12/29/49.....	3,300,000	3,300,000	3,300,178
DEUTSCHE TELEKOM INTERNATIONAL FINANCE BV			
8.25% DUE 06/15/05.....	300,000	328,920	316,260
8.5% DUE 06/15/10.....	460,000	541,287	574,223
DEVON ENERGY CORP			
7.95% NOTES DUE 04/15/32.....	1,300,000	1,518,556	1,528,943
DIAGEO CAPITAL PLC			
4.85% DUE 05/15/18.....	1,400,000	1,300,488	1,400,000
DOMINION RESOURCE INC			
3.875% DUE 01/15/04.....	3,300,000	3,325,773	3,298,845
DUKE ENERGY FIELD SERVICES LLC			
5.75% DUE 11/15/06.....	2,100,000	2,236,164	2,146,851
7.875% DUE 08/16/10.....	2,000,000	2,295,620	2,151,900
DUKE REALTY CORP			
5.875% DUE 08/15/12.....	1,320,000	1,359,389	1,307,302
EMC MORTGAGE LOAN TRUST			
1.49% DUE 05/25/40.....	286,890	286,970	286,890
ENTERGY GULF STATES INC			
2.04% DUE 06/18/07.....	600,000	599,340	600,000
FIRST FRANKLIN MORTGAGE LOAN TRUST			
1.47% DUE 09/25/32.....	522,600	522,710	521,947
FIRSTCITY AUTO RECEIVABLES TRUST			
7.4% DUE 12/15/05.....	286,535	288,774	294,795
FORD MOTOR CO			
7.45% NOTES DUE 07/16/31.....	250,000	222,108	201,645

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
FORD MOTOR CREDIT CO			
1.6% DUE 07/18/05.....	1,000,000	975,930	973,330
7.25% DUE 10/25/11.....	1,250,000	1,263,075	1,176,695
GENERAL DYNAMICS CORP			
4.5% DUE 08/15/10.....	2,500,000	2,475,000	2,491,375
GENERAL ELECTRIC CAPITAL CORP			
6.75% DUE 03/15/32.....	8,900,000	9,513,210	9,910,805
GENERAL MOTORS ACCEPTANCE CORP			
1.4% DUE 04/05/04.....	1,000,000	996,400	999,260
1.4% DUE 04/05/04.....	1,000,000	996,400	999,560
1.51% DUE 07/30/04.....	1,000,000	994,530	970,090
1.52% DUE 07/21/04.....	1,200,000	1,193,052	1,160,568
5.125% DUE 05/09/08.....	3,500,000	3,454,045	3,487,505
8% DUE 11/01/31.....	3,170,000	3,049,636	3,184,524
GMAC MORTGAGE CORP LOAN TRUST			
1.51% DUE 11/18/25.....	532,432	533,066	532,682
GOLDEN STATE TOB SECURITIZATION			
6.25% DUE 06/01/33.....	2,500,000	2,017,575	2,401,425
GOLDMAN SACHS GROUP INC			
4.75% DUE 07/15/13.....	1,500,000	1,418,430	1,498,110
6.125% DUE 02/15/33.....	1,500,000	1,452,420	1,500,000
GUADALUPE VALLEY TEXAS ELECTRIC CO-OP INC			
8.61% 1ST MTGE SF DUE 01/01/11.....	2,770,000	3,328,903	2,770,000
HITACHI CREDIT AMERICA			
1.49% DUE 10/15/03.....	4,800,000	4,800,720	4,796,064
HOUSEHOLD FINANCE CORP			
1.91063% DUE 04/26/04.....	1,310,000	1,316,131	1,297,398
6.375% DUE 11/27/12.....	750,000	796,756	783,143
INDIANAPOLIS LIFE INSURANCE CO			
8.66% SURPLUS NOTES DUE 04/01/11.....	3,330,000	3,694,202	3,330,000
INTERNATIONAL LEASE FINANCE CORP			
4.5% DUE 05/01/08.....	3,500,000	3,538,347	3,482,500
INTERNATIONAL PAPER CO			
5.85% DUE 10/30/12.....	1,320,000	1,345,159	1,322,284
JAPAN FINANCIAL CORP			
5.875% DUE 03/14/11.....	1,700,000	1,841,831	1,661,852
KERR MCGEE CORP			
5.375% DUE 04/15/05.....	1,320,000	1,372,589	1,319,921
KINDER MORGAN ENERGY PARTNERS			
5.35% DUE 08/15/07.....	3,300,000	3,466,518	3,297,756
LB UBS COMMERCIAL MORTGAGE TRUST			
3.478% DUE 07/15/27.....	3,300,000	3,197,634	3,316,494
LIBERTY MEDIA CORP			
5.7% DUE 05/15/13.....	2,100,000	2,020,578	2,092,188
LOS ANGELES COUNTY CALIFORNIA SANITATION			
5% DUE 10/01/11.....	100,000	108,904	115,651
LOUISVILLE & JEFFERSON COUNTY KY			
5% DUE 05/15/36.....	200,000	196,944	188,236

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
MAFI II REMIC TRUST			
1.58% DUE 04/25/29.....	365,431	365,347	360,749
MARYLAND STATE HEALTH & HIGHER EDUCATION			
5% DUE 07/01/41.....	400,000	392,636	375,408
MASCO CORP			
4.625% DUE 08/15/07.....	2,000,000	2,032,800	1,990,160
7.75% DUE 08/01/29.....	2,000,000	2,300,300	2,194,180
MBNA AMERICAN BANK NATIONAL ASSOCIATION			
5.375% DUE 01/15/08.....	1,320,000	1,370,939	1,319,644
MBNA CORP			
5% DUE 06/15/15.....	1,500,000	1,380,930	1,486,110
MCKESSON CORP			
6.4% DUE 03/01/08.....	3,320,000	3,506,219	3,475,993
MESA TRUST ASSET BACKED CERTIFICATES			
1.37% DUE 10/25/32.....	674,674	673,588	674,674
1.52% DUE 11/25/31.....	645,048	645,754	645,048
METLIFE INC			
3.911% DUE 05/15/05.....	300,000	308,952	306,720
METROPOLITAN EDISON CO			
4.45% DUE 03/15/10.....	2,063,000	1,983,127	2,057,368
MORGAN STANLEY DEAN WITTER			
1.42% DUE 04/22/04.....	800,000	800,872	796,840
1.45% DUE 07/25/32.....	187,479	187,402	187,538
1.49% DUE 07/25/30.....	304,080	304,698	304,365
3.625% DUE 04/01/08.....	2,250,000	2,210,625	2,251,260
4.25% DUE 05/15/10.....	1,400,000	1,359,302	1,392,342
4.34% DUE 06/13/41.....	1,500,000	1,485,740	1,507,694
NATIONAL AUSTRALIA BANK LTD			
1.755% DUE 05/19/10.....	1,600,000	1,606,240	1,600,000
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP			
2.16063% DUE 04/26/04.....	2,000,000	2,009,360	2,006,760
NEW YORK NY CITY			
5% DUE 06/15/34.....	100,000	97,915	100,388
NEWELL RUBBERMAID INC			
4% DUE 05/01/10.....	700,000	661,171	697,557
NEWS AMERICAN INC			
4.75% DUE 03/15/10.....	750,000	745,425	749,723
NIAGARA MOHAWK POWER CORP			
5.375% DUE 10/01/04.....	660,000	682,684	659,690
NORFOLK SOUTHERN CORP			
9% DUE 03/01/21.....	660,000	828,505	810,559
NOVASTAR MORTGAGE FUNDING			
1.395% DUE 05/20/28.....	473,529	472,809	473,455
1.4% DUE 01/25/31.....	363,604	364,211	363,490
NRG NORTHEAST GENERATING LLC			
8.065% DUE 12/15/04.....	1,660,313	1,610,503	1,660,313
OHIO NATIONAL LIFE INSURANCE CO			
8.875% SURPLUS NOTES DUE 07/15/04.....	3,330,000	3,513,650	3,329,391

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
PACIFIC GAS & ELECTRIC CO 8.333% DUE 10/31/49.....	4,800,000	4,848,000	4,800,000
PACIFICORP 6.75% 1ST MTGE DUE 04/01/05.....	2,665,000	2,846,540	2,663,020
PEMEX PROJECT FUNDING 7.375% DUE 12/15/14.....	1,250,000	1,281,250	1,233,948
8.625% DUE 02/01/22.....	400,000	423,000	420,352
POTASH CORP SASK INC 4.875% DUE 03/01/13.....	1,400,000	1,333,570	1,392,132
PRINCIPAL LIFE GLOBAL 5.05% DUE 03/15/15.....	2,250,000	2,176,515	2,237,940
PROGRESS ENERGY INC 7% DUE 10/30/31.....	1,310,000	1,324,934	1,331,113
PROVIDIAN GATEWAY MASTER TRUST 1.34% DUE 03/15/07.....	1,500,000	1,500,000	1,500,104
PROVIDIAN HOME EQUITY LOAN TRUST 1.41% DUE 06/25/25.....	271,624	272,004	271,772
QWEST CORP 8.875% DUE 03/15/12.....	900,000	963,000	894,129
SALOMON BROTHERS MORTGAGE SECURITIES 1.46% DUE 02/25/30.....	151,672	150,585	151,708
SECURITY CAPITAL GROUP INC 6.95% DUE 06/15/05.....	2,310,000	2,479,993	2,426,355
SHOPPING CENTER ASSOCIATES 6.75% DUE 01/15/04.....	660,000	672,474	673,504
SIMON PROPERTY GROUP LP 5.375% DUE 08/28/08.....	1,320,000	1,376,122	1,312,740
SOUTH CAROLINA ELECTRIC & GAS CO 5.3% DUE 05/15/33.....	1,400,000	1,253,159	1,397,298
SOUTHWEST AIRLINES CO 7.875% DUE 09/01/07.....	3,300,000	3,723,324	3,595,218
SUSA PARTNERSHIP LP 7.125% DUE 11/01/03.....	1,320,000	1,331,550	1,370,041
SWEDBANK 1.74% DUE 12/11/11.....	1,500,000	1,503,000	1,499,850
TEXTRON FINANCIAL CORP 2.75% DUE 06/01/06.....	1,500,000	1,472,100	1,494,465
TOBACCO SETTLEMENT FINANCING CORP 4.375% DUE 06/01/19.....	1,250,000	1,140,050	1,250,000
TOYOTA MOTOR CREDIT 5.5% DUE 12/15/08.....	3,330,000	3,597,432	2,871,592
TXU ENERGY CO LLC 7% DUE 03/15/13.....	2,000,000	2,055,300	2,000,000
UNION OIL COMPANY OF CALIFORNIA 5.05% DUE 10/01/12.....	1,320,000	1,281,218	1,315,090
UNION PACIFIC RAILROAD CO 7.16% EQUIP TR 96-G DUE 06/01/08.....	1,330,000	1,499,575	1,330,000

PERMANENT UNIVERSITY FUND

DEBT SECURITIES

August 31, 2003

SCHEDULE B

(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
UNITED AIRLINES			
1.36% DUE 03/02/04.....	3,925,506	2,961,951	3,921,031
VALSPAR CORP			
6% DUE 05/01/07.....	1,320,000	1,398,368	1,343,925
VERIZON NEW YORK INC			
6.875% DUE 04/01/12.....	3,320,000	3,656,150	3,281,100
VERIZON WIRELESS CAPITAL LLC			
1.54% DUE 12/17/03.....	200,000	200,156	200,127
WAL-MART STORES INC			
7.55% DUE 02/15/30.....	7,850,000	9,405,242	9,689,572
WEYERHAEUSER CO			
2.24375% DUE 09/15/03.....	1,310,000	1,312,162	1,312,162
5.25% DUE 12/15/09.....	2,000,000	2,033,420	1,987,200
7.95% DUE 03/15/25.....	2,000,000	2,220,300	2,134,580
WILLIAMS COS INC			
7.75% DUE 06/15/31.....	700,000	614,250	668,584
TOTAL CORPORATE BONDS		<u>271,515,887</u>	<u>268,013,260</u>
FOREIGN CORPORATE BONDS			
AT&T CORPORATION			
4.389% DUE 11/21/03.....	2,200,000	2,423,592	1,935,435
BANQUE CENTRALE DE TUNISIE			
7.5% DUE 08/06/09.....	300,000	359,837	288,797
BEAR STEARNS			
2.652% DUE 04/19/05.....	1,600,000	1,766,143	1,356,069
DEPFA BANK			
4.75% DUE 07/15/08.....	640,000	736,946	547,865
DEUTSCHE PFANDBRIEF			
5.75% DUE 03/04/09.....	1,270,000	1,530,141	1,149,027
DEUTSCHE TELEKOM INTERNATIONAL FINANCE BV			
1.6731% DUE 03/10/04.....	100,000,000	863,387	816,883
EUROFIMA			
4.75% DUE 07/07/04.....	1,000,000	120,868	109,822
FORD MOTOR CREDIT CO			
1% DUE 12/22/03.....	29,000,000	247,300	266,654
3.826% DUE 10/27/03.....	500,000	550,542	445,900
INTERNATIONAL CREDIT RECOVERY JAPAN			
0.804% DUE 05/22/06.....	66,588,200	570,976	546,769
JAPAN FINANCIAL CORP			
8.375% DUE 12/07/06.....	900,000	1,572,623	1,464,088
KFW INTERNATIONAL FINANCE INC			
1.75% DUE 03/23/10.....	89,000,000	803,960	830,589
KOREA DEV BANK			
4.7% DUE 03/18/04.....	190,000,000	1,668,281	1,963,745
KREDIT FUER WIEDER			
3.5% DUE 11/15/05.....	2,800,000	3,120,693	2,752,459
LANDESBANK-BADGEN			
5.5% DUE 04/02/07.....	240,000	282,415	215,285

PERMANENT UNIVERSITY FUND
DEBT SECURITIES
August 31, 2003

SCHEDULE B
(CONTINUED)

SECURITY	PAR VALUE (1)	VALUE (\$)	COST (\$)
MBNA AMERICAN EUROPEAN STRUCTURED OFFERINGS			
2.278% DUE 10/19/06.....	700,000	768,376	634,616
PFIZER INC			
0.8% DUE 03/18/08.....	48,000,000	412,410	391,577
VER NED UITGEVERSBEDR			
5.625% DUE 05/20/17.....	690,000	1,094,682	1,192,410
WEST DT LANDESBANK			
4.75% DUE 09/28/07.....	420,000	483,067	360,748
TOTAL FOREIGN CORPORATE BONDS		<u>19,376,239</u>	<u>17,268,738</u>
COMMINGLED FUNDS - FIXED INCOME			
GOLDMAN SACHS TRUST HIGH YIELD FUND			
.....	2,505,981	18,920,153	19,868,884
TOTAL COMMINGLED FUNDS - FIXED INCOME		<u>18,920,153</u>	<u>19,868,884</u>
COMMERCIAL PAPER			
KRAFT FOODS INC			
2.08% DUE 02/27/04.....	900,000	900,000	900,000
TOTAL COMMERCIAL PAPER		<u>900,000</u>	<u>900,000</u>
OTHER DEBT			
OAKBAY			
8.75% UNSECURED NOTE DUE 07/31/09.....	7,770,600	2,420,596	7,770,600
TOTAL OTHER DEBT		<u>2,420,596</u>	<u>7,770,600</u>
TOTAL DEBT SECURITIES		<u>1,029,952,775</u>	<u>1,016,167,982</u>

(1) Par Values on Non-US dollar denominated bonds are reported in currency of issue.

