

# *The University of Texas System*



## *Investment Report*

*FY95-96 3rd Quarter*



# Assets Under Management

	PUF	U.T. Funds				All Funds	
	PUF	Pooled Funds			Separate Funds	Total	Total
	PUF	LTF	S/ITF	STF			
Time Horizon	Long 5-30 years	Long 5-30 years	Short/Inter 1-5 yrs.	Short 0-120 days	Short-Long 0-30 years		
<b>Objectives</b>							
Liquidity	x	x	xx	xxx	Various		
Income	xx	x	xx	x	Various		
Safety of Principal	xx	xx	xx	xxx	Various		
Growth of Income	xxx	xxx	xx	-	Various		
Growth of Principal	xxx	xxx	xx	-	Various		
<b>Asset Allocation</b>							
Cash equivalents	0%	0%	22%	100%	Various		
Fixed Income	44%	28%	78%	0%	Various		
Equities	50%	67%	0%	0%	Various		
Alternative Assets	6%	5%	0%	0%	Various		
<b>Market Value</b>							
May 31, 1996	5,343.6	1,733.3	1,278.6	618.5	180.7	3,811.1	9,154.7
February 29, 1996	5,280.7	1,694.9	1,266.8	593.5	170.7	3,725.9	9,006.6
November 30, 1995	5,153.7	1,628.5	1,232.9	358.0	170.8	3,390.2	8,543.9
August 31, 1995	4,958.5	1,549.7	1,123.7	526.2	300.9	3,500.5	8,459.0
August 31, 1994	4,428.0	1,214.4	945.3	322.0	516.5	2,998.2	7,426.2
August 31, 1993	4,470.9	1,119.0	696.1	194.5	823.0	2,832.6	7,303.5
August 31, 1992	4,145.4	949.3	0.0	181.5	1,559.5	2,690.3	6,835.7
August 31, 1991	3,930.7	763.7	0.0	243.4	1,382.4	2,389.5	6,320.2

**THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**  
**PERFORMANCE SUMMARY**  
**MAY 31, 1996**

	Periods Ended May 31, 1996								Fiscal Year
	One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	To Date Nine Months Ended May 31, 1996
<b>Permanent University Fund</b>	0.9	2.1	5.5	16.3	15.1	11.4	11.1	10.6	10.7
Fixed Income-Internal(1)	(0.2)	(1.9)	(2.3)	4.3	9.0	6.5	8.9	9.6	2.6
Equities-Fayez Sarofim(2)	5.0	7.1	14.5	32.6	29.9	20.5	15.0	16.4	27.6
Equities-Holland Timmins(2)	3.3	5.6	10.9	22.0	20.8	14.1	-	-	20.4
Equities-Austin Calvert(2)	1.6	5.2	10.4	24.0	19.2	14.7	-	-	16.7
Equities-Kempner(2)	0.7	2.6	8.0	18.2	16.0	12.6	-	-	12.7
Equities-Greg Cox(2)	1.9	3.7	12.9	28.8	20.1	16.7	-	-	21.6
Equities-Wells Fargo S&P(2)	2.6	5.1	11.8	28.8	24.4	17.3	-	-	21.5
Equities-Wells Fargo Mid Cap(3)	1.4	5.7	10.6	28.8	21.0	16.1	-	-	15.4
Equities-HUB Managers(4)	5.5	18.1	19.3	43.8	29.6	-	-	-	21.7
Equities-Schroder Wertheim(5)	2.8	11.9	20.7	32.6	21.5	-	-	-	21.3
Total Domestic Equities	2.5	6.1	12.3	28.3	22.4	16.3	13.2	11.6	19.8
International Equities-Boatmen's(6)	(1.2)	3.7	8.6	11.7	8.1	10.1	-	-	11.1
Total Equities	2.0	5.8	11.8	26.4	20.8	15.4	12.8	11.3	18.8
Private Investments(8)	(0.7)	3.4	23.3	52.9	24.5	27.8	17.0	12.6	17.6
<b>Global Equity Fund</b>									
Fixed Income-Internal(1)	(0.2)	(1.6)	(1.6)	4.8	8.7	6.4	9.1	9.7	2.9
Equities-Fayez Sarofim(2)	4.8	7.1	14.4	32.4	29.4	20.4	-	-	27.2
Equities-Holland Timmins(2)	3.2	5.6	10.7	21.5	20.1	13.6	-	-	19.9
Equities-Austin Calvert(2)	1.6	5.1	10.4	24.0	19.1	14.7	-	-	16.7
Equities-Kempner(2)	0.6	2.6	8.0	18.3	15.9	12.3	-	-	12.7
Equities-Greg Cox(2)	1.9	3.8	13.4	29.4	20.4	17.2	-	-	22.1
Equities-Wells Fargo S&P(2)	2.6	5.1	11.8	28.9	24.4	17.1	-	-	21.6
Equities-Wells Fargo Mid Cap(3)	1.3	5.7	10.6	28.8	20.9	16.0	-	-	15.4
Equities-HUB Managers(4)	5.6	18.3	19.6	44.5	30.0	-	-	-	21.8
Equities-Bankers Trust(4)	6.3	22.1	34.8	-	-	-	-	-	-
Equities-MBA Investments(2)	-	2.6	7.0	-	-	-	-	-	-
Equities-Artisan Partners(5)	4.2	15.0	20.6	-	-	-	-	-	-
Equities-Schroder Wertheim(5)	2.5	11.4	19.8	30.9	20.0	-	-	-	20.4
Total Domestic Equities	2.7	6.9	13.5	29.6	23.0	16.6	13.5	11.5	21.1
International Equities-Boatmen's(6)	(1.2)	3.7	8.5	11.5	8.1	10.0	-	-	10.9
International Equities-Templeton(7)	1.7	6.0	-	-	-	-	-	-	-
Total Foreign Equities	(0.4)	4.4	9.0	-	-	-	-	-	11.3
Total Equities	2.2	6.5	12.7	27.5	21.3	15.6	12.9	11.0	19.9
Private Investments(8)	0.5	2.4	11.5	30.3	24.1	25.4	17.0	13.4	7.2
<b>World Income Fund</b>									
<b>Index Benchmarks:</b>									
1. Salomon Broad Bond Index	(0.1)	(1.5)	(1.2)	4.4	7.9	5.5	8.1	8.9	2.7
2. S&P 500 Index	2.6	5.1	11.8	28.4	24.3	17.2	14.6	14.4	21.2
3. S&P Mid Cap Index	1.4	5.7	10.6	28.5	20.8	14.9	15.8	16.1	15.2
4. Wilshire Small Cap Growth Index	4.4	15.1	20.3	42.9	30.7	22.6	19.9	15.4	22.3
5. Wilshire Small Cap Value Index	1.5	2.7	6.0	22.6	17.2	12.3	18.2	13.7	12.7
6. World ex U.S. Index	(1.7)	3.6	8.5	11.4	7.6	9.3	8.2	5.4	10.7
7. MSCI Emerging Markets	(0.7)	3.5	-	-	-	-	-	-	-
8. S&P 500 Index +5%	7.6	10.1	16.8	33.4	29.3	22.2	19.6	19.4	26.2
9. Composite Index	0.2	0.2	1.4	5.3	6.4	4.9	-	-	3.7
10. Donoghue's Institutional Average	0.4	1.3	2.6	5.4	5.1	4.5	4.3	-	4.0
11. Consumer Price Index	0.3	1.1	2.0	2.9	3.0	2.8	2.9	3.4	2.4

