

PERMANENT HEALTH FUND

FINANCIAL STATEMENTS

Years Ended August 31, 2003 and 2002

PERMANENT HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the Permanent Health Fund's (Fund) financial performance provides an overview of its activities for the fiscal year ended August 31, 2003. This discussion was prepared by The University of Texas Investment Management Company "UTIMCO" and should be read in conjunction with the Fund's financial statements and notes. The Fund is an internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The University of Texas System Board of Regents (UT Board) established the Fund in August 1999 with proceeds from state tobacco litigation. The Texas Constitution and various state statutes designate the UT Board as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the UT Board effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the UT Board. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the UT Board and is provided day-to-day operations by UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the Fund's financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

- The Fund's net asset value after distributions increased by \$46.7 million from \$698.3 million to \$745.0 or by approximately 6.7% during the year.
- There were no participant contributions to the Fund or withdrawals from the Fund during the fiscal year.
- The Fund posted a net investment return of 12.67% for the fiscal year ended August 31, 2003, compared to a net investment return of negative 7.05% for the prior fiscal year.
- The Fund's distribution rate was \$.047 per unit for the fiscal year ended August 31, 2003. The per unit rate was not increased from the fiscal year ended August 31, 2002. The fiscal year distributions represented 5.48% of the Fund's average net asset value during the year.

PERMANENT HEALTH FUND

Market Commentary

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. Therefore, the Fund's investment results are dependent on the GEF's investment activities. The following paragraphs provide a market commentary for the GEF's investment results for the fiscal year ended August 31, 2003.

The fiscal year ended August 31, 2003 was a year of two remarkably contrasting periods. The first was the period leading up to the conclusion of the major conflict in Iraq, where uncertainty and global market weakness prevailed. The second was the subsequent months following the market low registered on March 11, during which risk taking around the world was financially rewarded. The table below the dramatic contrast in results between these two periods:

<u>Index</u>	<u>Equity Description</u>	<u>9/1/02 - 3/11/03</u>	<u>3/11/03 - 8/31/03</u>
S&P 500	U.S. Large Capitalization	-11.1%	26.9%
Russell 2000	U.S. Small Capitalization	-10.8%	44.3%
MSCI EAFE	International Developed Markets	-15.7%	29.8%
MSCI Emerging Markets Free	International Emerging Markets	-7.6%	40.9%

Navigating these two disparate investment environments proved challenging. However, by maintaining a diversified asset exposure - including a meaningful allocation to absolute return strategies (hedge funds) - the GEF was able to preserve capital during the dramatic negative results of the first six months. In addition, positive performance by many of the GEF's active managers added to returns. Finally, decisions to tactically reallocate capital during the spring and summer months away from defensive assets, including fixed income, and towards more economically sensitive instruments, such as small cap and emerging markets equities, enabled the GEF to participate in the financial markets' eventual anticipation of a strong global recovery, which resulted in superior investment returns.

Use of Financial Statements and Notes

The Fund financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are required under GASB: the Statement of Net Assets, the Statement of Operations and Changes in Net Assets, and the Statement of Cash Flows. We have also included as part of the basic financial statements the Financial Highlights.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statement of Net Assets

The Statement of Net Assets presents assets, liabilities, and net assets of the Fund as of the end of the fiscal year. This statement, along with all of the Fund's financial statements, is prepared using the

PERMANENT HEALTH FUND

accrual basis of accounting, whereby Fund investment income is recognized when earned and Fund expenses are recognized when incurred.

Since the Fund no longer invests in individual securities except for the GEF units and a negligible amount of cash, the majority of the Fund's balance sheet is reflected in its investment in GEF units. As of August 31, 2003, the Fund owned 7,263,383 GEF units representing an ownership percentage of 20.78%. As of August 31, 2003 the fair value of the GEF units was \$744.8 million compared to the cost basis of \$726.4 million (\$18.4 of unrealized appreciation).

The GEF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class that comprise it. UTIMCO allocates GEF's assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the original endowment corpus by increasing purchasing power over time.

The composition of the GEF's investment portfolio and the results of its operations for fiscal years 2003 and 2002, are detailed in Note 5 to the financial statements.

Net assets consist of participant contributions and accumulated undistributed realized and unrealized gains on investments.

Statement of Operations and Changes in Net Assets

Changes in net assets as presented on the Statement of Operations and Changes in Net Assets are based on activity of the Fund. The purpose of this statement is to present the results of operations, the changes in value of the investments of the Fund, the net participant contributions, and the distributions to participants.