PERMANENT UNIVERSITY FUND
PREFERRED STOCKS AND CONVERTIBLE SECURITIES
August 31, 2003

SCHEDULE C

SECURITY	SHARES	VALUE (\$)	COST (\$)
PREFERRED STOCKS			
DG FUNDING TRUST			
PRIVATE PLACEMENT.....	240	2,496,000	2,405,753
FLEETPRIDE			
SERIES G.....	165	1,650,000	1,650,000
OAKBAY D			
UNSECURED LOAN NOTES.....	1,286,146	1,286,146	1,286,146
OAKBAY PREFERENCE SHARES			
PREFERENCE SHARES.....	3,659	0	4,512,714
SONGBIRD HEARING INC			
SERIES C.....	29,278,408	3,806,193	5,564,434
TERASTOR CORP			
SERIES F.....	2,603,268	0	1
SERIES E.....	5,048,544	0	1
TOTAL PREFERRED STOCKS		<u>9,238,339</u>	<u>15,419,049</u>
FOREIGN PREFERRED STOCKS			
FLETCHER CHALLENGE FOREST			
.....	4,305	2,847	2,727
NEWS CORPORATION			
.....	31,341	224,154	220,052
TOTAL FOREIGN PREFERRED STOCKS		<u>227,001</u>	<u>222,779</u>
CONVERTIBLE SECURITIES			
TIMCO AVIATION SERVICES INC			
.....	192	0	0
CREDIT SUISSE GROUP			
BOND.....	144,000	136,695	96,367
SMFG FINANCE			
PREFERRED.....	45,000,000	526,440	325,303
SONGBIRD HEARING INC			
SERIES A3 CONV PFD.....	881,528	114,599	5,504,749
SERIES A4 CONV PFD.....	87,805	11,415	693,277
SERIES B CONV PFD.....	3,183,569	413,864	1,558,892
TOTAL CONVERTIBLE SECURITIES		<u>1,203,013</u>	<u>8,178,588</u>
OPTIONS			
UNITED STATES TREASURY			
4.25% PUT NOV 2003.....	346	11,147,082	11,254,852
TOTAL OPTIONS		<u>11,147,082</u>	<u>11,254,852</u>
TOTAL PREFERRED STOCKS AND CONVERTIBLE SECURITIES		<u>21,815,435</u>	<u>35,075,268</u>

PERMANENT UNIVERSITY FUND
CASH AND CASH EQUIVALENTS
August 31, 2003

SCHEDULE D

SECURITY	VALUE (\$)	COST (\$)
MONEY MARKET FUNDS		
BGI MONEY MARKET FUND.....	63,274	63,274
BSDT-LMDA II.....	297,379	297,379
DREYFUS INSTITUTIONAL PREFERRED MONEY MARKET FUND.....	861,420,115	861,420,075
TEXAS STATE TREASURY FUND.....	451,441	451,441
TOTAL MONEY MARKET FUNDS	<u>862,232,209</u>	<u>862,232,169</u>
CASH		
CASH (INTEREST BEARING).....	(1,168,834)	(1,168,834)
FOREIGN CURRENCY CASH (INTEREST BEARING).....	5,539,107	5,521,717
TOTAL CASH	<u>4,370,273</u>	<u>4,352,883</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u><u>866,602,482</u></u>	 <u><u>866,585,052</u></u>

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities

Note 1 – Organization

The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to the University of Texas, as well as an additional 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 over 2.1 million acres of land located in 24 counties primarily in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF, and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas Investment Management Company (UTIMCO).

Note 2 – Significant Accounting Policies

(A) **Security Valuation** -- Investments are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the PUF are valued based upon prices supplied by Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Limited partnerships and other equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting period. In the rare case when no ascertainable value is available, the limited partnership is valued at cost.

Securities held by the PUF in index funds are generally valued as follows:

Stocks traded on security exchanges are valued at closing market prices on the valuation date. Stocks traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.

Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Commingled investments are valued based on net asset value information provided by the investment company.

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities (cont.)

(B) ***Foreign Currency Translation*** -- The accounting records of the PUF are maintained in U.S. dollars. Investments in securities are valued at the daily rates of exchange on the valuation date. Security classifications in the detail schedules of investment securities are based on currency.

(C) ***Security Transactions*** -- Security transactions are recorded on a trade date basis for most securities. International index fund transactions are recorded on a settle date basis due to trading practices which impose restrictions in acquiring per unit information on the trade date. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(D) ***Use of Estimates*** -- The preparation of the accompanying schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets at the reporting date. Actual results could differ from these estimates.

Note 3 – Commingled Investments

The commingled investments consist of investments in other entities in which the PUF has an ownership percentage, shares or limited partnership interest. The international equity fund is majority owned by the PUF and The University of Texas General Endowment Fund.

The merger arbitrage and special situation funds invest in securities of companies facing a major corporate event. These events might include mergers, tender offers, recapitalizations, spin-offs, liquidations and substantial corporate self-tenders. In addition, these funds may invest in distressed companies that are subject to reorganizations, bankruptcies, or other special situations that can create arbitrage opportunities through the exploitation of inefficiencies in the pricing of related securities. The research-intensive investments within these funds are typically uncorrelated with the overall market and dependent on the occurrence of specific “investment events” to realize the return.

Hedge funds invest in global equity securities both long and short. Investment return is expected to be realized from long and short security selection, and only modestly by the direction of the overall equity markets.

The emerging market funds utilize a long and short investment strategy and invest primarily in emerging and developed markets in Asia and the Pacific region and emerging markets in Latin America, Eastern Europe, the Middle East, and Russia.

The international equity fund invests in non-U.S. equity assets, cash equivalents, currencies and currency forwards.

The fund of hedge funds invest in other hedge funds including merger arbitrage and special situation funds, hedge funds, and other relative value hedge funds and absolute return strategies.

The opportunistic small cap value fund makes active strategic-block value investments in a limited number of small-capitalization public companies.

Note 4 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P Mid-Cap 400 Index.

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index. The fund is a commingled ‘superfund’ comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Russell 2000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Russell 3000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The Russell 2000 Equity Index Fund B’s objective is approximating as closely as practicable the capitalization weighted total return of the segment of the U.S. market for publicly traded common stocks represented by the Russell 2000 Index.

PERMANENT UNIVERSITY FUND

Notes to Detail Schedules of Investment Securities (cont.)

The EAFE Equity Index Transition Fund is a temporary fund established to accommodate the transition of existing investments into an existing index fund.

The EAFE Equity Index Transition Fund will be folded into the EAFE Equity Index Fund B upon completion of the transition.

The Russell 2000 Equity Index Transition Fund is a temporary fund established to accommodate the transition of existing investments into an existing index fund. The Russell 2000 Equity Index Transition Fund will be folded into the Russell 2000 Index Fund B upon completion of the transition.

When deemed appropriate, a portion of the index funds may be invested in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Mid-Cap Index Fund B Lendable is majority-owned, and the Emerging Markets Structured Tiered Fund B is solely owned by the PUF and The University of Texas System General Endowment Fund.

Note 5 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges.

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

Venture capital consists of interests in private equity partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Mezzanine interests consist of investments in funds that make subordinated debt or minority equity investments in private companies.

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the PUF's direct interests in private companies.

PERMANENT UNIVERSITY FUND
Notes to Detail Schedules of Investment Securities (cont.)

Note 6 – Securities Lending

The PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. The PUF receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-United States issuers. If the market value of the collateral held in connection with loans of securities of United States issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-United States issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2003:

Securities on Loan	Value	Type of Collateral	Value of Collateral
U.S. Government	\$ 62,899,948	Cash	\$ 63,659,881
Foreign Government	8,723,945	Cash	9,147,671
Corporate Bonds	33,253,536	Cash	34,353,149
Common Stock	<u>49,684,339</u>	Cash	<u>51,904,234</u>
Total	<u>\$ 154,561,768</u>	Total	<u>\$159,064,935</u>
U. S. Government	<u>\$ 510,071</u>	Non-Cash	<u>\$ 684,927</u>

Cash received as collateral for securities lending activities is recorded as an asset with an equal and offsetting liability to return the collateral. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

Note 7 – Commitments

The PUF had unfunded contractual commitments for limited partnerships and other assets of \$489,452,054 as of August 31, 2003.

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

FINANCIAL STATEMENTS

Year Ended August 31, 2003 and 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System General Endowment Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company "UTIMCO" and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The Fund was created to allow the PHF and LTF to benefit from their identical investment objectives by providing greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net asset value, after contributions and withdrawals, increased by \$291.6 from \$3,293.2 million to \$3,584.8 million or approximately 8.9% during the year.
- The PHF and LTF redeemed and purchased Fund units resulting in a net reduction in contributions of \$126.1 million during the year.
- The Fund posted a net investment return of 12.81% for the fiscal year ended August 31, 2003, compared to a net investment return of negative 6.96% for the prior fiscal year.
- The Fund allocated \$71.4 million of net investment income and \$24.3 million of realized losses to the LTF and PHF during the fiscal year ended August 31, 2003. The Fund allocates its net investment income and its realized gain or loss to the PHF and LTF monthly based on their ownership of Fund units at month end. The distributed net investment income and realized gain amounts are considered reinvested as contributions to the Fund. Any distributed realized losses reduce the cost basis of the units in the Fund. Since the distribution is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

Market Commentary

The fiscal year ended August 31, 2003 was a year of two remarkably contrasting periods. The first was the period leading up to the conclusion of the major conflict in Iraq, where uncertainty and global market weakness prevailed. The second was the subsequent months following the market low registered on March 11, during which risk taking around the world was financially rewarded. The table on the next page outlines the dramatic contrast in results between these two periods:

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

Index	Equity Description	9/1/02 - 3/11/03	3/11/03 - 8/31/03
S&P 500	U.S. Large Capitalization	-11.1%	26.9%
Russell 2000	U.S. Small Capitalization	-10.8%	44.3%
MSCI EAFE	International Developed Markets	-15.7%	29.8%
MSCI Emerging Markets Free	International Emerging Markets	-7.6%	40.9%

Navigating these two disparate investment environments proved challenging. However, by maintaining a diversified asset exposure - including a meaningful allocation to absolute return strategies (hedge funds) - the Fund was able to preserve capital during the dramatic negative results of the first six months. In addition, positive performance by many of the Fund's active managers added to returns. Finally, decisions to tactically reallocate capital during the spring and summer months away from defensive assets, including fixed income, and towards more economically sensitive instruments, such as small cap and emerging markets equities, enabled the Fund to participate in the financial markets' eventual anticipation of a strong global recovery, which resulted in superior investment returns.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are required under GASB: the Statement of Net Assets, the Statement of Operations and Changes in Net Assets, and the Statement of Cash Flows. We have also included as part of the basic financial statements the Financial Highlights and the Comparison Summary of Investment in Securities, at Fair Value.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Assets

The Statement of Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates Fund's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

Net assets consist of participant contributions and accumulated net unrealized gains on investments.

Statement of Operations and Changes in Net Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Assets are based on activity of the Fund. The purpose of this statement is to present the results of operations, the changes in value of the investments of the Fund, the net participant contributions, and the distributions to participants.

The Fund earned realized and unrealized investment gains of \$346.3 million during the year compared to realized and unrealized losses of \$324.2 million for the year ended August 31, 2002. Expenses totaled \$5.8 million in fiscal year 2003 and \$7.2 million in fiscal year 2002.

The net increase in net assets resulting from operations totaled \$417.7 for the fiscal year ended August 31, 2003 compared to a net decrease in net assets resulting from operations totaling \$252.5 for the fiscal year ended August 31, 2002.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Fund for the periods. The PHF and LTF sell Fund units in order to create cash to pay the quarterly distributions as well as to meet any withdrawal requirements. Distributions to the PHF and LTF for such unit sales were \$208.7 million and \$285.9 million, respectively, for the years ended August 31, 2003 and 2002. Contributions to the Fund totaled \$110.1 million and \$103.5 million, respectively, for the years ended August 31, 2003 and 2002.

