

U.T. System Board of Regents  
Report on Investments

Quarter Ending  
May 31, 2005



As of May 31, 2005

CHANGE IN MARKET VALUE  
(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (2/28/05)	\$8,832	\$4,692	\$13,524	\$3,810	\$17,334
Contributions	+59	+39	+98	+69	+167
Distributions & Withdrawals	-11	-59	-70	-95	-165
Changes due to Transfers:	+48	-20	+28	-26	+2
Income	+47	+24	+71	+10	+81
Appreciation/Depreciation	-27	-16	-43	+2	-41
Changes from Investment Activities:	+20	+8	+28	+12	+40
Ending Market Value (5/31/05)	\$8,900	\$4,680	\$13,580	\$3,796	\$17,376
Change in Market Value	\$68	-\$12	\$56	-\$14	\$42

- As illustrated above, the total market value of the PUF experienced an increase of \$68 million during the quarter, while the market value of the GEF declined by \$12 million. The Operating Funds saw a decrease of \$14 million.

## RETURN SUMMARY

ENDING 5/31/05<sup>1</sup>

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005
<b>Permanent University Fund</b>	0.1%	13.4%	10.0%	5.5%
Endowment Performance Benchmark(PUF) <sup>2</sup>	1.9	12.0	7.8	3.9
<b>Long Term Fund</b>	0.0	13.3	10.1	5.6
Endowment Performance Benchmark(GEF) <sup>2</sup>	1.9	12.0	7.8	3.8
<b>Permanent Health Fund</b>	0.0	13.3	10.1	5.5
Endowment Performance Benchmark(GEF) <sup>2</sup>	1.9	12.0	7.8	3.8
<b>Short Term Fund</b>	0.7	2.0	1.5	2.7
ML 90-day T-Bill	0.7	2.0	1.5	2.7
<b>Short Intermediate Term Fund</b>	1.0	2.9	2.2	4.3
Performance Benchmark	1.0	1.8	2.7	4.8
<b>BGI U.S. Debt Index Fund</b>	1.9	6.8	5.9	7.8
LB Aggregate Bond Index	1.9	6.8	5.9	7.7
<b>BGI Equity Index Fund</b>	-0.5	8.3	5.6	-1.9
S&P 500 Index	-0.6	8.2	5.6	-1.9

- Each of the endowment portfolios underperformed the performance benchmark during the fiscal third quarter, but have outperformed over all longer periods shown. The Short Term Fund has approximated the returns of its benchmark over all periods shown, while the Short Intermediate Term Fund has outperformed over the trailing year, but underperformed over the longer-term periods shown.

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

<sup>2</sup> The Endowment Policy Portfolio reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. The return is the weighted sum of the benchmark returns for each asset category as described in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO. On July 8, 2005 the Board of Regents approved a restatement of the Endowment Performance Benchmark returns prior to January 1, 2004. This restatement is reflected in this report.

As of May 31, 2005

PUF POLICY COMPLIANCE  
 ASSET ALLOCATION AS OF 5/31/05  
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$1,924	21.6%	20%	15-45%	Yes
REITs	475	5.3	5%	0-10	Yes
<b>U.S. Equity</b>	<b>\$2,399</b>	<b>27.0%</b>	<b>25%</b>	<b>15-45%</b>	<b>Yes</b>
Non-U.S. Developed Equity	\$1,245	14.0%	10%	5-15%	Yes
Emerging Markets Equity	216	2.4	7%	0-10	Yes
<b>Global ex-U.S. Equity</b>	<b>\$1,461</b>	<b>16.4%</b>	<b>17%</b>	<b>5-25%</b>	<b>Yes</b>
<b>Total Traditional Equity</b>	<b>\$3,860</b>	<b>43.4%</b>	<b>42%</b>	<b>20-60%</b>	<b>Yes</b>
Equity Hedge Funds	\$885	9.9%	10%	5-15%	Yes
Absolute Return Hedge Funds	1,284	14.4	15%	10-20	Yes
<b>Total Hedge Funds</b>	<b>\$2,169</b>	<b>24.4%</b>	<b>25%</b>	<b>15-25%</b>	<b>Yes</b>
Venture Capital	\$137	1.5%	6%	0-10%	Yes
Private Equity	744	8.4	9%	5-15	Yes
<b>Total Private Capital</b>	<b>\$881</b>	<b>9.9%</b>	<b>15%</b>	<b>5-15%</b>	<b>Yes</b>
<b>Commodities</b>	<b>\$422</b>	<b>4.7%</b>	<b>3%</b>	<b>0-5%</b>	<b>Yes</b>
Traditional Fixed Income	\$987	11.1%	10%	10-30%	Yes
TIPS	406	4.6	5%	0-10	Yes
<b>Total Fixed Income</b>	<b>\$1,393</b>	<b>15.6%</b>	<b>15%</b>	<b>10-30%</b>	<b>Yes</b>
Cash	\$175	2.0%	--	0-5%	Yes
<b>Total Permanent University Fund</b>	<b>\$8,900</b>	<b>100.0%</b>	<b>100%</b>		
<b>Liquidity Requirement</b>					<b>Yes</b>

