

U.T. System Board of Regents
Report on Investments

Fiscal Quarter Ending
May 31, 2004

As of May 31, 2004

CHANGE IN MARKET VALUE

(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (2/29/04)	\$8,219	\$4,245	\$12,464	\$3,700	\$16,164
Changes due to Transfers:					
Contributions	-114	-16	-130	+123	-7
Distributions & Withdrawals	+67	+35	+102	+382	+484
Changes from Investment Activities:					
Income	-181	-51	-232	-259	-491
Appreciation/Depreciation	-107	-60	-167	-10	-177
Ending Market Value (5/31/04)	+58	+33	+91	+10	+101
	-165	-93	-258	-20	-278
Change in Market Value	\$7,998	\$4,169	\$12,167	\$3,813	\$15,980
	-\$221	-\$76	-\$297	\$113	-\$184

- As illustrated above, the PUF (-\$221 million) and GEF (-\$76 million) both saw declines in market value during the fiscal third quarter, while the Operating Funds experienced a \$113 million increase.

RETURN SUMMARY

ENDING 5/31/04¹

	Quarter Ending 5/31/2004	1 Year Ending 5/31/2004	3 Years Ending 5/31/2004	5 Years Ending 5/31/2004
Permanent University Fund	-1.4%	20.0%	4.7%	4.9%
Endowment Performance Benchmark ²	0.7	19.2	4.8	4.8
Long Term Fund	-1.4	20.0	5.1	6.3
Endowment Performance Benchmark ²	0.7	19.2	4.8	4.8
Permanent Health Fund	-1.4	20.0	5.0	--
Endowment Performance Benchmark ²	0.7	19.2	4.8	--
Short Term Fund	0.2	1.0	1.8	3.4
ML 90-day T-Bill	0.3	1.1	1.8	3.4
Short Intermediate Term Fund	-0.8	1.0	2.8	4.4
Composite Index	-0.9	0.4	4.1	5.2
BGI U.S. Debt Index Fund	-2.3	-0.4	6.4	6.8
LB Aggregate Bond Index	-2.3	-0.4	6.3	6.8
BGI Equity Index Fund	-1.7	18.3	-2.1	-1.5
S&P 500 Index	-1.7	18.3	-2.1	-1.5

- The Permanent University Fund, Long Term Fund, and Permanent Health Fund all underperformed the Endowment Performance Benchmark during the fiscal quarter. Longer term performance was generally more positive.

¹ Rates of return greater than one year are annualized. All UTIMCO performance data is net of management fees.

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.

As of May 31, 2004

PUF POLICY COMPLIANCE
ASSET ALLOCATION AS OF 5/31/04
(\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
U.S. Equity	\$2,634	32.9%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$1,214	15.2%	10%	5-15%	No
Emerging Markets Equity	328	4.1	7%	0-10	Yes
Global ex-U.S. Equity	\$1,542	19.3%	17%	5-25%	Yes
Total Traditional Equity	\$4,176	52.2%	42%	20-60%	Yes
Equity Hedge Funds	\$644	8.1%	10%	5-15%	Yes
Absolute Return Hedge Funds	982	12.3	15%	10-20	Yes
Total Hedge Funds	\$1,626	20.3%	25%	5-25%	Yes
Private Equity	\$730	9.1%	9%	0-10%	Yes
Venture Capital	119	1.5	6%	5-15	No
Total Private Capital	\$849	10.6%	15%	5-15%	Yes
Commodities	\$264	3.3%	3%	0-5%	Yes
Fixed Income	889	11.1	15%	10-30	Yes
Cash	183	2.3	--	0-5	Yes
Total Permanent University Fund	\$7,998	100.0%	100%		
Liquidity Requirement					Yes

- The allocation to Absolute Return Hedge Funds was increased by 2.7% during the quarter and brought into compliance with the policy guidelines. The allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