Statement of Financial Highlights

The inclusion of the Financial Highlights statement is to report the selected per unit data and financial ratios of the Fund by fiscal period since the inception of the Fund. As reported in the statement, the Fund's net asset value per unit increased in fiscal year 2003, reversing declines reported in the prior two fiscal years of 2002 and 2001.

Schedule of Investment in Securities, at Fair Value

The Schedule of Investment in Securities, at Fair Value provides a comparative listing of investments by type of security. The total investment in securities increased from \$3,387.0 million to \$3,671.9 million during the year.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

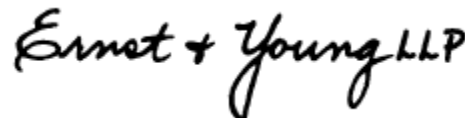
The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statement of net assets and the summary of investment in securities of The University of Texas System General Endowment Fund (the "Fund") as of August 31, 2003, and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial statements (excluding a statement of cash flows) of The University of Texas General Endowment Fund for the year ended August 31, 2002 and the financial highlights for the year ended August 31, 2002 and the period from inception (March 1, 2001) to August 31, 2001, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

Management's discussion and analysis on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements and financial highlights, referred to above present fairly, in all material respects, the financial position of The University of Texas System General Endowment Fund as of August 31, 2003, the results of its operations, its cash flows, and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

 Ernst & Young LLP

October 17, 2003

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

Statements of Net Assets

August 31, 2003 and 2002

(Dollars in thousands, except per unit amounts)

Assets	2003	2002
Investment in Securities, at Fair Value (Cost \$3,548,461 and \$3,637,907, respectively)	\$ 3,671,854	\$ 3,387,022
Collateral for Securities Loaned, at Fair Value	78,308	68,371
Deposit with Broker for Futures Contracts	25,688	18,750
Unrealized Gains on Foreign Currency Exchange Contracts	6,920	8,130
Receivables		
Investment Securities Sold	84,818	75,207
Accrued Income	6,020	8,099
Other	<u>1,194</u>	<u>306</u>
Total Assets	<u>3,874,802</u>	<u>3,565,885</u>
 Liabilities		
Payable to Participants	40,492	12,998
Payable Upon Return of Securities Loaned	78,308	68,371
Unrealized Losses on Foreign Currency Exchange Contracts	4,826	2,342
Payables		
Investment Securities Purchased	164,790	187,329
Other	<u>1,621</u>	<u>1,651</u>
Total Liabilities	<u>290,037</u>	<u>272,691</u>
 Net Assets	 <u>\$ 3,584,765</u>	 <u>\$ 3,293,194</u>
 Supplementary Disclosure:		
Net Assets Consist Of:		
Participant Contributions (Net of Withdrawals)	\$ 3,508,386	\$ 3,587,430
Net Unrealized Appreciation (Depreciation) of Investments		
Including Translation Of Assets and Liabilities in Foreign Currencies	<u>76,379</u>	<u>(294,236)</u>
Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
 Number of Units:		
Permanent Health Fund (PHF)	7,263,383	7,676,762
The University of Texas System Long Term Fund (LTF)	<u>27,696,705</u>	<u>28,539,389</u>
Total	<u>34,960,088</u>	<u>36,216,151</u>
 Net Asset Value Per Unit	 <u>\$ 102.539</u>	 <u>\$ 90.932</u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Operations and Changes in Net Assets

Years Ended August 31, 2003 and 2002

(in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 34,052	\$ 40,067
Dividends	34,685	34,458
Income Distributions from Limited Partnerships	7,060	2,887
Other	<u>1,426</u>	<u>1,504</u>
Total Investment Income	<u>77,223</u>	<u>78,916</u>
Expenses		
Investment Management and Consulting Fees	5,001	6,414
Custodial Fees and Expenses	547	603
Other	<u>233</u>	<u>228</u>
Total Expenses	<u>5,781</u>	<u>7,245</u>
Net Investment Income	<u>71,442</u>	<u>71,671</u>
Realized and Unrealized Gain (Loss) on Investments		
Net Realized Loss on Investments Securities And Foreign Currency Related Transactions	(24,341)	(124,188)
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	<u>370,615</u>	<u>(199,983)</u>
Net Gain (Loss) on Investments	<u>346,274</u>	<u>(324,171)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	\$ 417,716	\$ (252,500)
Net Assets		
Beginning of Period	3,293,194	3,723,912
Participant Contributions	110,074	103,516
Participant Withdrawals	<u>(236,219)</u>	<u>(281,734)</u>
End of Period	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>

*The accompanying notes are an integral
part of these financial statements.*

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

Statements of Cash Flows

*Years Ended August 31, 2003 and 2002
(in thousands)*

	2003	2002 (unaudited)
	<hr/>	<hr/>
Cash Flows From Operating Activities:		
Cash received on interest and dividends	\$ 70,816	\$ 76,777
Cash received on income distributions from limited partners	7,060	2,887
Cash received from other sources	1,426	1,605
Cash payments to investment managers and consultants	(4,413)	(6,028)
Cash payments to service providers	(1,397)	(830)
Purchase of investment securities	(3,394,048)	(4,660,306)
Proceeds from sale and maturities of investment securities	3,311,693	4,852,324
	<hr/>	<hr/>
Net Cash (Used in) Provided by Operating Activities	(8,863)	266,429
	<hr/>	<hr/>
Cash Flows from Financing Activities:		
Contributions from participants	110,074	103,516
Distributions to participants	(208,726)	(285,877)
	<hr/>	<hr/>
Net Cash Used in Financing Activities	(98,652)	(182,361)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(107,515)	84,068
Cash and cash equivalents at beginning of year	404,900	320,832
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 297,385	\$ 404,900
	<hr/>	<hr/>
Reconciliation of net increase (decrease) in net investment assets provided by operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 417,716	\$ (252,500)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by operating activities:		
Unrealized (gains) losses on investment securities and foreign currency related transactions	(370,615)	199,983
Cost of investment securities purchased	(3,371,497)	(4,616,211)
Cost of investment securities sold	3,346,418	5,024,737
(Increase) decrease in receivables:		
Investment securities sold, at cost	(9,495)	(48,316)
Accrued income	2,079	2,252
Other	(888)	246
Increase (decrease) in payables:		
Investment securities purchased, at cost	(22,551)	(44,095)
Other	(30)	333
	<hr/>	<hr/>
Net Cash (Used in) Provided by Operating Activities	\$ (8,863)	\$ 266,429
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

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

Comparison Summary of Investment in Securities, at Fair Value

August 31, 2003 and 2002

(in thousands)

	<u>2003</u>	<u>2002</u>
Equity Securities		
Commingled Investments	\$ 992,944	\$ 617,064
Index Funds	793,380	775,885
Domestic Common Stock	566,279	507,797
Limited Partnerships	376,667	353,556
Foreign Common Stocks	126,286	98,713
Other	<u>1,784</u>	<u>1,263</u>
Total Equity Securities	<u>2,857,340</u>	<u>2,354,278</u>
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	46,115	110,388
U.S. Government Agencies (Non-Guaranteed)	215,261	196,481
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	567	899
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	7,479	5,865
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	79,997	58,928
Municipal and County Bonds	2,542	2,831
Corporate Bonds	128,837	221,220
Foreign Corporate Bonds	10,219	10,117
Commingled Investment	10,209	8,711
Commercial Paper	-	3,086
Other	<u>1,037</u>	<u>1,470</u>
Total Debt Securities	<u>502,263</u>	<u>619,996</u>
Preferred Stock		
Domestic Preferred Stock	7,719	5,047
Foreign Preferred Stock	<u>117</u>	<u>618</u>
Total Preferred Stock	<u>7,836</u>	<u>5,665</u>
Purchased Options	<u>6,315</u>	<u>-</u>
Convertible Securities	<u>715</u>	<u>2,183</u>
Cash and Cash Equivalents		
Money Market Funds Maintained to Back Futures Contracts	212,955	201,279
Money Market Funds - Other	<u>84,430</u>	<u>203,621</u>
Total Cash and Cash Equivalents	<u>297,385</u>	<u>404,900</u>
 Total Investment in Securities	 <u>\$ 3,671,854</u>	 <u>\$ 3,387,022</u>

*The accompanying notes are an integral
part of these financial statements.*

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

Financial Highlights

Years Ended August 31, 2003 and 2002 and For the Period from Inception (March 1, 2001) to August 31, 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Selected Per Unit Data			
Net Asset Value, Beginning of Period	\$ 90.932	\$ 97.811	\$ 100.00
Income from Investment Operations			
Net Investment Income	1.972	1.895	1.200
Net Realized and Unrealized Gain (Loss) on Investments	<u>9.635</u>	<u>(8.774)</u>	<u>(3.389)</u>
Total Income (Loss) from Investment Operations	<u>11.607</u>	<u>(6.879)</u>	<u>(2.189)</u>
Net Asset Value, End of Period	<u>\$ 102.539</u>	<u>\$ 90.932</u>	<u>\$ 97.811</u>
Ratios and Supplemental Data			
Net Assets, End of Period (in thousands)	\$ 3,584,765	\$ 3,293,194	\$ 3,723,912
Ratio of Expenses to Average Net Assets	0.17%	0.20%	0.09%
Ratio of Net Investment Income to Average Net Assets	2.12%	2.00%	1.22%

*The accompanying notes are an integral
part of these financial statements.*

Note 1 – Organization and Basis of Presentation

The University of Texas System General Endowment Fund (Fund), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the Board of Regents of The University of Texas System (Board of Regents). The Fund is organized as a mutual fund and has two participants, the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF). The PHF and LTF initially purchased units of the Fund on March 1, 2001, in exchange for the contribution of their investment assets. The Fund provides for greater diversification of investments than would be possible if each account were managed separately.

Fiduciary responsibility for the Fund rests with the Board of Regents. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the Board of Regents.

The Fund uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The Fund also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Significant Accounting Policies

(A) ***Security Valuation*** -- Investments are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the Fund are valued based upon prices supplied by Merrill Lynch Securities Pricing Service and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security market values are based on the New York Stock Exchange composite closing prices, if available. If not available, the market value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Limited partnerships and other equity securities are valued based on a fair valuation determined as specified by policies established by the UTIMCO Board of Directors. Limited partnerships are valued using the partnership's capital account balance at the closest available reporting period (usually June 30), as communicated by the general partner, adjusted for contributions and withdrawals subsequent to the last available reporting period. In the rare case no ascertainable value is available, the limited partnership is valued at cost.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Securities held by the Fund in index funds are generally valued as follows:

Stocks traded on security exchanges are valued at closing market prices on the valuation date.

Stocks traded on the over-the-counter market are valued at the last reported bid price, except for National Market System OTC stocks, which are valued at their closing market prices.

Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Commingled investments are valued based on net asset value information provided by the investment company.

(B) ***Foreign Currency Translation*** -- The accounting records of the Fund are maintained in U.S. dollars. Investments in securities are valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Security classifications as domestic or foreign on the summary of investment in securities, at fair value are based on currency.

(C) ***Investment Income*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Premiums and discounts on bonds are not amortized.

(D) ***Security Transactions*** -- Security transactions are recorded on a trade date basis for most securities. International index fund transactions are recorded on a settlement date basis due to trading practices which impose restrictions in acquiring per unit information on the trade date. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

(E) ***Distributions to Participants*** -- The Fund, for accounting purposes, allocates its net investment income and realized gain or loss to the PHF and LTF monthly, based on their ownership of Fund units at month end. The allocated investment income and realized gain amounts are considered reinvested as contributions. Any allocated realized losses reduce the cost basis of the units of the Fund. Since the allocation is proportional to the percentage ownership by the PHF and LTF, no additional units are purchased.

(F) ***Fund Valuation*** -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

(G) ***Purchases and Redemption of Units*** -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

(H) ***Participants' Net Assets*** -- All participants in the Fund have a proportionate undivided interest in the Fund's net assets.

(I) ***Federal Income Taxes*** -- The Fund is not subject to federal income tax.

(J) ***Use of Estimates*** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(K) ***Foreign Currency Contracts*** -- The Fund enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(L) ***Cash and Cash Equivalents*** -- Cash and Cash Equivalents consist of money markets, foreign currencies and other overnight funds. A portion of the Fund's cash and cash equivalents are maintained to support the notional value of futures contracts held (see Note 9). Cash and cash equivalents are an integral part of the Fund's investment activities, and as such are included in the investment in securities balance on the statement of net assets.

(M) ***Recently Issued Accounting Standards*** -- In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the Fund until the fiscal year ending 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the Fund's financial statement balances.

(N) ***Reclassifications*** -- Certain items in the 2002 financial statements and related notes have been reclassified to conform with 2003 classification.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

Note 3 – Investments

The Fund’s investments have been categorized as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, to give an indication of the level of credit risk assumed by the Fund at August 31, 2003 and 2002. All of the securities shown in the comparison summary of investment in securities are considered credit risk category 1 investments except for commingled equity investments, index funds, limited partnerships, other equity securities, commingled debt investments, purchased options and cash and cash equivalents. Credit risk category 1 investments are investments that are insured or registered held by the Fund or its agent in the Fund’s name. All of the exceptions are not categorized by credit risk category because they are not evidenced by securities that exist in physical or book entry form. The amounts identified as securities on loan that have cash held as collateral (see Note 7) would also be considered not categorized.