The Fund earned realized and unrealized investment gains of \$71.1 million during the year compared to realized and unrealized losses of \$68.9 million for the year ended August 31, 2002. Expenses totaled \$0.7 million in fiscal year 2003 and \$0.6 million in fiscal year 2002.

The net increase in net assets resulting from operations totaled \$85.3 million for the year ended August 31, 2003 compared to a net decrease in net assets resulting from operations of \$53.1 million for the year ended August 31, 2002.

Distributions to participants totaled \$38.5 million and \$41.8 million for the years ended August 31, 2003 and 2002, respectively. The decrease in distributions for 2003 is a result of withdrawals from the Fund during fiscal year 2002.

The Fund's two primary investment objectives are:

- Provide for current beneficiaries by increasing the annual distribution rate at least equal to the rate of inflation so that real purchasing power is maintained, and

PERMANENT HEALTH FUND

- Provide for future beneficiaries by increasing the market value of endowment funds after the annual distribution at a rate at least equal to the rate of inflation so that future distributions maintain purchasing power as well.

Fund distributions are controlled by a spending policy approved by the UT Board. The key to preservation of endowment purchasing power over the long-term is control of spending through a target distribution rate. This target rate should not exceed the endowment's average annual investment return after fund expenses and inflation. The Fund distributions are increased annually at an average rate of inflation provided that the distribution rate remains within a range of 3.5% to 5.5% of the Fund's net asset value. As reported on the financial highlights statement on page 9 of the financial statements, the ratio of distributions to average net assets (12-quarter average) has remained between 3.5% to 5.5%.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Fund for the periods. The Fund sells GEF units in order to fund the quarterly distributions as well as to meet any withdrawal requirements. Proceeds from the sale of GEF units were \$39.2 million and \$130.6 million, respectively, for the years ended August 31, 2003 and 2002. In fiscal years 2003 and 2002, the Fund realized losses of \$1.5 million and \$2.3 million, respectively, as a result of the sale of GEF units.

Statement of Financial Highlights

The inclusion of the Financial Highlights statement is to report the selected per unit data and financial ratios of the Fund over the past four years, or since inception of the Fund. As reported in the statement, the Fund's net asset value per unit increased in fiscal year 2003, reversing declines reported in the prior two fiscal years of 2002 and 2001.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the Fund's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Report of Independent Auditors

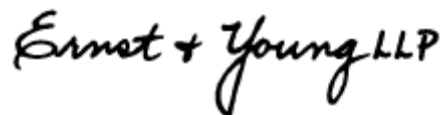
The Board of Regents of The University of Texas System
The Board of Directors of The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statement of net assets of the Permanent Health Fund (the "Fund") as of August 31, 2003, and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial statements (excluding a statement of cash flows) of the Permanent Health Fund for the year ended August 31, 2002 and the financial highlights for each of the three years in the period ended August 31, 2002, were audited by other auditors whose report dated October 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management's discussion and analysis on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the 2003 financial statements and financial highlights, referred to above present fairly, in all material respects, the financial position of the Permanent Health Fund as of August 31, 2003, the results of its operations, its cash flows, and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States.

 Ernst & Young LLP

October 17, 2003

PERMANENT HEALTH FUND

Statements of Net Assets

August 31, 2003 and 2002

(Dollars in thousands, except per unit amounts)

	<u>2003</u>	<u>2002</u>
Assets		
General Endowment Fund Units, at Fair Value (Cost \$726,404 and \$757,590, respectively)	\$ 744,779	\$ 698,060
Cash and Cash Equivalents	<u>182</u>	<u>190</u>
Net Assets	<u>\$ 744,961</u>	<u>\$ 698,250</u>
 Supplementary Disclosure:		
Net Assets Consist Of:		
Participant Contributions (Net of Withdrawals)	\$ 820,000	\$ 820,000
Accumulated Net Realized Loss on Investments	(30,204)	(23,420)
Net Unrealized Appreciation (Depreciation) of Investments	18,376	(59,529)
Distributions in Excess of Net Realized Investment Return	<u>(63,211)</u>	<u>(38,801)</u>
Net Assets for 820,000,000 Units	<u>\$ 744,961</u>	<u>\$ 698,250</u>
 Net Asset Value Per Unit	 <u>\$ 0.908</u>	 <u>\$ 0.852</u>

*The accompanying notes are an integral
part of these financial statements*

PERMANENT HEALTH FUND

Statements of Operations and Changes in Net Assets

Years Ended August 31, 2003 and 2002

(in thousands)

