Treasurer's Annual Report

One hundred and forty-third fiscal year
University of California • 2010-2011

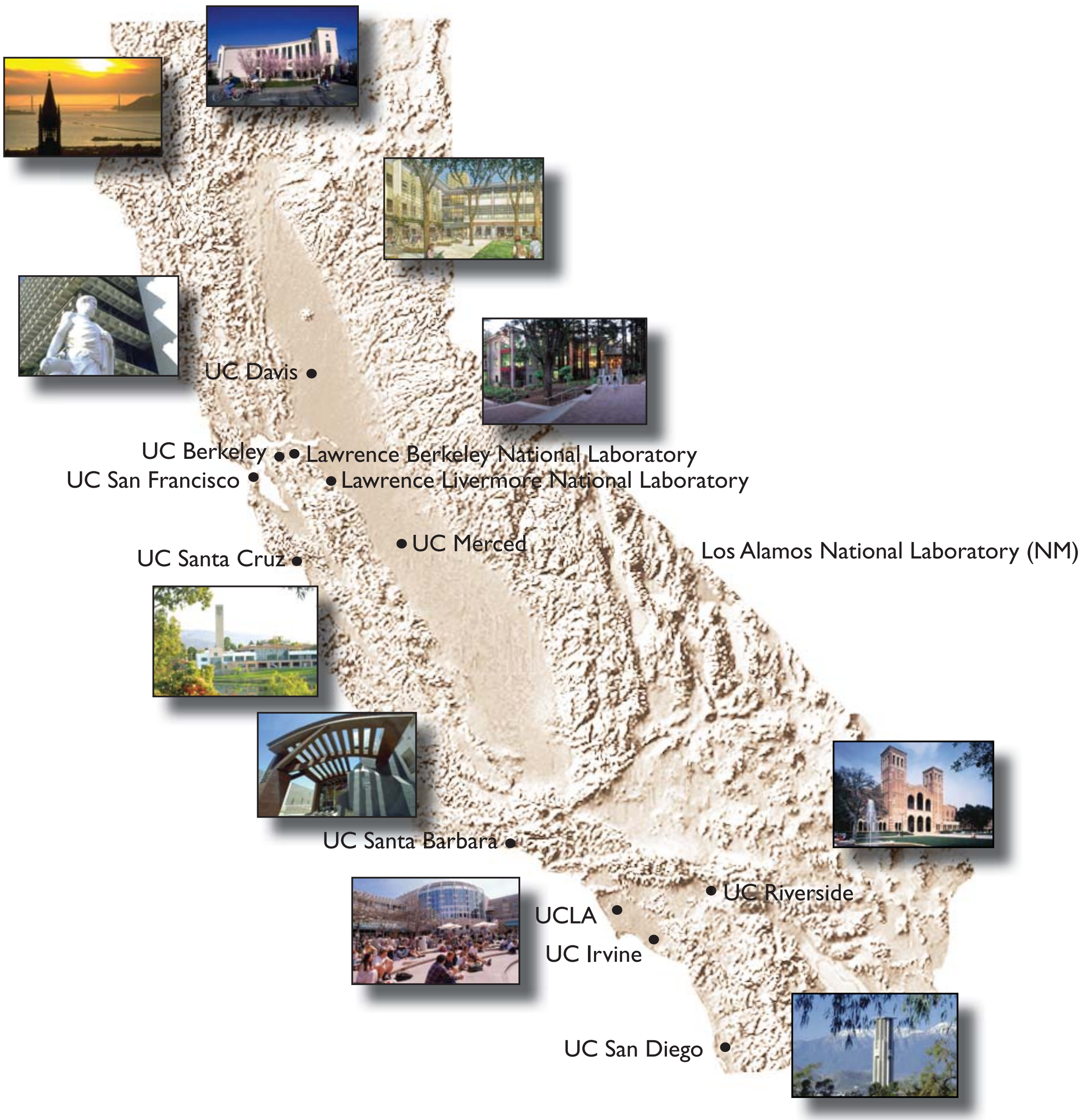
Mission Statement

The Office of the Treasurer of The Regents manages the University of California's retirement, endowment and cash assets under the policies, guidelines, and performance benchmarks established by The Regents. The Office's mission is to implement those policies and guidelines by selecting, executing, and monitoring investment strategies designed to add value over the benchmarks within a risk controlled framework. The Office adheres to high ethical as well as professional standards in serving the investment management needs of its constituency.

The University of California

The University of California is the world's premier public university with a mission of teaching, research, and public service. The UC system—founded in 1868—has 10 campuses and operates five medical centers, 15 health professional schools, four law schools, the nation's largest continuing education program, and a statewide Division of Agriculture and Natural Resources. In addition, the University is involved in the management of three national laboratories for the Department of Energy, performing cutting-edge research in fields ranging from national security to energy efficiency. The UC community includes over 235,000 enrolled students, 186,000 faculty and staff, 55,000 retirees, and over 1.6 million alumni, living and working around the world. Its Natural Reserve System manages approximately 135,000 acres of natural habitats for research, teaching, and outreach activities. It is the largest university-run system of natural reserves in the world.

Campuses and National Laboratories



Treasurer's Annual Report Fiscal 2010-2011

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FISCAL YEAR 2011 IN REVIEW

The 2010-2011 fiscal year was characterized by a growing lack of confidence in the ability of the major developed-world countries to control debt levels; stimulate their economies; and forge political unity to tackle tough issues. As economic stimulus programs expired, the strong rebound from the financial crisis faded at the end of calendar year 2010, the U.S. housing sector remained dormant, and European debt woes threatened the European Union. Corporate profits continued to grow at record levels but brought little cheer, as they failed to boost employment. Weekly jobless claims remain centered around the 400,000 level and job growth has been too slow to further lower the unemployment rate.

For the full fiscal year, real gross domestic product in the United States slowed to 1.6% from growth of 3% last year. Headline consumer price index (CPI) rose 3.6% vs 1.1% in FY 2010, and core CPI rose 1.6% vs. 0.9%.

At the same time, financial markets produced very solid returns. The Russell 3000 rose 32.2%, the MSCI World ex-U.S. (net) Index 30.3%, and the MSCI Emerging Market (net) Index 27.8%. Against most predictions, U.S. Treasury yields fell as the Fed maintained a zero-interest-rate policy, producing healthy total returns on fixed-income assets. The Barclays Capital Aggregate Bond Index gained 3.9%; the JP Morgan EMBI Global Diversified Bond Index rose 11.4%; and the Merrill Lynch High Yield Cash Pay Index, 15.3%.

In the latter part of the fiscal year, however, the markets were roiled by a constant barrage of shocks to confidence: an oil price spike in March as a result of uprisings in several Mideast and North Africa nations; supply chain disruptions resulting from the Japanese earthquake and tsunami in March; Greece requiring another bailout in June, ultimately spreading to funding concerns for other European sovereigns and banks; and the U.S. debt-ceiling crisis in July and subsequent downgrade in August. These shocks have created a negative environment for consumer, business, and investor confidence. It remains to be seen whether they are severe enough–in their present form–to create a recession.

As of October 1, the base case scenario is that Europe will piece together a more comprehensive bailout package for its high-debt nations, and the United States will institute a third form of quantitative easing (QE3) and/or job-creation programs to avoid such an outcome. However, an actual sovereign default or financial institution meltdown in Europe, along with a lack of forward progress on U.S. initiatives, could tip the scales.

MESSAGE FROM THE CHIEF INVESTMENT OFFICER

Performance: With the economy primarily in expansive mode during most of the 2010-2011 fiscal year, the University of California Retirement Plan (UCRP) and the General Endowment Pool (GEP) both delivered very strong returns. For the fiscal year ended June 30, 2011, the return of the UC Entity (the total assets managed by the Treasurer's Office) was strong, up 17.63%. The UCRP gained 22.45%, 0.81% ahead of policy, and the GEP climbed 20.49%, 2.47% ahead of policy. The Total Return Investment Pool (TRIP) returned 11.26%, underperforming its benchmark by -0.18%, due primarily to underperformance in TRIP high yield. The Short Term Investment Pool (STIP) generated an income return of 2.56% for the year, exceeding its benchmark by 2.07%.

During a strong year for risk assets, marked by episodic periods of uncertainty, all UC-managed asset classes demonstrated robust performance, with real estate rebounding this year. Manager selection was positive across nearly all our major asset classes, with absolute returns and core fixed income performing best.

The UCRP market value stood at $41.5 billion at fiscal year end and paid out benefits of $2.12 billion to UC retirees for the year. The market value of the GEP, as of June 30, 2011, was approximately $6.7 billion, or $24.08 per share.

Across all plans, the Treasurer's Office achieved strong returns while maintaining a disciplined approach to the asset allocation process in conjunction with liquidity funding needs, particularly with the UC Retirement Plan. This disciplined approach has been particularly beneficial in light of the continued uncertainty in the outlook for sustainable global recovery under reduced government support.

The Treasurer's Office manages 19 of the 24 "core funds" available to UC employees for use within the UC Retirement Savings Program—made up of the Defined Contribution, 403(b), and 457(b) plans. Total assets of the UC-managed funds were $11.6 billion as of June 30, 2011, versus $10.4 billion on June 30, 2010. The Office continues to work with Human Resources to enhance employee retirement education (ucfocusonyourfuture.com) and recordkeeping services of the program.

Governance: The Regents' responsibilities center on approving investment policy, asset allocation, benchmarks, and risk budgets and guidelines, while our Office is responsible for all aspects of implementation, including the development of processes and procedures, and the selection of investment products. Recognizing that the primary determinant of investment return and the investment risk is the overall asset allocation, our Office—under the guidance of The Regents—continues to diversify holdings to provide for the long-term needs of the University, its programs, and employees.