**PERMANENT UNIVERSITY FUND (1)**  
**INVESTMENT SUMMARY REPORT**  
**(\$ millions)**

	Actual FY94-95	Actual Fiscal Year 95-96			
		1st Qtr	2nd Qtr	3rd Qtr	Total
Beginning Market Value	\$ 4,428.0	\$ 4,958.5	\$ 5,153.7	\$ 5,280.7	\$ 4,958.5
PUF Lands Receipts(2)	57.1	16.4	13.8	19.0	49.2
Investment Income	249.5	64.6	60.1	67.1	191.8
Investment Income Distributed	(249.5)	(64.6)	(60.1)	(67.1)	(191.8)
Realized Gains(Losses)	105.5	46.3	34.2	73.3	153.8
Change in Unrealized Gains(Losses)	367.9	132.5	79.0	(29.4)	182.1
Ending Market Value	\$ 4,958.5	\$ 5,153.7	\$ 5,280.7	\$ 5,343.6	\$ 5,343.6
Investment Income	\$ 249.5	\$ 64.6	\$ 60.1	\$ 67.1	\$ 191.8
Surface Income	3.6	0.3	1.6	0.7	2.6
Other Income	0.3	0.1	0.1	0.2	0.4
Total	\$ 253.4	\$ 65.0	\$ 61.8	\$ 68.0	\$ 194.8

(1) Excludes PUF Lands mineral and surface interests with estimated values of \$328.6 million and \$157.8 million, respectively.

(2) As of May 31, 1996: 833,711 acres under lease, 518,135 producing acres, 2,766 active leases and 2,040 producing leases.

**PERMANENT UNIVERSITY FUND  
FUND SUMMARY  
3RD QUARTER FISCAL YEAR 1996  
(\$ Million)**

Change in Market Value	FIXED INCOME				EQUITIES									TOTAL EQUITIES	ALTERNATIVE ASSETS	TOTAL PUF ASSETS		
	CASH & EQUIV.		BONDS		LARGE CAP			EQUITY INCOME		INDEX		SMALL CAP					INTERNATIONAL	
	Liquidity Reserve	Bob Holland	Fyeez Sarafim	Holland Timmins	Austin Colvert	Greg Kempner	Car Cox	WF S&P	WF Mid Cap	Ibb Trust	Schroder Wertheim	Boatman's Money Market	WF					
Beginning Market Value 03/1/96	6.1	2,459.5	126.6	262.1	114.1	105.8	307.6	660.3	455.9	112.4	107.7	282.3	3.1	2,537.9	277.2	5,280.7		
West Texas Additions	19.0															19.0		
Cash Transfers	(17.9)											7.9	10.0	17.9		0.0		
Net Realized Gain (Losses)		5.1	0.2	1.0	1.4	1.3	5.7	2.2	10.6	7.3	4.7	2.2		36.6	31.6	73.3		
Change in Net Unrealized Gain (Loss)		(98.7)	8.0	11.6	3.8	0.2	2.5	27.4	13.5	12.9	7.3	7.0		94.2	(24.9)	(29.4)		
Ending Market Value 05/31/96	7.2	2,365.9	134.8	274.7	119.3	107.3	315.8	689.9	480.0	132.6	119.7	299.4	13.1	2,686.6	283.9	5,343.6		
% Cash & Equiv.	100.0%	0.2%	0.0%	5.0%	1.1%	40.4%	4.4%	0.0%	0.0%	2.0%	1.9%	0.0%	100.0%	3.3%	8.0%	2.3%		
<b>Asset Allocation</b>																		
% Of Total	0.1%	44.3%	39.7%					4.7%		5.9%		50.3%	5.3%	100.0%				
Long Term Target %	0.0%	30.0%	40.0%					10.0%		10.0%		60.0%	10.0%	100.0%				

**PERMANENT UNIVERSITY FUND  
INVESTMENT INCOME  
CASH BASIS  
(\$ Millions)**

	Actual FY 95				Actual FY 96				% CHANGE			
	Qtr 1	Qtr 2	Qtr 3	Ytd	Qtr 1	Qtr 2	Qtr 3	Ytd	Qtr 1	Qtr 2	Qtr 3	Ytd
<b>Investment Income</b>												
Liquidity Reserve	\$0.2	\$0.1	\$0.1	\$0.4	\$0.4	\$0.2	\$0.2	\$0.8	N.M.	N.M.	N.M.	N.M.
Fixed Income	49.7	44.5	50.2	\$144.4	48.9	44.6	49.1	\$142.6	-1.6%	0.2%	-2.2%	-1.2%
Equities	13.1	13	13	\$39.1	13.7	14.1	15.6	\$43.4	4.6%	8.5%	20.0%	11.0%
Private Investments	1.6	1.3	0.7	\$3.6	1.6	1.1	2.1	\$4.8	0.0%	-15.4%	200.0%	33.3%
Securities Lending	0.1	0.1	0.1	\$0.3	0	0.1	0.1	\$0.2	-100.0%	0.0%	0.0%	-33.3%
<b>Total Investment Income</b>	<b>\$64.7</b>	<b>\$59.0</b>	<b>\$64.1</b>	<b>\$187.8</b>	<b>\$64.6</b>	<b>\$60.1</b>	<b>\$67.1</b>	<b>\$191.8</b>	<b>-0.2%</b>	<b>1.9%</b>	<b>4.7%</b>	<b>2.1%</b>
<b>Surface Income</b>	<b>0.5</b>	<b>1.3</b>	<b>0.4</b>	<b>\$2.2</b>	<b>0.5</b>	<b>1.5</b>	<b>0.9</b>	<b>\$2.9</b>	<b>0.0%</b>	<b>15.4%</b>		<b>31.8%</b>
Other	0.0	0.0	0.2	\$0.2	0.0	0.2	0.1	\$0.3	N.M.	N.M.	N.M.	N.M.
<b>Gross Divisible Income</b>	<b>\$65.2</b>	<b>\$60.3</b>	<b>\$64.7</b>	<b>\$190.2</b>	<b>\$65.1</b>	<b>\$61.8</b>	<b>\$68.1</b>	<b>\$195.0</b>	<b>-0.2%</b>	<b>2.5%</b>	<b>5.3%</b>	<b>2.5%</b>
<b>PUF Administrative Expenses</b>												
PUF Investments	1.2	1.3	1.2	3.7	1.3	1.5	1.3	4.1	8.3%	15.4%	8.3%	10.8%
PUF Lands	0.9	1.4	1.2	3.5	1.1	1.1	1	3.2	22.2%	-21.4%	-16.7%	-8.6%
<b>Total Divisible Expenses</b>	<b>\$2.1</b>	<b>\$2.7</b>	<b>\$2.4</b>	<b>\$7.2</b>	<b>\$2.4</b>	<b>\$2.6</b>	<b>\$2.3</b>	<b>\$7.3</b>	<b>14.3%</b>	<b>-3.7%</b>	<b>-4.2%</b>	<b>1.4%</b>
<b>Net Divisible Income</b>	<b>\$63.1</b>	<b>\$57.6</b>	<b>\$62.3</b>	<b>\$183.0</b>	<b>\$62.7</b>	<b>\$59.2</b>	<b>\$65.8</b>	<b>\$187.7</b>	<b>-0.6%</b>	<b>2.8%</b>	<b>5.6%</b>	<b>2.6%</b>
UT System Share	\$42.1	\$38.4	\$41.5	\$122.0	\$41.8	\$39.5	\$43.9	\$125.2	-0.6%	2.9%	5.7%	2.6%
A&M System Share	\$21.0	\$19.2	\$20.8	\$61.0	\$20.9	\$19.7	\$21.9	\$62.5	-0.6%	2.6%	5.5%	2.5%

**PERMANENT UNIVERSITY FUND**  
**FIXED INCOME PORTFOLIO**  
**PURCHASES AND SALES ACTIVITY**  
**FISCAL YEAR 1996**  
**(\$ Millions)**