- During the third fiscal quarter, allocations to non-U.S. developed equity and commodities were reduced while the allocation to traditional fixed income was increased. These moves brought the PUF's asset class allocations within policy ranges.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

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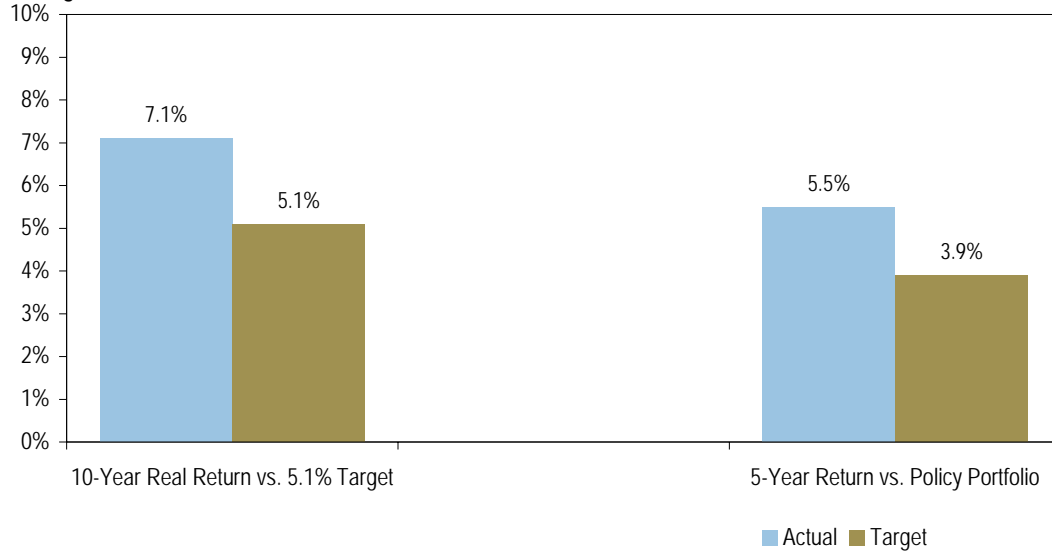
GEF POLICY COMPLIANCE  
 ASSET ALLOCATION AS OF 5/31/05  
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$993	21.2%	20%	15-45%	Yes
REITs	246	5.3	5%	0-10	Yes
<b>U.S. Equity</b>	<b>\$1,239</b>	<b>26.5%</b>	<b>25%</b>	<b>15-45%</b>	<b>Yes</b>
Non-U.S. Developed Equity	\$656	14.0%	10%	5-15%	Yes
Emerging Markets Equity	124	2.7	7%	0-10	Yes
<b>Global ex-U.S. Equity</b>	<b>\$781</b>	<b>16.7%</b>	<b>17%</b>	<b>5-25%</b>	<b>Yes</b>
<b>Total Traditional Equity</b>	<b>\$2,020</b>	<b>43.2%</b>	<b>42%</b>	<b>20-60%</b>	<b>Yes</b>
Equity Hedge Funds	\$470	10.0%	10%	5-15%	Yes
Absolute Return Hedge Funds	691	14.8	15%	10-20	Yes
<b>Total Hedge Funds</b>	<b>\$1,161</b>	<b>24.8%</b>	<b>25%</b>	<b>15-25%</b>	<b>Yes</b>
Venture Capital	\$94	2.0%	6%	0-10%	Yes
Private Equity	403	8.6	9%	5-15	Yes
<b>Total Private Capital</b>	<b>\$497</b>	<b>10.6%</b>	<b>15%</b>	<b>5-15%</b>	<b>Yes</b>
<b>Commodities</b>	<b>\$224</b>	<b>4.8%</b>	<b>3%</b>	<b>0-5%</b>	<b>Yes</b>
Traditional Fixed Income	\$531	11.3%	10%	10-30%	Yes
TIPS	216	4.6	5%	0-10	Yes
<b>Total Fixed Income</b>	<b>\$747</b>	<b>16.0%</b>	<b>15%</b>	<b>10-30%</b>	<b>Yes</b>
Cash	\$31	0.7%	--	0-5%	Yes
<b>Total General Endowment Fund</b>	<b>\$4,680</b>	<b>100.0%</b>	<b>100%</b>		
<b>Liquidity Requirement</b>					<b>Yes</b>