At the February 2011 meeting, The Regents approved adding a 2% long-term strategic asset allocation to Cross-Asset Class Strategies, with an effective date of April 1, 2011. The Cross-Asset Class Strategy seeks to provide accretive returns to the overall entity through managers who have extensive global and product reach as applied to tactical asset allocation and asset selection decision making. It incorporates the former Opportunistic asset class. Given the heightened macroeconomic and geopolitical risks in today's market environment, the strategy should also generate greater returns by seeking strategies that benefit from short-term market dislocations.

Marie N. Berggren

Service: Investment returns are the largest driver of assets available to pay benefits. The Treasurer's Office investment performance has been consistently above its benchmark. Last year, Associate CIO Melvin Stanton and I participated in the Post-Employment Benefits Task Force, which made recommendations for pension and retiree health-benefit changes to the UCRP. The work of the Task Force reinforced the belief that pension and retiree health benefits are an integral part of recruitment, retention, and a general commitment to the University community in support of its primary mission of teaching, research, and public service. It also reinforced the University's position that benefit plans must be at a cost sustainable for the decades ahead. Returning UCRP to a sound financial footing requires contributions equal to the "Annual Required Contribution," consisting of normal cost, plus an amortization charge for the unfunded liability.

The UCRP costs are funded by a combination of investment earnings, and employee and employer contributions. For 20 years, from 1990-2010, UC and its employees did not pay into the retirement plan because it had a healthy surplus. However, the economy, significant market losses, changing demographics, and other factors led to a deficit. In 2006, The Regents updated the UCRP funding policy to provide for a targeted funding level of 100% over the long term, and for University and UCRP member contributions at rates necessary to maintain that level within a range of 95–110%. In September 2010, The Regents approved of contribution increases as part of a larger effort to keep UC's retirement benefits on financially sustainable footing.

The Treasurer's Office continues to offer three programs to UC Foundations that wish to increase their portfolios' allocation to alternative investments: the Private Equity and Real Estate Vintage Year programs, and the Absolute Return Unitized Program. The benefits the UC Foundations receive by partnering with our Office include access to managers who impose high-minimum investment amounts; lower fees than those charged by funds of funds; and elimination of time spent on paperwork related to manager searches and monitoring.

Personnel: We are very pleased to have hired seven new investment professionals during the past fiscal year: one in Investment Risk Management; one in Fixed Income Investments; two in Public Equity Investments; and three in Alternative Investments (Private Equity, Real Assets, and Absolute Return). We have built a very solid team that demonstrates productive efforts despite challenging conditions. Our Office looks forward to continuing to serve the UC Regents, faculty, staff, and students.

Sincerely,

Marie N. Berggren

Marie N. Berggren
Chief Investment Officer, Vice President–Investments, and Acting Treasurer of The Regents
University of California, October 2011

LOOKING FORWARD

UC Regents' Proxy Voting

The UC Proxy Voting Policy is set by The Regents. The policy, in place since 1994, was revised in November 2000 due to the following: potential conflict of interest matters; the increasing complexity and time-consuming nature of evaluating proxy issues; and the inclusion of the Russell 3000 and MSCI EAFE index funds as a component of The Regents' equity portfolios.

The Treasurer's Office and its current custodian, State Street Bank and Trust Co., use a third-party organization called Institutional Shareholder Services, Inc. (ISS) to manage the voting process for The Regents' equity portfolios.

The proxy voting policy has worked efficiently over the years. However, the Treasurer's Office believes it appropriate to review these policies from time to time, particularly in light of the fact that the body of research surrounding environmental, social, and governance (ESG) issues has grown significantly in recent years. Hence, the Treasurer's Office staff recommended that The Regents implement the Socially Responsible Investing Proxy Voting Guidelines utilized by ISS, effective January 2011 (http://www.issgovernance.com/files/ISS2011SRIUSGuidelines.pdf).

ISS is considered to be one of the foremost authorities on proxy-voting guidelines and their Social Advisory Services division was created specifically to assist investors with balancing ESG issues with fiduciary responsibilities of maximizing shareholder values.

Change in Pool Fund Name

In August 2011, the administration of the three Charitable Asset Management (CAM) pools used by The Regents was moved to the Bank of New York Mellon (BNY Mellon) from State Street Global Advisors. The pool has been renamed Planned Giving (PG) Investments and is used for split-interest gifts, including charitable remainder trusts, pooled income funds, and charitable gift annuities.

SENIOR MANAGEMENT

MARIE N. BERGGREN, MS Chief Investment Officer, Vice President–Investments, and Acting Treasurer of The Regents

As chief investment officer, Ms. Berggren is responsible for overseeing the University of California investment portfolio. Before joining the Treasurer's Office in 2002, Ms. Berggren was executive vice president/department head of Venture Capital Investments for Bank One Corporation. While employed at Bank One and its predecessor organization, First Chicago Corporation, she was the senior vice president and department head of the Corporation's mergers and acquisitions activity. Before that she was the managing director of public equities and director of research for First Chicago Investment Advisors (the predecessor to Brinson Partners). Ms. Berggren earned her MS in management from Stanford University Graduate School of Business and a BA in economics from the College of New Rochelle.

MELVIN L. STANTON, MBA Associate Chief Investment Officer

Mr. Stanton, along with the Treasurer, is responsible for the overall management of the Treasurer's Office. Before joining the Treasurer's Office in 1989, Mr. Stanton had more than 13 years of experience as a financial executive in portfolio management and securities trading, including director of sales for Midland Montagu Securities, Inc., San Francisco; first vice president and manager with Crocker National Bank, San Francisco; and vice president and regional sales manager with Bankers Trust Company, Los Angeles. He received his MBA and BS degrees from California State University, Northridge.

RANDOLPH E. WEDDING, MBA Senior Managing Director – Fixed-Income Investments

Mr. Wedding is responsible for the strategic focus and management of the long- and short-term fixed-income portfolios. Before joining the Treasurer's Office in 1998, he was manager of currency options and derivatives trading for Bank of America, NT&SA, New York; managing director, commodities and derivative sales for Bear Stearns & Co., New York; and principal, manager of fixed-income derivative sales for Morgan Stanley & Co., New York. Mr. Wedding began his career with Wells Fargo Bank, responsible for the Bank's Fixed Income Portfolio. He earned his MBA in finance from the University of California, Berkeley, and BA in mathematics from the University of California, San Diego.

JESSE L. PHILLIPS, CFA, MBA, MA Senior Managing Director – Investment Risk Management

Mr. Phillips is responsible for integrating risk monitoring, measurement, and management into all aspects of the investment process. Before joining the Treasurer's Office in 2002, Mr. Phillips worked at Northrop Grumman for 11 years, first as corporate M&A analyst and then as manager, risk analysis and research in the Treasury Department. Mr. Phillips also worked as corporate planning analyst with Florida Power & Light Company and as senior financial analyst with Storer Communications, Inc., both in Miami, Florida. He earned his BA degree in mathematics/economics and MA in applied mathematics from the University of California, Los Angeles, and his MBA in finance from the University of Miami. Mr. Phillips is a CPA (Florida) and holds the CFA designation.

WILLIAM J. COAKER, CFA, MBA Senior Managing Director – Public Equity

Mr. Coaker is responsible for overseeing all externally managed public equity funds and activities with overall responsibility for executing an investment strategy that generates optimal total return relative to risk taken. Before joining the Treasurer's Office in 2008, he was a senior investment officer for San Francisco City-County Employees Retirement System. Mr. Coaker has also served as CIO, controller at Bishop Clinch Endowment and the Diocese of Monterey. He earned his BS degree in accounting from Loyola Marymount University and his MBA from Golden Gate University. Mr. Coaker holds the CFA, CFP, and CIMA designations.

INVESTMENT MANAGEMENT OVERVIEW

The investment funds managed by the Treasurer of The Regents consist of the University's retirement, defined contribution and endowment funds, as well as the system's cash assets. As of June 30, 2011, the Treasurer's Office managed $71.5 billion in total assets, as outlined below.

TOTAL MARKET VALUE OF ALL ASSETS[1]
June 30, 2011
($ in billions)

University of California Retirement Plan (UCRP)[2]	41.8
Defined Contribution Plan Funds	11.9
General Endowment Pool (GEP) and Other Endowments[2]	7.5
Short Term Investment Pool (STIP)[3]	7.3
Total Return Investment Pool (TRIP)	3.1
Total Funds	$71.5

The Treasurer's Office investment management staff includes 35 investment professionals with an average of 18 years of investment experience.

INVESTMENT OBJECTIVES AND PHILOSOPHY

The investment objective for all funds under management is to maximize long-term total returns while assuming appropriate levels of risk. Because the purpose of each fund is unique, The Regents have established the following specific objectives for each fund, along with the overall goals of exceeding the policy benchmark return and the rate of inflation:

RETIREMENT FUNDS:

For the University of California Retirement Plan: Maximize the probability of meeting the Plan's liabilities, subject to The Regents' funding policy, and preserve the real (inflation adjusted) purchasing power of assets.

