UNIVERSITY OF CALIFORNIA

Office of the Chief Investment Officer

Total Return

Investment Review as of March 31, 2016

May 2016

Growing Portfolios Building Partnerships

UC Investments

The investment objective of the Total Return Investment Pool (“TRIP”) is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget.

As its name implies, TRIP is managed according to a total-return objective, and will be subject to interest-rate risk, credit risk, and equity risk.

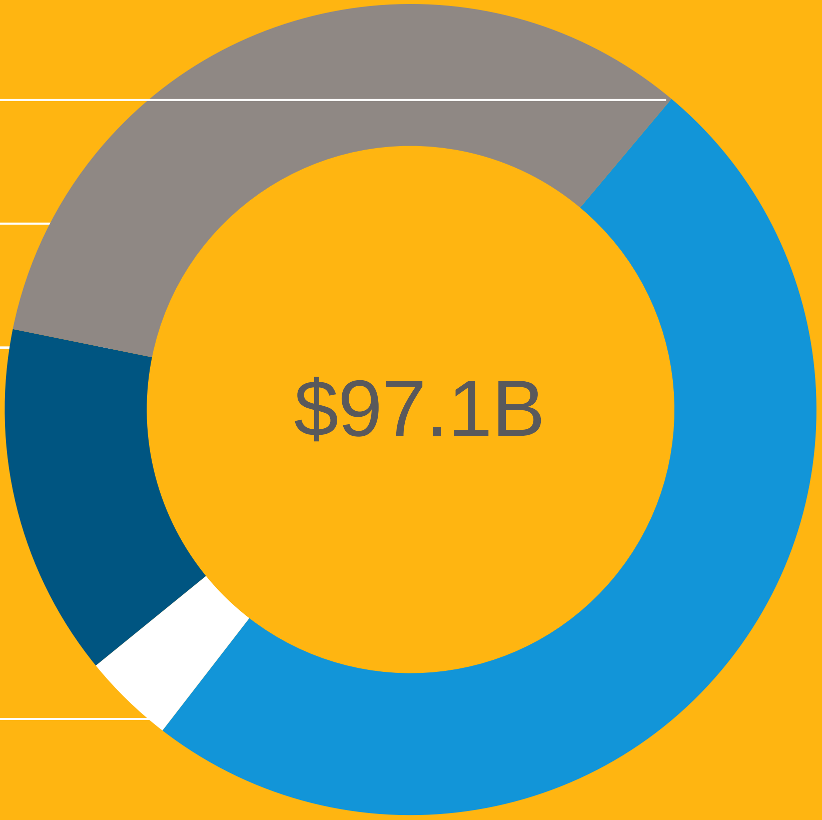
It is appropriate for longer-term investors who can accept this volatility in exchange for higher expected return.

Delivering **value** through values.

Our Products

As of March 31, 2016

●	Public Equity: $48.0B	49%
●	Fixed Income: $31.9B	33%
●	Other Investments: $13.7B	14%
	Absolute Return: $4.7B	5%
	Private Equity: $4.1B	4%
	Real Estate: $3.7B	4%
	Real Asset: $1.2B	1%
●	Cash: $3.5B	4%
	$97.1 Billion	**100%**

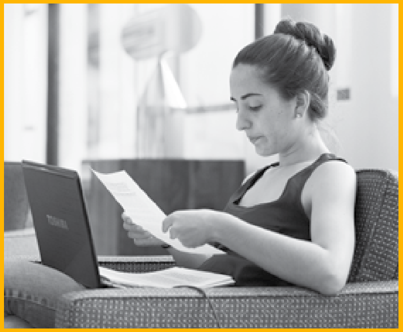


Delivering value through values.

1
Invest for the long term.
Where we can, we focus on investments over 10 years and beyond. This offers many more opportunities than those available to short- and intermediate- term investors. We aim to make the most of our scale and ability to be patient.

2
Invest in people.
The contributions of talented people are among the most important drivers of success for any investment organization. So we've made the recruitment and retention of exceptional staff a cornerstone of our strategy.

3
Build a high-performance culture.
Every organization needs a clearly defined culture to make sure everyone is working towards the same goals and speaking the same language. Our culture is one of responsibility, accountability and high performance. We are proud of our achievements but try to be humble, as markets sometimes surge and fall without warning or logic.



4
We are all risk managers.
Our aim is simple: to earn the best risk-adjusted returns that meets the objectives of our various portfolios. But achieving that aim is complex. An effective risk-management function is critical, enabling the leadership to delegate authority to the investment team. Everyone on the team is in the risk-management business.

5
Allocate wisely.
The key to investing, and the most important driver of performance, is asset allocation. To make effective investment decisions and achieve the appropriate combination of risk and return, we have to maintain a clear and balanced understanding of stakeholders' unique objectives, time horizon, risk tolerances, liquidity and other constraints. As a globally significant investor, we also aim to make the most of our scale and patience when we allocate assets.

6
Costs matter.
High-quality advice comes at a cost. We get that. But we also believe fees and costs for external managers must be fully transparent and straightforward. Anything else creates potential problems — opaque fees can mask risk. Plus, cost savings can be considered a risk-free return. If we can save money through efficient, well-executed strategies, then we must. We intend to aggressively capture every dollar of this risk-free return that we can.

7

Diversify with care. Act with clarity.

Diversification is invaluable, but it's not a cure-all. It allows us to spread risk and reduce the impact of any individual loss. But diversifying too broadly has the effect of producing returns that are index like and can draw investors into assets and products they don't fully understand. We prefer a more focused portfolio of assets and risks that we know extremely well. We also need to be keenly aware of our own strengths and weaknesses in the global context in order to act decisively when we believe markets are behaving irrationally or when we have a skill or knowledge advantage. That means keeping a constant, clear-eyed check on our evolving capabilities. It's not always an easy or painless process, but it's an essential one.

8

Sustainability impacts investing.

Sustainability is not a "check box," but rather, a fundamental concern that we incorporate into decision making. We focus particularly on how sustainability can improve investment performance. Sustainable businesses are often more rooted in communities and resilient to future crises, which means investing in them makes good business sense. They are bound to affect portfolios in the future, and we need to consider them in our broader lens of investment decision making.

9

Collaborate widely.

We are proud to be a part of the University of California, as well as the broader community of institutional investors. Through active collaboration, we aim to leverage the unique resources of the university. We also want to foster collaborative relationships with our peers to leverage our long-term competitive advantages.

10

Innovation counts.

The best investors recognize that markets are constantly fluctuating and that no good idea lasts forever. We must always be innovating and identifying new opportunities. Getting in early brings rewards. Just as importantly, some of the best opportunities transcend asset-class silos. There are advantages in thinking differently and partnering with peers that are willing to work with us on innovative projects. Collaboration is one of the most powerful drivers of innovation.

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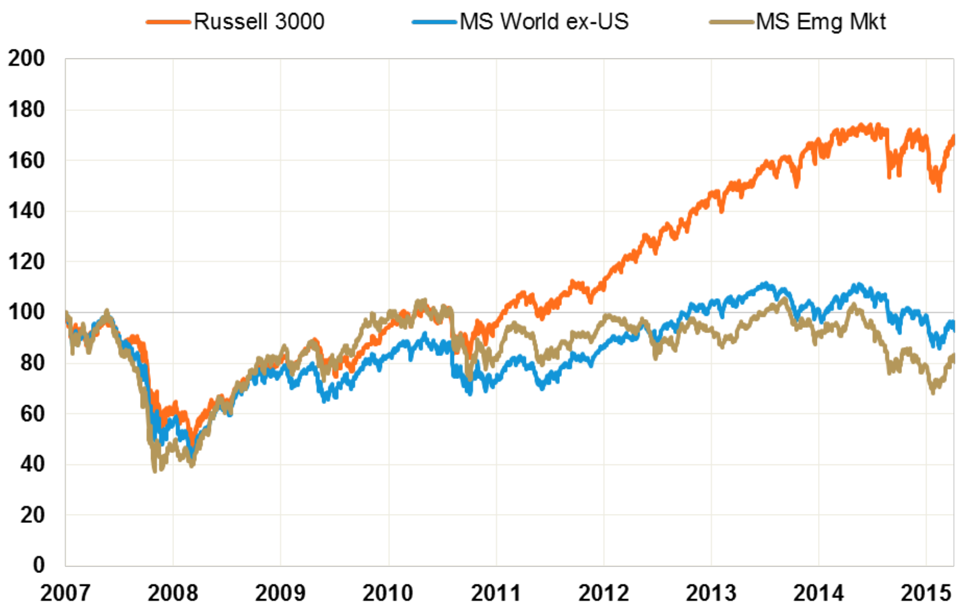
Market Review

Equity Markets

Performance



Highlights

Overall, global equity markets have struggled fiscal year to date with the MSCI ACWI down 4.7%. China, oil prices and central bank actions have all been key drivers of 'risk on' and 'risk off'.

Concerns over the health of the Chinese economy, a collapse in oil and other commodity prices, a Fed rate increase and the rising U.S. Dollar vis-à-vis most currencies initially led to a significant selloff in global markets. Risks from China have dominated headlines much of the year as it struggles through the largest economic transformation, including a stock market crash, currency devaluation, a rapidly deteriorating reserve base and slowing growth rates.