	<u>1st Quarter</u>		<u>2nd Quarter</u>		<u>3rd Quarter</u>	
	<u>Book Value</u>	<u>Book Yield</u>	<u>Book Value</u>	<u>Book Yield</u>	<u>Book Value</u>	<u>Book Yield</u>
Purchases	\$49.6	7.25%	\$21.8	6.59%	\$75.1	7.30%
Sales	0.0	0.00%	0.0	0.00%	(12.5)	8.95%
Redemptions	(4.3)	10.09%	(14.8)	8.50%	(3.8)	8.55%
Mortgage Payments	(9.4)	9.61%	(12.0)	9.43%	(11.6)	9.36%
Maturities	(20.0)	9.13%	(26.0)	8.16%	(11.6)	10.25%
Net Purchases (Sales)	\$15.9		(\$31.0)		\$35.6	
Realized Gains (Losses)	\$0.3		\$0.9		\$5.1	

# LONG TERM FUND SUMMARY REPORT

(\$ millions)

	Actual FY94-95	Actual Fiscal Year 1995-96			
		1st Qtr	2nd Qtr	3rd Qtr	Total
Beginning Net Assets	\$ 1,226.3	\$ 1,558.8	\$ 1,628.5	\$ 1,694.9	\$ 1,558.8
Contributions (Net of Withdrawals)	202.3	19.6	17.9	(0.9)	36.6
Investment Return	203.4	69.9	68.8	62.0	200.7
Expenses	(2.8)	(0.7)	(0.9)	(1.0)	(2.6)
Distributions (Payout)	(68.5)	(18.9)	(19.1)	(19.2)	(57.2)
Distribution of Gain on Participant Withdrawals	(1.9)	(0.2)	(0.3)	(2.5)	(3.0)
Ending Net Assets	\$ 1,558.8	\$ 1,628.5	\$ 1,694.9	\$ 1,733.3	\$ 1,733.3
Net Asset Value, per Unit	\$ 3.661	\$ 3.778	\$ 3.890	\$ 3.985	
No. of Units (End of Period)	425,751,253	431,062,475	435,717,737	434,972,374	
Distribution Rate per Unit	\$ 0.175	\$ 0.04375	\$ 0.04375	\$ 0.04375	

**LONG TERM FUND  
FUND SUMMARY  
3RD QUARTER FISCAL YEAR 1996**  
(\$ Million)

Statement of Changes in Net Assets (Accrual Basis)	FIXED INCOME										EQUITIES										ALTERNATIVE AND INFLATION HEDGING ASSETS		TOTAL LTF ASSETS	
	CASH & EQUIV.		BONDS			LARGE CAP			EQUITY INCOME		INDEX		SMALL CAP			MISC.	TOTAL DOMESTIC EQUITIES	INTERNATIONAL			TOTAL EQUITIES	OTHER		OIL & GAS
	Liquidity Reserve	Mark Holland	Foyez Sarofin	Holland Timmins	Assun Calvert	Kemper Con	Org Con	W F S&P	W F Mid Cap	Hab Trust	Schroder Westwin	Artison Partners	Banker's Trust	MBA Invest	Franklin Templeton	Franklin Rosenber's	W F Money Market	OTHER	OIL & GAS					
Beginning Net Assets 03/1/96	0.9	516.5	24.2	102.6	30.1	28.4	105.7	321.3	166.5	26.8	25.3	42.9	44.2	0.5	918.5	19.8	127.6	1.4	1,067.3	101.9	8.3	1,694.9		
Net Participant																								
Contributions/Withdrawals	(0.9)														0.0				0.0				(0.9)	
Cash Transfers	24.1	(25.0)						(1.7)	(0.7)						(2.4)	31.0		0.2	28.8	(27.4)	(0.5)	0.0		
Investment Income	0.5	9.5	0.2	0.8	0.2	0.3	1.0	1.9	0.7		0.2	0.1			5.4		0.7	6.1	0.4	0.3		16.8		
Net Realized Gain/(Loss)		1.5		0.4	0.3	0.4	2.2	1.1	3.9	1.7	1.2	2.7	0.9		14.8		0.7	15.5	4.9			21.9		
Change in Net Unrealized Gain (Loss)		(18.9)	1.6	4.6	1.0		0.7	13.3	4.9	3.2	1.5	3.6	8.9		43.3	1.8	3.3	48.4	(6.2)			23.3		
Expenses	(0.7)										(0.1)	(0.1)			(0.2)		(0.1)	(0.3)				(1.0)		
Distributions to Participants	(19.2)																						(19.2)	
Distribution of Gain on Participant Withdrawals	(2.5)																		0.0				(2.5)	
Ending Net Assets 05/31/96	2.2	483.6	26.0	108.4	31.6	29.1	109.6	335.9	175.3	31.7	28.2	49.2	53.9	0.5	979.4	52.6	132.2	1.6	1,165.8	73.6	8.1	1,733.3		
% Cash & Equiv.	100.0%	1.4%	0.3%	5.0%	2.8%	44.2%	4.3%	0.0%	0.0%	2.7%	3.4%	2.0%	9.3%	0.0%	3.3%	0.0%	0.0%	100.0%	3.3%	9.8%	0.0%	4.1%		
Asset Allocation																								
% Of Total	0.1%	27.9%	47.1%					9.4%			0.0%	56.5%	10.8%			67.3%	4.7%		100.0%					
Long Term Target %	0.0%	20.0%	25.0%					10.0%			0.0%	35.0%	15.0%			50.0%	30.0%		100.0%					

**LONG TERM FUND**  
**CALCULATION OF NET REAL RETURN**  
**AFTER PAYOUT**  
**(\$ millions)**

	Nine Months Ended May 31, 1996	
	%	Amount
Total Return	12.82%	\$ 200.7
Expenses	(0.16)%	(2.6)
Net Total Return	12.66%	198.1
Inflation	(2.42)%	(40.5)
Net Real Return	10.24%	157.6
Payout	(3.42)%	(57.2)
Net Real Return After Payout	6.82%	\$ 100.40

**LONG TERM FUND**  
**FIXED INCOME PORTFOLIO**  
**PURCHASES AND SALES ACTIVITY**  
**FISCAL YEAR 1996**  
**(\$ Millions)**

	<u>1st Quarter</u>		<u>2nd Quarter</u>		<u>3rd Quarter</u>	
	<u>Book Value</u>	<u>Book Yield</u>	<u>Book Value</u>	<u>Book Yield</u>	<u>Book Value</u>	<u>Book Yield</u>
Purchases	\$0.0	0.00%	\$0.0	0.00%	\$0.0	0.00%
Sales	0.0	0.00%	0.0	0.00%	(0.7)	15.50%
Redemptions	(1.5)	9.00%	(4.4)	8.79%	(7.4)	10.99%
Mortgage Payments & Prepayments	(10.1)	9.61%	(3.0)	9.46%	(3.2)	9.35%
Maturities	<u>(2.6)</u>	10.05%	<u>(1.0)</u>	9.25%	<u>(0.7)</u>	11.39%
Net Purchases (Sales)	(\$14.2)		(\$8.4)		(\$12.0)	
Realized Gains (Losses)	\$0.0		\$0.1		\$1.5	