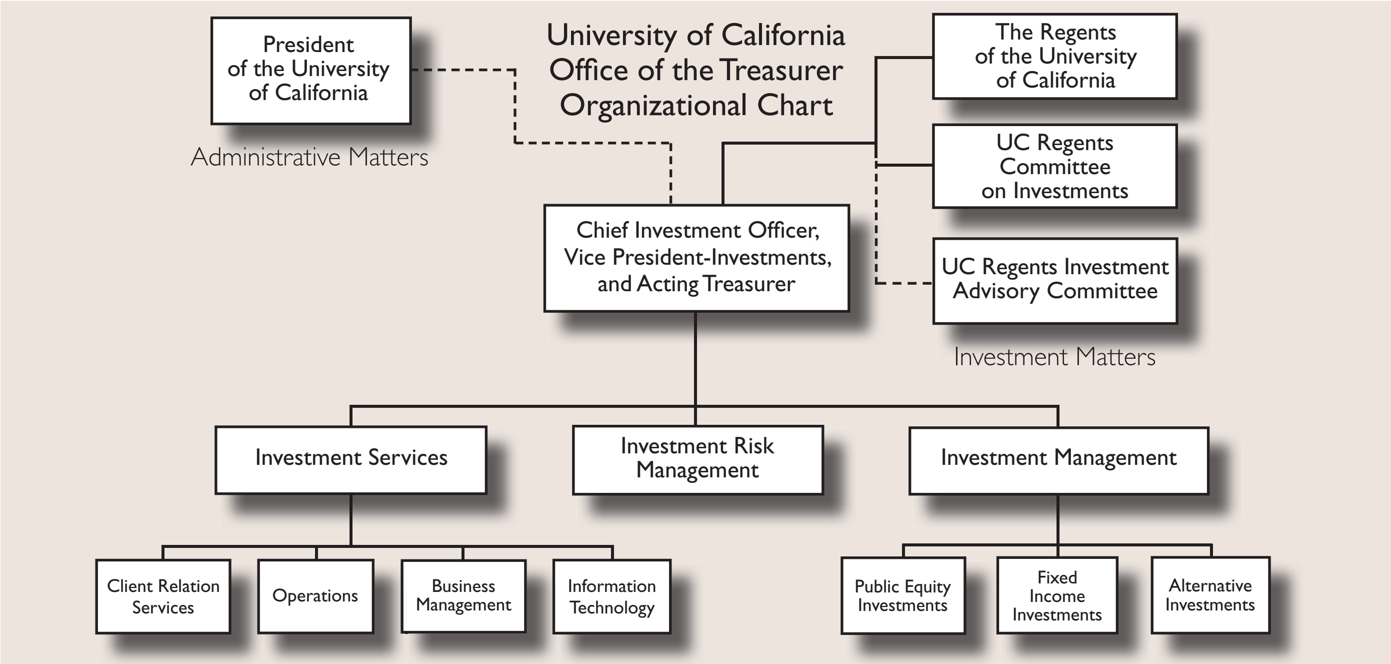
For the University-Managed Defined Contribution Funds: Meet stated investment objectives for each fund.

ENDOWED FUNDS:

Maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets and preserve the real (inflation-adjusted) purchasing power of assets.

ASSET ALLOCATION

Asset allocation is the primary determinant of long-term investment returns. UC funds are diversified among global equities, fixed-income securities, and other non-marketable investments, within The Regents' target allocation (see pages 17, 24, and 30). Historically, portfolio asset allocation has favored equity investments over fixed-income securities due to the expectation that equities will provide higher total returns over the long term, albeit with greater year-to-year volatility.



[1] Market values include other endowments and CAM assets and is net of the STIP balances in other portfolios. The method of rounding may produce the appearance of minor inconsistencies in various totals but the differences do not affect the accuracy of the data.

[2] UCRP and GEP market values shown here do not tie to those shown elsewhere in the report because of cash flows and different valuation dates for Real Estate and Absolute Returns.

[3] STIP asset value is stated at amortized book value plus accrued interest and excludes the cash invested for, and reported as part of, the UCRP, Defined Contribution, and Endowment Funds.

The asset allocations for the UCRP and GEP are developed as follows: First, several near-term economic scenarios are developed, and then expected return and risk for each asset class is simulated based on each economic environment and current valuations. Second, a set of efficient portfolios for each scenario is developed ("efficient" means maximized expected return for a given level of downside risk). Third, the assets and liabilities (pension benefits or endowment spending) are modeled under alternative economic scenarios and different efficient portfolio mixes. Fourth, given informed views of the likelihood of each scenario, a single portfolio is developed which optimizes return across all scenarios; this is then presented to The Regents for approval.

The Portfolio Management Group meets weekly to review asset allocation, portfolio performance, and market conditions. Asset allocation rebalancing is initiated when asset-class weights move out of the allowable range. The Treasurer decides on the timing and extent of the rebalancing, within The Regents' policy, based on market conditions.

PUBLIC EQUITY INVESTING

The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to Public Equity. Equity assets are segmented into U.S., Non-U.S. Developed, Non-U.S. Emerging Markets, and Global asset classes.

The initial steps in the investment process are to evaluate the investment opportunity set and forecast the risk/return trade-off in each segment of the market. For example, the market may be segmented by style, such as growth or value, capitalization size, industrial sector, or in the case of non-U.S. companies, region or country. Then a portfolio of these market factors is constructed to maximize expected return at a level of volatility that is comparable to the overall market. Next, the team determines which strategies best fit each market segment. Strategies include fundamental research, top-down, and quantitative, and will exhibit various approaches to idea generation and portfolio construction.

The final step is to select investment products (managers) for each strategy, typically looking for several products per strategy to diversify the risk. Managers must have sound organizational structures, experienced people, consistency between philosophy and implementation, an investment process that makes sense as a source of earning excess returns, effective operational controls, and strong risk management. The manager hiring process includes multiple meetings with each manager and their staff of analysts, a comprehensive "request for information" (RFI) of approximately 150 questions, onsite visits, an examination of the managers' factor exposures over their history, and the fit of managers within a multiple manager portfolio.

After managers are selected, the combined exposures of all the managers are compared to the benchmark to ensure that the aggregate portfolio does not result in unintended risk.

After managers are hired, considerable time is spent in monitoring them on an ongoing basis, which includes completion of a quarterly questionnaire, quarterly calls, on-site visits, and analysis of holdings, performance, and risk.

The combined assets in each of the asset classes are monitored under investment guidelines established by The Regents. Each asset class is managed according to a risk budget framework set by The Regents. The allocation between passive and active strategies is determined by both the risk budget and the opportunities to add value to the benchmark for each asset class.

As of June 30, 2011, Public Equities represented 46% of GEP and 58% of UCRP. For UCRP, 30% of the U.S. equity portfolio and 32% of the Non-U.S. Equity portfolio are actively managed by a total of 29 external managers. For GEP, 34% of the U.S. equity portfolio and 47% of the Non-U.S. Equity portfolio is actively managed, also by 29 external managers. Emerging markets for UCRP and GEP are, on average, 93% actively managed by 10 firms.

FIXED INCOME INVESTING

Within the primary goal of maximizing total return over a long-term horizon, the members of the Treasurer's Office Fixed Income Team take an active approach to managing the portfolios, focusing on safety of principal, credit quality, liquidity and efficient use of risk. They start with a "top-down" approach to evaluate the global macroeconomic environment, including analysis of business cycles, monetary and fiscal policies, and political backdrops, in order to assign appropriate sector weights and duration exposure among the three core sectors of government, credit, and collateralized bonds. This is coupled with a "bottom-up" approach to individual security selection. Each portfolio manager utilizes a variety of proprietary and industry-developed analytical tools best suited for the particular sector, emphasizing rigorous analysis of such factors as yield curve exposures, portfolio duration and convexity, credit fundamentals, relative value, and position weights.

The portfolio managers closely monitor current and prospective investments on a daily basis. New opportunities are identified and existing positions are adjusted, as appropriate. The team and representatives from the Risk Management Group meet monthly to review performance


and portfolio exposures. In addition, monthly Fixed Income meetings—which include investment professionals from all assets classes—review performance, Fixed Income market trends, and current economic assumptions. Potential new products and strategies are also presented at these sessions before seeking the Treasurer's approval. This combination of rigorous fundamental and quantitative analysis within an active risk management framework has produced a history of successful returns for The Regents' fixed income funds.

Inflation-indexed bonds (TIPS) are included in the overall asset allocation to achieve the objective of maximizing long-term total real returns. The low correlation of TIPS returns with other asset classes also increases portfolio diversification. The objective of this strategy is to replicate the performance of the U.S. TIPS market.

The Fixed Income investments also include allocations to Emerging Markets and U.S. Domestic High-Yield Debt. The allocations are intended to improve the risk/reward profile of Fixed Income and the overall asset allocation. These funds are managed both internally and externally.

The Treasurer's Office also manages the Short Term Investment Pool (STIP) for the benefit of numerous University groups. The STIP portfolio managers participate in the fixed-income process with the Fixed Income Team, as outlined above; however, they place a greater emphasis on generating current income in the execution of two major mandates.

The first is to insure that the daily liquidity needs of the University are met by investing an appropriate portion of total assets in short-term money-market instruments at attractive yields relative to the desired quality. The second is to maximize the interest income paid to participants by investing the remaining funds not required for immediate expenditure in a variety of government and corporate bonds with maturities up to 5½ years. The maturity restrictions and emphasis on quality assets help minimize the price volatility of the overall portfolio. The STIP has achieved an impressive long-term record of above-market interest-income returns.

As of June 30, 2011, the allocations to Fixed Income securities were 16% of the GEP and 23% of the UCRP.

ALTERNATIVE INVESTING

Absolute Return

For Absolute Return (AR) investments, the Treasurer's Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Treasurer's Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event driven and other "hedge fund" strategies. Currently, the AR portfolio is benchmarked to an index comprised of 50% absolute-return, low market exposure strategies and 50% directional, higher market exposure strategies.

In addition to focusing on strategy diversification, much emphasis is placed on manager selection. After an extensive due diligence process, managers are selected based on a variety of criteria, including their contributions to the overall risk and return of the overall portfolio. The AR portfolio currently is invested with 39 funds across a broad mix of managers and styles. The number of core managers may vary from time to time but is expected to remain between 30 and 40 to maintain adequate diversification of strategies and managers without diluting returns. The Treasurer's Office has been able to invest with established and accomplished managers, including some that are no longer open to new investors.

Another critical element of the AR program is the ongoing monitoring of the investments. The Treasurer's Office has regular contact with the investment managers to review adherence to the expected investment style, personnel turnover, performance and other issues to ensure the appropriate investments and allocations for the program. Quantitative and qualitative measures are an integral part of the investment process. In addition, the AR team works with a consultant that specializes in AR strategies to supplement the capabilities of the team.