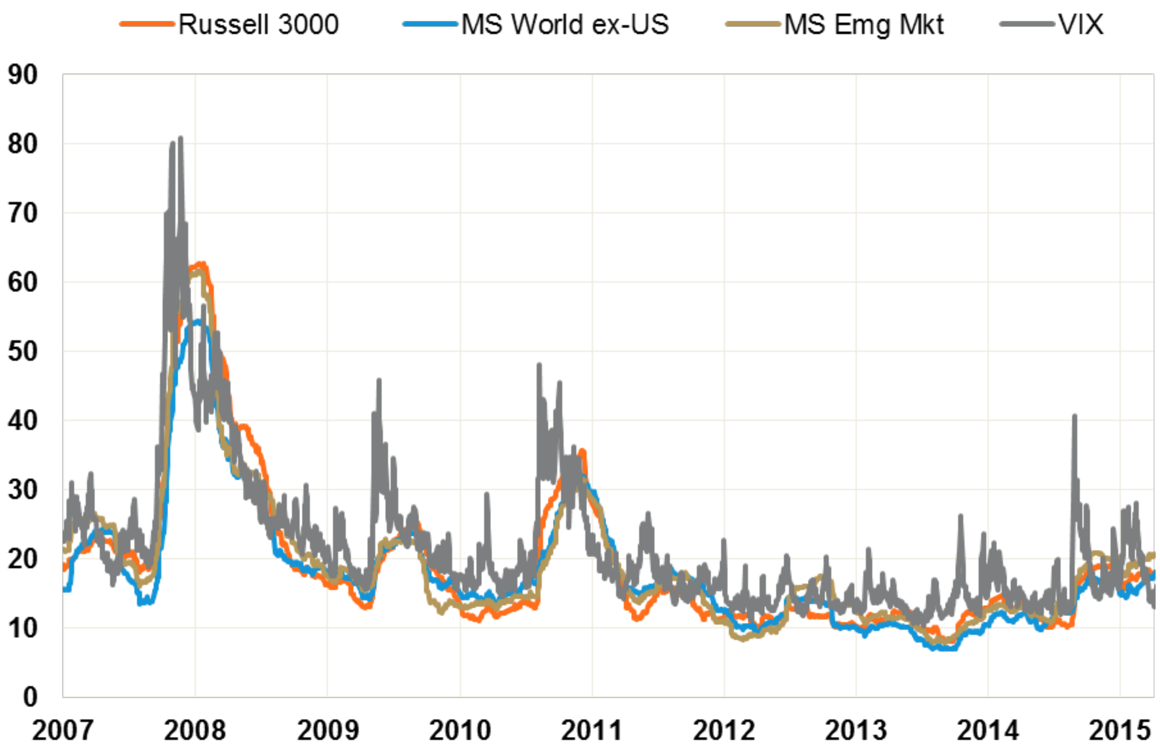
More recently, the markets have been recovering with segments that have sold off the most, beginning to rebound the most. For example, Emerging Europe, Canada and Latin America have risen on the back of rising oil prices and speculation surrounding a better political environment. In addition, coordinated global central bank decisions including a more gradual rate increase path in the U.S., a supportive European Central Bank, and the adoption of negative interest rates in Japan were viewed as catalysts for a rally in the last month.

For most of the year, a sustained collapse in commodity prices, slower global GDP and a rising U.S. Dollar, led to a rout in emerging markets, which has begun to reverse with the notable exception of China.

Despite the selloff in global markets, developed market performance fared better with the U.S. and Europe down 0.8% and 6.6% respectively. However, Japan has struggled down 8.3% FYTD as the Yen has risen and lowered the forward earnings outlook.

Equity Markets

Volatility



Highlights

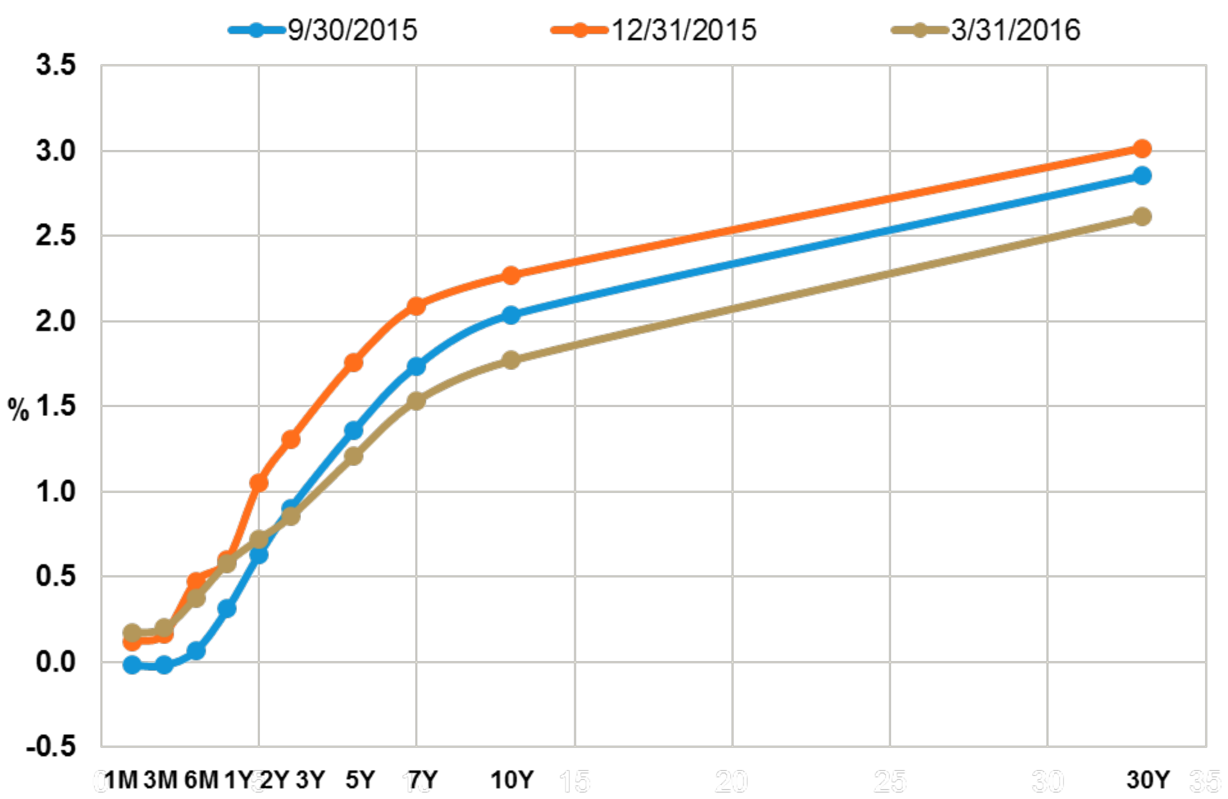
Equity values remain elevated at the same time the business cycle continues to mature and vulnerabilities and risks are rising. Many of the drivers of global growth appear to be slowing as stimulus in the form of low interest rates, quantitative easing and currency devaluation becomes less effective and China's economy continues to transition. Above average valuations and rising risks, coupled with expectations for slow global growth, should lead to much lower returns and higher volatility than that of the past six years.

While volatility spiked from a long period of abnormally low levels, differentiation among stocks is low, creating a difficult stock picking environment. Despite high intra stock correlation levels, we have begun to see extreme volatility in equity factor or style risks (country/regions, sectors, currency, value (related to carry or high dividend) vs. growth, leverage/quality, liquidity, momentum, size (small/mid/large cap), volatility (often called low volatility or defensive) potentially due to a greater focus on 'smart beta' and equity risk premia.

Markets are likely to remain volatile while they adjust for the (slow) removal of crisis-era policies and there is the 'ebb' and 'flow' of the potential to raise interest rates versus stimulus. Over the medium term, central banks might migrate from being a source of stability to a source of instability. So to, sovereign funds once flush with cash may eventually become 'liquidity demanders' versus 'liquidity providers'.

Yields

US Treasury Bond Curve



Highlights

Treasury yields fell during the quarter and the yield curve flattened as the Federal Open Market Committee (FOMC) took a dovish shift at their March meeting. Treasury yields declined 35-55 basis points over the past quarter with the 5 to 7 year sector outperforming along the curve.

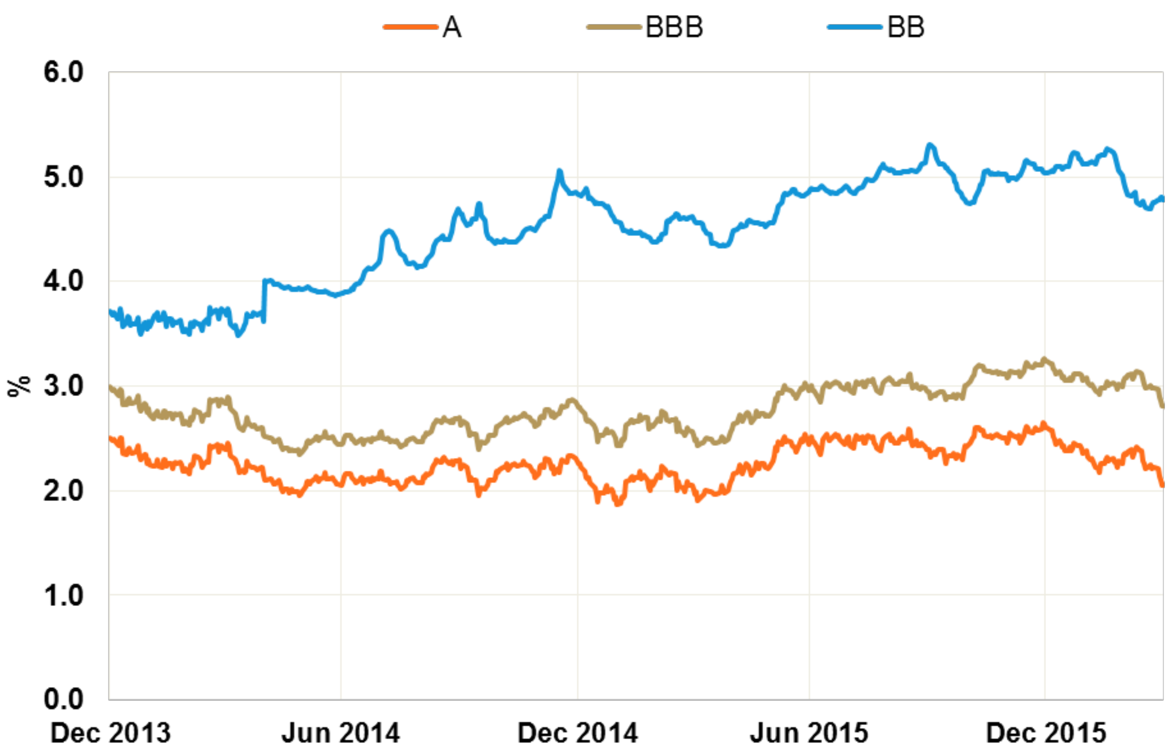
The latest round of projections at the March FOMC meeting suggests greater comfort with letting the labor markets continue to tighten and inflation to rise further. Moreover, the Fed's ongoing concern about global economic and financial developments suggests the FOMC is unlikely to tighten around events that could potentially destabilize the global economy.