Note 4 – Commingled Investments

The commingled investments consist of investments in other entities in which the Fund has an ownership percentage, shares or limited partnership interest. The International Equity Fund is majority owned by the Fund and the Permanent University Fund. The market values of the commingled investments consist of the following:

	August 31,	
	2003	2002
Equity Commingled Investments:		
Merger Arbitrage and Special Situation Funds	\$ 323,688,467	\$ 266,051,280
Hedge Funds	303,507,120	180,962,896
Emerging Market Mutual Funds	168,965,780	117,991,611
International Equity Fund	68,322,813	-
Small Capitalization International Stock Fund	63,090,957	51,524,771
Fund of Hedge Funds	45,399,131	-
Opportunistic Small Cap Value Fund	19,380,770	-
Growth-Oriented, Capital Appreciation Fund	<u>588,812</u>	<u>533,314</u>
Total Equity Commingled Investments	<u>\$ 992,943,850</u>	<u>\$ 617,063,872</u>
Debt Commingled Investment:		
High Yield Bond Fund	<u>\$ 10,209,405</u>	<u>\$ 8,710,889</u>

The merger arbitrage and special situation funds invest in securities of companies facing a major corporate event. These events might include mergers, tender offers, recapitalizations, spin-offs, liquidations and substantial corporate self-tenders. In addition, these funds may invest in distressed companies that are subject to reorganizations, bankruptcies, or other special situations that can create arbitrage opportunities through the exploitation of inefficiencies in the pricing of related securities. The research-intensive investments within these funds are typically uncorrelated with the overall market and dependent on the occurrence of the specific “investment events” to realize the return.

Hedge funds invest in global equity securities both long and short. Investment return is expected to be realized from long and short security selection, and only modestly by the direction of the overall equity markets.

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

The emerging market funds utilize a long and short investment strategy and invest primarily in emerging and developed markets in Asia and the Pacific region and emerging markets in Latin America, Eastern Europe, the Middle East, and Russia.

The international equity fund invests in non-U.S. equity assets, cash equivalents, currencies and currency forwards.

The fund of hedge funds invest in other hedge funds including merger arbitrage and special situation funds, hedge funds, and other relative value hedge funds and absolute return strategies.

The opportunistic small cap value fund makes active strategic-block value investments in a limited number of small-capitalization public companies.

Note 5 – Index Funds

The index funds, managed by the same investment manager, consist of several funds with different investment objectives, as follows:

The Mid-Cap Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the U.S. and Canadian markets for publicly traded common stocks represented by the medium capitalized companies. The fund tracks the S&P 400 Mid-Cap Index.

The EAFE Equity Index Fund B is managed to replicate the Morgan Stanley Capital International Europe, Australia and Far East Index (EAFE). Individual index funds are established to represent each country within the EAFE Index. The fund is a commingled ‘superfund’ comprised from the individual EAFE Index country funds managed in their appropriate capitalization weights.

The Emerging Markets Structured Tiered Fund B attempts to approximate the capitalization weighted total rates of return of the equity securities in the Morgan Stanley Capital International Emerging Markets Free Index for selected countries. The fund adopts a structured tier weighting approach across the countries.

The Russell 2000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 2000 Index. The fund is selected and maintained in accordance with a formula designed to select stocks through optimized tilts toward particular stock characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 2000 Index.

The Equity Index Fund B Lendable is a portfolio of common stocks with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded common stocks represented by the larger capitalized markets. The fund tracks the S&P 500 Index.

The Russell 3000 Alpha Tilts Fund B’s objective is approximating the capitalization weighted total rate of return of the Russell 3000 Index. The fund is selected and maintained in accordance with a quantitative formula designed to select stocks through optimized tilts toward particular stock

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

Notes to Financial Statements (cont.)

characteristics. The formula is designed to provide systematic exposure to such characteristics with the objective of producing long-term returns in excess of the total rate of return of the Russell 3000 Index.

The EAFE Equity Index Transition Fund is a temporary fund established to accommodate the transition of existing investments into an existing index fund. The EAFE Equity Index Transition Fund will be folded into the EAFE Equity Index Fund B upon completion of the transition.

When deemed appropriate, a portion of the index funds may invest in futures contracts for the purpose of acting as a temporary substitute for investment in common stocks.

The Mid-Cap Index Fund B Lendable is majority owned by the Fund and the Permanent University Fund. The market values of the Fund's interests in these index funds are as follows:

	August 31,	
	2003	2002
Mid-Cap Index Fund B Lendable	\$ 238,928,385	\$ 313,552,230
EAFE Equity Index Fund B	166,993,484	215,431,749
Emerging Markets Structured Tiered Fund B	118,842,238	34,403,816
Russell 2000 Alpha Tilts Fund B	111,219,982	66,993,761
Equity Index Fund B Lendable	104,989,080	145,503,530
Russell 3000 Alpha Tilts Fund B	52,188,990	-
EAFE Equity Index Transition Fund	218,257	-
	<u>\$ 793,380,416</u>	<u>\$ 775,885,086</u>

Note 6 – Limited Partnerships

The limited partnerships consist of interests in privately held investments that are not registered for sale on public exchanges. The market values of the limited partnerships consist of the following:

	August 31,	
	2003	2002
U.S. Private Equity	\$ 171,367,289	\$ 164,362,231
Opportunistic	61,047,986	45,366,743
Venture Capital	60,757,306	74,679,119
Non-U.S. Private Equity	51,601,243	38,217,992
Mezzanine	21,969,831	23,361,798
Oil and Gas	7,023,086	3,107,038
Direct Investments	2,900,354	4,461,106
	<u>\$ 376,667,095</u>	<u>\$ 353,556,027</u>

The U.S. private equity interests consist of investments in private equity partnerships which primarily invest in the equity securities of private businesses that are considered to be in the post-start-up phase and that are profitable and generating income.

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

Notes to Financial Statements (cont.)

The opportunistic category consists of interests in private equity partnerships that invest in distressed debt, specialized sectors or that purchase limited partnership interests in private equity partnerships on a secondary basis.

Venture capital consists of interests in private equity partnerships that provide capital to companies that are in the early stages of development.

Non-U.S. private equity interests consist of investments in private equity and venture capital partnerships that are based outside of the U.S. These partnerships focus on making investments in companies that have operations in countries other than the U.S.

Mezzanine interests consist of investments in partnerships that make subordinated debt or minority equity investments in private companies.

Oil and Gas consists of interests in private partnerships that hold royalty interests and other non-working interests in oil and gas properties. These properties create an income stream over the life of the partnership.

Direct investments represent the Fund's direct interests in private companies.

Note 7 – Securities Lending

The Fund loans securities to certain brokers who pay the Fund negotiated lenders' fees. These fees are included in investment income. The Fund receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The value of securities loaned and the value of collateral held are as follows at August 31, 2003 and 2002:

Securities on Loan	2003 Value	2002 Value	Type of Collateral	2003 Value of Collateral	2002 Value of Collateral
U.S. Government	\$ 33,846,231	\$ 35,514,900	Cash	\$ 34,293,065	\$ 35,961,724
Foreign Government	9,265,920	961,421	Cash	9,744,659	1,010,345
Corporate Bonds	12,707,965	23,687,864	Cash	13,138,006	24,460,254
Common Stock	<u>20,226,902</u>	<u>6,546,729</u>	Cash	<u>21,132,580</u>	<u>6,939,041</u>
Total	<u>\$ 76,047,018</u>	<u>\$ 66,710,914</u>	Total	<u>\$ 78,308,310</u>	<u>\$ 68,371,364</u>
U.S. Government	<u>\$ 3,777,301</u>	<u>\$ 1,921,464</u>	Non-Cash	<u>\$ 3,918,834</u>	<u>\$ 2,073,215</u>

Cash received as collateral for securities lending activities is recorded as an asset with an equal and offsetting liability to return the collateral. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

Note 8 – Commitments

The Fund had unfunded contractual commitments for Limited Partnerships and Other assets of \$367,614,272 as of August 31, 2003.

Note 9 – Futures Contracts

The Fund's activities include trading in derivatives such as futures contracts. Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes of the Fund. The asset classes that used futures during the year include domestic and foreign equities, domestic and foreign debt, and commodities. Commodity index exposure was obtained through the Goldman Sachs Commodity Index (GSCI). The GSCI is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The Fund had \$25,688,593 and \$18,749,761 on deposit with a broker for collateral as margin for the futures contracts as of August 31, 2003 and 2002, respectively. It is the intention of the Fund not to utilize leverage when entering into these contracts and to maintain cash balances that, when combined with the collateral deposited with a broker, exceed the notional value of the futures contracts held. Short futures may be used by a limited number of the Fund's external managers to hedge the Fund's interest rate or country risk associated with security positions.

Futures contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts. Such carrying value at August 31, 2003 and 2002, is included in "Receivables Other" on the accompanying statements of net assets. The amount of net realized gain on the futures contracts was \$33,017,005 for the year ended August 31, 2003. The amount of net realized loss on futures contracts was \$10,002,498 for the year ended August 31, 2002. The Fund executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

The following discloses the notional, carrying and fair values at August 31, 2003, and the average carrying and fair values for the year ended August 31, 2003, for futures contracts:

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
Notes to Financial Statements (cont.)

	Notional Value at August 31, 2003		Carrying and Fair Value at August 31, 2003		Average Carrying and Fair Value for the Year Ended August 31, 2003	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Domestic Fixed Income Futures	\$ 72,789,813	\$ 99,985,328	\$ 108,983	\$ 116,997	\$ 177,945	\$ 182,285
International Fixed Income Futures	78,974,879	22,371,194	58,659	47,569	186,596	178,056
Domestic Equity Futures	177,914,900	16,951,700	1,164,500	116,100	899,086	815,519
International Equity Futures	16,086,163	38,674,776	221,604	99,864	273,933	282,968
Commodities Futures	53,668,500	-	-	55,500	482,478	428,823

The following discloses the notional, carrying and fair values at August 31, 2002, and the average carrying and fair values at August 31, 2002 for futures contracts:

	Notional Value at August 31, 2002		Carrying and Fair Value at August 31, 2002		Average Carrying and Fair Value for the Year Ended August 31, 2002	
	Long	Short	Assets	Liabilities	Assets	Liabilities
Domestic Fixed Income Futures	\$ 45,079,078	\$ 114,685,328	\$ 70,476	\$ 142,385	\$ 232,098	\$ 243,703
International Fixed Income Futures	127,082,192	50,349,578	284,621	30,284	135,077	124,471
Domestic Equity Futures	143,919,310	4,888,125	54,470	-	492,278	560,172
International Equity Futures	15,099,006	9,455,356	156,976	132,581	261,156	261,299
Commodities Futures	95,424,900	-	44,425	-	382,932	310,496

Note 10 – Foreign Currency Exchange Contracts

The table on the next page summarizes by currency the contractual amounts of the Fund's foreign currency exchange contracts at August 31, 2003 and 2002. Foreign currency amounts are translated at exchange rates as of August 31, 2003 and 2002. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

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

Notes to Financial Statements (cont.)

<u>Currency</u>	<u>Net Buy August 31, 2003</u>	<u>Net Sell August 31, 2003</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2003</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2003</u>
Australian Dollar	\$ 14,223,196	\$ -	\$ 168,533	\$ 577,305
Canadian Dollar	-	23,530,711	326,608	245,250
Danish Krone	1,970,471	-	1,608	113,382
Euro	22,347,686	-	678,155	451,817
Hong Kong Dollar	-	363,291	326	43
Japanese Yen	71,256,328	-	1,225,925	610,242
New Zealand Dollar	-	1,073,812	208,291	34,693
Norwegian Krone	-	1,720,609	1,412,015	74,655
Polish Zloty	797,339	-	19,928	53,483
Singapore Dollar	8,767,217	-	239,438	26,314
Swedish Krona	18,692,592	-	943,981	887,193
Swiss Franc	-	18,097,729	1,392,352	1,040,342
UK Pound	13,922,233	-	302,402	711,562
	<u>\$ 151,977,062</u>	<u>\$ 44,786,152</u>	<u>\$ 6,919,562</u>	<u>\$ 4,826,281</u>

<u>Currency</u>	<u>Net Buy August 31, 2002</u>	<u>Net Sell August 31, 2002</u>	<u>Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2002</u>	<u>Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2002</u>
Australian Dollar	\$ 3,811,858	\$ -	\$ 342,307	\$ 2,411
Canadian Dollar	-	7,939,281	375,516	131,481
Danish Krone	966,650	-	42,799	-
Euro	45,956,285	-	830,451	17,141
Japanese Yen	67,210,003	-	3,639,620	384,501
New Zealand Dollar	3,081,427	-	172,269	13,694
Norwegian Krone	5,160,496	-	2,395,377	307,868
Singapore Dollar	916,954	-	101	83,302
Swedish Krona	22,262,844	-	74,857	87,773
Swiss Franc	-	23,050,955	158,668	977,873
UK Pound	14,516,673	-	98,372	336,134
	<u>\$ 163,883,190</u>	<u>\$ 30,990,236</u>	<u>\$ 8,130,337</u>	<u>\$ 2,342,178</u>

Note 11 – Fees and Expenses

The Fund incurs investment management fees from various external managers of the Fund. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.01% to 1.0%. In addition to quarterly investment management fees, the Fund may pay annual performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. In addition, the Fund incurs consulting fees for investment planning and oversight services with regard to limited partnerships and hedge funds.

THE UNIVERSITY OF TEXAS SYSTEM

GENERAL ENDOWMENT FUND

Notes to Financial Statements (cont.)

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the number of accounts, market value of the Fund, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, legal and consultation fees.