As of June 30, 2011, the allocations to AR strategies were approximately 23% of the GEP and 7% of the UCRP.

Private Equity

The Regents of the University of California recognize the benefits of including Private Equity investments as an integral part of the diversified asset pool of the Treasurer's investment program. The long-term strategic objective of the Private Equity program is to develop and maintain adequate exposure to a select group of buyout and venture capital investments in order to reduce the overall risk of The Regents' portfolio through added diversification and to generate attractive long-term rates of return. Indeed, long-term return expectations for Private Equity as an asset class stand several hundred basis points above public market indices.

The UC Regents have been long-standing investors in the asset class. The Regents began the Private Equity program in the 1970s, initially investing directly in a number of private companies and, starting in 1979, emphasizing investments in established West Coast venture-capital funds, which primarily focused on early-stage investments in technology. The Regents' participation in venture capital was based on an early insight into the importance of technology industries to the State of California, the unique position the University holds within the state, and the University's unique contributions to and benefits derived from these industries. As one of the first investors in Silicon Valley, The Regents have formed long-standing relationships with some of the premier venture capital groups and have built a reputation as an active and sophisticated partner. Since 2002, the Private Equity program has also been diversifying its Private Equity investment strategy to include buyout funds and select new relationships.

The process of successfully investing in private equity is resource intensive and requires a high degree of specialized expertise. Consequently, The Regents' Private Equity program continuously strives to incorporate "best practices" from across the investment world and to attract professionals who contribute a positive impact on both decisions and processes used by the team. In addition, because it is extremely difficult to "time" the private equity market, the Private Equity team is focused on building a strategically consistent portfolio of select partnerships to generate superior investment performance over long cycles. The team dedicates careful attention to identifying managers with a superior track record in selecting technologies, companies, and industries with the highest potential for value creation. In addition to active portfolio management and oversight, the team works with its private equity consultant to review potential investment opportunities on a periodic basis.

As of June 30, 2011, the allocations to Private Equity were 8% of the GEP and 7% of the UCRP.

Real Assets

The Regents of the University of California approved a Real Assets allocation in March 2010 with an effective date of April 1, 2010. Real Assets have four key investment objectives for the University of California Regents. These objectives for Real Assets are inflation protection, enhanced portfolio returns, strong cash yields and low correlation to other assets in the portfolio. On March 17, 2011, The Regents approved a 3% long-term target allocation with a current policy allocation of 1%. Staff expects that it will take a number of years to appropriately build up the portfolio to its long-term target.

The process of investing in Real Assets, consistent with other private-market investing, is resource intensive. Recognizing the synergies across other investments, the Treasurer's Office utilizes cross-functional expertise to provide the best investment capability. The Regents' Real Assets program implements "best practices" from across the institution to leverage our longstanding private market investing. The Real Assets team seeks a broad array of investment opportunities that meet our investment objectives, and complement each other and the overall UC portfolio. In addition to actively monitoring and conducting due diligence with internal resources, the team also works with several existing Alternative Investment consultants to review potential investment opportunities.

The Opportunistic program, approved by The Regents in March 2010, was folded into the Real Assets program in March 2011.

As of June 30, 2011, the allocation to Real Assets was 1% of the GEP and 1% of the UCRP.

Cross-Asset Class Strategy

The Cross-Asset Class Strategy (CAC) is at the forefront of institutional portfolio construction, as this is gaining significant institutional interest but has not yet been widely adopted. As the investment universe continues to evolve and be more complex, the University of California is seeking innovative ways to create value and enhance returns. The 2008/2009 financial crisis has been a catalyst for new approaches to portfolio construction and the Cross-Asset Class Strategy was developed over the course of the financial crisis to provide more flexibility to asset allocation. The Regents formally approved the CAC Strategy on February 22, 2011, with a 2% long-term strategic allocation. However, the history of CAC goes back to March 2010 when The Regents approved a 0.5% allocation to an Opportunistic program focused on taking advantage of the dynamic investment environment at that time. The key objective of the CAC Strategy is to identify and invest in assets that provide attractive risk adjusted returns that are beneficial to the UCRP and GEP plans through investments that cut across the various asset class silos. The CAC team collaborates with various asset-classe managers to draw on the deep expertise across the institution to properly evaluate investment strategies that work across groups.

The UC Cross-Asset Class Strategy is a small stable of strategic partnerships with asset managers that generally have expertise globally across a broad array of asset areas. These managers are expected, over time, to outperform the UCRP and GEP portfolios through both strategic asset allocation decisions and more frequent and flexible



tactical asset allocation decisions by the managers. Tactical asset allocation refers to the short-term changes in asset class weightings; whereas, strategic asset allocation refers to the long-term target-asset class weights and portfolio construction. In addition, we expect the managers to contribute to the Treasurer's Office above and beyond managing a specific Cross-Asset Class mandate as a strategic partner. We are seeking partners willing to be part of an "idea engine" and surface new investment ideas that the University is able to implement across other asset classes. In addition, we are seeking market insights into tactical asset allocation decisions based on an evolving financial market. These insights will be used to improve our own internal asset allocation decisions on the entire set of assets managed by the Treasurer's Office. As a result, the frequency and depth of involvement with our strategic partners will be more than the typical managers as we transfer knowledge and extract value from our strategic partners across asset classes.

As of June 30, 2011, the allocation to Cross-Asset Class Strategy was 0.8% of the GEP and 0.9% of the UCRP.

Real Estate

The Real Estate program is now entering its sixth year of portfolio building. The Real Estate portfolio is currently comprised of an allocation to Private Real Estate and a smaller exposure to Public Real Estate securities. The Private Real Estate portion is invested via commingled funds and separately managed accounts. The commingled funds include both open-end funds with a perpetual life and periodic liquidity, and closed-end funds with a fixed term and no exit permitted until the fund is liquidated. Assets are also acquired directly via the separately managed accounts. Direct Real Estate was initially included in UCRP only; however, it has now been added to the GEP portfolio, as well.

Open-end funds are generally comprised of large pools of diversified, income-producing assets. These investments serve as a good foundation for the portfolio by providing broad market exposure and immediate diversification. Closed-end funds, though less liquid, offer a wider variety of investment strategies and the full spectrum of risk-return profiles. Separately managed accounts provide tactical flexibility and control in the portfolio while maintaining some discretion over liquidity.

UC paced its commitments to Real Estate investments with an aim to be fully committed over the course of about five years. As such, there remains more than $700 million in unfunded commitments in the Private Real Estate portfolio (including separate accounts and commingled funds), a significant reserve of capital that is poised and ready to invest into lower pricing in a post-correction market.

The existing portfolio is constructed with considerable flexibility, which may be used to reposition or adjust the strategy given changing market conditions. More than 40% of UC's investment commitments are to structures that provide some liquidity (for example, separate accounts, open-end funds, and Real Estate Investment Trusts [REITs]). In addition, about $390 million of the unfunded commitments are to separate accounts and may be rescinded at any time.

As of June 30, 2011, the GEP Real Estate portfolio was valued at $349.8 million and was 5.2% of the GEP. The UCRP Real Estate portfolio was valued at $1.7 billion and represented a 4.2% allocation. Long-term target allocations are 7.5% and 7.0%, respectively. Ninety percent of the total plan investments are in the U.S. and 10% is invested throughout the rest of the world, primarily in Europe and Asia.

RISK MANAGEMENT

Investors perceive risk as the possibility of a loss, which they accept in order to achieve their investment goals. Thus, investors accept risk to earn returns. In modern investment theory and practice, risk refers to the inherent uncertainty of outcomes and is often proxied by the volatility of asset returns or the expected loss in extreme environments. Because risk is an essential aspect of investing, Risk Management does not aim to eliminate or necessarily reduce risk but to balance risk and expected return. As Benjamin Graham said, "The essence of investment management is the management of risks, not the management of returns."

The primary objective of the Risk Management team is to ensure that the Treasurer's Office investment and operational activities do not expose the University to potential or unexpected losses beyond The Regents' risk-tolerance levels. This process involves three steps: 1) to identify risks and the range of possible losses; 2) to implement policies, guidelines, and controls on the investment process to maintain the probability of loss within acceptable limits; and 3) to integrate risk monitoring, measurement, and analysis into all aspects of the investment process.

At the portfolio level, both qualitative and quantitative aspects of risk are monitored or measured to ensure that risk levels are proportional to return expectations, and that risk is taken intentionally and diversified optimally. At the plan level, Risk Management focuses on the adequacy of assets to pay promised benefits or to support spending policies. Other key components of the risk management process include scenario analysis and stress testing key assumptions. A key element of modern and traditional risk management is diversification across asset classes, strategies, and securities.

Risk exposures are continually monitored, compared to targets, and altered when appropriate. Pension plan risk factors include asset volatility, inflation, and interest rates. Equity risk factors include economic activity, market psychology, style factors (e.g., relative value, capitalization size), and industry membership. Fixed-income risk factors include interest-rate volatility, term structure, credit quality, mortgage prepayments, currency, and liquidity. Private-equity and real-estate risk factors include local economic activity, industry fundamentals, and business risk. Absolute-return risk factors include the equity and fixed-income factors defined above, and the degree to which they are offsetting, hedged, or diversified.

Risk measurement is the first step in a process known as risk budgeting. Risk budgeting involves two additional steps: 1) determining the overall amount of risk required to meet a given investment objective and 2) budgeting or allocating it in an optimal manner. Optimal use of risk means constructing a fund so that, at the margin, the contribution to expected return of each sector, portfolio, or asset class is proportional to its estimated contribution to risk. This process is being implemented in the Treasurer's Office and integrated into the asset allocation and rebalancing process.