	<u>2003</u>	<u>2002</u>
Investment Income		
Allocation of General Endowment Fund Net Investment Income	\$ 14,807	\$ 16,380
Interest	1	1
Dividends	19	37
Total Investment Income	<u>14,827</u>	<u>16,418</u>
Expenses		
UTIMCO Management Fee	677	558
Other Expenses	20	21
Total Expenses	<u>697</u>	<u>579</u>
Net Investment Income	<u>14,130</u>	<u>15,839</u>
Realized And Unrealized Gain (Loss) on Investments		
Net Realized Loss on General Endowment Fund Units	(1,532)	(2,307)
Net Realized Gain on Investment Securities	14	-
Allocation of General Endowment Fund Realized Loss	(5,266)	(27,884)
Net Unrealized Appreciation (Depreciation) on General Endowment Fund Units	<u>77,905</u>	<u>(38,756)</u>
Net Gain (Loss) on Investments	<u>71,121</u>	<u>(68,947)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	\$ 85,251	\$ (53,108)
Net Assets		
Beginning of Period	698,250	881,433
Participant Withdrawals:		
Cost	-	(95,000)
Loss	-	6,771
Distributions to Participants:		
Net Investment Income	(14,130)	(15,839)
In Excess of Net Realized Investment Return	<u>(24,410)</u>	<u>(26,007)</u>
End of Period	<u>\$ 744,961</u>	<u>\$ 698,250</u>

The accompanying notes are an integral
part of these financial statements

PERMANENT HEALTH FUND

Statements of Cash Flows

Years Ended August 31, 2003 and 2002

(in thousands)

	2003	2002 (unaudited)
Cash Flows From Operating Activities:		
Cash received on interest and dividends	\$ 20	\$ 38
Cash payments to UTIMCO for management fee	(677)	(558)
Cash payments to service providers	(20)	(21)
Proceeds from sale of investment securities	39,209	130,641
Net Cash Provided By Operating Activities	38,532	130,100
Cash Flows from Financing Activities:		
Withdrawals by participants	-	(88,229)
Distributions to participants	(38,540)	(41,846)
Net Cash Used in Financing Activities	(38,540)	(130,075)
Net increase (decrease) in cash and cash equivalents	(8)	25
Cash and cash equivalents at beginning of year	190	165
Cash and cash equivalents at end of year	\$ 182	\$ 190
Reconciliation of net increase (decrease) in net assets provided by operating activities:		
Net increase (decrease) in net assets	\$ 85,251	\$ (53,108)
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Net allocation of income, gains and losses from General Endowment Fund and other	(9,555)	11,504
Unrealized (gains) losses on General Endowment Fund units	(77,905)	38,756
Cost of investment securities sold	40,741	132,948
Net Cash Provided by Operating Activities	\$ 38,532	\$ 130,100

The accompanying notes are an integral part of these financial statements

PERMANENT HEALTH FUND

Financial Highlights

Years Ended August 31,

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Selected Per Unit Data				
Net Asset Value, Beginning of Period	\$ 0.852	\$ 0.965	\$ 1.113	\$ 1.000
Income From Investment Operations				
Net Investment Income	0.017	0.018	0.024	0.030
Net Realized and Unrealized Gain (Loss) on Investments	<u>0.086</u>	<u>(0.084)</u>	<u>(0.126)</u>	<u>0.128</u>
Total Income (Loss) from Investment Operations	<u>0.103</u>	<u>(0.066)</u>	<u>(0.102)</u>	<u>0.158</u>
Less Distributions				
From Net Investment Income	0.017	0.018	0.024	0.030
From Net Realized Gain and In Excess of Net Realized Investment Return	<u>0.030</u>	<u>0.029</u>	<u>0.022</u>	<u>0.015</u>
Total Distributions	<u>0.047</u>	<u>0.047</u>	<u>0.046</u>	<u>0.045</u>
Net Asset Value, End of Period	<u>\$ 0.908</u>	<u>\$ 0.852</u>	<u>\$ 0.965</u>	<u>\$ 1.113</u>
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$ 744,961	\$ 698,250	\$ 881,433	\$ 1,016,587
Ratio of Expenses to Average Net Assets	0.27%	0.27%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.01%	1.91%	2.44%	2.87%
Ratio of Distributions to Average Net Assets (5-quarter average)	5.48%	5.05%	4.51%	4.28%
Ratio of Distributions to Average Net Assets (12-quarter average)	5.08%	4.66%	N/A	N/A

The accompanying notes are an integral part of these financial statements

PERMANENT HEALTH FUND

Notes to Financial Statements

Note 1 – Organization and Basis of Presentation

The Permanent Health Fund (Fund) is an internal University of Texas System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. The distributions from the Fund endowments support programs that benefit medical research, health education, public health, nursing, and treatment programs at health-related institutions of higher education. Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System (Board of Regents). The day-to-day operational responsibilities of the Fund are delegated to The University of Texas Investment Management Company (UTIMCO), pursuant to an Investment Management Services Agreement with the Board of Regents.