- During the third fiscal quarter, allocations to non-U.S. developed equity and commodities were reduced while the allocations to traditional fixed income and cash were increased. These moves brought the GEF asset class allocations within policy ranges.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

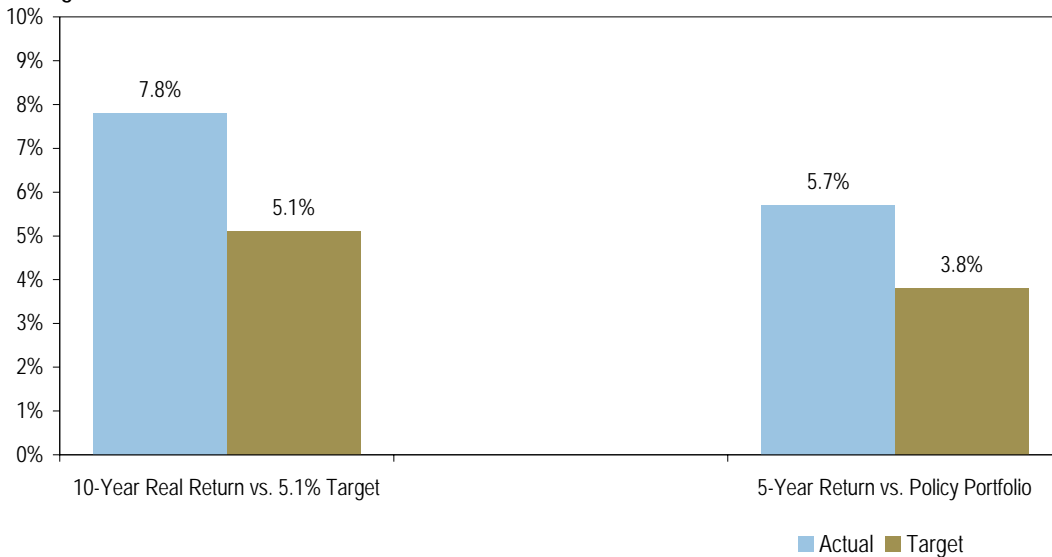
As of May 31, 2005

**Permanent University Fund  
Analysis of Investment Objectives  
Ending 5/31/05**



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 above.

**General Endowment Fund  
Analysis of Investment Objectives  
Ending 5/31/05**



An additional objective of the PUF and the GEF is to outperform the median fund in a universe<sup>1</sup> of similar endowments over rolling five-year periods or longer. Over the five years ending 3/31/2005 (the most recent date for which peer data is available), both the PUF and the GEF have failed to meet this objective.

<sup>1</sup> Universe consists of 35 colleges and universities. Data provided by Cambridge Associates, Inc.

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## Permanent University Fund

## RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
Permanent University Fund	0.1%	13.4%	10.0%	5.5%	9.6%	5/31/1993
Endowment Performance Benchmark(PUF)	1.9	12.0	7.8	3.9	10.3	
<b>U.S. Equity</b>	<b>1.6</b>	<b>14.5</b>	<b>7.8</b>	<b>3.8</b>	<b>11.2</b>	<b>5/31/1993</b>
U.S. Equity Performance Benchmark (PUF)	1.3	13.7	8.0	0.9	11.4	
<b>Global Ex U.S. Equity</b>	<b>-4.1</b>	<b>16.4</b>	<b>11.7</b>	<b>0.5</b>	<b>6.2</b>	<b>5/31/1993</b>
Global Ex U.S. Equity Benchmark (PUF)	-4.7	16.8	11.3	1.4	7.5	
<b>Equity Hedge Funds</b>	<b>-0.1</b>	<b>9.0</b>	<b>--</b>	<b>--</b>	<b>9.0</b>	<b>12/31/2003</b>
90-Day T-Bill + 4%	1.7	6.1	--	--	5.8	
<b>Absolute Return Hedge Funds</b>	<b>0.2</b>	<b>10.7</b>	<b>10.6</b>	<b>11.9</b>	<b>12.3</b>	<b>2/29/2000</b>
Absolute Return Benchmark (PUF)	1.5	5.1	5.4	7.9	8.2	
<b>Private Capital</b>	<b>4.5</b>	<b>22.3</b>	<b>7.3</b>	<b>-0.2</b>	<b>13.7</b>	<b>5/31/1993</b>
Venture Economics Index	11.9	18.4	5.2	1.2	17.8	
<b>Commodities</b>	<b>-1.7</b>	<b>8.1</b>	<b>--</b>	<b>--</b>	<b>16.0</b>	<b>12/31/2003</b>
Goldman Sachs Commodity Index - 1%	-3.1	8.1	--	--	18.6	
<b>Total Fixed Income</b>	<b>1.8</b>	<b>8.6</b>	<b>8.2</b>	<b>8.8</b>	<b>7.3</b>	<b>5/31/1993</b>
Fixed Income Benchmark (PUF)	2.2	7.5	6.4	7.2	6.8	

