

U.T. System Board of Regents
Report on Investments

Fiscal Year and Quarter Ending
August 31, 2004

As of August 31, 2004

CHANGE IN MARKET VALUE

(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (5/31/04)	\$7,998	\$4,169	\$12,167	\$3,813	\$15,980
Contributions	+28	+75	+103	+44	+147
Distributions & Withdrawals	-6	-68	-74	-227	-301
Changes due to Transfers:	+22	+7	+29	-183	-154
Income	+35	+18	+53	+7	+60
Appreciation/Depreciation	+33	+14	+47	+4	+51
Changes from Investment Activities:	+68	+32	+100	+11	+111
Ending Market Value (8/31/04)	\$8,088	\$4,208	\$12,296	\$3,641	\$15,937
Change in Market Value	\$90	\$39	\$129	-\$172	-\$43

- As illustrated above, the PUF (\$90 million) and GEF (\$39 million) both saw increases in market value during the fourth fiscal quarter, while the Operating Funds experienced a \$172 million decline.

RETURN SUMMARY

ENDING 8/31/04¹

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004
Permanent University Fund	0.7%	14.7%	6.0%	4.9%
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Long Term Fund	0.7	14.6	6.3	5.7
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Permanent Health Fund	0.7	14.6	6.3	4.8
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Short Term Fund	0.3	1.0	1.6	3.2
ML 90-day T-Bill	0.3	1.1	1.6	3.2
Short Intermediate Term Fund	1.2	2.5	2.6	4.5
Performance Benchmark	1.2	2.3	3.8	5.3
BGI U.S. Debt Index Fund	3.5	6.1	6.3	7.7
LB Aggregate Bond Index	3.5	6.1	6.2	7.7
BGI Equity Index Fund	-1.0	11.5	0.8	-2.0
S&P 500 Index	-1.0	11.4	0.8	-2.1

- The Permanent University Fund, Long Term Fund, and Permanent Health Fund all underperformed the Endowment Performance Benchmark during the fourth fiscal quarter, and have posted below benchmark trailing 1 and 3 year returns. Over the trailing 5 year period, however, all three funds have outperformed the Endowment Performance Benchmark.

¹ Rates of return greater than one year are annualized. UTIMCO reports its performance data net of all costs.

² Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO. The Endowment Performance Benchmark shown here does not agree with benchmark data shown in UTIMCO reports. UTIMCO made certain retroactive changes in its benchmark reporting that have not been approved by the Board of Regents.

As of August 31, 2004

PUF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 8/31/04
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$1,779	22.0%	20%	15-45%	Yes
REITs	442	5.5	5%	0-10	Yes
U.S. Equity	\$2,222	27.5%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$1,322	16.3%	10%	5-15%	No
Emerging Markets Equity	150	1.9	7%	0-10	Yes
Global ex-U.S. Equity	\$1,472	18.2%	17%	5-25%	Yes
Total Traditional Equity	\$3,694	45.7%	42%	20-60%	Yes
Equity Hedge Funds	\$664	8.2%	10%	5-15%	Yes
Absolute Return Hedge Funds	1,057	13.1	15%	10-20	Yes
Total Hedge Funds	\$1,721	21.3%	25%	5-25%	Yes
Private Equity	\$677	8.4%	9%	0-10%	Yes
Venture Capital	117	1.4	6%	5-15	No
Total Private Capital	\$794	9.8%	15%	5-15%	Yes
Commodities	\$381	4.7%	3%	0-5%	Yes
Traditional Fixed Income	\$810	10.0%	10%	10-30%	Yes
TIPS	386	4.8	5%	0-10	Yes
Total Fixed Income	\$1,195	14.8%	15%	10-30%	Yes
Cash	\$302	3.7%	--	0-5%	Yes
Total Permanent University Fund	\$8,088	100.0%	100%		
Liquidity Requirement					Yes

- During the fourth fiscal quarter, the allocation to U.S. equity was reduced while the allocation to fixed income was increased. These moves brought the PUF's asset class allocations closer to their policy targets. However, the allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