PERMANENT HEALTH FUND

FINANCIAL STATEMENTS

Years Ended August 31, 2003 and 2002

PERMANENT HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Permanent Health Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company "UTIMCO" and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The University of Texas System Board of Regents (UT Board) established the Fund in August 1999 with proceeds from state tobacco litigation. The Texas Constitution and various state statutes designate the UT Board as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the UT Board. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net asset value after distributions increased by \$46.7 million from \$698.3 million to \$745.0 or by approximately 6.7% during the year.
- There were no participant contributions to the Fund or withdrawals from the Fund during the fiscal year.
- The Fund posted a net investment return of 12.67% for the fiscal year ended August 31, 2003, compared to a net investment return of negative 7.05% for the prior fiscal year.
- The Fund's distribution rate was \$.047 per unit for the fiscal year ended August 31, 2003. The per unit rate was not increased from the fiscal year ended August 31, 2002. The fiscal year distributions represented 5.48% of the Fund's average net asset value during the year.

PERMANENT HEALTH FUND

Market Commentary

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. Therefore, the Fund's investment results are dependent on the GEF's investment activities. The following paragraphs provide a market commentary for the GEF's investment results for the fiscal year ended August 31, 2003.

The fiscal year ended August 31, 2003 was a year of two remarkably contrasting periods. The first was the period leading up to the conclusion of the major conflict in Iraq, where uncertainty and global market weakness prevailed. The second was the subsequent months following the market low registered on March 11, during which risk taking around the world was financially rewarded. The table below the dramatic contrast in results between these two periods:

<u>Index</u>	<u>Equity Description</u>	<u>9/1/02 - 3/11/03</u>	<u>3/11/03 - 8/31/03</u>
S&P 500	U.S. Large Capitalization	-11.1%	26.9%
Russell 2000	U.S. Small Capitalization	-10.8%	44.3%
MSCI EAFE	International Developed Markets	-15.7%	29.8%
MSCI Emerging Markets Free	International Emerging Markets	-7.6%	40.9%

Navigating these two disparate investment environments proved challenging. However, by maintaining a diversified asset exposure - including a meaningful allocation to absolute return strategies (hedge funds) - the GEF was able to preserve capital during the dramatic negative results of the first six months. In addition, positive performance by many of the GEF's active managers added to returns. Finally, decisions to tactically reallocate capital during the spring and summer months away from defensive assets, including fixed income, and towards more economically sensitive instruments, such as small cap and emerging markets equities, enabled the GEF to participate in the financial markets' eventual anticipation of a strong global recovery, which resulted in superior investment returns.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are required under GASB: the Statement of Net Assets, the Statement of Operations and Changes in Net Assets, and the Statement of Cash Flows. We have also included as part of the basic financial statements the Financial Highlights.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Assets

The Statement of Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the

PERMANENT HEALTH FUND

accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund no longer invests in individual securities except for the GEF units and a negligible amount of cash, the majority of the Fund's balance sheet is reflected in its investment in GEF units. As of August 31, 2003, the Fund owned 7,263,383 GEF units representing an ownership percentage of 20.78%. As of August 31, 2003 the fair value of the GEF units was \$744.8 million compared to the cost basis of \$726.4 million (\$18.4 of unrealized appreciation).

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time.

The composition of the GEF's investment portfolio and the results of its operations for fiscal years 2003 and 2002, are detailed in Note 5 to the financial statements.

Net assets consist of participant contributions and accumulated undistributed realized and unrealized gains on investments.

Statement of Operations and Changes in Net Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Assets are based on activity of the Fund. The purpose of this statement is to present the results of operations, the changes in value of the investments of the Fund, the net participant contributions, and the distributions to participants.

The Fund earned realized and unrealized investment gains of \$71.1 million during the year compared to realized and unrealized losses of \$68.9 million for the year ended August 31, 2002. Expenses totaled \$0.7 million in fiscal year 2003 and \$0.6 million in fiscal year 2002.

The net increase in net assets resulting from operations totaled \$85.3 million for the year ended August 31, 2003 compared to a net decrease in net assets resulting from operations of \$53.1 million for the year ended August 31, 2002.

Distributions to participants totaled \$38.5 million and \$41.8 million for the years ended August 31, 2003 and 2002, respectively. The decrease in distributions for 2003 is a result of withdrawals from the Fund during fiscal year 2002.

The Fund's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and

PERMANENT HEALTH FUND

- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

Fund distributions are controlled by a spending policy approved by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual investment return after fund expenses and inflation. The Fund distributions are increased annually at an average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net asset value. As reported on the financial highlights statement on page 9 of the financial statements, the ratio of distributions to average net assets (12-quarter average) has remained between 3.5% to 5.5%.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Fund for the periods. The Fund sells GEF units in order to fund the quarterly distributions as well as to meet any withdrawal requirements. Proceeds from the sale of GEF units were \$39.2 million and \$130.6 million, respectively, for the years ended August 31, 2003 and 2002. In fiscal years 2003 and 2002, the Fund realized losses of \$1.5 million and \$2.3 million, respectively, as a result of the sale of GEF units.

Statement of Financial Highlights

The inclusion of the Financial Highlights statement is to report the selected per unit data and financial ratios of the Fund over the past four years, or since inception of the Fund. As reported in the statement, the Fund's net asset value per unit increased in fiscal year 2003, reversing declines reported in the prior two fiscal years of 2002 and 2001.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

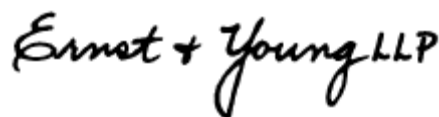
The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statement of net assets of the Permanent Health Fund (the "Fund") as of August 31, 2003, and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial statements (excluding a statement of cash flows) of the Permanent Health Fund for the year ended August 31, 2002 and the financial highlights for each of the three years in the period ended August 31, 2002, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements and financial highlights, referred to above present fairly, in all material respects, the financial position of the Permanent Health Fund as of August 31, 2003, the results of its operations, its cash flows, and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

 Ernst & Young LLP

October 17, 2003

PERMANENT HEALTH FUND

Statements of Net Assets

August 31, 2003 and 2002

(Dollars in thousands, except per unit amounts)

	<u>2003</u>	<u>2002</u>
Assets		
General Endowment Fund Units, at Fair Value (Cost \$726,404 and \$757,590, respectively)	\$ 744,779	\$ 698,060
Cash and Cash Equivalents	<u>182</u>	<u>190</u>
Net Assets	<u>\$ 744,961</u>	<u>\$ 698,250</u>
 Supplementary Disclosure:		
Net Assets Consist Of:		
Participant Contributions (Net of Withdrawals)	\$ 820,000	\$ 820,000
Accumulated Net Realized Loss on Investments	(30,204)	(23,420)
Net Unrealized Appreciation (Depreciation) of Investments	18,376	(59,529)
Distributions in Excess of Net Realized Investment Return	<u>(63,211)</u>	<u>(38,801)</u>
Net Assets for 820,000,000 Units	<u>\$ 744,961</u>	<u>\$ 698,250</u>
 Net Asset Value Per Unit	 <u>\$ 0.908</u>	 <u>\$ 0.852</u>

*The accompanying notes are an integral
part of these financial statements*

PERMANENT HEALTH FUND

Statements of Operations and Changes in Net Assets

Years Ended August 31, 2003 and 2002

(in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Allocation of General Endowment Fund Net Investment Income	\$ 14,807	\$ 16,380
Interest	1	1
Dividends	19	37
Total Investment Income	<u>14,827</u>	<u>16,418</u>
Expenses		
UTIMCO Management Fee	677	558
Other Expenses	20	21
Total Expenses	<u>697</u>	<u>579</u>
Net Investment Income	<u>14,130</u>	<u>15,839</u>
Realized And Unrealized Gain (Loss) on Investments		
Net Realized Loss on General Endowment Fund Units	(1,532)	(2,307)
Net Realized Gain on Investment Securities	14	-
Allocation of General Endowment Fund Realized Loss	(5,266)	(27,884)
Net Unrealized Appreciation (Depreciation) on General Endowment Fund Units	<u>77,905</u>	<u>(38,756)</u>
Net Gain (Loss) on Investments	<u>71,121</u>	<u>(68,947)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	\$ 85,251	\$ (53,108)
Net Assets		
Beginning of Period	698,250	881,433
Participant Withdrawals:		
Cost	-	(95,000)
Loss	-	6,771
Distributions to Participants:		
Net Investment Income	(14,130)	(15,839)
In Excess of Net Realized Investment Return	<u>(24,410)</u>	<u>(26,007)</u>
End of Period	<u>\$ 744,961</u>	<u>\$ 698,250</u>

The accompanying notes are an integral
part of these financial statements

PERMANENT HEALTH FUND

Statements of Cash Flows

Years Ended August 31, 2003 and 2002

(in thousands)

	2003	2002 (unaudited)
Cash Flows From Operating Activities:		
Cash received on interest and dividends	\$ 20	\$ 38
Cash payments to UTIMCO for management fee	(677)	(558)
Cash payments to service providers	(20)	(21)
Proceeds from sale of investment securities	39,209	130,641
Net Cash Provided By Operating Activities	38,532	130,100
Cash Flows from Financing Activities:		
Withdrawals by participants	-	(88,229)
Distributions to participants	(38,540)	(41,846)
Net Cash Used in Financing Activities	(38,540)	(130,075)
Net increase (decrease) in cash and cash equivalents	(8)	25
Cash and cash equivalents at beginning of year	190	165
Cash and cash equivalents at end of year	\$ 182	\$ 190
Reconciliation of net increase (decrease) in net assets provided by operating activities:		
Net increase (decrease) in net assets	\$ 85,251	\$ (53,108)
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Net allocation of income, gains and losses from General Endowment Fund and other	(9,555)	11,504
Unrealized (gains) losses on General Endowment Fund units	(77,905)	38,756
Cost of investment securities sold	40,741	132,948
Net Cash Provided by Operating Activities	\$ 38,532	\$ 130,100

The accompanying notes are an integral part of these financial statements

PERMANENT HEALTH FUND

Financial Highlights

Years Ended August 31,

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Selected Per Unit Data				
Net Asset Value, Beginning of Period	\$ 0.852	\$ 0.965	\$ 1.113	\$ 1.000
Income From Investment Operations				
Net Investment Income	0.017	0.018	0.024	0.030
Net Realized and Unrealized Gain (Loss) on Investments	<u>0.086</u>	<u>(0.084)</u>	<u>(0.126)</u>	<u>0.128</u>
Total Income (Loss) from Investment Operations	<u>0.103</u>	<u>(0.066)</u>	<u>(0.102)</u>	<u>0.158</u>
Less Distributions				
From Net Investment Income	0.017	0.018	0.024	0.030
From Net Realized Gain and In Excess of Net Realized Investment Return	<u>0.030</u>	<u>0.029</u>	<u>0.022</u>	<u>0.015</u>
Total Distributions	<u>0.047</u>	<u>0.047</u>	<u>0.046</u>	<u>0.045</u>
Net Asset Value, End of Period	<u>\$ 0.908</u>	<u>\$ 0.852</u>	<u>\$ 0.965</u>	<u>\$ 1.113</u>
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$ 744,961	\$ 698,250	\$ 881,433	\$ 1,016,587
Ratio of Expenses to Average Net Assets	0.27%	0.27%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.01%	1.91%	2.44%	2.87%
Ratio of Distributions to Average Net Assets (5-quarter average)	5.48%	5.05%	4.51%	4.28%
Ratio of Distributions to Average Net Assets (12-quarter average)	5.08%	4.66%	N/A	N/A

The accompanying notes are an integral part of these financial statements

PERMANENT HEALTH FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The Permanent Health Fund (Fund) is an internal University of Texas System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. The distributions from the Fund endowments support programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education. Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System (Board of Regents). The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the Board of Regents.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the Board of Regents effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the Board of Regents. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the Board of Regents and is provided day-to-day operations by UTIMCO.

The Fund uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The Fund also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Investment in GEF

Beginning with the purchase of 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 also continues to receive securities as proceeds in class action suits from the securities the Fund previously owned.

These securities are normally sold when received, but from time to time will be reflected as a Fund investment. At August 31, 2003, the Fund is the minority participant in the GEF, with ownership of 7,263,383 units, which represents 20.8% of the GEF. At August 31, 2002, the Fund held 7,676,762 units, which represented 21.2% of the GEF.

The GEF and the Fund have identical investment objectives. Additionally, the GEF's accounting policies follow the Fund's, as described in Note 3, except for the distributions to participants. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The allocated

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

investment income and realized gain amounts are considered reinvested as GEF contributions. Any allocated realized losses reduce the cost basis of the units in the GEF. Since the allocation is proportional to the percentage of ownership by the unitholders, no additional units are purchased. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders. Note 5 reports financial information on the GEF for the years ended August 31, 2003 and 2002.

Note 3 – Significant Accounting Policies

(A) **Security Valuation** -- The Fund's investment in GEF units is valued at the net asset value per unit reported by the GEF which is based on fair value.

(B) **Investment Income** -- Interest income is accrued as earned.

(C) **Security Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost.

(D) **Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the fiscal years ended August 31, 2003 and 2002 the quarterly rate was \$.01175 per unit which equates to a yearly rate of \$.047 per unit. The ratio of distributions to average net assets (12-quarter average) was 5.08% as of August 31, 2003. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months including August 31 subject to a maximum distribution of 5.5% of the Fund's average market value and a minimum distribution of 3.5% of the Fund's average market value.

(E) **Fund Valuation** -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.

(F) **Purchases and Redemption of Units** -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

(G) **Participants' Net Assets** -- All participants in the Fund have a proportionate undivided interest in the Fund's net assets.

(H) **Federal Income Taxes** -- The Fund is not subject to federal income tax.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

(I) **Use of Estimates** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(J) **Cash and Cash Equivalents** -- Cash and Cash Equivalents consist of money markets and other overnight funds.

(K) **Recently Issued Accounting Standards** -- In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the Fund until the fiscal year ending 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the Fund's financial statement balances.

(L) **Reclassifications** -- Certain items in the 2002 financial statements have been reclassified to conform with 2003 classification.

Note 4 – Fees and Expenses

The Fund is assessed a management fee by UTIMCO to cover the costs of managing the Fund and providing day-to-day operations. The fees assessed for the years ended August 31, 2003 and 2002, were \$676,877 and \$558,026, respectively.

The Fund incurs other expenses related to its operations primarily consisting of custodial fees, audit fees, printing and graphic expenses, legal and consultation fees.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

Note 5 – Financial Information on GEF

The following presents the investments and net assets of the GEF, in thousands, as of August 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Equity Securities		
Commingled Investments	\$ 992,944	\$ 617,064
Index Funds	793,380	775,885
Domestic Common Stock	566,279	507,797
Limited Partnerships	376,667	353,556
Foreign Common Stock	126,286	98,713
Other	1,784	1,263
Total Equity Securities	<u>2,857,340</u>	<u>2,354,278</u>
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	46,115	110,388
U.S. Government Agencies (Non-Guaranteed)	215,261	196,481
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	567	899
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	7,479	5,865
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	79,997	58,928
Municipal and County Bonds	2,542	2,831
Corporate Bonds	128,837	221,220
Foreign Corporate Bonds	10,219	10,117
Commingled Investment	10,209	8,711
Commercial Paper	-	3,086
Other	1,037	1,470
Total Debt Securities	<u>502,263</u>	<u>619,996</u>
Preferred Stock		
Domestic Preferred Stock	7,719	5,047
Foreign Preferred Stock	117	618
Total Preferred Stock	<u>7,836</u>	<u>5,665</u>
Purchased Options	<u>6,315</u>	<u>-</u>
Convertible Securities	<u>715</u>	<u>2,183</u>
Cash and Cash Equivalents		
Money Market Funds Maintained to Back Futures Contracts	212,955	201,279
Money Market Funds - Other	84,430	203,621
Total Cash and Cash Equivalents	<u>297,385</u>	<u>404,900</u>
Total Investment in Securities	<u>\$ 3,671,854</u>	<u>\$ 3,387,022</u>
Other Assets	202,948	178,863
Liabilities	<u>(290,037)</u>	<u>(272,691)</u>
Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
Fund Ownership	<u>20.78%</u>	<u>21.20%</u>
Value of Fund Interest	<u>\$ 744,779</u>	<u>\$ 698,060</u>

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

The following presents information on the operations of the GEF, in thousands, for the years ended August 31, 2003, and 2002.

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 34,052	\$ 40,067
Dividends	34,685	34,458
Income Distributions from Limited Partnerships	7,060	2,887
Other	1,426	1,504
Total Investment Income	<u>77,223</u>	<u>78,916</u>
Total Expenses	<u>5,781</u>	<u>7,245</u>
Net Investment Income	<u>71,442</u>	<u>71,671</u>
Realized And Unrealized Gain (Loss) on Investments		
Net Realized Loss on Investments Securities and Foreign Currency Related Transactions	(24,341)	(124,188)
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	370,615	(199,983)
Net Loss on Investments	<u>346,274</u>	<u>(324,171)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	7,716	(252,500)
Net Assets		
Beginning of Period	3,293,194	3,723,912
Participant Contributions	110,074	103,516
Participant Withdrawals:		
Cost	(242,111)	(290,653)
Loss	5,892	8,919
Ending Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
The Fund's share of the above transactions are as follows:		
Beginning Value of Fund Interest	698,060	881,268
Net Investment Income	14,807	16,380
Net Realized Losses	(5,266)	(27,884)
Net Unrealized Appreciation (Depreciation)	77,905	(38,756)
Sale of General Endowment Fund Units	(40,727)	(132,948)
Ending Value of Fund Interest	<u>\$ 744,779</u>	<u>\$ 698,060</u>

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

FINANCIAL STATEMENTS

Years Ended August 31, 2003 and 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System Long Term Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company "UTIMCO" and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of 6,208 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

On March 1, 2001, the Fund purchased units in the newly created GEF in exchange for the contribution of its investment assets. The GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Permanent Health Fund (PHF), also established by the UT Board. The GEF is organized as a mutual fund in which the Fund and the PHF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net asset value, after contributions, withdrawals and distributions, increased by \$244.7 from \$2,595.1 million to \$2,839.8 million or approximately 9.4% during the year.
- Participant contributions to the Fund increased by 7.2% from fiscal year 2002 to 2003. Fiscal year contributions of \$113.2 million represented 4.2% of the average value of the Fund assets during the year. Participant contributions consist of endowment and other long-term funds that have been forwarded to the Fund for management by UTIMCO.
- The Fund posted a net investment return of 12.78% for the fiscal year ended August 31, 2003, compared to a net investment return of negative 6.97% for the prior fiscal year.
- The Fund's distribution rate per unit was increased by 2.8%, approximately the average rate of inflation, during the year. This equated to an increase in the 2003 rate to \$0.258 per unit from the 2002 rate of \$0.251 per unit. The fiscal year distributions represented 5.40% of the Fund's average net asset value during the year.

Market Commentary

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. Therefore, the Fund's

THE UNIVERSITY OF TEXAS SYSTEM

LONG TERM FUND

investment results are dependent on the GEF's investment activities. The following paragraphs provide a market commentary for the GEF's investment results for the fiscal year ended August 31, 2003.

The fiscal year ended August 31, 2003 was a year of two remarkably contrasting periods. The first was the period leading up to the conclusion of the major conflict in Iraq, where uncertainty and global market weakness prevailed. The second was the subsequent months following the market low registered on March 11, during which risk taking around the world was financially rewarded. The table below outlines the dramatic contrast in results between these two periods:

<u>Index</u>	<u>Equity Description</u>	<u>9/1/02 - 3/11/03</u>	<u>3/11/03 - 8/31/03</u>
S&P 500	U.S. Large Capitalization	-11.1%	26.9%
Russell 2000	U.S. Small Capitalization	-10.8%	44.3%
MSCI EAFE	International Developed Markets	-15.7%	29.8%
MSCI Emerging Markets Free	International Emerging Markets	-7.6%	40.9%

Navigating these two disparate investment environments proved challenging. However, by maintaining a diversified asset exposure - including a meaningful allocation to absolute return strategies (hedge funds) - the GEF was able to preserve capital during the dramatic negative results of the first six months. In addition, positive performance by many of the GEF's active managers added to returns. Finally, decisions to tactically reallocate capital during the spring and summer months away from defensive assets, including fixed income, and towards more economically sensitive instruments, such as small cap and emerging markets equities, enabled the GEF to participate in the financial markets' eventual anticipation of a strong global recovery which resulted in superior investment returns.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are required under GASB: the Statement of Net Assets and the Statement of Operations and Changes in Net Assets, and the Statement of Cash Flows. We have also included as part of the basic financial statements the Financial Highlights.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Assets

The Statement of Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash, the majority of the Fund's balance sheet is reflected in its investment in GEF units. As of August 31, 2003 the Fund owned 27,696,705 GEF units representing an ownership percentage

THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND

of 79.22%. As of August 31, 2003, the fair value of the GEF units was \$2,840.0 million compared to the cost basis of \$2,716.4 million (\$123.6 million of unrealized appreciation).

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the endowment resources available to fund the teaching, research, and health care programs specified by the various donors.

The composition of the GEF's investment portfolio and the results of its operations for fiscal years 2003 and 2002, are detailed in Note 5 to the financial statements.

Net assets consist of participant contributions and accumulated undistributed realized and unrealized gains on investments.

Statement of Operations and Changes in Net Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Assets are based on activity of the Fund. The purpose of this statement is to present the results of operations, the changes in value of the investments of the Fund, the net participant contributions, and the distributions to participants.

The Fund earned realized and unrealized investment gains of \$275.4 million during the year compared to realized and unrealized losses of \$255.0 million for the year ended August 31, 2002. Expenses totaled \$6.2 million in fiscal year 2003 and \$5.3 million in fiscal year 2002.

The net increase in net assets resulting from operations totaled \$329.0 million for the fiscal year ended August 31, 2003, compared to a net decrease in net assets totaling \$202.7 for the fiscal year ended August 31, 2002.

Distributions to participants totaled \$143.9 million and \$134.8 million, respectively, for the years ended August 31, 2003 and 2002. The increase in distributions is a result in the UT Board increasing the distribution rate from \$0.251 to \$0.258 for fiscal year 2003, and additional contributions into the Fund. The Fund is structured as a mutual fund in which each endowment or account purchases units at the Fund's market value per unit. Cash distributions are paid quarterly, on a per unit basis, directly to the UT System institution of record.

The Fund's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and
- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND

Fund distributions are controlled by a spending policy approved by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual investment return after fund expenses and inflation. The Fund distributions are increased annually at an average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net asset value. As reported on the financial highlights statement on page 9, the ratio of distributions to average net assets (12-quarter average) has remained between 3.5% to 5.5%.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Fund for the periods. The Fund sells GEF units in order to create cash to pay the quarterly distributions as well as to meet any withdrawal requirements. Proceeds from the sale of GEF units was \$169.8 million and \$155.4 million, respectively, for years ended August 31, 2003 and 2002. In fiscal years 2003 and 2002, the Fund realized losses of \$4.4 million and \$6.6 million, respectively, as a result of the sale of GEF units.

Statement of Financial Highlights

The inclusion of the Financial Highlights statement is to report the selected per unit data and financial ratios of the Fund over the past five years. As reported in the statement, the Fund's net asset value per unit increased in fiscal year 2003, reversing declines reported in the prior two fiscal years of 2002 and 2001.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

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

We have audited the accompanying statement of net assets of The University of Texas System Long Term Fund (the "Fund") as of August 31, 2003, and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial statements (excluding a statement of cash flows) of The University of Texas Long Term Fund for the year ended August 31, 2002 and the financial highlights for each of the four years in the period ended August 31, 2002, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements and financial highlights, referred to above present fairly, in all material respects, the financial position of The University of Texas System Long Term Fund as of August 31, 2003, the results of its operations, its cash flows, and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Statements of Net Assets

August 31, 2003 and 2002

(Dollars in thousands, except per unit amounts)

	<u>2003</u>	<u>2002</u>
Assets		
General Endowment Fund Units, at Fair Value (Cost \$2,716,370 and \$2,770,120, respectively)	\$ 2,839,986	\$ 2,595,134
Other Investments	1	7
Cash and Cash Equivalents	1	52
Receivable for Investment Securities Sold	<u>40,492</u>	<u>12,998</u>
Total Assets	<u>2,880,480</u>	<u>2,608,191</u>
Liabilities		
Payable to Participants	40,492	12,998
Other Payables	<u>142</u>	<u>130</u>
Total Liabilities	<u>40,634</u>	<u>13,128</u>
Net Assets	<u>\$ 2,839,846</u>	<u>\$ 2,595,063</u>
Supplementary Disclosure:		
Net Assets Consist Of:		
Participant Contributions (Net of Withdrawals)	\$ 1,868,227	\$ 1,797,084
Accumulated Undistributed Net Realized Gain on Investments	848,003	972,972
Net Unrealized Appreciation (Depreciation) of Investments	<u>123,616</u>	<u>(174,993)</u>
Net Assets for 555,329,487 Units and 542,049,359 Units, respectively	<u>\$ 2,839,846</u>	<u>\$ 2,595,063</u>
Net Asset Value Per Unit	<u>\$ 5.114</u>	<u>\$ 4.788</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Statements of Operations and Changes in Net Assets

Years Ended August 31, 2003 and 2002 (in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Allocation of General Endowment Fund Net Investment Income	\$ 56,635	\$ 55,291
Other	<u>8</u>	<u>-</u>
Total Investment Income	<u>56,643</u>	<u>55,291</u>
Expenses		
UTIMCO Management Fee	3,135	2,285
Fee for Endowment Compliance	2,441	2,383
Internal Fee for Educational Purposes	536	551
Other Expenses	<u>71</u>	<u>57</u>
Total Expenses	<u>6,183</u>	<u>5,276</u>
Receipt of Funds from UT System for UTIMCO Management Fee	<u>3,135</u>	<u>2,285</u>
Net Investment Income	<u>53,595</u>	<u>52,300</u>
Realized and Unrealized Gain (Loss) on Investments		
Net Realized Loss on General Endowment Fund Units	(4,361)	(6,612)
Net Realized Gain on Investment Securities	240	193
Allocation of General Endowment Fund Realized Loss	(19,075)	(96,304)
Net Unrealized Appreciation (Depreciation) on Investment Securities	7	(6)
Net Unrealized Appreciation (Depreciation) on		
General Endowment Fund Units	<u>298,602</u>	<u>(152,308)</u>
Net Gain (Loss) on Investments	<u>275,413</u>	<u>(255,037)</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 329,008	\$ (202,737)
Net Assets		
Beginning of Period	2,595,063	2,843,300
Participant Contributions (including reinvestments of \$7,587 and \$5,990 for the years ended August 31, 2003 and 2002, respectively)	113,164	105,595
Participant Withdrawals:		
Cost	(42,021)	(13,223)
Gain	(11,516)	(3,119)
Distributions to Participants:		
Net Investment Income	(53,595)	(52,300)
Net Realized Appreciation	<u>(90,257)</u>	<u>(82,453)</u>
End of Period	<u>\$ 2,839,846</u>	<u>\$ 2,595,063</u>

*The accompanying notes are an integral
part of these financial statements.*

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Statements of Cash Flows

Years Ended August 31, 2003 and 2002

(in thousands)

	2003	2002 (unaudited)
	<u> </u>	<u> </u>
Cash Flows From Operating Activities:		
Cash received on interest, dividends and other	\$ 8	\$ 2
Cash payments to UTIMCO for management fee	(3,135)	(2,285)
Cash payments to UT System	(2,965)	(2,947)
Cash payments to service providers	(71)	(57)
Purchase of investment securities	(110,073)	(103,515)
Proceeds from sale of investment securities	169,782	155,415
Cash received from UT System for reimbursement of UTIMCO Fees	<u>3,135</u>	<u>2,285</u>
Net Cash Provided By Operating Activities	<u>56,681</u>	<u>48,898</u>
Cash Flows from Financing Activities:		
Contributions from participants	113,164	105,595
Withdrawals by participants	(26,044)	(20,485)
Distributions to participants	<u>(143,852)</u>	<u>(134,753)</u>
Net Cash Used in Financing Activities	<u>(56,732)</u>	<u>(49,643)</u>
Net decrease in cash and cash equivalents	(51)	(745)
Cash and cash equivalents at beginning of year	<u>52</u>	<u>797</u>
Cash and cash equivalents at end of year	<u>\$ 1</u>	<u>\$ 52</u>
Reconciliation of net increase (decrease) in net assets provided by operating activities:		
Net increase (decrease) in net assets	\$ 329,008	\$ (202,737)
Adjustments to reconcile net increase in net investment assets to net cash provided by operating activities:		
Net allocation of income, gains and losses from General Endowment Fund	(37,560)	41,013
Unrealized (gains) losses on investments	(298,609)	152,314
Cost of investment securities purchased	(110,073)	(103,515)
Cost of investment securities sold	201,397	157,691
(Increase) decrease in receivables:		
Investment securities sold	(27,494)	4,143
Accrued income	-	2
Increase (decrease) in other payables	<u>12</u>	<u>(13)</u>
Net Cash Provided by Operating Activities	<u>\$ 56,681</u>	<u>\$ 48,898</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Financial Highlights

Years Ended August 31,

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Selected Per Unit Data					
Net Asset Value, Beginning of Period	\$ 4.788	\$ 5.412	\$ 6.198	\$ 5.347	\$ 4.568
Income from Investment Operations					
Net Investment Income	0.097	0.098	0.140	0.142	0.121
Net Realized and Unrealized Gain (Loss) on Investments	<u>0.487</u>	<u>(0.471)</u>	<u>(0.681)</u>	<u>0.939</u>	<u>0.868</u>
Total Income (Loss) from Investment Operations	<u>0.584</u>	<u>(0.373)</u>	<u>(0.541)</u>	<u>1.081</u>	<u>0.989</u>
Less Distributions					
From Net Investment Income	0.097	0.098	0.140	0.142	0.121
From Net Realized Gain	<u>0.161</u>	<u>0.153</u>	<u>0.105</u>	<u>0.088</u>	<u>0.089</u>
Total Distributions	<u>0.258</u>	<u>0.251</u>	<u>0.245</u>	<u>0.230</u>	<u>0.210</u>
Net Asset Value, End of Period	<u>\$ 5.114</u>	<u>\$ 4.788</u>	<u>\$ 5.412</u>	<u>\$ 6.198</u>	<u>\$ 5.347</u>

Ratios and Supplemental Data

Net Assets, End of Period (in thousands)	\$ 2,839,846	\$ 2,595,063	\$ 2,843,300	\$3,136,229	\$2,602,274
Ratio of Expenses to Average Net Assets	0.40%	0.39%	0.23%	0.33%	0.35%
Ratio of Net Investment Income to Average Net Assets	2.01%	1.89%	2.44%	2.45%	2.42%
Ratio of Distributions to Average Net Assets (5-quarter average)	5.40%	4.86%	4.31%	3.99%	4.19%
Ratio of Distributions to Average Net Assets (12-quarter average)	4.86%	4.38%	4.12%	3.98%	4.02%

*The accompanying notes are an integral
part of these financial statements.*

Note 1 – Organization and Basis of Presentation

The University of Texas System Long Term Fund (Fund) is a pooled fund established for the collective investment of private endowments and other long-term funds supporting various programs and purposes of the 15 institutions comprising The University of Texas System (UT System). The Fund was formerly known as the Common Trust Fund. The Long Term Fund was established February 9, 1995, by the Board of Regents of The University of Texas System (Board of Regents) to succeed the Common Trust Fund pooled investment fund. Fiduciary responsibility for the Fund rests with the Board of Regents. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the Board of Regents.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the Board of Regents effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and the Permanent Health Fund (PHF) also established by the Board of Regents. The GEF is organized as a mutual fund in which the Fund and the PHF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the Board of Regents and is provided day-to-day operations by UTIMCO.

The Fund uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The Fund also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Investment in GEF

Beginning with the purchase of 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 also continues to receive securities as proceeds in class action suits from the securities the Fund previously owned.

These securities are normally sold when received, but from time to time will be reflected as a Fund investment. Subsequent participant contributions received by the Fund are also used to purchase GEF units. At August 31, 2003, the Fund is the majority participant in the GEF, with ownership of 27,696,705 units, which represents 79.2% of the GEF. At August 31, 2002, the Fund held 28,539,389 units, which represented 78.8% of the GEF.

The GEF and the Fund have identical investment objectives. Additionally, the GEF's accounting policies follow the Fund's, as described in Note 3, except for the distributions to participants. On a

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to financial Statements (cont.)

monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The allocated investment income and realized gain amounts are considered reinvested as GEF contributions. Any allocated realized losses reduce the cost basis of the units in the GEF. Since the distribution is proportional to the percentage of ownership by the unitholders, no additional units are purchased. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders. Note 5 reports financial information of the GEF for the years ended August 31, 2003 and 2002.

Note 3 – Significant Accounting Policies

- (A) **Security Valuation** -- The Fund's investment in GEF Units is valued at the net asset value per unit reported by the GEF which is based on fair value.
- (B) **Investment Income** -- Interest income is accrued as earned.
- (C) **Security Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost.
- (D) **Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the fiscal year ended August 31, 2003, the quarterly rate was \$.0645 which equates to a yearly rate of \$.258 per unit. For the fiscal year ended August 31, 2002, the quarterly distribution rate was \$.06275 which equated to a yearly rate of \$.251 per unit. The ratio of distributions to average net assets (12-quarter average) was 4.86% as of August 31, 2003. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months including August 31 subject to a maximum distribution of 5.5% of the Fund's average market value and a minimum distribution of 3.5% of the Fund's average market value.
- (E) **Fund Valuation** -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.
- (F) **Purchases and Redemption of Units** -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.
- (G) **Participants' Net Assets** -- All participants in the Fund have a proportionate undivided interest in the Fund's net assets.
- (H) **Federal Income Taxes** -- The Fund is not subject to federal income tax.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to financial Statements (cont.)

(I) **Use of Estimates** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(J) **Cash and Cash Equivalents** -- Cash and Cash Equivalents consist of money markets and other overnight funds.

(K) **Recently Issued Accounting Standards** -- In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the Fund until the fiscal year ending 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the Fund's financial statement balances.

(L) **Reclassifications** -- Certain items in the 2002 financial statements have been reclassified to conform with 2003 classification.

Note 4 – Fees and Expenses

The Fund is assessed a management fee by UTIMCO to cover the costs of managing the Fund and providing day-to-day operations. The fees assessed for the years ended August 31, 2003 and 2002, were \$3,135,100 and \$2,285,475, respectively. The Fund, however, is reimbursed by UT System for the fee, which is shown in the statements of operations and changes in net assets as Receipt of Funds from UT System for UTIMCO Fee.

The Fund is assessed an annual administrative fee on behalf of UT System component institutions based on 0.08% of the market value of the Fund for the support of enhanced and expanded endowment compliance efforts. The fees assessed for the years ended August 31, 2003 and 2002, were \$2,441,003 and \$2,383,242, respectively.

The Fund is assessed a quarterly internal fee by UT System for educational purposes based on 0.005% of the Fund's net asset value on the last day of each quarter for the years ended August 31, 2003 and 2002. The fees assessed for the years ended August 31, 2003 and 2002, were \$536,407 and \$550,880, respectively.

The Fund incurs other expenses related to its operations primarily consisting of audit fees, printing and graphic expenses, legal, consultation fees and custodial fees.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to financial Statements (cont.)

Note 5 – Financial Information on GEF

The following presents the investments and net assets of the GEF, in thousands, as of August 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Equity Securities		
Commingled Investments	\$ 992,944	\$ 617,064
Index Funds	793,380	775,885
Domestic Common Stock	566,279	507,797
Limited Partnerships	376,667	353,556
Foreign Common Stock	126,286	98,713
Other	1,784	1,263
Total Equity Securities	<u>2,857,340</u>	<u>2,354,278</u>
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	46,115	110,388
U.S. Government Agencies (Non-Guaranteed)	215,261	196,481
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	567	899
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	7,479	5,865
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	79,997	58,928
Municipal and County Bonds	2,542	2,831
Corporate Bonds	128,837	221,220
Foreign Corporate Bonds	10,219	10,117
Commingled Investment	10,209	8,711
Commercial Paper	-	3,086
Other	1,037	1,470
Total Debt Securities	<u>502,263</u>	<u>619,996</u>
Preferred Stock		
Domestic Preferred Stock	7,719	5,047
Foreign Preferred Stock	117	618
Total Preferred Stock	<u>7,836</u>	<u>5,665</u>
Purchased Options	<u>6,315</u>	<u>-</u>
Convertible Securities	<u>715</u>	<u>2,183</u>
Cash and Cash Equivalents		
Money Market Funds Maintained to Back Futures Contracts	212,955	201,279
Money Market Funds – Other	84,430	203,621
Total Cash and Cash Equivalents	<u>297,385</u>	<u>404,900</u>
Total Investment in Securities	<u>\$ 3,671,854</u>	<u>\$ 3,387,022</u>
Other Assets	202,948	178,863
Liabilities	<u>(290,037)</u>	<u>(272,691)</u>
Net Assets	\$ 3,584,765	\$ 3,293,194
Fund Ownership	<u>79.22%</u>	<u>78.80%</u>
Value of Fund Interest	<u>\$ 2,839,986</u>	<u>\$ 2,595,134</u>

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND

Notes to financial Statements (cont.)

The following presents information on the operations of the GEF, in thousands, for the year ended August 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 34,052	\$ 40,067
Dividends	34,685	34,458
Income Distributions from Limited Partnerships	7,060	2,887
Other	1,426	1,504
Total Investment Income	<u>77,223</u>	<u>78,916</u>
Total Expenses	<u>5,781</u>	<u>7,245</u>
Net Investment Income	<u>71,442</u>	<u>71,671</u>
Realized And Unrealized Gain (Loss) on Investments		
Net Realized Loss on Investments Securities and Foreign Currency Related Transactions	(24,341)	(124,188)
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	370,615	(199,983)
Net Gain (Loss) on Investments	<u>346,274</u>	<u>(324,171)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	\$ 417,716	\$ (252,500)
Net Assets		
Beginning of Period	3,293,194	3,723,912
Participant Contributions	110,074	103,516
Participant Withdrawals:		
Cost	(242,111)	(290,653)
Loss	5,892	8,919
Ending Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
The Fund's share of the above transactions are as follows:		
Beginning Value of Fund Interest	\$ 2,595,134	\$ 2,842,644
Net Investment Income	56,635	55,291
Net Realized Losses	(19,075)	(96,304)
Net Unrealized Appreciation (Depreciation)	298,602	(152,308)
General Endowment Fund Unit Purchases	110,074	103,516
Sale of General Endowment Fund Units	(201,384)	(157,705)
Ending Value of Fund Interest	<u>\$ 2,839,986</u>	<u>\$ 2,595,134</u>

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

FINANCIAL STATEMENTS

Years Ended August 31, 2003 and 2002

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of The University of Texas System Short Intermediate Term Fund’s (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company “UTIMCO” and should be read in conjunction with the Fund’s financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of UT System institutional operating funds with an investment horizon of greater than one year. The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund’s financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund’s net assets were \$1,435.3 million at August 31, 2003 compared to \$1,435.9 million at August 31, 2002.
- Investment income totaled \$53.0 million for the year ended August 31, 2003, compared to \$68.0 million for the year ended August 31, 2002.
- The Fund posted a net investment return of 1.64% for the fiscal year ended August 31, 2003, compared to a net investment return of 3.75% for the prior fiscal year.

Market Commentary

The Fund entered fiscal year 2003 positioned for a broad-based economic recovery. With the continuing support of monetary and fiscal stimulus flowing through the economic system (courtesy of Federal Reserve interest rate cuts and Federal Government tax relief), the Fund was positioned for a general rise in market interest rates as both the consumer and corporate sector were poised for a sustained rebound. However, with the developing strains of the Iraq War, and with the subsequent fears of potential deflation spurring investor uncertainty, market interest rates remained in a broad-based decline throughout most of the year. Although its overall positioning hindered results somewhat, the Fund was able to maintain its dedicated status of preserving investor capital and outperform money market interest rates, even in the most turbulent of market environments.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are required under GASB: the Statement of Net Assets, the Statement of Operations and Changes in Net Assets, and

THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

the Statement of Cash Flows. We have also included as part of the basic financial statements the Schedule of Investment in Securities.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Assets

The Statement of Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

The Fund emphasizes moderate liquidity and safety of principal through investment in high grade fixed income and floating rate obligations. The Fund's investments are diversified among eligible asset classes and issuers (excluding the U.S. Government) as defined in the Fund's investment policy. The Fund carries an AAA_F credit rating and a bond volatility risk rating of S₂ from Standard & Poor's Inc (S&P). AAA is the highest quality rating issued by S&P. An S₂ rating indicates low to moderate market risk exposure.