# LONG TERM FUND FINANCIAL HIGHLIGHTS

(unaudited)	YTD	QUARTER ENDED		
	May 31, 1996	May 31, 1996	February 29, 1996	November 30, 1995
<b>Selected Per Unit Data</b>				
Net Asset Value, Beginning of Period	\$ 3.661	\$ 3.890	\$ 3.778	\$ 3.661
<b>Income From Investment Operations</b>				
Net Investment Income	0.114	0.036	0.037	0.041
Net Realized and Unrealized Gain on Investments	0.349	0.109	0.120	0.120
<b>Total Income from Investment Operations</b>	<b>0.463</b>	<b>0.145</b>	<b>0.157</b>	<b>0.161</b>
<b>Less Distributions</b>				
From Net Investment Income and Income Reserve	0.132	0.044	0.044	0.044
From Net Realized Gain on Investments	0.007	0.006	0.001	0.000
<b>Total Distributions</b>	<b>0.139</b>	<b>0.050</b>	<b>0.045</b>	<b>0.044</b>
Net Asset Value, End of Period	\$ 3.985	\$ 3.985	\$ 3.890	\$ 3.778
<b>Total Return</b>	<b>12.82%</b>	<b>3.78%</b>	<b>3.98%</b>	<b>4.55%</b>
<b>Ratios and Supplemental Data</b>				
Net Assets, End of Period (in thousands)	\$ 1,733,357	\$ 1,733,357	\$ 1,694,981	\$ 1,628,546
Ratio of Expenses to Average Net Assets	0.160%	0.057%	0.056%	0.048%
Ratio of Net Investment Income to Average Net Assets	2.940%	0.929%	0.946%	1.082%
Ratio of Distributions to Average Net Assets	3.421%	1.131%	1.135%	1.170%

**LONG TERM FUND**  
**STATEMENT OF OPERATIONS AND CHANGES**  
**IN NET ASSETS**  
(in thousands)

(unaudited)	YTD	QUARTER ENDED		
	May 31, 1996	May 31, 1996	February 29, 1996	November 30, 1995
<b>Investment Income</b>	\$ 51,849	\$ 16,787	\$ 16,831	\$ 18,231
<b>Expenses</b>				
Internal Fee for Management Purposes	758	260	254	244
Internal Fee for Educational Purposes	506	173	170	163
Investment Counseling Fees	966	403	368	195
Administrative Fee	225	75	75	75
Consultation Fees	30	-	4	26
Custodial Fees and Expenses	169	54	62	53
Miscellaneous Expenses	23	1	5	17
<b>Total Expenses</b>	<b>2,677</b>	<b>966</b>	<b>938</b>	<b>773</b>
<b>Net Investment Income</b>	<b>49,172</b>	<b>15,821</b>	<b>15,893</b>	<b>17,458</b>
<b>Realized And Unrealized Gain On Investments</b>				
Net Realized Gain on:				
Investment Securities	43,025	21,935	8,945	12,145
Change in Net Unrealized Appreciation:				
Investment Securities	106,026	23,283	43,095	39,648
<b>Net Gain</b>	<b>149,051</b>	<b>45,218</b>	<b>52,040</b>	<b>51,793</b>
<b>Net Increase in Net Assets Resulting From Operations</b>	<b>\$ 198,223</b>	<b>\$ 61,039</b>	<b>\$ 67,933</b>	<b>\$ 69,251</b>
<b>Net Assets</b>				
Beginning of Period	1,558,799	1,694,981	1,628,546	1,558,799
Participant Contributions (Net of Withdrawals)	36,579	(921)	17,881	19,619
Distributions to Participants	(57,218)	(19,263)	(19,070)	(18,885)
Distribution of Gain on Participant Withdrawals	(3,026)	(2,479)	(309)	(238)
<b>End of Period</b>	<b>\$ 1,733,357</b>	<b>\$ 1,733,357</b>	<b>\$ 1,694,981</b>	<b>\$ 1,628,546</b>

**LONG TERM FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
(in thousands)

(unaudited)	May 31, 1996	February 29, 1996	November 30, 1995
<b>Assets</b>			
Investment in Securities, at Value	\$ 1,743,654	\$ 1,687,327	\$ 1,695,682
Receivable for Investments Sold	4,632	2,774	2,501
Accrued Income Receivable	11,297	11,386	12,285
<b>Total Assets</b>	<b>1,759,583</b>	<b>1,701,487</b>	<b>1,710,468</b>
<b>Liabilities</b>			
Payable to Participants	21,779	3,141	4,657
Payable for Investments Purchased	3,377	2,466	76,647
Other Payables and Accrued Expenses	1,070	899	618
<b>Total Liabilities</b>	<b>26,226</b>	<b>6,506</b>	<b>81,922</b>
<b>Net Assets</b>	<b>\$ 1,733,357</b>	<b>\$ 1,694,981</b>	<b>\$ 1,628,546</b>
<b>Net Assets Consist Of:</b>			
Participant Contributions (Net of Withdrawals)	\$ 1,214,617	\$ 1,215,538	\$ 1,197,657
Undistributed Net Investment Income	24,086	27,528	30,705
Accumulated Undistributed Net Realized			
Gain on Investments	246,586	227,130	218,494
Net Unrealized Appreciation	248,068	224,785	181,690
<b>Net Assets</b>	<b>\$ 1,733,357</b>	<b>\$ 1,694,981</b>	<b>\$ 1,628,546</b>
<b>Number of Units</b>	<b>434,972,324</b>	<b>435,717,737</b>	<b>431,062,475</b>
<b>Net Asset Value, per unit</b>	<b>\$ 3.985</b>	<b>\$ 3.890</b>	<b>\$ 3.778</b>



## Short/Intermediate Term Fund Third Quarter Commentary

### General Comments

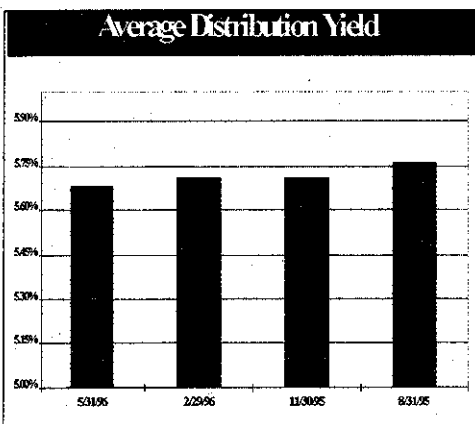
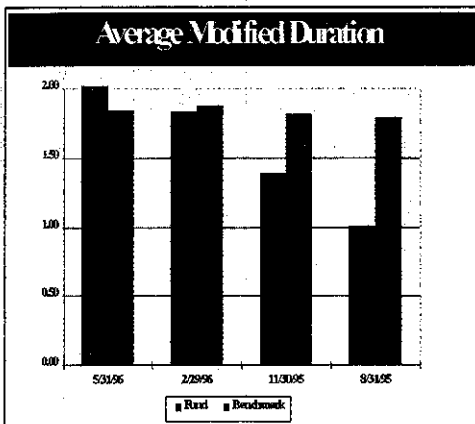
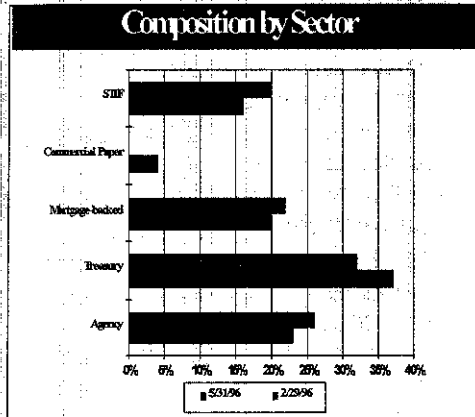
During the quarter, the Fund received net contributions of \$29.7 million vs \$39.8 million for the previous quarter. Income earned and distributed increased by \$.5 million to \$18.2 million. The Fund also generated a net realized loss of \$2.0 million and an increase in net unrealized losses of \$15.9 million. Ending market value was \$1,278.6 million (\$9.7030 per unit) vs \$1,266.8 million (\$9.8399 per unit) for the previous quarter.