- The Permanent University Fund underperformed the Endowment Performance Benchmark by 1.8 percentage points during the fiscal quarter ending May 31, 2005. Relative underperformance from the private capital and hedge fund asset classes was primarily responsible for the below benchmark result. U.S. equities, global ex U.S. equities, and commodities were able to add modest value versus their respective benchmarks, while total fixed income moderately lagged.
- Over the one-year period, the Permanent University Fund added 1.4 percentage points of value over its benchmark. Asset class results were generally positive, with only global ex U.S. equity lagging its benchmark. Strong relative returns from the private capital and hedge fund components accounted for the bulk of the outperformance.
- Benchmarks for each of the total fund's asset class components (e.g. U.S. Equity and Absolute Return Hedge Funds, etc.) have been modified to reflect the components of the Board of Regents approved historical total fund benchmarks.

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## General Endowment Fund

## RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
<b>General Endowment Fund</b>	0.1%	13.4%	10.2%	5.7%	10.3%	5/31/1993
Endowment Performance Benchmark(GEF)	1.9	12.0	7.8	3.8	10.2	
<b>U.S. Equity</b>	1.6	14.4	7.8	3.0	11.2	5/31/1993
U.S. Equity Performance Benchmark (GEF)	1.3	13.7	8.0	1.1	11.2	
<b>Global Ex U.S. Equity</b>	-4.1	16.8	11.9	0.7	5.6	5/31/1993
Global Ex U.S. Equity Benchmark (GEF)	-4.7	16.8	11.3	1.4	5.8	
<b>Equity Hedge Funds</b>	-0.1	9.0	--	--	9.0	12/31/2003
90-Day T-Bill + 4%	1.7	6.1	--	--	5.8	
<b>Absolute Return Hedge Funds</b>	0.2	10.9	10.6	12.2	11.1	7/31/1998
Absolute Return Benchmark (GEF)	1.5	5.1	5.4	7.9	8.8	
<b>Private Capital</b>	4.0	21.4	6.6	-0.3	14.8	5/31/1993
Private Capital Benchmark (GEF)	11.9	18.4	5.2	1.2	17.8	
<b>Commodities</b>	-1.7	8.2	--	--	16.1	12/31/2003
Goldman Sachs Commodity Index - 1%	-3.1	8.1	--	--	18.6	
<b>Total Fixed Income</b>	1.7	8.4	8.3	8.8	7.6	5/31/1993
Fixed Income Benchmark (GEF)	2.2	7.5	6.4	7.2	6.7	

- The General Endowment Fund underperformed the Endowment Performance Benchmark by 1.8 percentage points during the fiscal quarter ending May 31, 2005. Relative underperformance from private capital and the hedge fund asst classes was primarily responsible for the below benchmark result. U.S. equities, global ex U.S. equities, and commodities were able to add modest value versus their respective benchmarks, while total fixed income moderately lagged.
- Over the one-year period, the General Endowment Fund added 1.4 percentage points of value over its benchmark. Asset class results were generally positive, with only global ex U.S. equities failing to add value versus its benchmark over the period. Strong relative returns from the private capital and hedge fund components accounted for the bulk of the outperformance.
- Benchmarks for each of the total fund's asset class components (e.g. U.S. Equity and Absolute Return Hedge Funds, etc.) have been modified to reflect the components of the Board of Regents approved historical total fund benchmarks.

As of May 31, 2005

## Operating Funds

## RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
Short Term Fund	0.7%	2.0%	1.5%	2.7%	4.1%	8/31/1992
ML 90-day T-Bill	0.7	2.0	1.5	2.7	4.0	
Short Intermediate Term Fund	1.0	2.9	2.2	4.3	4.9	2/28/1993
Performance Benchmark <sup>1</sup>	1.0	1.8	2.7	4.8	5.1	
BGI U.S. Debt Index Fund	1.9	6.8	5.9	7.8	6.8	5/31/1999
LB Aggregate Bond Index	1.9	6.8	5.9	7.7	6.8	
BGI Equity Index Fund	-0.5	8.3	5.6	-1.9	0.1	5/31/1999
S&P 500 Index	-0.6	8.2	5.6	-1.9	0.0	

- 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 year. 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.

<sup>1</sup> Returns 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.