INVESTMENT SERVICES

Operations

Supporting the management of the portfolios is an experienced Operations staff consisting of a director, assistant director, and supervisor with an average of 23 years of experience in banking and/or investment operations and six analysts with an average of 16 years of experience in investment accounting and operations. This unit is responsible for investment accounting and reporting, as well as the central management of all cash services for the University.

In addition to tracking and monitoring all investment security transactions and holdings, the Investment Operations staff verifies and analyzes the returns prepared by the custodian bank (State Street Corporation), prepares performance and holdings reports, and provides investment accounting entries for input into the UCOP Endowment and Investment Accounting general ledger.

A well-established custodial relationship with State Street Corporation, a leading industry provider, ensures sound safekeeping and recording of assets. In addition, State Street Corporation has been the official book of record for the investment portfolios since June 2002. Among other functions, State Street provides independent calculations of the monthly performance data that is reported for the various portfolios and for all of the UC Campus Foundations.

Information Systems

The management of the portfolios is also supported by state-of-the-art information systems. Support of these systems is performed by a financial and systems analyst who is responsible for all information technology functions within the Treasurer's Office, including system integration with third-party applications such as Bloomberg L.P., Barra One, and State Street. The financial and systems analyst also develops and integrates in-house applications and databases to further support the mission of the Treasurer's Office. Custom workflow software allows the financial and systems analyst to manage and run reports or perform calculations for the Treasurer's Office using Microsoft Visual C# .NET, Microsoft SQL Server, and Crystal Reports for Visual Studio .NET.

Client Relation Services

The Client Relation Services group serves as an information agent for the Treasurer's Office. The group's many roles include collecting, organizing, and presenting information related to the selection, execution, performance, and monitoring of the University's investment portfolios in communication materials for the Board of Regents, Campus Foundations, and other stakeholder groups.

In addition to producing communication materials, the group serves as strategic counsel to the investment management team for best practices in presenting strategies, objectives, and performance for the investment portfolios. The group also oversees the Treasurer's Office website.

Business Management

Supporting the management of the portfolios is a Business Management staff. This unit is responsible for administrative and non-investment operational matters in the Office of the Treasurer, which include internal and external audit issues, business accounting, contract negotiations, human resources, budget, accounts payable, supply and equipment inventory, control and maintenance, space planning, and security.



A WORD ABOUT BENCHMARKS

The primary objective of a performance report is to answer the question: what happened to our investments during the last quarter or year? However, investors, fiduciaries, and other interested parties should not stop there. They should follow up with two more questions: What happened to our investments relative to our investment goals and objectives, and how much risk was taken to achieve those returns? Finding meaningful answers to these questions requires the selection of, and comparison of performance to, a diversified basket of similar securities of similar risk known as a *benchmark*.

While an investor may state that his or her *long-term goal* is to preserve purchasing power and increase assets by 5% in real terms, an investment program is best articulated in terms of an *asset allocation*. An asset allocation is the formal policy describing investments in terms of broad asset classes. A policy could be as simple as stating the percentage of assets to be invested in equities, fixed income, and cash equivalents, or it could be more detailed, e.g., further segmentation of equity into U.S. stocks, non-U.S. stocks, and private equity.

Once a policy allocation is set, the natural (and best) benchmark for an asset class is an investible market index that most closely represents the asset class, such as the Russell 3000 Index for U.S. stocks or the Barclays Capital Aggregate Bond Index for U.S. bonds. Market indices are good benchmarks in that they represent the investor's "opportunity cost," i.e., an institutional investor usually can earn the index return via a low-cost passively managed portfolio.

A policy benchmark for a multi-asset class fund (such as the UCRP or GEP) can be a blend of indices, each weighted by the percentage it represents in the asset allocation, e.g., 65% Russell 3000 + 35% Barclays Capital Aggregate. Although targets may be set for the percentages of assets in each category, it is customary to allow for a range around each target, to avoid frequent and costly rebalancing, and to allow for tactical deviations from policy when market conditions warrant (see range example on page 17).

When compared to its policy benchmark, a fund's investment performance reveals at least two things. First, has the fund added value by allocating assets differently than the policy percentages? And second, have the investments chosen within each asset class added value over their class benchmarks? This information is called a *performance attribution*, and it can be derived for each component of the total fund to understand further where and how value was added.

It is also natural to ask, how did the fund perform relative to those funds of peer institutions? This answer is not so straightforward. This is because other institutions usually have different investment objectives and risk tolerance and may utilize asset allocations that differ from their peers' and thus are expected to perform differently. This is especially true in the case of endowments and foundations. Before comparing performance, it is important to compare the asset allocation policies and designated benchmarks.

Criteria for the selection of a benchmark

Unambiguous	The names and weights of securities comprising the benchmark are clearly delineated.
Investable	The option is to forego active management and simply replicate the benchmark.
Measurable	It is possible to readily calculate the benchmark's return on a reasonably frequent basis.
Appropriate	The benchmark is consistent with the investment preferences of The Regents' Committee on Investments.
Specified in Advance	The benchmark is constructed prior to the start of an evaluation period.
Reflects Current Investment Opinion	Investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

An in-depth look at the UC Cross-Asset Class Strategy

WHAT IS A CROSS-ASSET CLASS STRATEGY?

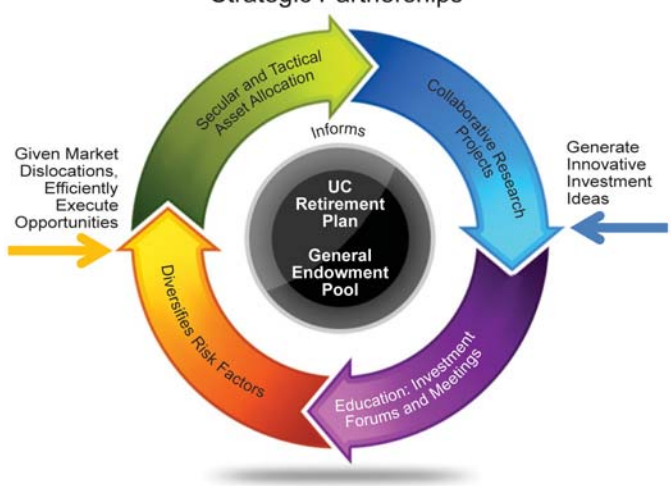
The Cross-Asset Class Allocation is a strategy that is at the forefront of institutional portfolio construction. As the investment universe continues to evolve and be more complex, the University of California is seeking innovative ways to create value and enhance returns. The recent financial crisis has been a catalyst for new approaches to portfolio construction, and the Cross-Asset Class (CAC) Strategy was developed during and after the financial crisis to provide more flexibility to asset allocation.

The UC Cross-Asset Class Strategy is comprised of a small stable of strategic partnerships with asset managers that have expertise globally across a broad array of asset areas. Examples of these various asset areas are developed market equities, emerging market equities, corporate credits, sovereign credits, asset backed securities, currencies, commodities, volatility management, tail hedging, etc. Our strategic partners are expected over time to outperform the UCRP and GEP policy portfolios, through both strategic asset allocation decisions and more frequent and flexible tactical asset allocation decisions by the managers. Tactical-asset allocation refers to the short-term changes in asset-class weightings; whereas, strategic asset allocation refers to the long-term target asset-class weights and portfolio construction.

The first aspect of the strategic partnerships is a differentiated Strategic Asset Allocation versus the UC's target portfolio. The managers selected for the CAC have specific skills that allow them to utilize innovative investment strategies that would otherwise be difficult for the Treasurer's Office to implement. We are seeking a variety of manager strategies that when combined further diversify the portfolio. One example of a differentiated strategy that is being used by one of the managers is a risk-parity strategy. For this particular manager, the portfolio is built with equal risk exposure to the following four risks: inflation risk, credit/default risk, interest rate risk, and equity risk.

The second aspect of the strategic partnerships is a tactical asset allocation component, which is to construct liquid portfolios built around the manager's ability to rotate asset betas quickly and cheaply based on relative value. An example of a market beta for U.S. public equities would be the Russell 3000 index, which is made up of the largest 3,000 U.S. public stocks and represents about 98% of the investable public equities in the U.S. Hence, the beta is simply the index that is the proxy for a specific market or segment. This asset beta rotation will be coupled with selective active management where managers can generate excess returns from active security selection, more commonly known as alpha.

Cross-Asset Class Strategic Partnerships



The third aspect of the strategy is opportunistic investments. While the core of the portfolio is focused on strategic and tactical asset allocation, a component of the strategy is focused on being nimble and flexible to take advantage of opportunistic and innovative investments that may involve multiple asset classes and are not covered in the traditional asset classes. In addition, the University expects our selected strategic partners to be an additional source of idea generation for new investment opportunities in the traditional asset classes.

HOW DOES A STRATEGIC PARTNERSHIP WORK?

A strategic partner is expected to contribute to the Treasurer's Office above and beyond managing a specific Cross-Asset Class mandate. We are seeking partners willing to be part of the "idea engine" and surface new investment ideas that the University is able to implement across other asset classes. In addition, we are seeking market insights into tactical asset allocation decisions based on an evolving financial market. These insights will be used to improve our own internal asset allocation decisions on the entire $70 billion plus portfolio managed by the Treasurer's Office. As a result, the frequency and depth of involvement with our strategic partners will be more than a typical manager as we transfer knowledge and extract value from our strategic partners across asset classes. The University is also looking to leverage our strategic partner's research capabilities and provide customized analysis that addresses specific issues facing the University and other investors. We may ask a strategic partner to assist the Treasurer's Office in evaluating a specific risk in our portfolio and recommend solutions on how to mitigate that risk. Another example would be evaluating potential tail-risk hedging options, to protect the portfolio from a severe market dislocation.