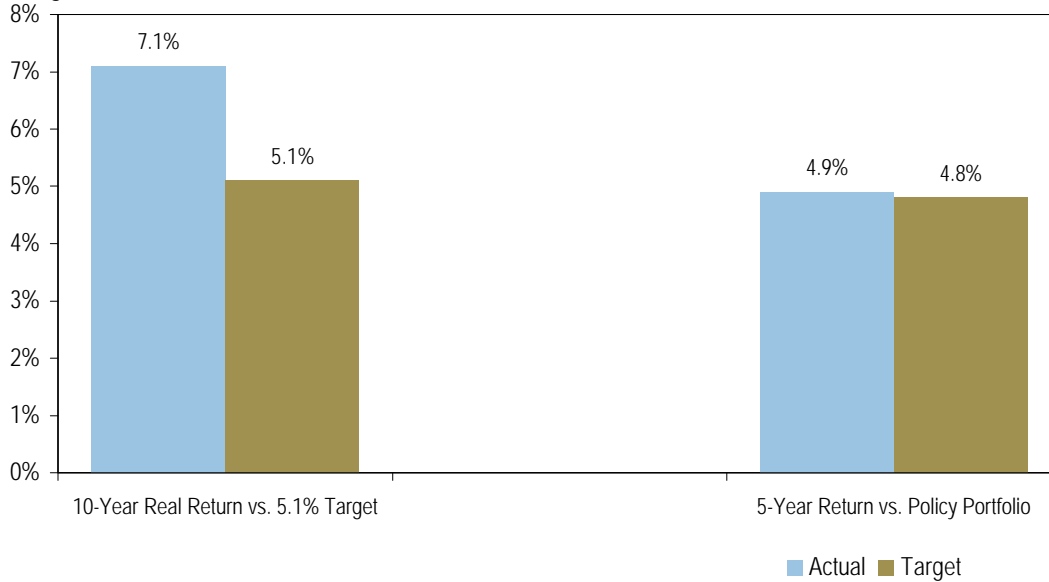
GEF POLICY COMPLIANCE
ASSET ALLOCATION AS OF 5/31/04
(\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
U.S. Equity	\$1,318	31.6%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$632	15.2%	10%	5-15%	No
Emerging Markets Equity	191	4.6	7%	0-10	Yes
Global ex-U.S. Equity	\$823	19.7%	17%	5-25%	Yes
Total Traditional Equity	\$2,141	51.4%	42%	20-60%	Yes
Equity Hedge Funds	\$347	8.3%	10%	5-15%	Yes
Absolute Return Hedge Funds	533	12.8	15%	10-20	Yes
Total Hedge Funds	\$880	21.1%	25%	15-25%	Yes
Private Equity	\$357	8.6%	9%	0-10%	Yes
Venture Capital	73	1.8	6%	5-15	No
Total Private Capital	\$430	10.3%	15%	5-15%	Yes
Commodities	\$141	3.4%	3%	0-5%	Yes
Fixed Income	477	11.4	15%	10-30	Yes
Cash	94	2.3	--	0-5	Yes
Total General Endowment Fund	\$4,169	100.0%	100%		
Liquidity Requirement					Yes

- The allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

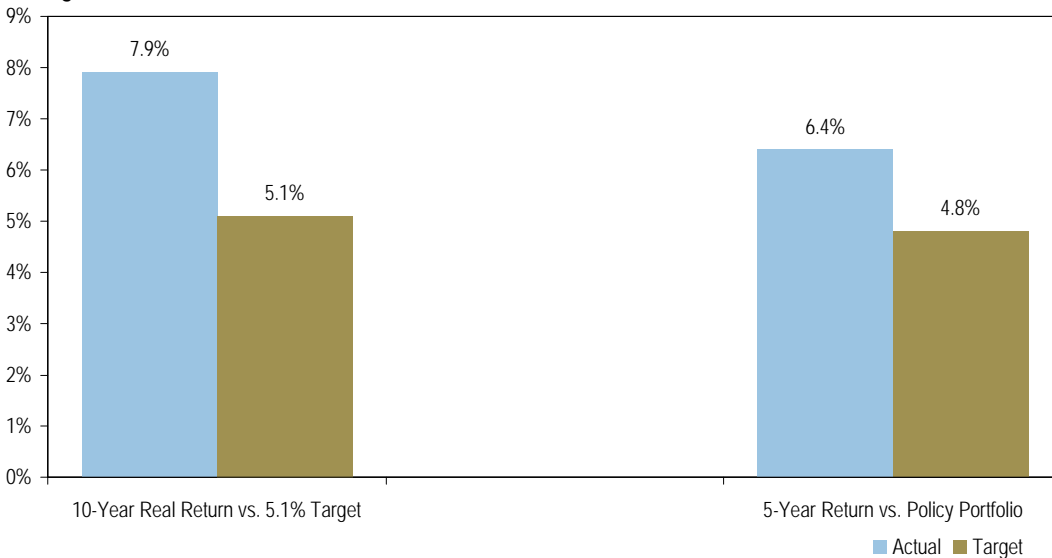
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**Permanent University Fund
Analysis of Investment Objectives
Ending 5/31/04**



- 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 5/31/04**



- 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 March 31, 2004. Over the 5- and 10- year periods, the LTF has also achieved this goal.