As of quarter end, the Fund maintained a 6.31% yield to maturity and an estimated average maturity/runoff of 2.72 years. Total investment return for the quarter was 0.03% unannualized versus 0.21% for the composite benchmark.

### Portfolio Manager Comments

The Fund entered the quarter with a slightly bullish outlook and a modified duration slightly higher than the benchmark. Several purchases of US Treasuries and agencies in the 4-5 year maturity range were made over the quarter, extending the portfolio's duration and lowering its barbelled structure. The S/ITF was able to book yields primarily in the high 6% range while beginning to substantially increase interest rate risk exposure relative to the benchmark. The Fund's slightly longer modified duration for the majority of the quarter resulted in a small underperformance.

At this date, the Fund has an increasingly bullish outlook. Technically, the market is showing signs of stability and sentiment has substantially deteriorated. Fundamentally, many of the signs which portended the rise in yields, including food and energy prices, cyclical stocks, and the refinancing boom, have reversed partially or completely their previous movements. The S/ITF will likely continued to purchase non-callable US Treasuries and agencies around the 4-5 year sector as good opportunities occur. Only if leading inflation indicators substantially change will the Fund refrain from additional purchases as the market has already priced in 50 basis points of Federal Reserve tightening before year end.



	3 Mos.	6 Mos.	1 Year	Since Inception
Short Intermediate Term Fund	0.03% (1)	0.99% (1)	4.97%	4.38%
Benchmark	0.21% (1)	1.44% (1)	5.30%	4.80%

(1) Unannualized

**SHORT/INTERMEDIATE TERM FUND  
SCHEDULE OF INVESTMENTS  
MAY 31, 1996**

Description	Coupon	Maturity	Par Value	Book Value	Market Value
<b>STIF</b>					
FIDELITY MONEY MARKET FUND			\$ 231,593,108.71	\$ 231,593,108.71	\$ 231,593,108.71
<b>COMMERCIAL PAPER</b>					
HELLER FINL INC IB NT	5.380	6/13/96	50,000,000.00	50,000,000.00	50,000,000.00
<b>MORTGAGE-BACKED CMOS</b>					
FHLMC MULTICLASS MTG P/C 16 PB	4.750	10/25/06	7,820,855.00	7,792,167.78	7,774,399.12
FHLMC MULTICLASS MTG P/C1617PB	4.550	01/15/08	7,807,008.00	7,581,914.16	7,772,813.30
FHLMC MULTICL MTG P/C 1639PC	5.750	01/15/04	12,337,000.00	12,299,344.89	12,122,953.05
FHLMC MULTICLASS MTG P/C1659PD	5.500	07/15/04	16,282,000.00	16,121,620.39	15,918,260.12
FHLMC MULTICLASS MTG P/C 1687C	5.250	11/15/05	17,000,000.00	16,850,602.74	16,787,500.00
FNMA GTD REMIC P/T CTF 93-63PD	5.750	12/25/02	17,327,000.00	17,327,000.00	17,186,131.49
FNMA GTD REMIC P/T CTF 93-58-D	5.500	09/25/15	29,000,000.00	28,902,065.87	28,573,990.00
FNMA GTD REMIC P/T CTF 93-82-B	5.500	11/25/10	25,900,000.00	25,700,642.09	25,511,500.00
FNMA GTD REMIC P/T CTF 93-94-D	5.700	05/25/16	13,754,443.00	13,740,603.78	13,591,040.22
FNMA GTD REMIC P/T CTF93-121PC	5.250	06/25/11	29,534,970.12	29,335,256.06	29,257,932.10
FNMA GTD REMIC P/T CTF 93-119D	5.650	07/25/16	21,000,000.00	20,938,298.45	20,560,260.00
FNMA GTD REMIC P/T CTF 94-27PC	5.000	03/25/12	10,000,000.00	9,855,881.03	9,848,438.00
GOVERNMENT NATL MTG ASSN 95-7	7.500	11/16/19	15,374,079.00	15,240,900.94	14,999,335.82
<b>TOTAL MORTGAGED-BACKED CMO</b>			<b>223,137,355.12</b>	<b>221,686,298.18</b>	<b>219,904,553.22</b>
<b>MORTGAGE-BACKED PASS THROUGHS</b>					
FHLMC GROUP #L7-3378	5.500	11/01/00	30,323,347.50	29,780,216.36	29,110,413.60
<b>TOTAL MORTGAGED-BACKED</b>			<b>253,460,702.62</b>	<b>251,466,514.54</b>	<b>249,014,966.82</b>
<b>TREASURY</b>					
U S TREASURY NOTES	8.250	07/15/98	19,000,000.00	19,840,008.59	19,730,360.00
U S TREASURY NOTES	7.250	05/15/04	76,000,000.00	83,112,189.91	77,912,160.00
U S TREASURY NOTES	6.125	07/31/96	10,000,000.00	9,998,643.59	10,012,500.00
U S TREASURY NOTES	6.500	05/15/05	122,000,000.00	129,035,364.39	119,045,160.00
U S TREASURY NOTES	6.125	07/31/00	40,000,000.00	39,554,126.47	39,300,000.00
U S TREASURY NOTES	6.250	08/31/00	109,000,000.00	108,882,666.20	107,535,040.00
U S TREASURY NOTES	8.625	08/15/97	1,230,000.00	1,280,122.42	1,267,096.80
U S TREASURY NOTES	8.000	10/15/96	46,300,000.00	46,679,743.82	46,726,886.00
U S TREASURY NOTES	8.500	04/15/97	45,000,000.00	46,390,579.62	46,005,300.00
<b>TOTAL TREASURY</b>			<b>468,530,000.00</b>	<b>484,773,445.01</b>	<b>467,534,502.80</b>
<b>AGENCY</b>					
FEDERAL NATL MTG ASSN DEB	8.625	09/10/96	33,500,000.00	33,780,365.44	33,772,020.00
FNMA STRIPS INT 8.040% DEBS	0.000	10/10/01	35,969,000.00	35,397,400.62	35,007,908.32
FNMA STRIPS INT 7.94% DEBS	0.000	11/22/01	13,235,000.00	12,893,209.60	12,775,877.85
FNMA STRIPS INT 7.89% DEBS	0.000	03/09/02	67,545,000.00	64,805,290.87	63,671,969.70
FEDERAL NATL MTG ASSN MTN	6.490	06/10/98	40,000,000.00	39,982,677.28	39,896,400.00
FEDERAL NATL MTG ASSN MTN	6.180	03/15/01	31,000,000.00	30,242,371.31	30,218,490.00
FEDERAL NATL MTG ASSN MTN	6.160	04/03/01	48,000,000.00	47,125,729.27	46,760,640.00
FED NATL MTG ASSN MTN	6.625	04/18/01	20,000,000.00	19,846,875.00	19,852,200.00
GOVERNMENT TR CTFS CPN CL 2-D	9.250	11/15/96	1,693,317.22	1,715,348.15	1,716,532.60
GOVERNMENT TR CTFS CURRENT 3-B	8.550	11/15/97	5,051,112.17	5,134,325.04	5,117,988.90
GOVERNMENT TR G CTF CL G-2	8.000	05/15/98	8,545,736.44	8,785,980.97	8,687,253.84
<b>TOTAL AGENCY</b>			<b>304,539,165.83</b>	<b>299,709,573.55</b>	<b>297,477,281.21</b>
<b>TOTAL INVESTMENTS</b>			<b>\$ 1,308,122,977.16</b>	<b>\$ 1,317,542,641.81</b>	<b>\$ 1,295,619,859.54</b>

# SHORT/INTERMEDIATE TERM FUND SUMMARY REPORT

(\$ millions)