UC APPROACH

The University of California's approach to building a Cross-Asset Class Strategy began more than a year ago. The strategy was formulated with input from all of the asset-class leaders, including risk management and the chief investment officer. Staff conducted a peer review to identify best practices in this emerging area of portfolio construction and then refined the strategy to best meet the needs of the UC portfolio. The strategy will be implemented using both highly customized accounts as well as commingled accounts in funds that have an accretive strategy to the Cross-Asset Class portfolio. The portfolio will be constructed in a complementary manner, taking into consideration both the strategic asset-allocation beta exposures, as well as the alpha contributions from tactical asset allocation.

The Cross-Asset Class team has conducted thorough due diligence on new strategic partners and has worked collaboratively with other asset-class team members, as appropriate.

LOOKING AHEAD

The Regents approved a 2% long-term allocation in March 2011 for both the UCRP and the GEP. The investment staff has completed the due diligence process on potential strategic partners and is in the process of implementing the strategy during the second half of 2011. Staff expects the portfolio to be fully built out by December 31, 2011, and is expected to be slightly less than $1 billion at current valuations. Given the current market uncertainty, the Cross-Asset Class Strategy is very timely and has the potential to perform well in the current market conditions. This is an evolving strategy that will be modified for continuous improvement as we experience the benefits of the strategic partnerships.

UC TREASURER'S OFFICE
CROSS-ASSET CLASS INVESTMENT MANAGERS

Aileen Liu, Investment Officer
and
Timothy Recker, Managing Director,
Private Equity, Real Assets, Cross-Asset Class

General Endowment Pool (GEP)

Established in 1933, and unitized in 1958, the General Endowment Pool (GEP) is The Regents' primary investment vehicle for endowed gift funds. The GEP is comprised of over 4,909 individual endowments that support the University's mission. The GEP is a balanced portfolio of equities, fixed-income securities, and alternative investments in which all endowment funds participate, unless payout needs require otherwise.

GENERAL ENDOWMENT POOL (GEP)
Summary of Investments[1] ($ in thousands)

	June 30, 2011		June 30, 2010	
GENERAL ENDOWMENT POOL	Market Value	% of Pool	Market Value	% of Pool
EQUITIES				
U.S. Equity	$1,353,136	20.1%	$1,103,152	19.3%
Non-U.S. Equity-Developed	1,258,106	18.7	992,550	17.3
Emerging Market Equity	344,215	5.1	276,691	4.8
Global Equity	136,985	2.0	106,722	1.9
TOTAL EQUITIES	$3,092,442	45.9%	$2,479,115	43.3%
FIXED-INCOME SECURITIES				
U.S. Core Fixed Income	$461,653	6.9%	$513,782	9.0%
High-Yield Debt	197,177	2.9	168,821	2.9
Emerging Market Debt	181,036	2.7	181,107	3.2
TIPS	227,677	3.4	214,933	3.8
TOTAL FIXED-INCOME SECURITIES	$1,067,543	15.9%	$1,078,643	18.8%
ALTERNATIVE ASSETS				
Absolute Return, Diversified	$1,518,236	22.5%	$1,432,248	25.0%
Absolute Return, Cross-Asset Class[2]	53,003	0.8	62,855[3]	1.1
Private Equity	512,721	7.6	411,930	7.2
Real Assets	72,641	1.1	9,500	0.2
Real Estate	349,795	5.2	180,643	3.2
TOTAL ALTERNATIVES	$2,509,396	37.2%	$2,097,176	36.6%
LIQUIDITY PORTFOLIO	64,666	1.0	68,241	1.2
TOTAL GENERAL ENDOWMENT POOL	$6,731,047	100.0%	$5,723,175	100.0%

The market value of the GEP, as of June 30, 2011, was approximately $6.7 billion, or $24.08 per share, versus $5.7 billion, or $20.37 per share, at the end of fiscal 2010. The total GEP net investment income for the year was $106.0 million, or $.378 per share, versus $94.5 million, or $0.34 per share, at the end of fiscal 2010. In addition, $152.4 million was withdrawn to fund the Total Return Payout.

GEP returned 20.49% for the fiscal year versus 18.02% for its benchmark. For the past five years, GEP's total return was 5.28% vs. 5.55% for its benchmark. During that time, payout distributions grew at an average annual rate of 4.51%—well above annualized inflation of 2.16%.

SPENDING POLICY

The Regents adopted a total-return investment philosophy aimed at achieving real-asset growth in order to generate growing annual payouts to support donors' designated programs. In October 1998, The Regents adopted a long-term spending rate range of 4.35% to 4.75% of a 60-month (five-year) moving average of the GEP market value. The Regents review the payout rate each year in the context of the GEP's investment returns, inflation, and the University's programmatic needs, in conjunction with prudent preservation of principal and prudent increases in the payout amount. On May 19, 2010, The Regents approved the continuance of a rate of 4.75% for expenditure in fiscal year 2010-2011.

[1] For FY2010 and FY2011, the cash portion of the various portfolios excludes the unrealized market appreciation or depreciation of STIP investments, accounts receivable and accounts payable, and the investments in the security lending collateral pool. Therefore, the balances differ from the University's Annual Financial Report. The method of rounding may produce the appearance of minor inconsistencies in various totals and percentages but the differences do not affect the accuracy of the data.

[2] Inception date for the Absolute Return Cross-Asset Class was March 22, 2011.

[3] Previously allocated as Opportunistic Class, which was incorporated into Absolute Return Cross-Asset Class in March 2011.



GENERAL ENDOWMENT POOL (GEP) POLICY ASSET ALLOCATION

as of June 30

	2007	2008	2009	2010	2011
MARKET VALUE (in millions)	$6,728	$6,438	$5,186	$5,723	$6,731
ANNUAL TOTAL RETURN	20.01%	-1.93%	-17.74%	10.87%	20.49%
ANNUAL TOTAL RISK[1]	3.68%	8.37%	17.63%	9.34%	7.93%

INVESTMENT OBJECTIVE

The overall investment objective for all the GEP assets is to maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets. The primary goal for the GEP is to preserve the purchasing power of the future stream of endowment payouts for those funds and activities supported by the endowments, and, to the extent this is achieved, cause the principal to grow in value over time.

OVERALL INVESTMENT STRATEGY

In order to continue to achieve the GEP investment objectives, The Regents adopted the following asset allocation policy in March 2011:[2]

Asset Class	Current Policy	Min.	Max.
Public Equity	45.5%	35.5%	55.5%
Fixed Income	17.5	12.5	22.5
All Alternatives*	37.0	27.0	47.0
Liquidity	0.0	0.0	10.0

* Including, but not limited to: Real Estate, Private Equity, Real Assets, and Absolute Return Strategies.

The asset allocation benchmarks and portfolio guidelines are designed to manage risk and ensure portfolio diversification and are reviewed monthly. The Regents' Committee on Investments adopts performance benchmarks for each asset class, as advised by the Treasurer's Office. The GEP benchmarks for the fiscal year ended June 30, 2011, are listed on page 19.

In addition, the Treasurer monitors the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost-effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts (in accordance with policy) to rebalance the portfolio.

EQUITY INVESTMENTS STRATEGY AND RETURNS

The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to Equity. Equity assets are segmented into U.S., Non-U.S. Developed, Non-U.S. Emerging Markets, and Global Equity asset classes. The Treasurer's Office selects multiple equity strategies and the external managers to implement these strategies. After managers are selected, aggregate exposures are compared to the benchmark to ensure that the combination of managers does not result in unintended risk. After managers are hired, considerable time is spent in monitoring them on an ongoing basis. The combined assets in each of the asset classes are monitored under investment guidelines established by The Regents. Each asset class is managed according to a risk budget framework set by The Regents. The allocation between passive and active strategies is determined by both the risk budget and by the opportunities to add value over the benchmark return for each asset class.

As of June 30, 2011, about 34% of Domestic Equity assets and 47% of Non-U.S. Equity-Developed assets were managed in active strategies by 29 external managers. Emerging Markets are approximately 95% actively managed by 10 firms. The Equity portion of GEP represented 46% of the portfolio at year-end, with a market value of $3.1 billion. U.S. Equity represented 20.1% of the fund at year-end, with a market value of $1.4 billion. The U.S. Equity assets had returns of 31.85% for the fiscal year and 2.71% for the five-year period.

Total Non-U.S. Equity represented 26% of GEP at year-end with a market value of $1.7 billion. Non-U.S. Equity-Developed markets represented 18.7% with a market value of $1.3 billion and Non-U.S. Equity Emerging Markets represented 5.1% with a market value of $344 million. The Global Equity asset class represented 2.0% of the GEP, with a market value of $137 million. GEP's Non-U.S. Equities-Developed Markets returned 30.23% for the fiscal year and had a five-year return of 2.77%. Non-U.S. Equity-Emerging Markets returned 28.11% in the fiscal year and had a five-year return of 10.57%. The Global Equity asset class returned 31.38% for the fiscal year.

FIXED INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed Income investments, the Treasurer's Office analyzes relative value among the core benchmark sectors of governments, corporates, and mortgage-backed securities and overweights those sectors and securities offering attractive real returns, while maintaining a risk level commensurate with the benchmark index. At year-end, Fixed Income constituted 15.9% of the portfolio, with a market value of $1.1 billion. Within total Fixed Income, the GEP U.S. Core Fixed Income investments returned 4.46% during the year, and 6.05% and 6.41% for the five- and 10-year periods. The GEP High Yield Bond and Emerging Market Debt investments had a one-year return of 15.28% and 11.89%, respectively.

1 Annual Total Risk is defined as the standard deviation of monthly total return over the 12-month period, ending June 30.

2 Revised policy ranges, targets and allocations were approved by The Regents on March 17, 2011, and were effective March 1, 2011.

For GEP TIPS, the Treasurer's Office seeks to maximize long-term total real returns and increase portfolio diversification, given TIPS' low correlation with other asset classes. TIPS represented 3.4% of total assets, with a market value of $228 million on June 30, 2011. The TIPS rate of return was 8.28% for the fiscal year and 7.42% for the five-year period.