As of May 31, 2004

Permanent University Fund**RETURN SUMMARY**

ENDING 5/31/04

	Quarter Ending 5/31/2004	1 Year Ending 5/31/2004	3 Years Ending 5/31/2004	5 Years Ending 5/31/2004	Since Inception	Inception Date
Permanent University Fund	-1.4%	20.0%	4.7%	4.9%	9.5%	8/31/1991
Endowment Performance Benchmark ¹	0.7	19.2	4.8	4.8	11.0	
U.S. Equity	-1.8	20.3	1.0	2.4	10.7	8/31/1991
U.S. Equity Performance Benchmark	-1.8	20.2	-0.6	-0.5	10.6	
Global Ex U.S. Equity	-4.9	33.2	3.7	0.1	6.0	3/31/1993
MSCI AC World Ex-U.S. Free Index	-2.2	33.3	3.1	1.4	6.1	
Equity Hedge Funds	-0.6	--	--	--	3.6	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	2.1	
Absolute Return Hedge Funds	0.9	17.2	10.3	--	12.7	2/29/2000
Absolute Return Benchmark	1.0	4.7	5.8	--	7.1	
Private Capital²	2.5	15.0	-5.4	4.1	9.8	1/31/1989
Private Capital Benchmark	8.3	33.2	5.7	4.9	16.2	
Commodities	5.6	--	--	--	14.2	12/31/2003
Goldman Sachs Commodity Index - 1%	9.4	--	--	--	17.8	
Total Fixed Income	-1.6	3.4	8.0	6.9	9.0	8/31/1985
LB Aggregate Bond Index	-2.3	-0.4	6.3	6.8	8.5	

- The Permanent University Fund underperformed the Endowment Performance Benchmark by 2.1 percentage points in the fiscal quarter ending May 31, 2004. Each asset class underperformed its respective benchmark, with the exception of U.S. equities, which matched its benchmark return, and fixed income, which outperformed.
- One-year performance exceeded the benchmark despite the significant underperformance produced by the private capital component. This underperformance was offset by the positive effects produced by the absolute return hedge fund and fixed income components.

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 Wilshire 5000 +4%.

As of May 31, 2004

General Endowment Fund**RETURN SUMMARY**

ENDING 5/31/04

	Quarter Ending 5/31/2004	1 Year Ending 5/31/2004	3 Years Ending 5/31/2004	5 Years Ending 5/31/2004	Since Inception	Inception Date
General Endowment Fund	-1.4%	20.3%	5.2%	6.4%	10.1%	8/31/1991
Endowment Performance Benchmark ¹	0.7	19.2	4.8	4.8	11.0	
U.S. Equity	-2.0	20.0	1.2	3.2	10.7	8/31/1991
U.S. Equity Performance Benchmark	-1.8	20.2	-0.6	-0.5	10.6	
Global Ex U.S. Equity	-5.0	33.4	3.8	0.9	5.4	3/31/1993
MSCI AC World Ex-U.S. Free Index	-2.2	33.3	3.1	1.4	6.1	
Equity Hedge Funds	-0.6	--	--	--	3.7	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	2.1	
Absolute Return Hedge Funds	0.9	17.1	10.3	13.0	11.1	7/31/1998
Absolute Return Benchmark	1.0	4.7	5.8	7.5	7.7	
Private Capital²	3.2	13.4	-5.4	3.6	9.8	11/30/1986
Private Capital Benchmark	8.3	33.2	5.7	4.9	16.2	
Commodities	5.6	--	--	--	14.3	12/31/2003
Goldman Sachs Commodity Index - 1%	9.4	--	--	--	17.8	
Total Fixed Income	-1.4	3.5	8.1	7.4	11.1	8/31/1981
LB Aggregate Bond Index	-2.3	-0.4	6.3	6.8	10.4	

- The General Endowment Fund underperformed the Endowment Performance Benchmark by 2.1 percentage points in the fiscal quarter ending May 31, 2004. Each asset class underperformed its respective benchmark, with the exception of fixed income, which outperformed.
- One-year performance exceeded the benchmark despite the significant underperformance produced by the private capital component. This underperformance was offset by the positive effects produced by the absolute return hedge funds and fixed income components.

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As of May 31, 2004

Operating Funds

RETURN SUMMARY

ENDING 5/31/04

	Quarter Ending 5/31/2004	1 Year Ending 5/31/2004	3 Years Ending 5/31/2004	5 Years Ending 5/31/2004	Since Inception	Inception Date
Short Term Fund	0.2%	1.0%	1.8%	3.4%	4.3%	8/31/1992
ML 90-day T-Bill	0.3	1.1	1.8	3.4	4.2	
Short Intermediate Term Fund	-0.8	1.0	2.8	4.4	5.1	2/28/1993
Composite Index	-0.9	0.4	4.1	5.2	5.4	
BGI U.S. Debt Index Fund	-2.3	-0.4	6.4	6.8	6.8	5/31/1999
LB Aggregate Bond Index	-2.3	-0.4	6.3	6.8	6.8	
BGI Equity Index Fund	-1.7	18.3	-2.1	-1.5	-1.5	5/31/1999
S&P 500 Index	-1.7	18.3	-2.1	-1.5	-1.5	

- 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.