As of August 31, 2004

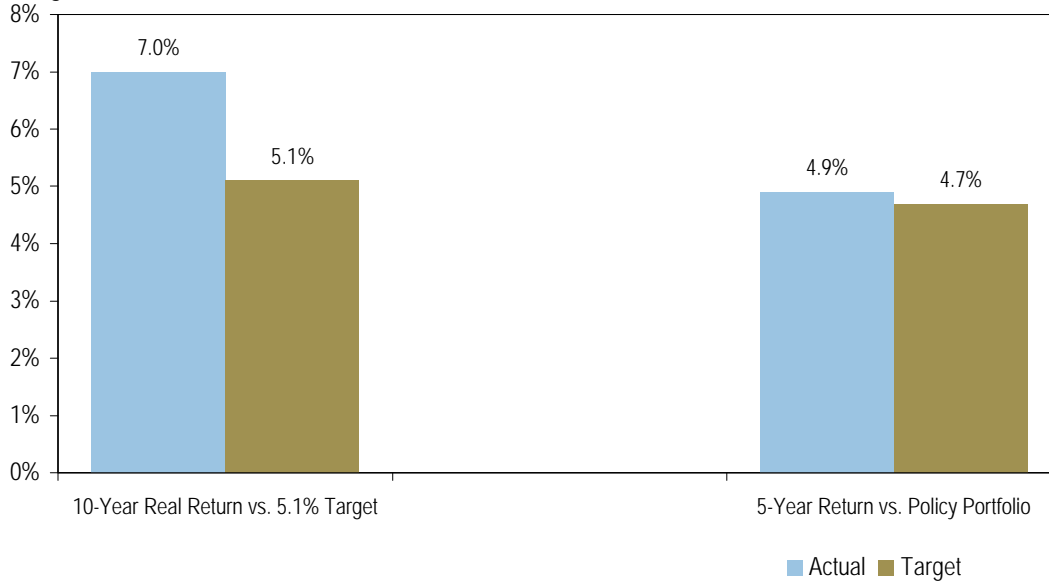
GEF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 8/31/04
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$904	21.5%	20%	15-45%	Yes
REITs	230	5.5	5%	0-10	Yes
U.S. Equity	\$1,134	27.0%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$691	16.4%	10%	5-15%	No
Emerging Markets Equity	95	2.3	7%	0-10	Yes
Global ex-U.S. Equity	\$786	18.7%	17%	5-25%	Yes
Total Traditional Equity	\$1,920	45.6%	42%	20-60%	Yes
Equity Hedge Funds	\$358	8.5%	10%	5-15%	Yes
Absolute Return Hedge Funds	573	13.6	15%	10-20	Yes
Total Hedge Funds	\$931	22.1%	25%	15-25%	Yes
Private Equity	\$343	8.2%	9%	0-10%	Yes
Venture Capital	74	1.8	6%	5-15	No
Total Private Capital	\$417	9.9%	15%	5-15%	Yes
Commodities	\$203	4.8%	3%	0-5%	Yes
Traditional Fixed Income	\$435	10.3%	10%	10-30%	Yes
TIPS	205	4.9	5%	0-10	Yes
Total Fixed Income	\$640	15.2%	15%	10-30%	Yes
Cash	\$96	2.3%	--	0-5%	Yes
Total General Endowment Fund	\$4,208		100%		
Liquidity Requirement					Yes

- During the fourth fiscal quarter, the allocation to U.S. Equity was reduced while the allocation to fixed income was increased. These moves brought the GEF's asset class allocations closer to their policy targets. However, the allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

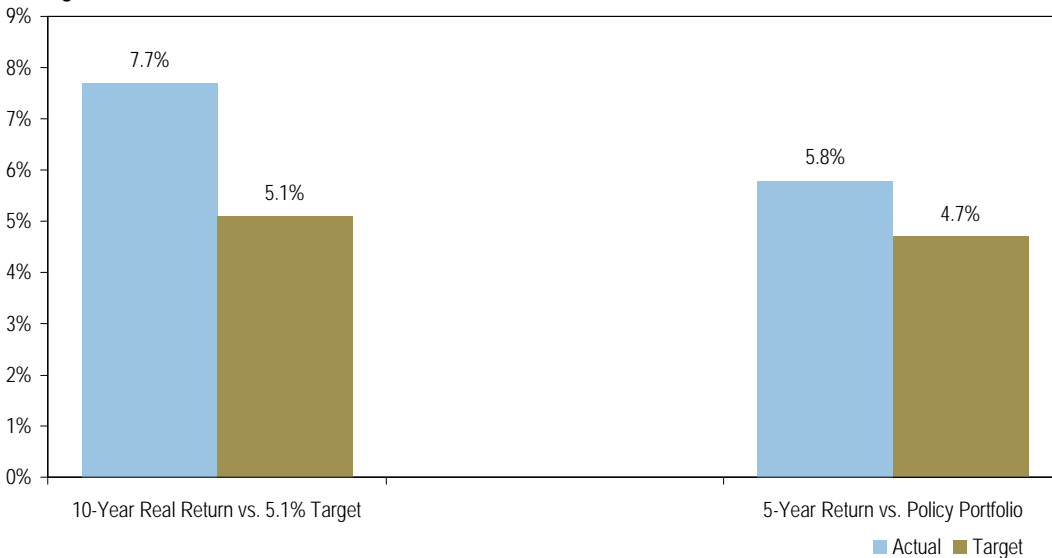
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**Permanent University Fund
Analysis of Investment Objectives
Ending 8/31/04**



- The primary investment objective of the PUF and GEF is to preserve the purchasing power of their respective assets and annual distributions by earning an average annual real return of 5.1% over rolling ten-year periods or longer. The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. These objectives have been met over the periods analyzed.

**General Endowment Fund
Analysis of Investment Objectives
Ending 8/31/04**



- An additional objective of the GEF is to outperform the median fund in a universe of similar endowments. The LTF and the PHF (the two components of the GEF) have both produced returns above the median of a Cambridge universe of endowments over the three-year period ending June 30, 2004. Over the 5- and 10- year periods, the LTF has also achieved this goal.