	Actual FY94-95	Actual			
		Fiscal Year 1995-96			
		1st Qtr	2nd Qtr	3rd Qtr	Total
Beginning Net Assets	\$ 945.3	\$ 1,129.5	\$ 1,232.9	\$ 1,266.8	\$ 1,129.5
Contributions Net of Withdrawal	175.7	94.4	39.8	29.7	163.9
Investment Return	68.7	25.8	12.0	0.4	38.2
Expenses	(0.2)	-	-	(0.1)	(0.1)
Distributions of Income	(60.0)	(16.8)	(17.9)	(18.2)	(52.9)
Ending Net Assets	\$ 1,129.5	\$ 1,232.9	\$ 1,266.8	\$ 1,278.6	\$ 1,278.6
Net Asset Value per Unit	\$ 9.8111	\$ 9.8853	\$ 9.8399	\$ 9.7030	
No. of Units (End of Period)	115,124,921	124,720,233	128,742,273	131,778,900	
Total Investment Return	6.71%	2.20% (1)	0.96% (1)	0.03% (1)	3.21% (1)

(1) Unannualized

**SHORT/INTERMEDIATE TERM FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
(in thousands)

(unaudited)	May 31, 1996	February 29, 1996	November 30, 1995
<b>Assets</b>			
Investment in Securities, at Value	\$ 1,295,619	\$ 1,258,260	\$ 1,256,209
Accrued Income Receivable	9,293	14,402	10,818
<b>Total Assets</b>	<b>1,304,912</b>	<b>1,272,662</b>	<b>1,267,027</b>
<b>Liabilities</b>			
Payable to Participants	6,201	5,812	5,653
Payable for Investments Purchased	20,013	0	28,427
Other Payables and Accrued Expenses	36	29	49
<b>Total Liabilities</b>	<b>26,250</b>	<b>5,841</b>	<b>34,129</b>
<b>Net Assets</b>	<b>\$ 1,278,662</b>	<b>\$ 1,266,821</b>	<b>\$ 1,232,898</b>
<b>Number of Units</b>	<b>131,778,900</b>	<b>128,742,273</b>	<b>124,720,233</b>
<b>Net Asset Value, per unit</b>	<b>\$ 9.7030</b>	<b>\$ 9.8399</b>	<b>\$ 9.8853</b>

**SHORT/INTERMEDIATE TERM FUND**  
**STATEMENT OF OPERATIONS AND CHANGES**  
**IN NET ASSETS**  
(in thousands)

(unaudited)	YTD	QUARTER ENDED		
	May 31, 1996	May 31, 1996	February 29, 1996	November 30, 1995
<b>Investment Income</b>	\$ 53,069	\$ 18,308	\$ 17,918	\$ 16,843
<b>Expenses</b>				
Legal Fees	4	0	0	4
Custodial Fees and Expenses	53	17	19	17
Investment Management Fees	88	88		
Miscellaneous Expenses	1	0	0	1
<b>Total Expenses</b>	146	105	19	22
<b>Net Investment Income</b>	52,923	18,203	17,899	16,821
<b>Realized And Unrealized Gain (Loss)</b>				
<b>On Investments</b>				
Net Realized gain (loss) on:				
Investment Securities	2,056	(2,013)	4,220	(151)
Change in Net Unrealized Appreciation/ (Depreciation) on:				
Investment Securities	(16,861)	(15,852)	(10,126)	9,117
<b>Net Gain (Loss)</b>	(14,805)	(17,865)	(5,906)	8,966
<b>Net Increase in Net Assets</b>				
<b>Resulting From Operations</b>	\$ 38,118	\$ 338	\$ 11,993	\$ 25,787
<b>Net Assets</b>				
Beginning of Period	1,129,505	1,266,821	1,232,898	1,129,505
Participant Net Contributions/Withdrawals	163,962	29,706	39,829	94,427
Distributions of Income to Participants	(52,923)	(18,203)	(17,899)	(16,821)
<b>End of Period</b>	\$ 1,278,662	\$ 1,278,662	\$ 1,266,821	\$ 1,232,898

**SHORT/INTERMEDIATE TERM FUND  
PURCHASES AND SALES ACTIVITY  
FYE 1996  
(\$ millions)**

	<u>1ST QUARTER</u>		<u>2ND QUARTER</u>		<u>3RD QUARTER</u>	
	<u>BOOK VALUE</u>	<u>BOOK YIELD</u>	<u>BOOK VALUE</u>	<u>BOOK YIELD</u>	<u>BOOK VALUE</u>	<u>BOOK YIELD</u>
Purchases - Commercial Paper	\$ 199.0	4.34%	\$ 100.0	5.79%	\$ 749.8	5.43%
Other	305.0	6.06%	247.1	5.60%	245.6	6.47%
Sales/Redemptions	(122.1)	5.82%	(175.5)	5.73%	(173.1)	6.25%
Maturities - Commercial Paper	(249.4)	5.79%	(199.3)	5.80%	(699.8)	5.44%
Other	-		-		(47.0)	6.37%
Net Purchases/(Sales)	<u>\$132.5</u>		<u>(\$27.7)</u>		<u>\$75.5</u>	
Realized Gains/(Losses)	(\$0.1)		\$4.2		(\$2.0)	



# Short Term Fund

## Third Quarter Summary

### General Comments

During the quarter, total investments of the Prime Obligations Fund decreased from \$6.0 billion to \$4.6 billion. During this same period, the investment of operating funds maintained by U.T. System components in the Fund increased from \$593.5 million to \$618.5 million. Endowment and trust funds also invested in the Prime Obligations Fund (reported as cash and equivalents under the Long Term Fund or Separately Invested Funds) declined from \$126.3 million to \$92.9 million resulting in a combined U.T. System total of \$711.4 million. As of quarter end, total U.T. System balances represented 15.6% of the Prime Obligations Fund's investments.

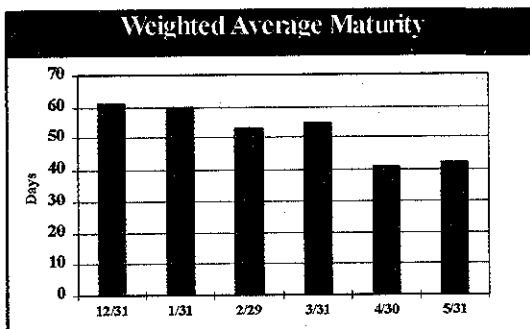
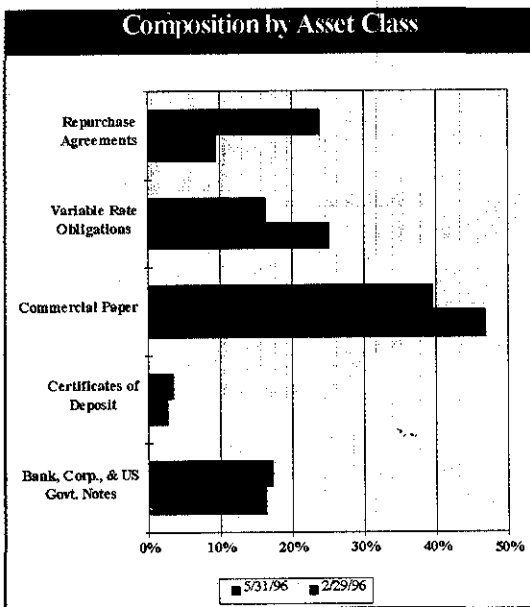
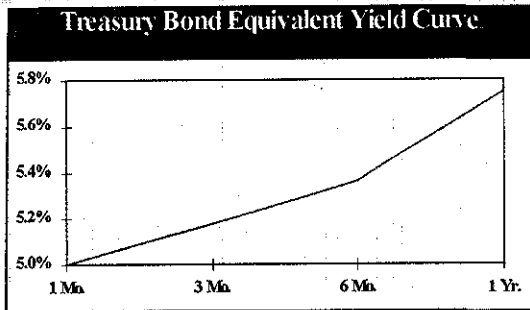
The Fund's yield continued to decline during the quarter to 5.20% versus 5.51% for the previous quarter end. The Fund outperformed the Donoghue's Average of institutional only money funds generating an annualized yield of 5.20% versus 5.03% for the quarter.