The average duration of the Bond portfolio at year-end was 4.9 years and the average credit quality was AA, with more than 76% of Fixed-Income securities rated A or higher.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the Treasurer's Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Treasurer's Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event-driven and other "hedge fund" strategies. Currently, the AR portfolio is benchmarked to an index comprised of 50% absolute-return, low market exposure strategies and 50% directional, higher market exposure strategies. As of June 30, 2011, the AR Diversified portfolio represented 22.6% of the GEP, had a market value of $1.5 billion and a one-year return of 12.28%.

The Cross-Asset Class (CAC) Strategy was approved by the Regents in March 2011. The key objective of the CAC Strategy is to identify and invest in assets that provide attractive risk-adjusted returns beneficial to the GEP through investments that cut across the various asset-class silos. It is also expected to bring a strategic partnership approach with a limited number of managers in an effort to enhance total portfolio returns. As of June 30, 2011, the market value of the Absolute Return CAC investments was about $53 million and the one-year return was 11.17%.

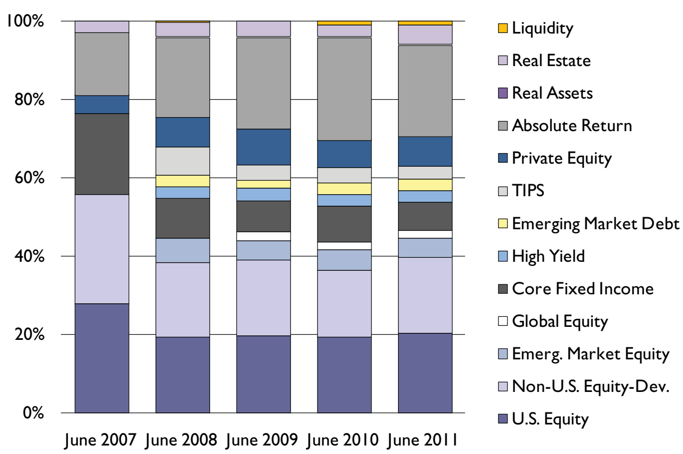
Real Assets was added to the GEP portfolio on April 1, 2010, and is primarily composed of energy assets, timberland, infrastructure, and commodities. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets. The market value of the Real Assets investments, as of June 30, 2011, was about $73 million and the return for the fiscal year was 7.79%.

For Private Equity, the Treasurer's Office seeks opportunities through high caliber top-tier buyout funds and select venture capital partnerships. Private Equity represented 7.6% of the GEP at year-end with a market value of $513 million. Returns for this asset class in the fiscal year were 16.36%.

For Real Estate, the Treasurer's Office seeks investments that provide long-term, risk-adjusted total returns between those of U.S. equities and bonds; diversification benefits given Real Estate's low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income. Real Estate represented 5.2% ($350 million invested) of the GEP at year end. Private Real Estate ($308 million) had a return of 23.54% in the fiscal year. The five-year return was -5.49%. Public Real Estate ($42 million), which was established September 1, 2008, had a one-year return of 31.33%.

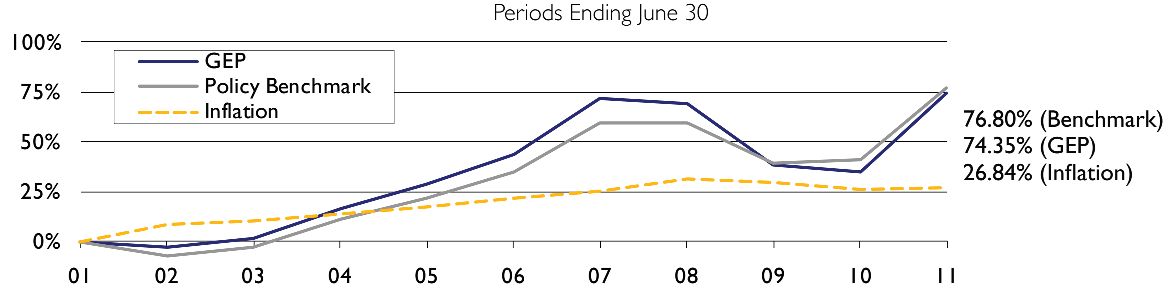
ASSET MIX

The following chart represents the GEP asset mix as of each of the past five fiscal year ends.



The chart below illustrates the returns for the GEP for the past 10 years relative to the policy benchmark and inflation.

GEP Cumulative Total Returns: Fiscal 2001-2011
Periods Ending June 30



GEP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2011

	1-Year	5-Year	10-Year	10-Year Cumulative	Benchmark Description[2]
TOTAL FUND					
GEP	20.49%	5.28%	5.72%	74.35%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation, except that the policy of Private Equity, Real Estate, and Absolute Return are set equal to the actual weights each month. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	18.02	5.55	5.86	76.80	
Inflation	3.56	2.16	2.41	26.84	
U.S. EQUITY[2]					
GEP	31.85%	2.71%	2.49%	27.87%	
Policy Benchmark	32.16	3.19	3.30	38.35	Policy Benchmark: Russell 3000 TF Index.
NON-U.S. EQUITY-DEVELOPED[2]					
GEP	30.23%	2.77%	6.46%	86.93%	Policy Benchmark: MSCI World ex-U.S. (net dividends) Index TF.
Policy Benchmark	30.19	1.90	5.92	77.76	
EMERGING MARKET EQUITY[2]					
GEP	28.11%	10.57%	15.12%	308.87%	Policy Benchmark: MSCI Emerging Markets (net dividends) Index.
Policy Benchmark	27.80	11.42	16.26	351.09	
GLOBAL EQUITY					
GEP	31.38%	N/A	N/A	N/A	Policy Benchmark: MSCI All Country World Index (Net), Investable Market Index (IMI) TF.
Policy Benchmark	31.00	N/A	N/A	N/A	
U.S. CORE FIXED INCOME					
GEP	4.46%	6.05%	6.41%	86.11%	Policy Benchmark: Barclays Capital U.S. Aggregate Bond Index.
Policy Benchmark	3.90	6.52	6.45	86.76	
HIGH-YIELD DEBT					
GEP	15.28%	N/A	N/A	N/A	
Policy Benchmark	15.31	N/A	N/A	N/A	Policy Benchmark: Merrill Lynch High Yield Cash Pay Index.
EMERGING MARKET DEBT					
GEP	11.89%	N/A	N/A	N/A	Policy Benchmark: JP Morgan Emerging Market Bond Index Global Diversified.
Policy Benchmark	11.39	N/A	N/A	N/A	
TIPS					
GEP	8.28%	7.42%	N/A	N/A	
Policy Benchmark	7.74	6.91	N/A	N/A	Policy Benchmark: Barclays Capital U.S. TIPS Index.
PRIVATE EQUITY[3]	16.36%	7.65%	7.35%	103.31%	Actual PE Returns.
ABSOLUTE RETURN, DIVERSIFIED[4]					
GEP	12.28%	5.08%	N/A	N/A	Policy Benchmark: 50% HFRX Absolute Return Index + 50% HFRX Market Directional Index.
Policy Benchmark	2.49	6.53	N/A	N/A	
ABSOLUTE RETURN, CROSS-ASSET CLASS[5]					
GEP	11.17%	N/A	N/A	N/A	
Policy Benchmark	4.95	N/A	N/A	N/A	Aggregate GEP Policy Benchmark.
REAL ASSETS					
GEP	7.79%	N/A	N/A	N/A	Policy Benchmark: Commodities: S&P GSCI Reduced Energy Index; All Others: Actual Portfolio Return.
Policy Benchmark	7.79	N/A	N/A	N/A	
PUBLIC REAL ESTATE					
GEP	31.33%	N/A	N/A	N/A	
Policy Benchmark	32.88	N/A	N/A	N/A	Policy Benchmark: FTSE EPRA NAREIT Global Index.
PRIVATE REAL ESTATE					
GEP	23.54%	-5.49%	N/A	N/A	Policy Benchmark: NCREIF Funds Index-Open-End Diversified Core Equity (lagged 3 months).
Policy Benchmark	22.82	-5.20	N/A	N/A	

1 The performance of The Regents' total return investment portfolio is calculated by State Street Bank, according to the standard recommended by the Bank Administration Institute (BAI), which uses a time-weighted methodology that essentially neutralizes the effect of contributions and withdrawals so as to measure only the return on assets. These calculations comply with the CFA Institute's standards, which require time-weighted rates of return using realized and unrealized gains plus income. GEP's Total Fund total return based on unit value calculated by UCOP Endowment and Investment Accounting and net of (after) UC's investment management expenses and administrative expenses of (currently) 0.095% of average annual market value, which are automatically deducted from income, is 20.17%, 5.25%, and 5.68% for the one-, five-, and 10-year periods, respectively.

2 For 10-year period, returns were reclassified to match current asset classes.

3 There is no appropriate market-based index that can be used as a meaningful performance benchmark for Private Equity. For additional information, refer to p. 13 of the "Investment Performance Summary," dated June Quarter 2011: www.ucop.edu/treasurer/invinfo/investment_info.html

4 Benchmark for Absolute Return (AR) class was changed effective March 1, 2009, from TBills + 450 bp to 50% HFRX-AR Index + 50% HFRX-MD Index.