On March 1, 2001, the Fund purchased units in the newly created General Endowment Fund (GEF) in exchange for the contribution of its investment assets. The GEF, established by the Board of Regents effective March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board of Regents. The GEF has only two participants: the Fund and The University of Texas System Long Term Fund (LTF), also established by the Board of Regents. The GEF is organized as a mutual fund in which the Fund and the LTF purchase and redeem units quarterly. The GEF is under the fiduciary responsibility of the Board of Regents and is provided day-to-day operations by UTIMCO.

The Fund uses the accrual method of accounting, recognizing income when such items are earned and expenses when such items are incurred. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as a proprietary enterprise fund. The Fund also applies all applicable pronouncements of the Financial Accounting Standards Board that do not conflict with pronouncements of the GASB.

The annual combined financial statements of The University of Texas System are prepared in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the Fund. The accompanying financial statements may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

Note 2 – Investment in GEF

Beginning with the purchase of GEF units on March 1, 2001, the Fund no longer invests in individual securities except for GEF units and a negligible amount of cash. The Fund also continues to receive securities as proceeds in class action suits from the securities the Fund previously owned.

These securities are normally sold when received, but from time to time will be reflected as a Fund investment. At August 31, 2003, the Fund is the minority participant in the GEF, with ownership of 7,263,383 units, which represents 20.8% of the GEF. At August 31, 2002, the Fund held 7,676,762 units, which represented 21.2% of the GEF.

The GEF and the Fund have identical investment objectives. Additionally, the GEF's accounting policies follow the Fund's, as described in Note 3, except for the distributions to participants. On a monthly basis for accounting purposes, the GEF allocates its net investment income and realized gain or loss to the Fund based on its ownership of GEF units at month end. The allocated

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

investment income and realized gain amounts are considered reinvested as GEF contributions. Any allocated realized losses reduce the cost basis of the units in the GEF. Since the allocation is proportional to the percentage of ownership by the unitholders, no additional units are purchased. The Fund redeems GEF units quarterly to meet its distribution requirements to its unitholders. Note 5 reports financial information on the GEF for the years ended August 31, 2003 and 2002.

Note 3 – Significant Accounting Policies

(A) **Security Valuation** -- The Fund's investment in GEF units is valued at the net asset value per unit reported by the GEF which is based on fair value.

(B) **Investment Income** -- Interest income is accrued as earned.

(C) **Security Transactions** -- A gain or loss is recognized on GEF unit sales on the basis of average cost.

(D) **Distributions to Participants** -- Cash distributions to participants are paid quarterly based on a per unit payout established by the Board of Regents. For the fiscal years ended August 31, 2003 and 2002 the quarterly rate was \$.01175 per unit which equates to a yearly rate of \$.047 per unit. The ratio of distributions to average net assets (12-quarter average) was 5.08% as of August 31, 2003. The investment policy provides that the annual payout will be adjusted by the average consumer price index of the prior 36 months including August 31 subject to a maximum distribution of 5.5% of the Fund's average market value and a minimum distribution of 3.5% of the Fund's average market value.

(E) **Fund Valuation** -- Valuation of the Fund's units occurs on a quarterly basis. Unit values are determined by dividing the value of the Fund's net assets by the number of units outstanding on the valuation date.

(F) **Purchases and Redemption of Units** -- The value of participating units, upon admission to the Fund, is based upon the market value of net assets held as of the valuation date. Redemptions from the Fund will also be made at the market value price per unit at the valuation date at the time of the withdrawal. There are no transaction costs incurred by participants for the purchase or redemption of units.

(G) **Participants' Net Assets** -- All participants in the Fund have a proportionate undivided interest in the Fund's net assets.

(H) **Federal Income Taxes** -- The Fund is not subject to federal income tax.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

(I) **Use of Estimates** -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(J) **Cash and Cash Equivalents** -- Cash and Cash Equivalents consist of money markets and other overnight funds.

(K) **Recently Issued Accounting Standards** -- In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, which modifies and expands disclosures regarding deposits and investments. This statement is not effective for the Fund until the fiscal year ending 2005. Management does not anticipate that the implementation of the new statement will have a material impact on the Fund's financial statement balances.