Markets remain skeptical of the Fed's ability to normalize rates and are pricing in one 25 basis point hike between now and year end 2017 – this runs counter to the median Fed projection of a cumulative 150 basis point increase in the Fed Funds target rate by year end 2017.

The Q1 2016 US economic data continues to come in weak – consensus estimates for Q1 real GDP growth are below 1%. Throughout this expansion real GDP has tended to be weak in the Q1 and stronger in Q2 – over the past 6 years, average real GDP in Q1 has been 0.8% while average growth in Q2 has been 3.1%.

Spreads

Credit Spreads by Ratings



Highlights

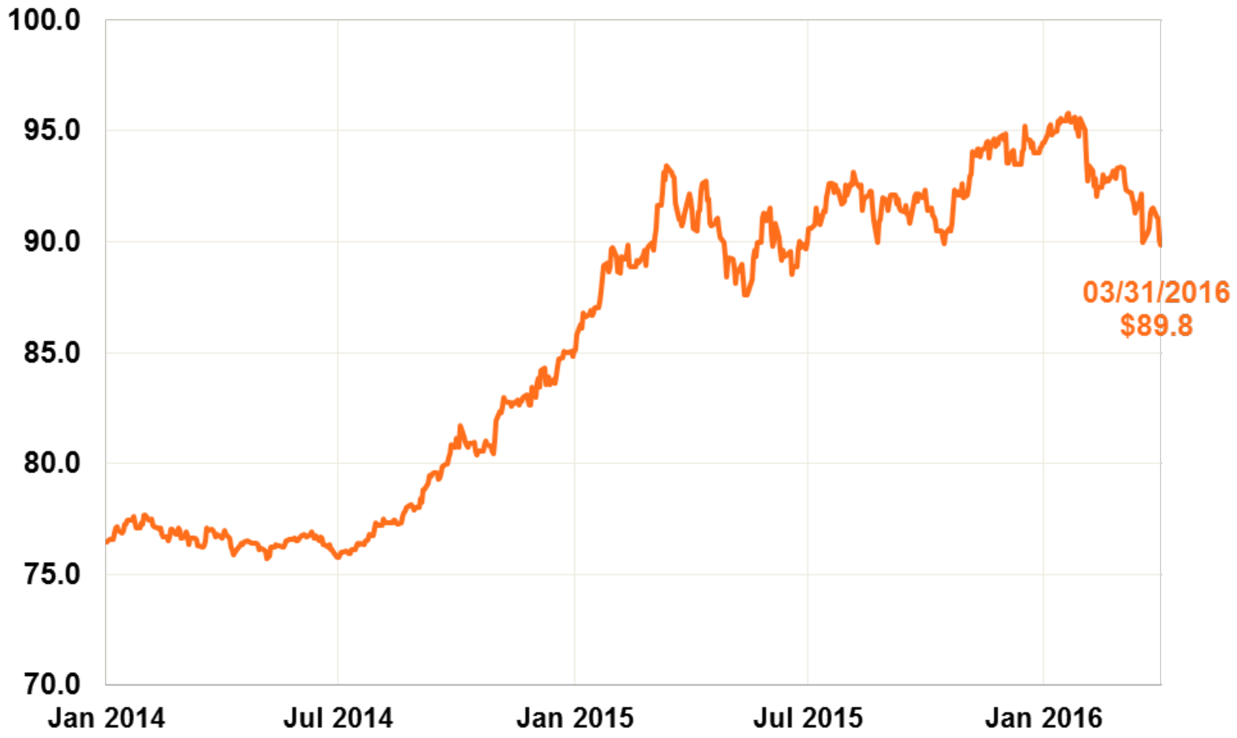
The credit widening that started in the 4th quarter of 2015 accelerated into 2016, taking spreads in February to levels not seen since 2011. Drivers of concern included Fed tightening, oil below $30 per barrel, China currency devaluation, and recession fears.

Since the mid-February market trough, risk assets have rallied tremendously with B and CCC rated securities, Metals & Mining and Energy sectors outperforming in what started with investors covering shorts and progressed into investors looking to add to exposure at lower prices. The spark for the turnaround came from signals from the Fed that they would remain accommodative and slow their normalization policy due to global economic concerns. The Fed signal in combination with diminishing fears of a major China devaluation and a bounce in energy re-priced the recession premium out of the market

Fundamentally, companies generally continued to engage in shareholder enhancing activity –share buybacks and re-leveraging of balance sheets with record corporate issuance year to date. Due to the risk off nature that started the year, mergers & acquisitions slowed down somewhat although there was an increase in M&A from Asia, a trend many believe will continue.

Currency

US Dollar Index



Highlights

During the second half of 2015, the U.S. dollar had been a channel to express investors' views as they adjusted to the Fed's first rate hike which finally occurred in December. Over that period, the U.S. Dollar strengthened as the Fed's tightening policy diverged from other central banks whom were embarking on policies to weaken their currencies as a means to stimulate their economies.

Since the beginning of 2016, the U.S. dollar has reversed this move as risk markets weakened, long dollar positions were unwound, and the probability of further Fed rate hikes declined. Additionally, after the February G20 meeting in Shanghai the ECB, BOJ, and the PBOC signaled that policies that had been leading to currency devaluations had run their course. This was followed by a dovish Fed statement after its March meeting, taking more steam out of the long dollar trade.

Investment Highlights

Investment Highlights

Restructured Absolute Return portfolio to better fit TRIP's need for lower fee, non-correlated strategies. Remain underweight Absolute Return with a plan to introduce additional strategies over the next quarter to meet the 15% target allocation.

Completed public equity portfolio restructuring by introducing 6 active managers into the portfolio, representing approximately 55% of the public equity portfolio. The 55/45 blend of active/passive and the type of active manager is designed to better fit TRIP's risk/return profile.

Investment returns remain negative for the one year period, despite the strong rally in the most recent quarter. Underperformance across all asset classes resulted in an underperformance of 50 basis points for the twelve month period.

Commenced analysis of TRIP payout policy to develop a long-term payout plan that can be used to support long-term campus financial planning.

Investment Performance

Net Returns (%) As of March 31, 2016	9 Month	1 Year	Annualized Returns 3 Year	5 Year	7 Year
Total Return	-1.3	-1.5	4.6	6.4	9.3
Total Return Benchmark	0.0	-1.0	4.5	6.1	9.3
Value Added	*-1.3*	*-0.5*	*0.1*	*0.3*	*0.0*

12 Months Contribution to Return - Percentage (%)

As of March 31, 2016

Highlights

Returns have been consistent with our outlook for a low return environment.

Negative one year returns were mainly attributable to the -1.88% contribution to return from equity.

One year returns trailed the benchmark, driven by underperformance across all asset classes.

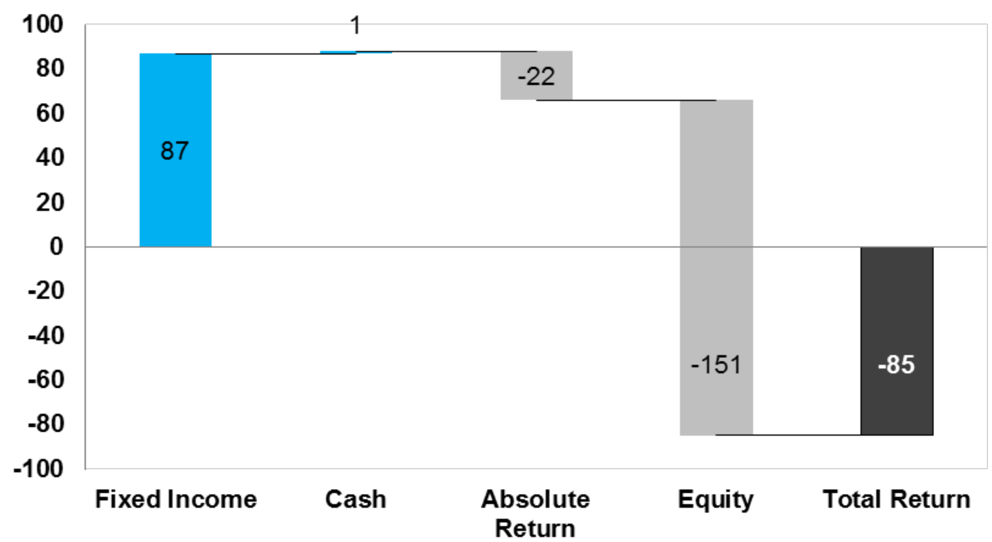
Investment Performance

Assets Under Management Attribution

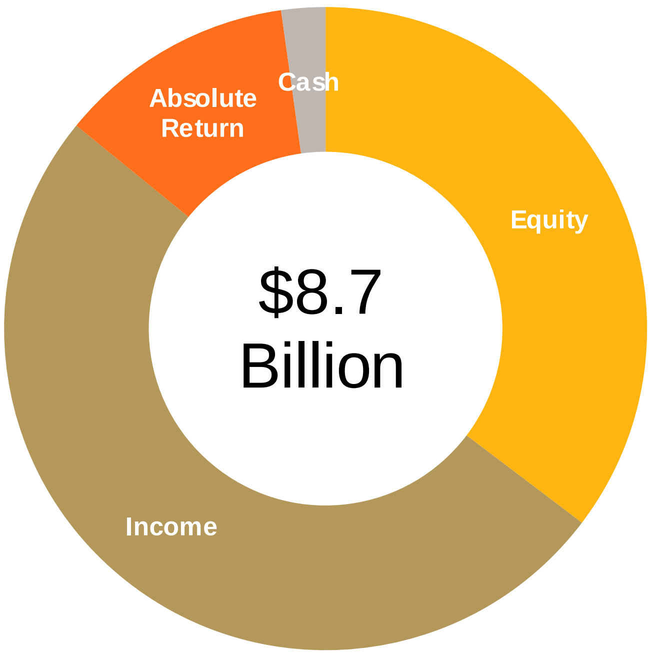
Assets Under Management March 31, 2015	$7.6 billion
Market Gains	($0.03 billion)
Value Added	($0.1 billion)
Net Cash Flow	$1.1 billion
Assets Under Management March 31, 2016	**$8.7 billion**