The Fund reported no investment policy changes during the quarter.

### Portfolio Manager Comments

Fed officials are likely to begin tightening monetary policy this summer, with the first move implemented as early as the July FOMC meeting. Further moves that take the Federal funds rate back to 6.0% by year-end are anticipated. Bond yields are likely to rise further once it becomes apparent that inflation is drifting higher and Fed officials need to tighten to keep inflation in check.

Although we have seen some steepening, we feel the short-term money market yield curve is pricing in on 25-30 basis points of Fed tightening over the next six months. Given our interest rate outlook, in conjunction with the current levels and shape of the short-term yield curve, we are shifting the commercial paper funds to a more barbelled structure. We believe this structure will afford us the opportunity to extend the weighted average maturities of the funds if and when market levels adequately price in the potentially aggressive Fed tightening we are anticipating.



	1 Mos.	3 Mos.	6 Mos.	1 Year	5 Year
Short Term Fund	5.16%	5.20%	5.35%	5.57%	4.49%
3-Month Treasury Bills	5.16%	5.12%	5.12%	5.32%	4.34%
Donoghue's Institutional-Only Average	5.02%	5.03%	5.17%	5.37%	4.28%

All returns for periods less than one year are annualized.



May 31, 1996

**Permanent University Fund Investment Policy**

**Asset Allocation**

**1 Unless subsequently changed by the chief investment officer, with the approval of the U.T. Board, the long term asset allocation policy ranges and targets for the Fund shall be as follows:**

	Minimum	Maximum	Actual	
Cash and Equivalents	0.00%	5.00%	0.14%	
Fixed Income	20.00%	40.00%	44.18%	Above Range
Med/Large Cap Stocks	35.00%	45.00%	39.31%	
Small Cap Stocks	5.00%	15.00%	4.70%	Below Range
Established International Stocks	7.50%	12.50%	5.91%	Below Range
<b>Total Equities</b>	<b>50.00%</b>	<b>70.00%</b>	<b>49.92%</b>	<b>Below Range</b>
Mezzanine	2.00%	3.00%	0.36%	Below Range
Buy-outs/Special Equities	5.00%	8.00%	3.61%	Below Range
Venture Capital	0.50%	1.50%	1.21%	
Alternative Assets Cash			0.39%	No Range Specified
Oil & Gas			0.19%	No Range Specified
<b>Total Alternative Assets</b>	<b>7.50%</b>	<b>12.50%</b>	<b>5.76%</b>	<b>Below Range</b>

**Non Compliance**

**Investment Return Objectives**

**1 Fixed Income - CPI and Salomon Inv Grade Index**

Bench mark is used. (The Salomon Inv Grade Index should be known as the Salomon Broad Bond Index)

**2 Equities - CPI and S&P 500**

Bench mark is used.

**3 Alternative Assets - S&P 500 Index**

Bench mark is used.

**Investment Guidelines - General**

**1 All investments must be U.S. dollar denominated unless held by an investment manager retained to manage an international portfolio.**

Non US dollar denominated, Approved Portfolios

- Electra Private Equities and Subsequent Distributions
- Doughty Hanson & Company II
- 3 i UK Investment
- CVC European Equity Partners LP

Non US dollar denominated, Not Approved Portfolios

None

**2 Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund monies in such liquid investment fund.**

Funds, Approved

- Goldman Sachs Financial Square Prime Obligation Portfolio

BSDT-LMDA IV Non-ERISA Custodian  
BZW Barclays S&P 500 Index  
BZW Barclays Mid Cap Index  
BZW Barclays International Funds

Funds, Not Approved

None

**3 No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.**

None

**4 No securities may be purchased on margin or leverage unless specifically authorized by the UTIMCO Board.**

None

**5 No transactions in short sales may be made unless specifically authorized by the UTIMCO Board.**

None

**6 Transactions in derivative instruments are prohibited unless approved. (Additional Comments)**

None

**Investment Guidelines - Fixed Income**

**1 Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).**

All paper rated P-1 by Moodys

**2 Negotiable c.d.'s must be with a bank that is associated with a holding company meeting the commercial paper criteria or has a c.d. rating of 1 by Duff & Phelps.**

No C.D.'s held

**3 Bankers' Acceptances must be guaranteed by an accepting bank with a minimum c.d. rating of 1 by Duff & Phelps.**

No Bankers' Acceptances held

**4 Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U.S. Treasury securities; or a bank that is associated with a holding company meeting cp or cd ratings.**

No Repurchase Agreements nor Reverse Repurchase Agreements held

**5 The average quality of the fixed income portfolio shall be rated Moody's A1 or S&P A+.**

The average Moodys rating is Aa2

**6 Fixed income securities (including pfd stks) must be rated a minimum of Moody Baa3 or S&P BBB- when purchased unless approved by the Chief Investment Officer.**

All purchases rated above criteria.

**7 The cost of fixed income securities unrated and below Baa3 or BBB- that have not been reviewed by UTIMCO Board may not exceed 1% of the Fund.**

Total below investment grade is .5% of the portfolio.

**Investment Guidelines - Equities**

**1 No more than 5% of the voting securities of a corporation may be owned by the U.T. Board unless additional ownership is specifically authorized by the chief investment officer.**

None in actively managed portfolios.

note: This provision does not include assets acquired through the Alternative Assets program nor individual

Non Compliance

May 31, 1996

securities held in the indexes.

**2 Equity Portfolios shall hold no more than 25% in any one industry ( as defined by the chief investment officer ) at cost unless manager was retained to concentrate in an industry.**

Greg Cox

Real Estate Investment Trust

27.27%

**3 Equity Portfolios shall hold no more than 10% in the securities of one corporation at cost unless authorized.**

No violations

**4 Equity Portfolios shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset.**

None held.

**5 Equity portfolios shall hold equity securities, cash, and cash equivalents. Any security which converts into an equity security shall be considered an equity.**

All equity.

**6 Equity portfolios shall not hold more than 10% of the market value of the portfolio in cash or cash equivalents unless approved.**

Kempner

40.40% approved

Non Compliance

above range

May 31, 1996

**Texas Education Code**

**Chapter 66. Permanent University Fund**

**66.05. Before December 1 of each year the BOR shall prepare a written report providing statements of assets, schedule of changes in book value during the year ending August 31. The report shall contain a summary of gains, losses, and income realized by the fund. The report shall be distributed to various government entities by January 1st of each year.**

Complied

**66.06. The BOR shall evaluate and analyze the investment results of the fund. The investment results shall be compared to the written objectives of the fund and to other funds with the same objectives and restrictions.**

Complied with exception of comparison to similar funds. Data on similar funds is not available.

**Non Compliance**

May 31, 1996

## Long Term Fund Policy Statement

### Investment return Objectives

**1 Overall - annualized rate of inflation plus 5.5%**

Bench mark is used.

**2 Overall - median return for the universe of the largest college and university endowments as calculated by Cambridge Associates.**

Bench mark is used.

**3 Med/Large Cap Domestic Stocks - S&P 500 Index**

Bench mark is used.

**4 Small Cap Domestic Stocks - Wilshire Small Cap Index**

Bench mark is used.

**5 International Stocks for Established Markets - EAFE Index**

Not Provided, World Ex US Index is used.