(L) **Reclassifications** -- Certain items in the 2002 financial statements have been reclassified to conform with 2003 classification.

Note 4 – Fees and Expenses

The Fund is assessed a management fee by UTIMCO to cover the costs of managing the Fund and providing day-to-day operations. The fees assessed for the years ended August 31, 2003 and 2002, were \$676,877 and \$558,026, respectively.

The Fund incurs other expenses related to its operations primarily consisting of custodial fees, audit fees, printing and graphic expenses, legal and consultation fees.

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

Note 5 – Financial Information on GEF

The following presents the investments and net assets of the GEF, in thousands, as of August 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Equity Securities		
Commingled Investments	\$ 992,944	\$ 617,064
Index Funds	793,380	775,885
Domestic Common Stock	566,279	507,797
Limited Partnerships	376,667	353,556
Foreign Common Stock	126,286	98,713
Other	1,784	1,263
Total Equity Securities	<u>2,857,340</u>	<u>2,354,278</u>
Debt Securities		
U.S. Government Obligations (Direct and Guaranteed)	46,115	110,388
U.S. Government Agencies (Non-Guaranteed)	215,261	196,481
U.S. Government Agencies (Non-Guaranteed) (Non-U.S. Dollar Denominated)	567	899
Foreign Government and Provincial Obligations (U.S. Dollar Denominated)	7,479	5,865
Foreign Government and Provincial Obligations (Non-U.S. Dollar Denominated)	79,997	58,928
Municipal and County Bonds	2,542	2,831
Corporate Bonds	128,837	221,220
Foreign Corporate Bonds	10,219	10,117
Commingled Investment	10,209	8,711
Commercial Paper	-	3,086
Other	1,037	1,470
Total Debt Securities	<u>502,263</u>	<u>619,996</u>
Preferred Stock		
Domestic Preferred Stock	7,719	5,047
Foreign Preferred Stock	117	618
Total Preferred Stock	<u>7,836</u>	<u>5,665</u>
Purchased Options	<u>6,315</u>	<u>-</u>
Convertible Securities	<u>715</u>	<u>2,183</u>
Cash and Cash Equivalents		
Money Market Funds Maintained to Back Futures Contracts	212,955	201,279
Money Market Funds - Other	84,430	203,621
Total Cash and Cash Equivalents	<u>297,385</u>	<u>404,900</u>
Total Investment in Securities	<u>\$ 3,671,854</u>	<u>\$ 3,387,022</u>
Other Assets	202,948	178,863
Liabilities	<u>(290,037)</u>	<u>(272,691)</u>
Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
Fund Ownership	<u>20.78%</u>	<u>21.20%</u>
Value of Fund Interest	<u>\$ 744,779</u>	<u>\$ 698,060</u>

PERMANENT HEALTH FUND

Notes to Financial Statements (cont.)

The following presents information on the operations of the GEF, in thousands, for the years ended August 31, 2003, and 2002.

	<u>2003</u>	<u>2002</u>
Investment Income		
Interest	\$ 34,052	\$ 40,067
Dividends	34,685	34,458
Income Distributions from Limited Partnerships	7,060	2,887
Other	1,426	1,504
Total Investment Income	<u>77,223</u>	<u>78,916</u>
Total Expenses	<u>5,781</u>	<u>7,245</u>
Net Investment Income	<u>71,442</u>	<u>71,671</u>
Realized And Unrealized Gain (Loss) on Investments		
Net Realized Loss on Investments Securities and Foreign Currency Related Transactions	(24,341)	(124,188)
Net Unrealized Appreciation (Depreciation) on Investment Securities and Foreign Currency Related Transactions	370,615	(199,983)
Net Loss on Investments	<u>346,274</u>	<u>(324,171)</u>
Net Increase (Decrease) in Net Assets Resulting From Operations	7,716	(252,500)
Net Assets		
Beginning of Period	3,293,194	3,723,912
Participant Contributions	110,074	103,516
Participant Withdrawals:		
Cost	(242,111)	(290,653)
Loss	5,892	8,919
Ending Net Assets	<u>\$ 3,584,765</u>	<u>\$ 3,293,194</u>
The Fund's share of the above transactions are as follows:		
Beginning Value of Fund Interest	698,060	881,268
Net Investment Income	14,807	16,380
Net Realized Losses	(5,266)	(27,884)
Net Unrealized Appreciation (Depreciation)	77,905	(38,756)
Sale of General Endowment Fund Units	(40,727)	(132,948)
Ending Value of Fund Interest	<u>\$ 744,779</u>	<u>\$ 698,060</u>