12 Months Contribution to Return - Millions ($)

As of March 31, 2016



Asset Allocation



Equity: 35% **$3.1B**	**Income: 51%** **$4.4B**
Absolute Return: 12% **$1.0B**	**Cash: 2%** **$0.2B**

As of March 31, 2016

Asset Allocation

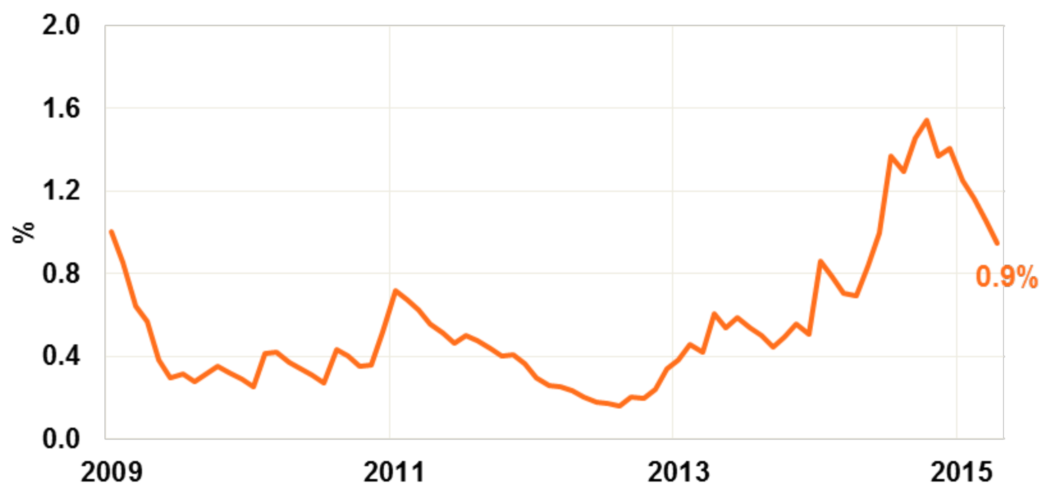
	Market Value in $ Billions	Percentage	Over/Underweight Relative to Policy
Equity	**3.1**	**35.3%**	**0.3%**
Public Equity	3.0	34.4%	
Private Growth	0.1	0.9%	
Income	**4.4**	**50.6%**	**0.6%**
Core	3.4	38.7%	
High Yield	0.4	4.6%	
Emerging Market Debt	0.3	3.3%	
Private Income	0.3	4.0%	
Absolute Return	**1.0**	**11.9%**	**-3.1%**
Cash	**0.2**	**2.2%**	**2.2%**
Total Return	**8.7**	**100.0%**	**0.0%**

As of March 31, 2016

Risk Measures

Total Risk

Active Risk



Highlights

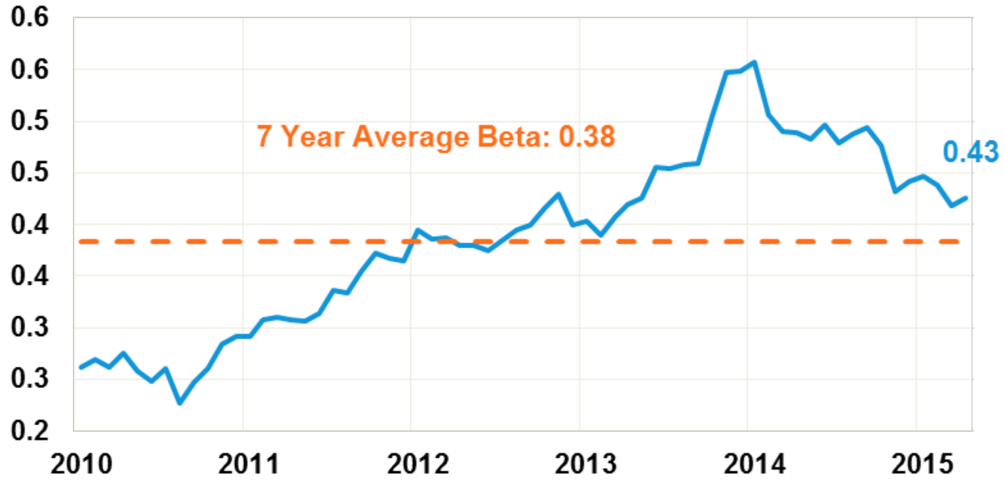
Total Risk (Volatility) is measured by standard deviation of monthly total returns; each point shows a 12 month measurement period. A standard deviation of 6% means that roughly two-thirds of the time, the realized return will be within 6% from the average return. Total Risk was 6.9% at the end of March.

Active risk is measured by standard deviation of monthly active returns; each point or bar shows a 12 month measurement period. A standard deviation of 3% means that roughly two-thirds of the time, the realized active return will be within 3% from the average active return.

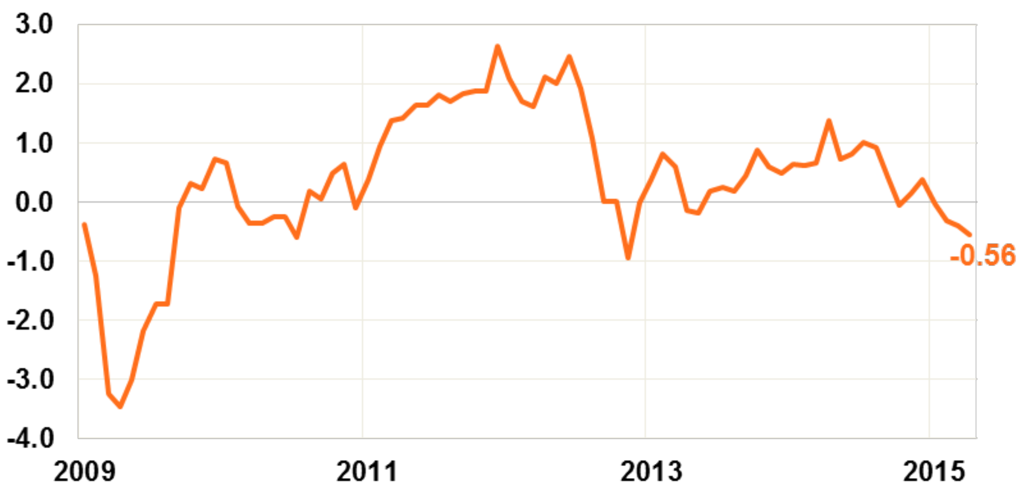
Most of the active risk is attributed to security and manager selection decisions that differ from the benchmark. The Active Risk was 0.9% at the end of March.

Risk Measures

Beta to S&P 500



Information Ratio



Highlights

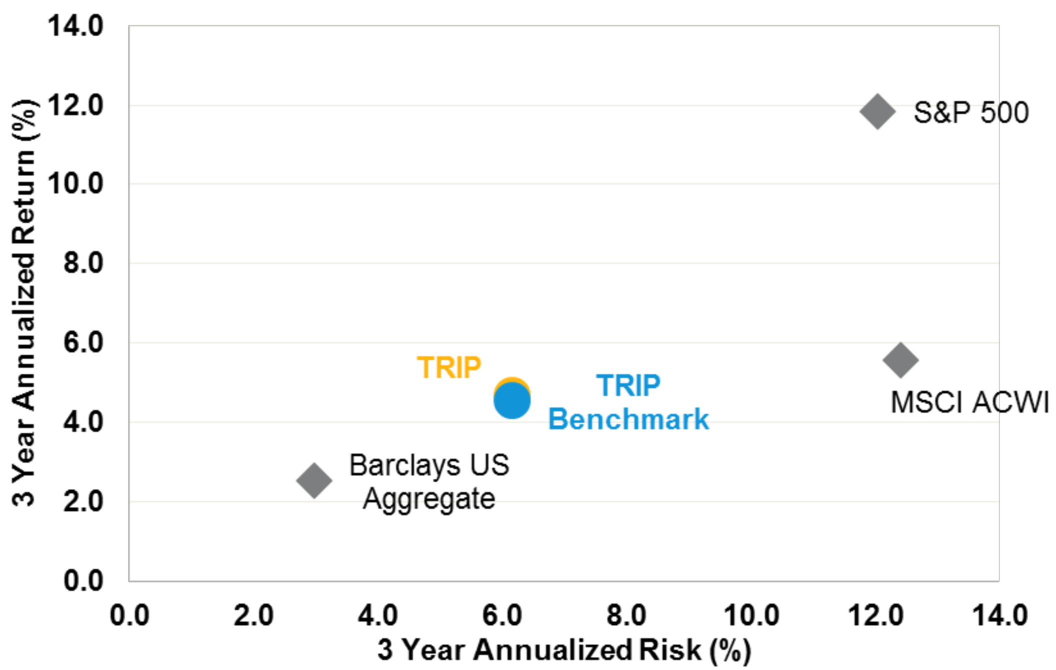
Beta is a measure of the sensitivity of the total portfolio to the S&P 500 Index. Beta was 0.43; which means that if the S&P 500 went down 10%, we would expect the portfolio to go down by 4.3%.

Information Ratio is a ratio of Active Return over Tracking Error; Tracking Error is the standard deviation of the active return over time. The higher the information ratio, the better we are able to achieve active return against the relative risk to the policy benchmark taken.

Information Ratio was -0.56 at the end of March, given our slight underperformance of -0.5 against the benchmark for the year.

Risk Measures

Risk vs Return 3 Year	Return	Risk	Ratio
TRIP	4.64	6.19	0.75
TRIP Benchmark	4.52	6.19	0.73
S&P 500	11.82	12.05	0.98
MSCI ACWI	5.54	12.43	0.45
Barclays US Aggregate	2.50	2.99	0.84



As of March 31, 2016

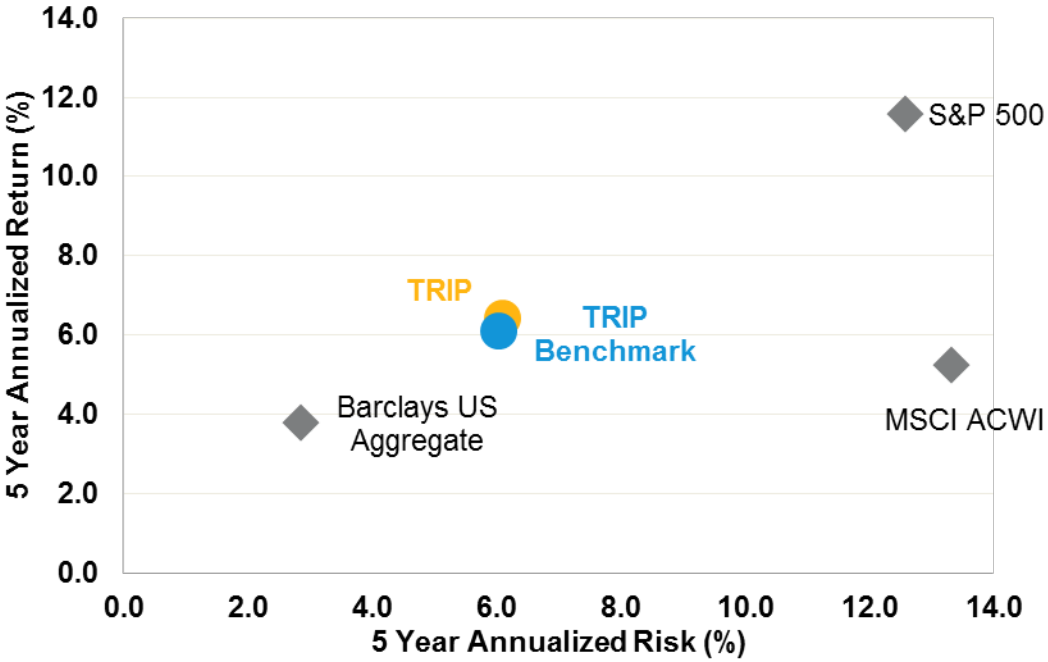
Highlights

Risk Return chart shows return and the amount of volatility taken to achieve it. The return to risk ratio reflects the reward per unit of risk we are achieving. For the past 3 years, for every unit of risk we took we were rewarded 0.75.

Our total risk is primarily related to our allocation between equity and bonds. At the end of March our allocation was underweight to absolute return, and overweight to equity and income relative to the policy benchmark. Our total risk is similar to the benchmark but with a higher total return.

Risk Measures

Risk vs Return 5 Year	Return	Risk	Ratio
TRIP	6.40	6.13	1.04
TRIP Benchmark	6.05	6.05	1.00
S&P 500	11.58	12.59	0.92
MSCI ACWI	5.22	13.33	0.39
Barclays US Aggregate	3.78	2.87	1.32



As of March 31, 2016

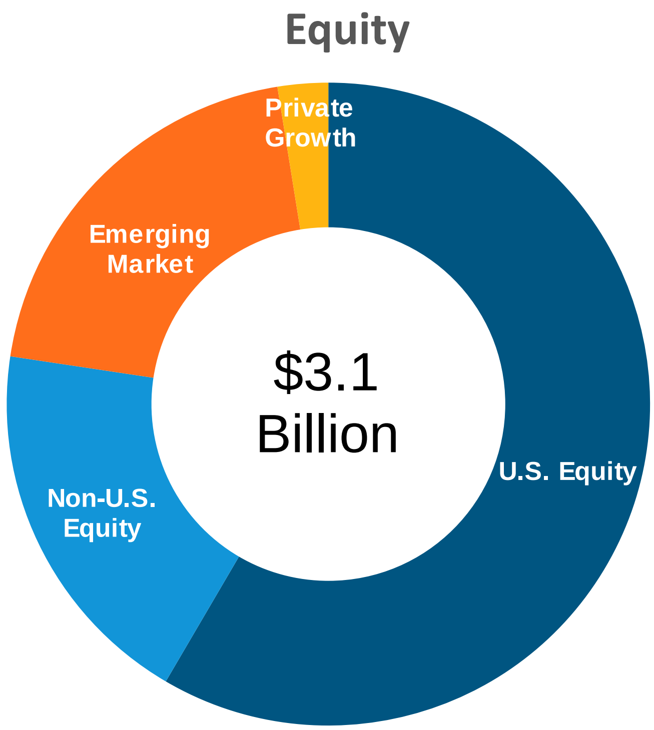
Highlights

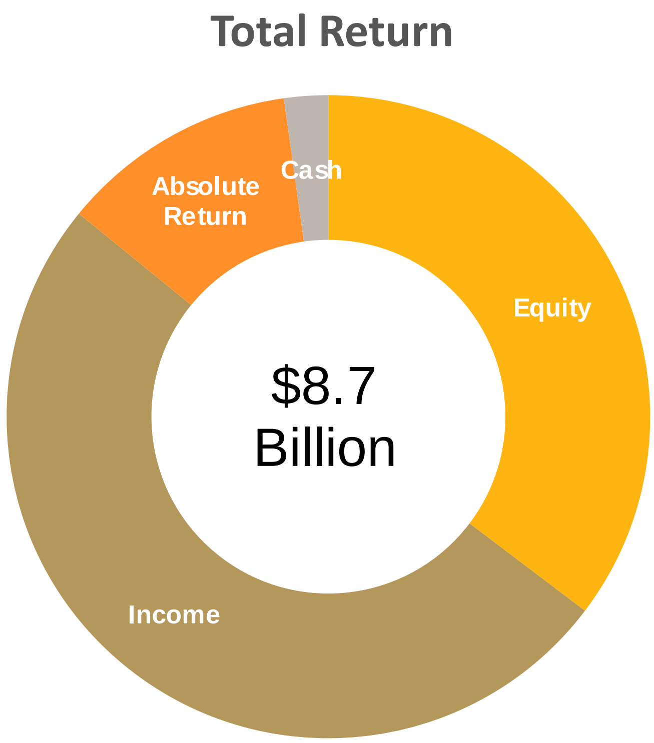
Risk Return chart shows return and the amount of volatility taken to achieve it. The return to risk ratio reflects the reward per unit of risk we are achieving. For the past 5 years, for every unit of risk we took we were rewarded 1.04 times.

Over the past 5 years the portfolio has earned more than the global stock portfolio measured by the MSCI ACWI but taken half of the risk.

Asset Class Summary

Equity



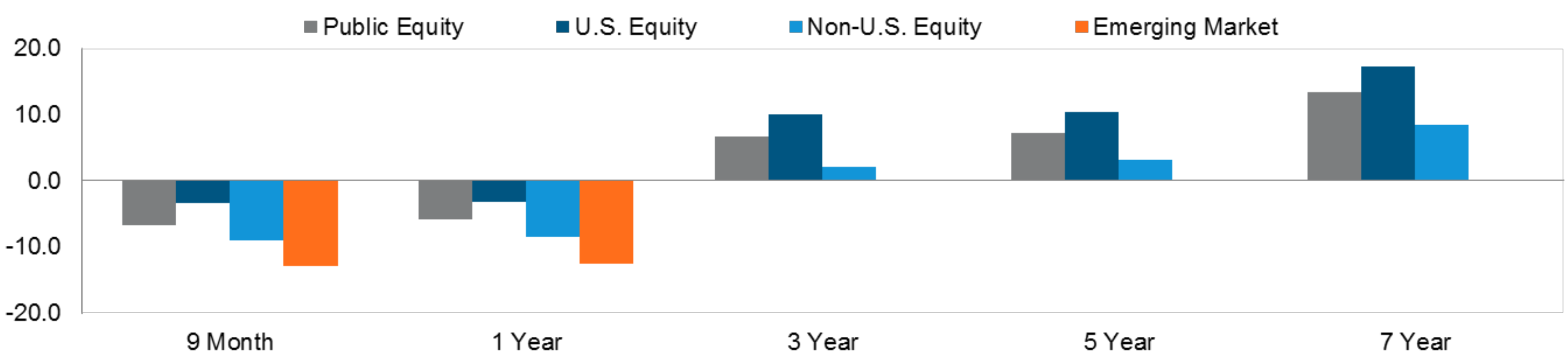


U.S. Equity: 58% $1.8B	Non-U.S. Equity: 19% $0.6B	Equity: 35% $3.1B	Income: 51% $4.4B
Emerging Market: 20% $0.6B	Private Growth: 3% $0.1B	Absolute Return: 12% $1.0B	Cash: 2% $0.2B

Equity

Net Returns (%) As of March 31, 2016	Market Value ($ Million)	% Allocation	9 Month	1 Year	3 Year	5 Year	7 Year
					Annualized Returns		
Equity	**3,063**	**97%**	**-6.8**	**-5.9**	**6.7**	**7.3**	**13.5**
MSCI All Country World Index (net dividends)			-4.9	-6.7	7.7	6.6	10.9
Value Added			*-1.9*	*0.8*	*-1.0*	*0.7*	*2.6*
U.S. Equity	1,790	58%	-3.4	-3.2	10.0	10.4	17.2
Russell 3000 Tobacco Free Index			-0.8	-0.7	11.1	10.9	17.6
Value Added			*-2.6*	*-2.5*	*-1.1*	*-0.5*	*-0.4*
Non-U.S. Equity	580	19%	-9.1	-8.5	2.0	3.2	8.5
MSCI World ex-U.S. (net dividends) Tobacco Free			-9.0	-8.6	2.0	3.2	8.3
Value Added			*-0.1*	*0.1*	*0.0*	*0.0*	*0.2*
Emerging Market	615	20%	-12.9	-12.5	-	-	-
MSCI Emerging Market (net dividends)			-12.6	-12.0	-	-	-
Value Added			*-0.3*	*-0.5*	*-*	*-*	*-*
Private Growth	78	3%	-	-	-	-	-
MSCI All Country World Index (net dividends)			-	-	-	-	-
Value Added			*-*	*-*	*-*	*-*	*-*

* Private Growth was incepted in November 1, 2015



Equity Highlights

- Returns across major equity markets were all negative FYTD with the global benchmark (MSCI ACWI IMI Index) down 4.9%. Emerging markets, China, biotech and healthcare stocks, metals and mining, and small cap stocks were down the most.

- FY2016 has been among the most difficult years for active management for four reasons:
  - First, the extreme 'risk off' and 'risk on' periods caused by global macro risks (China, commodity price swings, central banks) produced a difficult environment.
  - Second, high intra stock correlation and low cross-sectional volatility has created a poor environment for stock selection. So while the environment has been more volatile, the dispersion amongst stocks has not.
  - Third, abnormal and excessive volatility in equity risk factors (regions / sectors / market cap / value / momentum / quality / growth / low volatility) possibly due to 'smart beta' products and the focus on equity risk premia.
  - Fourth, 'crowded trades' particularly with equity long/short funds began to unwind.

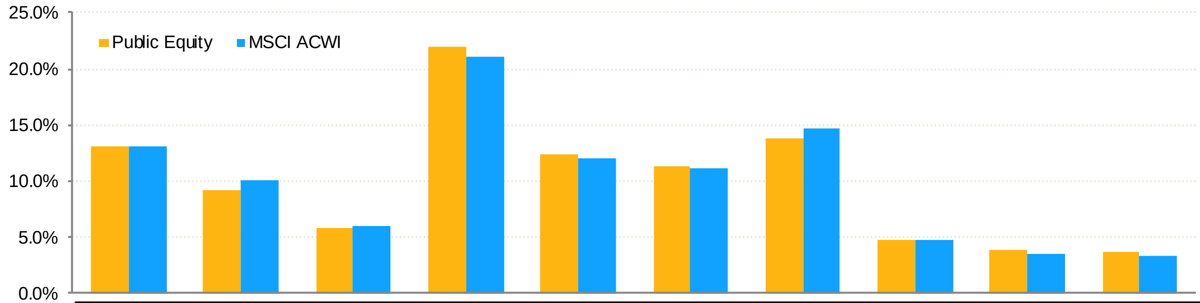
- Unfortunately, we believe this environment will continue and we expect higher than average equity valuations combined with rising risks will create an environment of low returns and higher volatility going forward.

- Ultimately, we expect this volatility to create investing opportunities and the opportunity for active management to increase as dispersion between stocks reverts to the mean.

- Completed restructuring of the TRIP equity portfolio in April by adding approximately 55% active management. The newly constructed portfolio and active managers reflect TRIP's objectives of lower tracking error and lower costs.

Public Equity – Sectors

Sector Exposures



	Cons Disc	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom	Utilities
Public Equity	13.2%	9.2%	5.9%	22.0%	12.4%	11.3%	13.8%	4.7%	3.9%	3.7%
MSCI ACWI	13.2%	10.1%	6.0%	21.1%	12.0%	11.1%	14.7%	4.7%	3.5%	3.4%
Active	*0.0%*	*-0.9%*	*-0.1%*	*0.9%*	*0.4%*	*0.2%*	*-0.9%*	*0.0%*	*0.4%*	*0.3%*

As of March 31, 2016

Highlights

Losses in the MSCI ACWI IMI Index were led by materials, healthcare, energy and financials sectors.

Underweight to consumer staples was a significant detractor FYTD as the sector has been propelled to high valuation levels due to mergers & acquisitions and corporate governance activities in the space.

Overweight to healthcare and poor stock selection in the sector was a significant detractor FYTD. Healthcare stocks and particularly small cap biotech fell significantly more than the market due to anti-trust issues, 'crowding' of hedge funds unwinding positions, pricing concerns and negative comments from presidential candidates during election primaries.

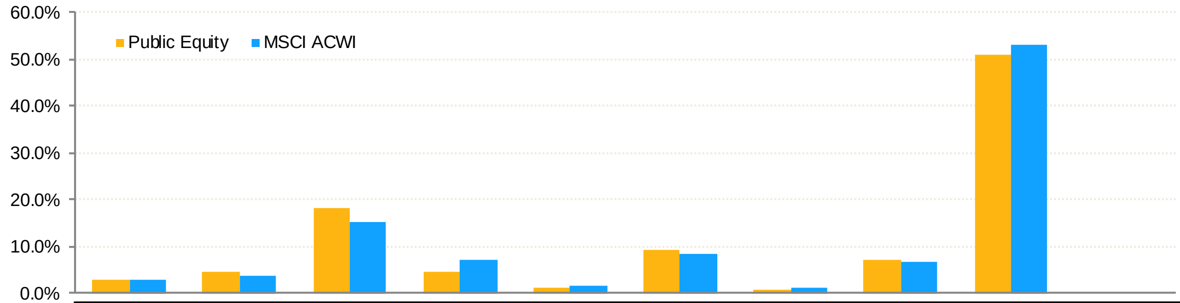
Underweight to financials sector was a significant contributor, more than offset by poor stock selection.

Underweight to energy sector was a significant contributor. While the energy sector has continued to fall significantly, we remain underweight as low commodity prices are not yet fully reflected in valuations. However, midstream energy infrastructure companies are beginning to look cheap.

Going forward we are positioning the portfolio to be more neutral to sector exposures compared to our policy benchmark.

Public Equity – Regions

Regional Exposures



	Canada	Asia ex-JP	Europe ex-UK	Emerg Asia	Emerg EU	Japan	Latin Amer	UK	US	Rest of World
Public Equity	3.1%	4.5%	18.3%	4.7%	1.1%	9.2%	0.8%	7.4%	51.0%	0.0%
MSCI ACWI	2.9%	3.8%	15.4%	7.1%	1.5%	8.3%	1.1%	6.7%	53.2%	0.0%
Active	*0.2%*	*0.7%*	*2.9%*	*-2.4%*	*-0.4%*	*0.9%*	*-0.3%*	*0.7%*	*-2.2%*	*0.0%*

As of March 31, 2016

Highlights

Poor stock selection in the US was the largest detractor to performance, particularly in financials and consumer staples.

Our overweight to China was the largest regional detractor with the MSCI China down 23%. The continued missteps in the Chinese equity market, significant increase in debt this cycle, and currency policies continue to create uncertainty.

While we are neutral Japan, we continue to believe the focus on corporate governance has strong potential to create value for active management, given large cash balances and ample free cash flow generation of select companies. Superior stock selection in Japan was the largest contributor by region.

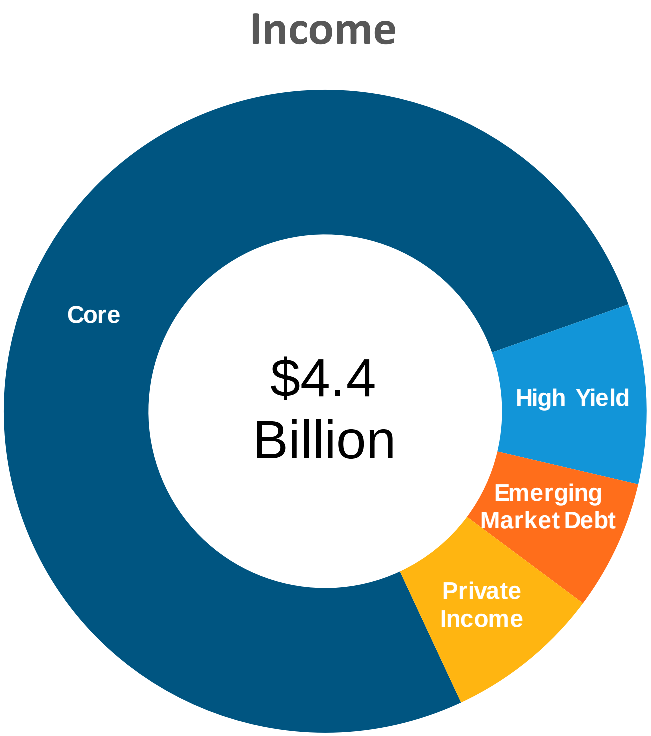
Since we restructured the portfolio between February-April, going forward we are positioning the portfolio to be more neutral to country exposures compared to our policy benchmark.

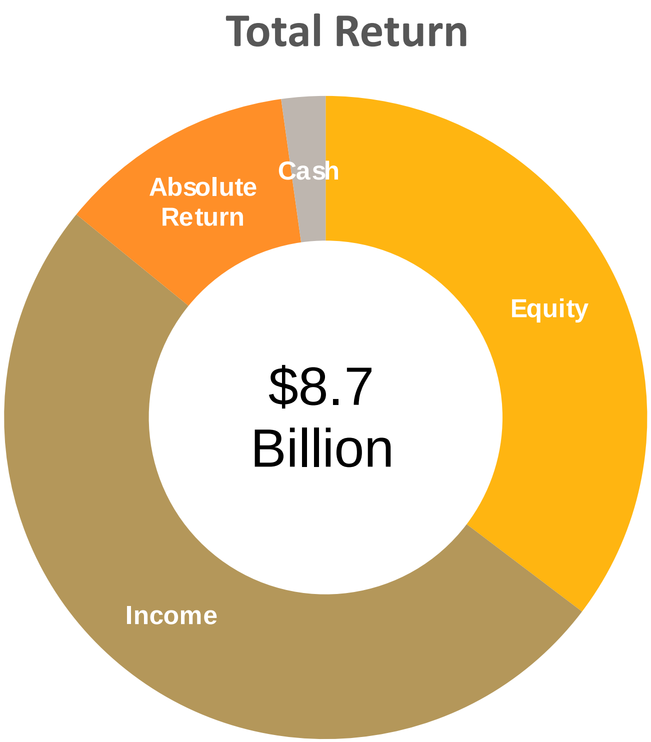
Public Equity – Characteristics

	Dividend Yield (%)	Dividend per Share	EPS	Price To Book Value	Price To Cash Earnings	Price To Earnings	Price To Sales	Payout Ratio	ROE
Public Equity	**2.22**	**1.62**	**4.84**	**2.11**	**11.23**	**19.61**	**1.29**	**26.42**	**19.97**
U.S. Equity	1.83	1.26	4.06	2.72	12.34	22.18	1.45	36.38	20.18
Non-U.S. Equity	3.05	2.26	4.56	1.63	9.30	17.19	1.06	24.48	16.13
EM Equity	2.29	0.92	5.85	1.64	9.83	15.42	1.14	25.04	15.65
MSCI ACWI	2.66	1.90	4.78	1.99	10.64	18.49	1.35	58.85	20.72
S&P 500	2.17	1.62	4.66	2.79	12.57	20.60	1.83	56.21	24.54
MSCI EM	2.79	1.21	7.35	1.40	8.00	13.49	1.02	38.74	15.70
MSCI ACWI ex U.S.	3.25	2.24	5.06	1.50	8.70	16.11	1.02	62.53	17.24

As of March 31, 2016

Income



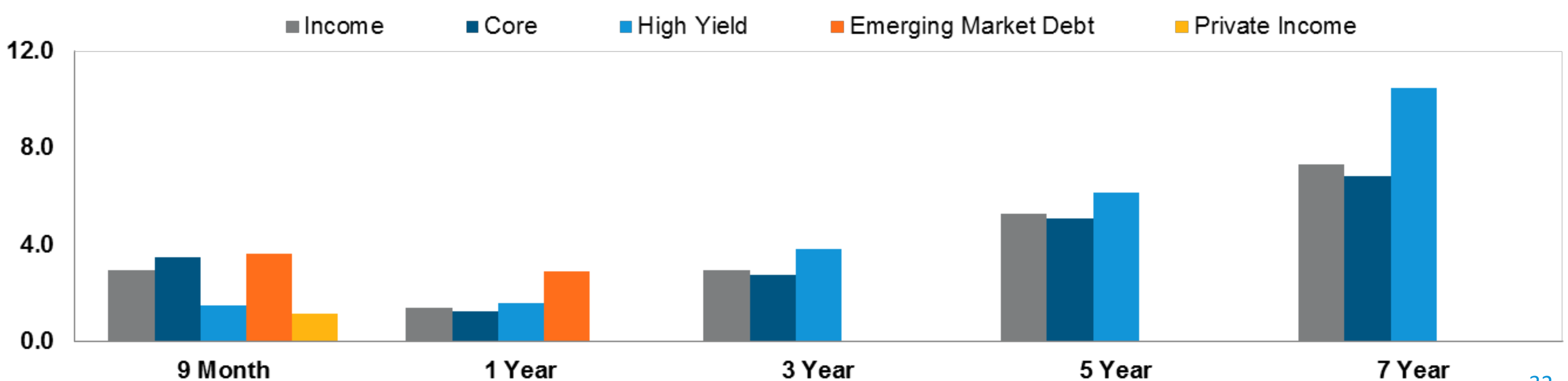


Core: 77% **$3.4B**	**High Yield: 9%** **$0.4B**	**Equity: 35%** **$3.1B**	**Income: 51%** **$4.4B**
Emerging Market Debt: 6% **$0.3B**	**Private Income: 8%** **$0.3B**	**Absolute Return: 12%** **$1.0B**	**Cash: 2%** **$0.2B**

As of March 31, 2016

Income

Net Returns (%) As of March 31, 2016	Market Value ($ Million)	% Allocation	9 Month	1 Year	Annualized Returns 3 Year	5 Year	7 Year
Income	**4,385**	**100%**	**3.0**	**1.4**	**3.0**	**5.3**	**7.3**
Barclays U.S. Aggregate Bond Index			3.7	2.0	2.5	3.8	4.5
Value Added			*-0.7*	*-0.6*	*0.5*	*1.5*	*2.8*
Core	3,356	77%	3.5	1.3	2.8	5.1	6.8
Barclays U.S. Aggregate Bond Index			3.7	0.9	2.7	4.7	6.4
Value Added			*-0.2*	*0.4*	*0.1*	*0.4*	*0.4*
High Yield	397	9%	1.5	1.6	3.8	6.2	10.5
BofA Merrill Lynch High Yield BB/B Rated Index			-2.4	-2.4	2.5	5.2	12.3
Value Added			*3.9*	*4.0*	*1.3*	*1.0*	*-1.8*
Emerging Market Debt	287	6%	3.6	2.9	-	-	-
JP Morgan Emerging Markets Bond Index Global Diversified			4.5	4.2	-	-	-
Value Added			*-0.9*	*-1.3*	*-*	*-*	*-*
Private Income	345	8%	1.1	-	-	-	-
Barclays U.S. Aggregate Bond Index			3.7	-	-	-	-
Value Added			*-2.6*	*-*	*-*	*-*	*-*



Income Highlights

- Concerns over U.S. and global growth led to somewhat dovish statements from the Fed and a rally in the Treasury market during the first quarter of 2016. Treasuries market returned 3.92% in the first quarter, driving returns of 3.71% for the overall Barclay's Aggregate Index.

- We continue to have a bias to somewhat higher rates due to an uptick in inflation data. We expect the Fed to be very gradual in the normalization of rates with a terminal Fed Funds rate below the current Fed projection for 2017 and 2018. A lackluster global growth environment and very low to negative rates around the world limit the extent of any rise in U.S. rates.

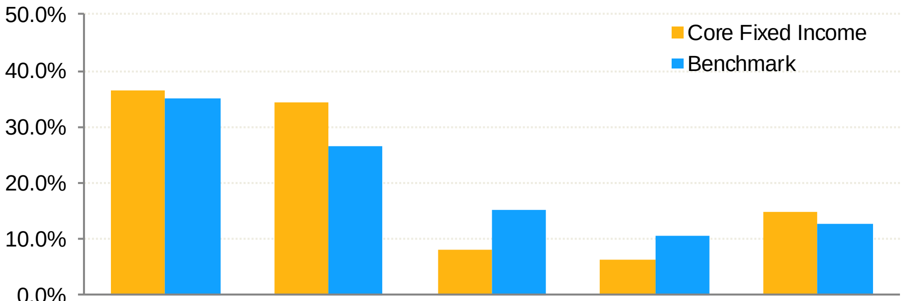
- We believe that an environment of slowly rising rates and positive US GDP growth will lead to spread product outperforming Treasuries and as such we maintain an underweight versus our benchmark to Treasuries. With lower growth expectations and a Fed hiking cycle underway, volatility can be expected and credit selection will be critical.

- The High Yield market experienced a significant rally during March, producing the best one month returns since 1991. The market was led by a recovery in the energy, metals, and mining sectors. While we continue to believe that the current environment is favorable for selective sectors within high yield, any significant opportunity has been very quickly priced out of the market.

- TRIP fixed income is slowly shifting to better meet campus needs for long-term income to fund budget initiatives. We are managing our core fixed income with shorter duration than UCRP and GEP to better align with the more intermediate term nature of working capital and have implemented a larger overweight to credit versus our other core mandates in an effort to boost distributable income. While this results in greater tracking error versus our benchmark, we believe it will produce better long-term results for our campuses.

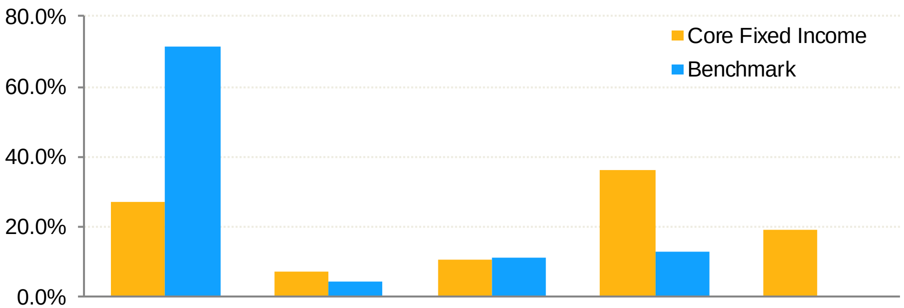
Income – Core

Summary of Duration Buckets



	0 to 3	3 to 5	5 to 7	7 to 10	10 to +INF
Core Fixed Income	36.5%	34.4%	8.2%	6.2%	14.8%
Benchmark	35.0%	26.5%	15.2%	10.5%	12.8%
Active	*1.5%*	*7.9%*	*-7.0%*	*-4.3%*	*2.0%*

Summary of Credit Rating



	AAA	AA	A	BBB or lower	N/A
Core Fixed Income	27.1%	7.2%	10.4%	36.2%	19.2%
Benchmark	71.5%	4.4%	11.4%	12.7%	0.0%
Active	*-44.4%*	*2.8%*	*-1.0%*	*23.5%*	*19.2%*

As of March 31, 2016

Highlights

Core Fixed Income is positioned short of benchmark duration. We have positioned TRIP to have more exposure inside of five years and offset the shorter duration with more yield.

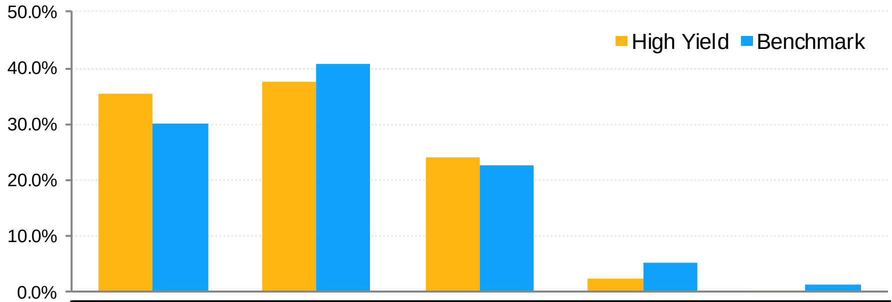
In line with our strategy to build income, the portfolio has a significant underweight to Treasury securities and an overweight spread product – investment grade credit and structured product.

The spread product overweight leaves the portfolio underweight high quality AAA government and Agency securities and overweight lower credit quality. We are enhancing yield by holding BBB securities that our credit team believes offers a combination of safety and good relative value.

The twenty basis point underperformance fiscal year-to-date was driven by the relative underperformance of our Treasury portfolio versus its benchmark. Returns in corporate bonds and collateral exceeded their respective benchmarks.

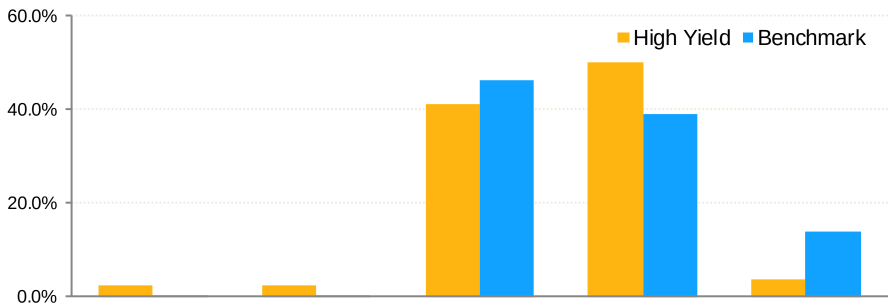
Income – High Yield

Summary of Duration Buckets



	0 to 3	3 to 5	5 to 7	7 to 10	10 to +INF
High Yield	35.5%	37.7%	24.0%	2.4%	0.4%
Benchmark	30.1%	40.6%	22.6%	5.3%	1.4%
Active	*5.4%*	*-2.9%*	*1.4%*	*-2.9%*	*-1.0%*

Summary of Credit Rating



	AAA to A	BBB	BB	B or lower	N/A
High Yield	2.5%	2.3%	41.4%	50.1%	3.7%
Benchmark	0.1%	0.2%	46.4%	39.2%	14.1%
Active	*2.4%*	*2.1%*	*-5.0%*	*10.9%*	*-10.4%*

As of March 31, 2016

Highlights

High yield is positioned in-line with the benchmark on overall duration with slightly less exposure to the longer end of the high yield curve. The TRIP high yield portfolio has a slightly higher credit quality and shorter maturity profile than our other high yield portfolios.

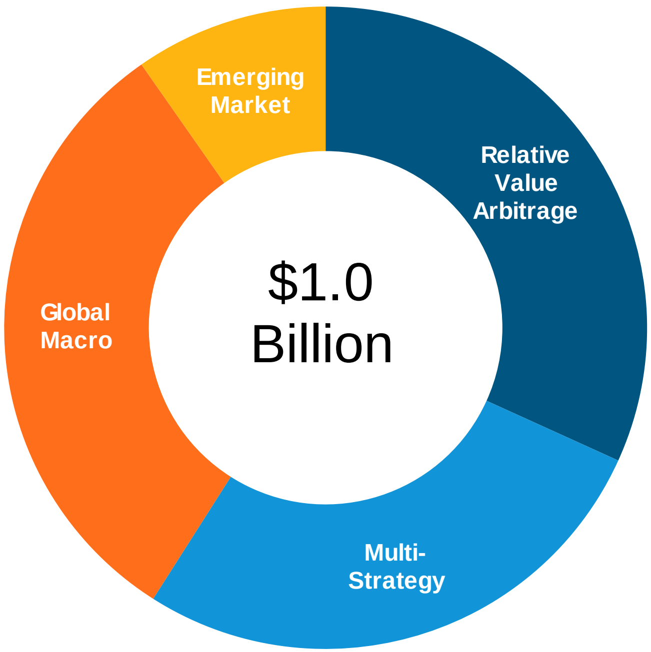
TRIP high yield is managed 100% internally.

We added value fiscal year-to-date through security selection, an underweight to energy, metals, and mining, as well as a focus on higher quality B/BB rated securities. We continue to be positioned in stronger credits with less overall yield than the benchmark. Since mid-February, a strong rebound in energy and other beaten down high yield names and sectors has caused slippage in our performance versus benchmark. We continue to believe however that a more cautious positioning is warranted as GDP growth remains slow and energy may be prone to continued volatility.

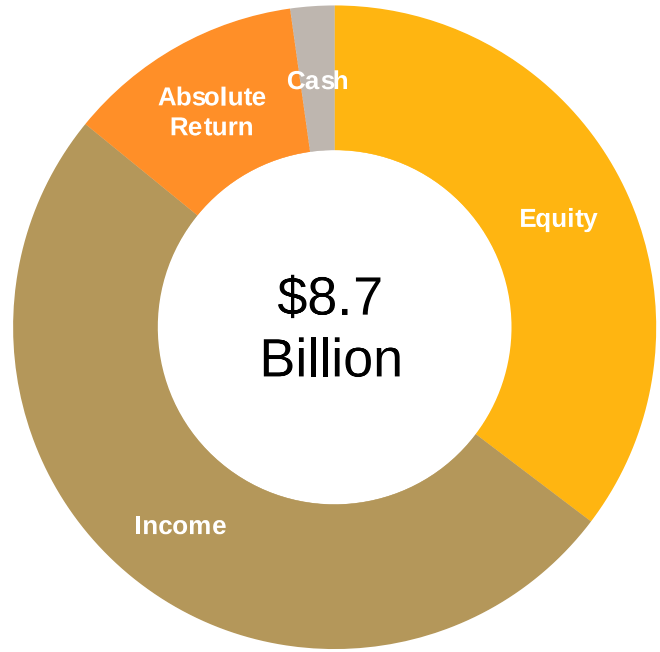
We continue to believe that the high yield market offers an opportunity to make above average returns in what we believe will be a return constrained environment in fixed income over the next couple of years.

Absolute Return

Absolute Return



Total Return



Relative Value Arbitrage: 32% **\$0.3B**	**Multi-Strategy: 27%** **\$0.3B**	**Equity: 35%** **\$3.1B**	**Income: 51%** **\$4.4B**
Global Macro: 31% **\$0.3B**	**Emerging Market: 10%** **\$0.1B**	**Absolute Return: 12%** **\$1.0B**	**Cash: 2%** **\$0.2B**

As of March 31, 2016

Absolute Return

Net Returns (%) As of March 31, 2016	Market Value ($ Million)	% Allocation	9 Month	Annualized Returns 1 Year	Since Incept
Absolute Return	**1,033**	**100%**	**-1.3**	**-2.4**	**2.4**
HFRX Absolute Return			0.0	0.9	3.0
Value Added			*-1.3*	*-3.3*	*-0.6*

*Prior to July 1, 2015, the portfolio benchmark was 50% HFRX Absolute Return + 50% HFRX Market Directional. Thereafter the benchmark has been HFRX Absolute Return.

* TRIP Absolute Return program started in August 2013.

- January and February 2016 saw an acceleration of a risk off trend that began in the prior quarter. This proved to be a challenging environment for hedge funds as many popular and crowded trades were unwound. Few hedge fund strategies were spared. As a result, the Absolute Return TRIP portfolio benefitted from having lower exposures to market directional strategies.
    - Alternative Risk Premia strategies performed well during this period; momentum strategies in particular.
    - Relative Value managers benefitted during the quarter from a number of idiosyncratic situations.
    - Global Macro managers were negatively impacted by the weakening of the US Dollar and declines in the Japanese and European equity markets.
- For fiscal year to date, the Absolute Return TRIP portfolio returned -1.3%, underperforming its benchmark by -1.3%.

Policy Benchmark

Total Return Policy Benchmark

Asset Class	Benchmark Component	Target
Equity	MSCI All Country World Index (net dividends)	35.00%
Income	Barclays U.S. Aggregate	50.00%
Absolute Return	HFRX Absolute Return Index	15.00%