As of August 31, 2004

Permanent University Fund**RETURN SUMMARY**

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
Permanent University Fund	0.7%	14.7%	6.0%	4.9%	9.4%	8/31/1991
Endowment Performance Benchmark ¹	1.4	15.8	6.9	4.7	10.9	
U.S. Equity	0.6	13.6	3.2	2.5	10.5	8/31/1991
U.S. Equity Performance Benchmark	1.1	14.9	3.3	-0.3	10.6	
Global Ex U.S. Equity	0.1	19.8	7.5	-1.2	5.9	3/31/1993
MSCI AC World Ex-U.S. Free Index	0.0	22.7	6.2	0.0	6.0	
Equity Hedge Funds	0.6	--	--	--	4.3	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	3.4	
Absolute Return Hedge Funds	1.0	13.1	9.6	--	12.2	2/29/2000
Absolute Return Benchmark	1.1	4.5	5.5	--	7.0	
Private Capital²	1.0	13.0	-3.6	2.4	9.7	1/31/1989
Private Capital Benchmark	2.3	26.8	9.6	5.0	16.1	
Commodities	-2.2	--	--	--	11.7	12/31/2003
Goldman Sachs Commodity Index - 1%	-1.5	--	--	--	16.0	
Total Fixed Income	2.9	9.5	7.7	7.8	9.0	8/31/1985
Fixed Income Benchmark	3.6	7.0	6.5	7.8	8.6	

- The Permanent University Fund underperformed the Endowment Performance Benchmark by 0.7 percentage points in the fiscal quarter ending August 31, 2004. Each asset class underperformed its respective benchmark, with the exception of global Ex U.S. equity, which modestly outperformed.
- One-year performance lagged the benchmark by 1.1 percentage points. U.S. equity, global ex U.S. equity, and private capital all underperformed, with private capital lagging significantly. Absolute return hedge funds and fixed income added value.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of August 31, 2004

General Endowment Fund**RETURN SUMMARY**

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
General Endowment Fund	0.7%	14.8%	6.4%	5.8%	10.0%	8/31/1991
Endowment Performance Benchmark ¹	1.4	15.8	6.9	4.7	10.9	
U.S. Equity	0.5	13.3	3.3	2.8	10.5	8/31/1991
U.S. Equity Performance Benchmark	1.1	14.9	3.3	-0.3	10.6	
Global Ex U.S. Equity	0.0	19.9	7.5	-0.5	5.2	3/31/1993
MSCI AC World Ex-U.S. Free Index	0.0	22.7	6.2	0.0	6.0	
Equity Hedge Funds	0.6	--	--	--	4.3	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	3.4	
Absolute Return Hedge Funds	1.0	13.1	9.6	13.0	10.8	7/31/1998
Absolute Return Benchmark	1.1	4.5	5.5	7.2	7.6	
Private Capital²	0.4	12.1	-4.6	1.9	9.7	11/30/1986
Private Capital Benchmark	2.3	26.8	9.6	5.0	16.1	
Commodities	-2.2	--	--	--	11.8	12/31/2003
Goldman Sachs Commodity Index - 1%	-1.5	--	--	--	16.0	
Total Fixed Income	2.7	9.6	7.8	8.0	11.1	8/31/1981
Fixed Income Benchmark	3.6	7.0	6.5	7.8	10.5	

- The General Endowment Fund underperformed the Endowment Performance Benchmark by 0.7 percentage points in the fiscal quarter ending August 31, 2004. Each asset class underperformed its respective benchmark, with the exception of global ex U.S. equity, which approximated its benchmark.
- One-year performance lagged the benchmark by 1.0 percentage points. U.S. equity, global Ex U.S. equity, and private capital all underperformed, with private capital lagging significantly. Absolute return hedge funds and fixed income added value.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of August 31, 2004

Operating Funds

RETURN SUMMARY

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
Short Term Fund	0.3%	1.0%	1.6%	3.2%	4.2%	8/31/1992
ML 90-day T-Bill	0.3	1.1	1.6	3.2	4.1	
Short Intermediate Term Fund	1.2	2.5	2.6	4.5	5.1	2/28/1993
Performance Benchmark ¹	1.2	2.3	3.8	5.3	5.4	
BGI U.S. Debt Index Fund	3.5	6.1	6.3	7.7	7.2	5/31/1999
LB Aggregate Bond Index	3.5	6.1	6.2	7.7	7.1	
BGI Equity Index Fund	-1.0	11.5	0.8	-2.0	-1.6	5/31/1999
S&P 500 Index	-1.0	11.4	0.8	-2.1	-1.6	

- The Short Term Fund approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Term Fund approximated the return of the Index during the fiscal quarter, and outperformed over the trailing one-year period. Longer term performance is below-benchmark.
- The BGI U.S. Debt Index approximated the performance of the benchmark during the periods shown above. Participants investing in the BGI U.S. Debt Index liquidated their positions during April of 2004.
- The BGI Equity Index Fund approximated the performance of its benchmark during the periods shown above.

¹Returns for this benchmark from inception through July 31, 2004 have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite. Beginning August 1, 2004 returns are those of the Merrill Lynch 1-3 Year Treasury Index.