5 Inception date for the Absolute Return Cross-Asset Class was March 22, 2011.

ASSET DESIGNATION BY CAMPUS AND PURPOSE

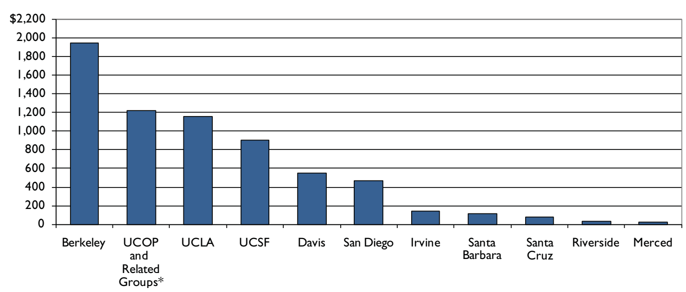
A donor has two avenues for making a gift to or establishing an endowment at the University: directly to The Regents for a specific campus and/or purpose or directly to a campus through its Foundation. The campus foundation trustees have discretion in their choice of investment managers and may use the Treasurer's Office or external investment managers.

The Regents' endowment pools include assets that were gifted directly to The Regents, as well as foundation assets where the Treasurer was retained as the investment manager. The chart below illustrates the breakdown of GEP's assets among the campuses. Not surprisingly, a higher proportion of the assets is dedicated to the older campuses, which have more established alumni and donor bases.

Fund-raising efforts provide critically needed monies to support the goals of the University. As illustrated by the chart at the right, more than half of GEP's assets support financial aid (22%), research (16%), and departmental use (18%).

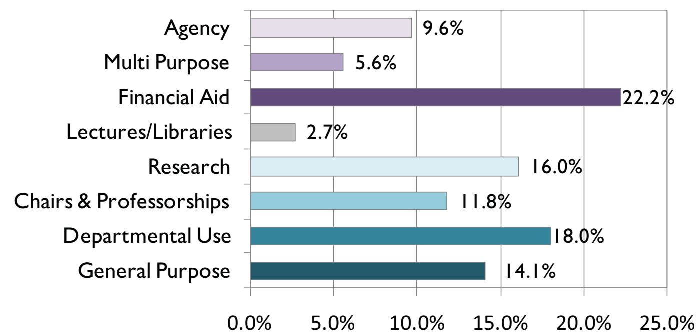
Detailed information on fund-raising results are available in the University's *Annual Report on University Private Support,* prepared by the UC Office of Institutional Advancement.

GEP Assets Designated by Campus
(in millions)
June 30, 2011



* UCOP = UCOP-administered programs and multi-campus gifts.

GEP Assets Designated by Purpose
June 30, 2011



CHARITABLE ASSET MANAGEMENT POOLS

The Charitable Asset Management (CAM) Pools are used by The Regents and the Campus Foundations for the investment of split-interest gifts, including charitable remainder trusts, pooled income funds, and charitable gift annuities. The investment of these funds is directed by the Treasurer of The Regents; the administration of these funds is handled by the Charitable Asset Management group of State Street Global Advisors, Boston and San Francisco. The pools were created in November 2003.

WAYS OF GIVING TO THE UNIVERSITY

http://www.universityofcalifornia.edu/giving/ways.html

CHARITABLE REMAINDER UNITRUST

This trust pays the donor or designated beneficiary a percentage (at least 5%) of its net asset value each year. The trust is revalued annually. A charitable contribution deduction is allowed for the value of the trust's remainder interest. A variation is the "net income" unitrust, which distributes the trust's net income, up to the set percentage of the annual market value of the trust assets. Minimum gift to establish a trust with The Regents as trustee is generally $250,000. Additional contributions are accepted anytime.

CHARITABLE REMAINDER ANNUITY TRUST

This trust pays a fixed dollar amount (at least 5% of initial value of transferred property) to the donor or designated beneficiary each year. A charitable contribution deduction is allowed for the value of the trust's remainder interest. Minimum gift to establish a trust with The Regents as trustee is generally $250,000. Additional contributions are not accepted.

CHARITABLE GIFT ANNUITY

This pays a fixed dollar amount each year to the donor or designated beneficiary for the life of the beneficiary. The rate is based on the age of the income beneficiary on the date of gift.



At fiscal year-end, the CAM assets totaled approximately $125 million, with the CAM Russell 3000 Tobacco Free (TF) Index Pool's market value at about $57 million, the CAM EAFE International TF Index Pool's market value at appoximately $16 million, and the CAM Fixed Income Pool's market value at about $51 million.

RETURNS

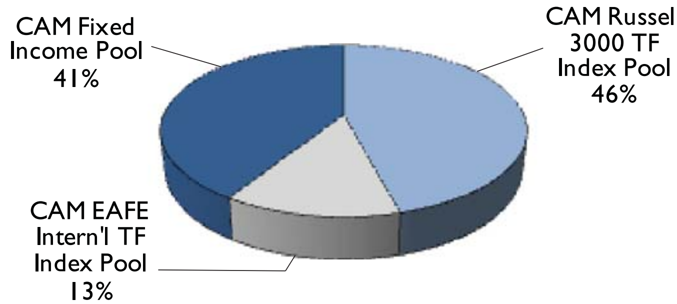
Performance ending June 30, 2011, was as follows:

Fund/Policy Benchmark	1-Year Return	Annualized 3-Year Return	Annualized 5-Year Return
CAM Russell 3000 TF Index Pool	32.26%	4.02%	3.35%
Russell 3000 TF Index	32.16	3.82	3.19
CAM EAFE Internat. TF Index Pool	30.64	-1.20	2.39
MSCI EAFE + Canada TF Index	30.19	-1.69	1.90
CAM Fixed Income Pool	5.38	7.23	6.97
Barclays Capital U.S. Aggregate	3.90	6.46	6.52

INVESTMENT OBJECTIVES

The CAM Russell 3000 TF Index Pool seeks to provide investment results that correspond to the total return (i.e., the combination of price changes and income) performance of a broad base of stocks publicly traded in the United States. The CAM EAFE International TF Index Pool seeks to provide investment results that correspond to the total return performance of non-U.S.-developed country stocks. The CAM Fixed Income Pool seeks to outperform the Barclays Capital U.S. Aggregate Bond Index and consistently have higher current income. The Funds' policy benchmarks are the Russell 3000 TF Index, MSCI EAFE + Canada TF Index, and the Barclays Capital U.S. Aggregate Bond Index, respectively.

Total CAM Assets by Pool
June 30, 2011



The amount of the charitable contribution deduction is the difference between the amount of the gift and actuarial value of the annuity. Minimum gift is $20,000. Additional annuities for the same designated beneficiaries can be established with a minimum gift of $10,000.

To honor her late husband and founder of the UC San Diego Mathematics Department, Stefan Warschawski, Ilse Warschawski donated more than $1 million in her trust to UCSD. The gift was split between the Math Department and UCSD Moores Cancer Center.

DEFERRED PAYMENT GIFT ANNUITY

This is a charitable gift annuity in which the first annuity payment is deferred for a year or more from the date of the gift, often timed to coincide with retirement. The donor is able to make a gift now and use the income tax charitable deduction while in a higher tax bracket, deferring annuity payments until the income will be needed. The donor may claim a charitable contribution deduction for the difference between the value of the gift and the actuarial value of the deferred annuity. Minimum donation is $20,000.

POOLED INCOME FUNDS

This is a trust funded with gifts from many donors. There are two pooled-income funds operated by The Regents and open to donors to any campus or university program. These funds pay the donor or designated beneficiary a pro-rata share of the particular pooled-income fund's net income each year for life. Income is taxed as ordinary income, and a charitable deduction is allowed for the value of the remainder interest. Minimum gift is $20,000. Additional contributions of $5,000 or more are accepted.

LIFE INCOME OPTIONS WITH APPRECIATED SECURITIES

Donors to gift annuities, charitable remainder trusts, and pooled income funds may make a gift using appreciated property and defer or avoid paying taxes on their capital gains. When appreciated stock is donated to a charitable remainder trust, the trust can sell those assets on a tax-free basis and purchase other, higher-yielding assets, and the income beneficiary only pays tax on the capital gains as the gains are actually paid out to them in annual unitrust or annuity payments. Capital gains on the donation of appreciated securities for a charitable gift annuity are usually distributed over the donor's actuarial life expectancy, if the donor and/or the donor's spouse are the only annuitants. When appreciated assets are donated to a pooled income fund, the donor does not pay taxes on any of the capital gains.

A Dream Come True: Major Donation from Richard and Ruth Elkus Enables UC to Help Local Children

In December 1975, with a vision in mind, Richard J. and Ruth K. Elkus generously donated a 534-acre ranch to the University of California. Their primary goal was to make sure that youth in the greater San Francisco area could enjoy and benefit from an outdoor, hands-on educational center. Mr. and Mrs. Elkus envisioned a place where children—especially those involved with 4-H and from minority, underprivileged, and urban communities—could come to understand their role as stewards of the environment and learn more about our food, fiber, and natural resources.

Photo courtsey of Elkus Ranch

Elkus Ranch Environmental Education Center in Half Moon Bay, California

Today, the Elkus Ranch Environmental Education Center, which is operated by the UC Divison of Agriculture and Natural Resources and its Cooperative Extension Service, welcomes over 6,000 visitors each year. Elkus Ranch, nestled in the Purisima Creek Canyon south of Half Moon Bay, gives youth and adults a chance to learn "by doing" (and that includes helping with farm chores).

Children who visit the Ranch leave with a greater appreciation for the environment, understand the value of domesticated animals, see fruits and vegetables growing, learn how to make a nutritious meal, and may even hear about California history.

Sheep, goats, rabbits, pigs, a llama, chickens, miniature donkeys, and horses are just some of the animals that permanently reside at Elkus Ranch. An abundance of vegetables, fruit trees, flowers, and native plants can also be found throughout the Ranch. The farmhouse and restored barns are surrounded by acres of hiking trails, gardens, a greenhouse and lath house, and a "Master Gardener" demonstration garden.

Coordinator Leslie Jensen said, "Our biggest accomplishment is the number of children we see every year and the wonderful education program we have. Elkus Ranch is committed to providing a rich ranch experience for all children by offering a myriad of educationally diverse programs, including programs designed for students with special needs. