

**PERMANENT UNIVERSITY FUND**

**Report on Certain Specified Data  
as Required by Art. 4413 (34e) of the Civil Statutes**

**December 31, 2013**

**This report is available on the UTIMCO website at [www.utimco.org](http://www.utimco.org)**

## **PERMANENT UNIVERSITY FUND**

### **Beneficiaries of the Fund**

The Permanent University Fund (PUF) is a public endowment contributing to the support of institutions of The University of Texas System (UT System) and the Texas A&M University System (A&M System). The Constitution of 1876 established the PUF through the appropriation of land grants previously given to The University of Texas plus 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 2.1 million acres located in 24 counties primarily in West Texas.

### **Responsibility and Management of the Fund**

The State Constitution vests fiduciary responsibility for the PUF with the Board of Regents of The University of Texas System. The Board has entered into a contract with a nonprofit corporation, The University of Texas Investment Management Company (UTIMCO), for UTIMCO to invest funds under the control and management of the Board. UTIMCO may not engage in any business other than investing funds designated by the Board under the contract. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers who are employed from time to time.

### **Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of PUF assets and annual distributions by earning an average annual total real return over rolling ten-year periods or longer at least equal to the target distribution rate after all expenses. The current distribution rate is 4.75%. The PUF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

### **Market Value and Book Value of the PUF**

On December 31, 2013 the market value and book value of the PUF was \$15.9 billion and \$12.9 billion, respectively, exclusive of land acreage.

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### Investment Performance of Ten Largest Stock Holdings - January 1, 2013 through December 31, 2013

<u>Name</u>	<u>Market Value</u>	<u>Total Return</u>	<u>Percentage of Fund December 31, 2013</u>
SIMON PROPERTY GROUP INC	12,916,862	(0.93)%	0.08%
VORNADO REALTY TRUST	7,877,360	14.69%	0.05%
EQUITY RESIDENTIAL	7,700,413	(5.27)%	0.05%
PROLOGIS INC	6,577,950	4.29%	0.04%
UDR INC	4,897,079	1.98%	0.03%
MITSUBISHI ESTATE CO LTD	4,394,442	54.15%	0.03%
VENTAS INC	4,344,230	(7.64)%	0.03%
MITSUMI FUDOSAN CO	4,032,760	82.42%	0.03%
SL GREEN REALTY CORP	3,759,774	22.55%	0.02%
REGENCY CENTERS CORP	3,389,253	1.81%	0.02%

## Asset Allocation

Asset allocation is the primary determinant in the volatility of the PUF's performance, subject to the asset allocation range as specified by the investment policy, and is the responsibility of UTIMCO. The following represents asset allocation at December 31, 2013.

<b>Asset Class</b>	<b>12/31/2013</b>
Investment Grade Fixed Income	10.9%
Credit-Related Fixed Income	9.1%
Real Estate	6.3%
Natural Resources	13.9%
Developed Country Equity	46.6%
Emerging Markets Equity	13.2%
<b>TOTAL</b>	<b>100.0%</b>

## Economically Targeted Investments

The PUF invests in various private equity funds which are considered economically targeted investments. Economically targeted investments means an investment in which at least 50% of the total investment is allocated to economic development within the state of Texas or investment in businesses or entities located within the state of Texas. These private equity investments are made through internally created investment pools.

The following is the market value of PUF's proportionate share of these investments:

<u>Investment Name</u>	<u>Market Value</u>
AUSTIN VENTURES IX LP	\$ 12,078,590
AUSTIN VENTURES V LP	38,420
AUSTIN VENTURES VI LP	1,286,590
AUSTIN VENTURES VII LP	674,222
AUSTIN VENTURES VIII LP	2,479,639
AUSTIN VENTURES X LP	13,109,977
ENCAP ENERGY CAPITAL FUND VII LP	18,328,086
ESCALATE CAPITAL I LP	9,275,822
GOLDSTON OIL CO - JETER #3	649,982
GOLDSTON OIL CO - JETER #4	92,497
GOLDSTON OIL CO - JETER #5	58,477
GOLDSTON OIL-GLADEWATER JETER	18,677
GOLDSTON OIL CO - GLADEWATER JETER ROYALTY INTEREST	837,984
PINTO TV ANNEX FUND LP	686,485
PTV SCIENCES II LP	35,437,262
PTV SCIENCES LP	6,554,918
PTV SPECIAL OPPORTUNITIES I	3,320,276
SANTÉ HEALTH VENTURES II LP	6,881,890
SCF-V LP	22,154,929
SCF-VI LP	18,328,552
SCF-VII LP	40,451,270
SOUTHWEST OPPORTUNITY PARTNERS LP	9,272,943
	<u>\$ 202,017,488</u>