**6 International Stocks for Emerging Markets - IFC Investable Comp Index**

Not Applicable

**7 Alternative Assets - S&P 500 + 5%**

Bench mark is used.

**8 Inflation Hedging Assets - CPI + 5%**

Not provided, Non modified CPI is used.

**9 Fixed Income Domestic - Salomon Broad Index**

Bench mark is used.

**10 Fixed Income International - Morgan Non U.S. Bond Index**

Not Applicable

### Investment Guidelines - General

**1 All investments must be U.S. dollar denominated unless held by an investment manager retained to manage an international portfolio.**

Non US dollar denominated, Approved Portfolios

Electra Private Equities and Subsequent Distributions

Doughty Hanson & Company II

3 i UK Investment

CVC European Equity Partners LP

Non US dollar denominated, Not Approved Portfolios

None

**2 Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund monies in such liquid investment fund.**

Funds, Approved

Goldman Sachs Financial Square Prime Obligation Portfolio

BSDT-LMDA IV Non-ERISA Custodian

BZW Barclays S&P 500 Index

Non Compliance

Not Provided

Not Provided

May 31, 1996

BZW Barclays Mid Cap Index  
BZW Barclays International Funds  
Franklin Templeton Emerging Markets Fund

**3 No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.**

None

**4 No securities may be purchased on margin or leverage unless specifically authorized by the UTIMCO Board.**

None

**5 No transactions in short sales may be made unless specifically authorized by the UTIMCO Board.**

None

**6 Transactions in derivative instruments are prohibited unless approved. (Additional Comments)**

None

**Investment Guidelines - Fixed Income**

**1 Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).**

No paper held

**2 Negotiable c.d.'s must be with a bank that is associated with a holding company meeting the commercial paper criteria or has a c.d. rating of 1 by Duff & Phelps.**

No C.D.' held

**3 Bankers' Acceptances must be guaranteed by an accepting bank with a minimum c.d. rating of 1 by Duff & Phelps.**

No Bankers' Acceptances held

**4 Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U.S. Treasury securities; or a bank that is associated with a holding company meeting cp or cd ratings.**

No Repurchase Agreements nor Reverse Repurchase Agreements held

**5 The average quality of the fixed income portfolio shall be rated Moody's A1 or S&P A+.**

The average Moodys rating is Aa3

**6 Fixed income securities (including pfd stks) must be rated a minimum of Moody Baa3 or S&P BBB- when purchased unless approved by the Chief Investment Officer.**

All purchases rated above criteria.

**7 The cost of fixed income securities unrated and below Baa3 or BBB- that have not been reviewed by UTIMCO Board may not exceed 1% of the Fund.**

Total below investment grade is .5% of the portfolio.

**Investment Guidelines - Equities**

**1 No more than 5% of the voting securities of a corporation may be owned by the U.T. Board unless additional ownership is specifically authorized by the chief investment officer.**

None in actively managed portfolios.

note: This provision does not include assets acquired through the Alternative Assets program nor individual securities held in the indexes.

**2 Equity Portfolios shall hold no more than 25% in any one industry ( as defined by the chief investment officer ) at cost unless manager was retained to concentrate in an industry.**

Non Compliance

May 31, 1996

Greg Cox

Real Estate Investment Trust

**3 Equity Portfolios shall hold no more than 10% in the securities of one corporation at cost unless authorized.**

No violations

**4 Equity Portfolios shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset.**

None held

**5 Equity portfolios shall hold equity securities, cash, and cash equivalents. Any security which converts into an equity security shall be considered an equity.**

All equity

**6 Equity portfolios shall not hold more than 10% of the market value of the portfolio in cash or cash equivalents unless approved.**

Kempner

44.20% approved

**Valuation of Assets**

**On the last business day of each fiscal quarter, the fund and its assets will be valued in accordance with the Valuation Policy approved by the Chief Investment Officer.**

No overall policy

Non Compliance	
	25.90%
No policy	

May 31, 1996

## Operating Funds Short/Intermediate Term Fund Information Memorandum

### Fund Portfolio Maturity

The Fund's normal dollar weighted average portfolio maturity may range from 1 year to 4 years depending on the Investment Manager's judgment of current or anticipated market conditions.

The average maturity is 2.72 years.

### Reverse Repurchase Agreements

The Fund may lend up to one third of it's assets in reverse repurchase agreements.

The Fund has not entered into any reverse repurchase agreements.

### Statement Regarding Investment Restrictions on Derivative Securities

The following categories of U.S. Agency and mortgage backed securities shall constitute inappropriate securities for inclusion in the Fund.

Inverse Floaters

Non Money Market Based Floaters

Interest Only Mortgage Securities

Principal Only Securities

Non Dollar Rate Based Floaters

Range Notes or Floaters

None of the above securities are held by the Fund

Non Compliance

May 31, 1996

**Private Investment Policy Statement**

**Investment Approval and Management**

The Private Investment portfolio managers will conduct a thorough written evaluation of each specific investment proposal selected for review.

Upon unanimous approval of the Office of Private Investments portfolio managers will be recommended to the President of UTIMCO.

The President of UTIMCO will approve or reject all investment proposals submitted by Private Investment portfolio managers.

All approved

At least once a quarter, the President of UTIMCO shall issue a report to the UTIMCO Board which summarizes the activity of the private investment portfolio for each fund so invested.

Information provided in quarterly report.

**Investment Portfolio Limits**

The funded and outstanding private investment portfolio may not exceed the allocation ranges for private as provided in the PUF LTF investment policies.

Private investments are below targeted ranges set for the PUF and LTF

	Minimum	Maximum	Target	Actual
PUF	7.50%	12.50%	10.00%	5.76%
LTF	N/A	N/A	20.00%	4.70%

Below minimum

The maximum investment in any one entity shall not exceed 10% of fund commitments.

No investments exceed 10% of commitments.

Non Compliance

May 31, 1996

## Operating Funds Investment Policy

### Investment Guidelines

**1 All investments must be U.S. dollar denominated unless held by an investment manager retained to manage an international portfolio.**

All investments are U.S. Dollar denominated

**2 Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).**

None held.

**3 Negotiable c.d.'s must be with a bank that is associated with a holding company meeting the commercial paper criteria or has a c.d. rating of 1 by Duff & Phelps.**

None held.

**4 Bankers' Acceptances must be guaranteed by an accepting bank with a minimum c.d. rating of 1 by Duff & Phelps.**

None held.

**5 Repurchase Agreements and Reverse Repurchase Agreements shall conform to the Repurchase Agreement Guidelines as approved by the Operating Fund Advisory Board**

None held.

**6 All investments in bonds or other evidence of indebtedness shall be issued by or guaranteed by the U.S. government or U.S. government agencies or instrumentalities except for the restrictions above.**

All investments comply.

**7 No preferred or common stocks or other ownership interests or securities convertible into ownership interests may be purchased.**

None held.

**8 No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.**

None held.

**9 No securities may be purchased on margin or leverage.**

None held.

**10 No transactions in short sales.**

None held.

**11 Transactions in derivative instruments are prohibited unless approved. (Additional Comments)**

None held.

**12 Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund monies in such liquid investment fund.**

Funds, Approved

Fidelity Institutional Money Market

Financial Square Prime Obligations Portfolio

**13 Investments in bank common trust funds may be made only after competitive bids have been solicited from at least three banks located in Texas.**

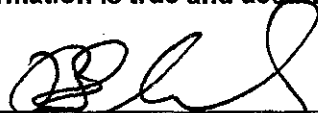
None held

Non Compliance

May 31, 1996

Non Compliance

The preceding information has been prepared by Bill Edwards and to the best of my knowledge all information is true and accurate.



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Bill Edwards  
Manager, Securities Operations