The Fund's investment policy mitigates interest rate risk by limiting its portfolio duration to a range of 0.5 years to 4 years. Duration estimates the impact small changes in interest rates will have on the value of the portfolio. At August 31, 2003, the option adjusted duration of the portfolio was 1.67 years. Simplistically, if there is a 1.00% increase (decrease) in yields, the value of the portfolio would (decrease) increase by 1.67%.

Net assets consist of participant contributions and net accumulated realized and unrealized gains and losses on investments.

Statement of Operations and Changes in Net Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Assets are based on activity of the Fund. The purpose of this statement is to present the results of operations, the changes in value of the investments of the Fund, the net participant contributions, and the distributions to participants.

The Fund earned realized and unrealized investment losses of \$27.1 million during the year compared to realized and unrealized losses of \$7.7 million for the year ended August 31, 2002. Expenses totaled \$0.7 million for both fiscal year 2003 and 2002.

The net increase in net assets resulting from operations was \$25.2 million and \$59.6 million, respectively, for the years ended August 31, 2003 and 2002.

Distributions to participants totaled \$52.3 million and \$67.3 million for the years ended August 31, 2003 and 2002, respectively. Fund income is either reinvested or distributed to the participating institutions monthly at their election.

THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

The Fund's primary investment objective is to provide both (1) income and (2) capital appreciation when consistent with income generation, reasonable preservation of capital and the maintenance of adequate Fund liquidity.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Fund for the periods.

Purchases of investment securities totaled \$2,019.0 million and \$591.9 million, respectively, for the fiscal years ended August 31, 2003 and 2002. Proceeds from the sale and maturities of investment securities totaled \$2,098.4 million and \$663.8 million, respectively for the fiscal years ended August 31, 2003 and 2002.

Schedule of Investment in Securities

The Schedule of Investment in Securities provides information about the securities held by the Fund as of August 31, 2003.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

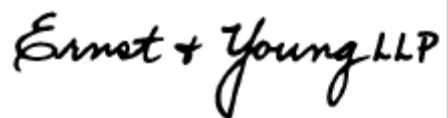
The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management
Company
Austin, Texas

We have audited the accompanying statement of net assets of The University of Texas System Short Intermediate Term Fund (the "Fund"), including the schedule of investment in securities as of August 31, 2003, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements (excluding a statement of cash flows) of The University of Texas System Short Intermediate Term Fund for the year ended August 31, 2002, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

Management's discussion and analysis on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements, referred to above present fairly, in all material respects, the financial position of The University of Texas System Short Intermediate Term Fund as of August 31, 2003, the results of its operations, its cash flows, and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

 Ernst & Young LLP

October 17, 2003

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

Statements of Net Assets

August 31, 2003 and 2002

(Dollars in thousands, except per unit amounts)

	<u>2003</u>	<u>2002</u>
Assets		
Investment in Securities, at Fair Value (Cost \$1,643,790 and \$1,416,219, respectively)	\$ 1,633,180	\$ 1,425,660
Accrued Income Receivable	<u>6,353</u>	<u>14,907</u>
Total Assets	<u>1,639,533</u>	<u>1,440,567</u>
Liabilities		
Investment Securities Purchased	201,386	-
Income Distributions Payable to Participants	2,814	4,685
Other Payables and Accrued Expenses	<u>6</u>	<u>6</u>
Total Liabilities	<u>204,206</u>	<u>4,691</u>
Net Assets	<u>\$ 1,435,327</u>	<u>\$ 1,435,876</u>
 Supplementary Disclosure:		
Net Assets Consist Of:		
Participant Contributions (Net of withdrawals)	\$ 1,440,828	\$ 1,414,203
Accumulated Undistributed Net Realized Gain on Investments	5,109	12,232
Net Unrealized Appreciation (Depreciation)	<u>(10,610)</u>	<u>9,441</u>
Net Assets for 144,736,640 and 142,184,975 units, respectively	<u>\$ 1,435,327</u>	<u>\$ 1,435,876</u>
Net Asset Value Per Unit	<u>\$ 9.917</u>	<u>\$ 10.099</u>

*The accompanying notes are an integral
part of these financial statements.*

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

Statements of Operations and Changes in Net Assets

Years Ended August 31, 2003 and 2002

(Dollars in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 52,263	\$ 67,551
Commitment Fees	741	433
Total Investment Income	<u>53,004</u>	<u>67,984</u>
Expenses		
UTIMCO Management Fee	603	580
Custodial Fees and Expenses	74	76
Other Expenses	36	38
Total Expenses	<u>713</u>	<u>694</u>
Net Investment Income	<u>52,291</u>	<u>67,290</u>
Realized and Unrealized Gain (Loss) on Investments		
Net Realized Loss on Investment Securities	(7,078)	(10,756)
Net Unrealized Appreciation (Depreciation) on Investment Securities	<u>(20,051)</u>	<u>3,079</u>
Net Loss on Investments	<u>(27,129)</u>	<u>(7,677)</u>
Net Increase in Net Assets Resulting from Operations	\$ 25,162	\$ 59,613
Net Assets		
Beginning of Period	1,435,876	1,704,605
Participant Contributions (including reinvestments of \$46,898 and \$52,156 for years ended August 31, 2003 and 2002, respectively)	351,580	286,948
Participant Withdrawals	(325,000)	(548,000)
Distributions of Net Investment Income to Participants	<u>(52,291)</u>	<u>(67,290)</u>
End of Period	<u>\$ 1,435,327</u>	<u>\$ 1,435,876</u>
Ratios and Supplemental Data		
Ratio of Expenses to Average Net Assets	0.05%	0.04%
Ratio of Net Investment Income Distributed to Average Net Assets	3.44%	4.24%

*The accompanying notes are an integral
part of these financial statements.*

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

Statements of Cash Flows

Years Ended August 31, 2003 and 2002

(in thousands)

	2003	2002 (unaudited)
Cash Flows From Operating Activities:		
Cash received on interest	\$ 60,803	\$ 69,794
Cash received on commitment fees	755	433
Cash payments to UTIMCO for management fees	(603)	(580)
Cash payments to service providers	(110)	(115)
Purchase of investment securities	(2,019,001)	(591,870)
Proceeds from sale and maturities of investment securities	2,098,410	663,787
Net Cash Provided By Operating Activities	140,254	141,449
Cash Flows from Financing Activities:		
Contributions from participants	351,580	286,948
Withdrawals by participants	(325,000)	(548,000)
Distributions to participants	(54,160)	(70,104)
Net Cash Used in Financing Activities	(27,580)	(331,156)
Net increase (decrease) in cash and cash equivalents	112,674	(189,707)
Cash and cash equivalents at beginning of year	454,286	643,993
Cash and cash equivalents at end of year	\$ 566,960	\$ 454,286
Reconciliation of net increase in net assets provided by operating activities:		
Net increase in net assets	\$ 25,162	\$ 59,613
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on investments	20,051	(3,079)
Cost of investment securities purchased	(2,220,387)	(591,870)
Cost of investment securities sold	2,105,488	674,543
Decrease in accrued income receivable	8,554	2,243
Increase in investment securities purchased payable	201,386	-
Decrease in other payables and accrued expenses	-	(1)
Net Cash Provided by Operating Activities	\$ 140,254	\$ 141,449

The accompanying notes are an integral part of these financial statements.

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

Schedule of Investment in Securities

August 31, 2003

(Dollars in thousands)

Description	Coupon	Maturity	Par Value	Value	Cost
Cash and Cash Equivalents					
Dreyfus Institutional Pfd Money Market			\$ 566,960	\$ 566,960	\$ 566,960
U.S. Treasury Securities					
U.S. Treasury Notes	3.625%	03/31/2004	150,000	152,250	151,868
U.S. Treasury Notes	3.375%	04/30/2004	75,000	76,125	76,453
U.S. Treasury Notes	7.250%	08/15/2004	75,000	79,266	82,406
U.S. Treasury Notes	1.625%	03/31/2005	21,750	21,743	21,759
U.S. Treasury Notes	3.000%	02/15/2008	47,750	47,258	49,052
Total U.S. Treasury Securities			<u>369,500</u>	<u>376,642</u>	<u>381,538</u>
U.S. Agency Bonds					
Federal Home Loan Mortgage Corp Debs	3.250%	11/15/2004	100,000	102,120	103,012
Federal Nat'l Mtg Association Debs	1.875%	12/15/2004	100,000	100,316	100,383
Federal Farm Credit Bks Cons Med Term Notes	2.125%	08/15/2005	250,000	249,635	252,323
Total U.S. Agency Bonds			<u>450,000</u>	<u>452,071</u>	<u>455,718</u>
U.S. Agency Mortgage Backed Bonds					
Fannie Mae Pool	7.000%	09/0/2014	16,832	17,880	17,836
Commitment to Purchase Fannie Mae Pool	5.000%	06/01/2033	207,000	199,852	200,984
Total U.S. Agency Mortgage Backed Bonds			<u>223,832</u>	<u>217,732</u>	<u>218,820</u>
Mortgage Backed CMOS					
FHMLC Multiclass Mortgage	7.000%	03/15/2010	19,502	19,775	20,754
Total Mortgage Backed CMOS			<u>19,502</u>	<u>19,775</u>	<u>20,754</u>
Total Investment in Securities			<u>\$ 1,629,794</u>	<u>\$ 1,633,180</u>	<u>\$ 1,643,790</u>

The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The University of Texas System Short Intermediate Term Fund (Fund) is a short intermediate term pooled investment fund established by The University of Texas System Board of Regents (Board of Regents) for the collective investment of operating funds and other short and intermediate term funds held by The University of Texas System Administration and the fifteen component institutions of The University of Texas System. The Fund carries an AAA_f credit quality rating and a bond fund volatility rating of S₂ from Standard & Poor's, Inc. (S&P). AAA is the highest credit quality rating issued by S&P. An S₂ rating indicates low to moderate market risk exposure. The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the Board of Regents.

The Fund uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The Fund also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 - Significant Accounting Policies

- (A) Investment Policy - The Fund invests in high grade fixed income obligations as provided for in the Fund's Investment Policy statement. Limiting the duration of the Fund to a range of one-half to four years controls interest rate risk. The effective duration of any eligible investment should not exceed ten years.
- (B) Security Valuation - Investments are valued on the basis of market valuations provided by Merrill Lynch Securities Pricing Services and various other independent pricing services.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT INTERMEDIATE TERM FUND

Notes to Financial Statements (cont.)

- (C) Investment Income - Interest income is accrued as earned. Premium and discounts on bonds are not amortized.
- (D) Security Transactions - Security transactions are accounted for on a trade date basis. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is impairment in the value of the security that is determined to be other than temporary.
- (E) Federal Income Taxes - The Fund is not subject to federal income tax.
- (F) Fund Valuation - Valuation of the Fund's units occurs weekly and at month-end. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.
- (G) Distributions to Participants - Accrued net investment income is allocated to participants each valuation period. Income is distributed to participants at the beginning of each month.
- (H) Purchases and Redemption of Units - The value of participating units, upon admission to or withdrawal from the Fund, is based upon the market value of net assets held as of the valuation date. There are no transaction costs incurred by participants to purchase or redeem units.
- (I) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- (J) Cash and Cash Equivalents – Cash and cash equivalents consist of money market funds, and are an integral part of the Fund's investment strategy and activities. Thus, cash and cash equivalents are included in the investment in securities balance on the statement of net assets.
- (K) Recently Issued Accounting Standards – In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the Fund until the fiscal year ending

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

Notes to Financial Statements (cont.)

August 31, 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the Fund's financial statement balances.

- (L) Reclassifications – Certain items in the 2002 financial statements have been reclassified to conform with 2003 classification.

Note 3 - Investment Risk

The Fund's investments have been categorized as defined by GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements, to give an indication of the level of credit risk assumed by the Fund at August 31, 2003. Investments in U.S. Treasury Securities, U.S. Agency Bonds, and Mortgage Backed Collateralized Mortgage Obligations have been categorized as category 1, as investments that are insured or registered investments held by the Fund or its agent in the Fund's name. Investments classified as cash and cash equivalents are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Note 4 - Note Purchase Commitment

The Fund has entered into a note purchase commitment with the Board of Regents of The University of Texas System Revenue Financing System that commits the Fund to acquire up to \$750 million of revenue financing system notes in the event of a failed remarketing of these notes. If the net asset value of the Fund declines below \$1,225 million and is expected to remain below this amount for thirty days, the Fund's commitment will be \$250 million. If the net asset value of the Fund declines below \$875 million and is expected to remain below this amount for thirty days, the Fund's commitment will be \$150 million.

During 2001, the Fund entered into an additional commitment in connection with the Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 2001A. As of August 31, 2003, the Fund is committed to a maximum bond purchase commitment of \$58.1 million in the event of a failed remarketing of the Series 2001A bonds. The commitment amount as of August 31, 2002, was \$71.4 million. The amount of commitment is expected to decrease annually based on amortization of the Series 2001A bonds.

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

Notes to Financial Statements (cont.)

The commitment fees earned by the Fund were \$741,438 and \$433,176, respectively, for the years ended August 31, 2003 and 2002.

Note 5 - Fees and Expenses

The Fund is assessed an investment management fee by The University of Texas Investment Management Company. For the years ended August 31, 2003 and 2002, the fee was \$603,402 and \$580,393, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the Fund's assets. Fees are based on the market value of the Fund and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement and on-line communication services per the contractual agreement.

The Fund incurs other fees related to its operations consisting of audit fees, printing and graphic expenses, consultation fees and rating fees.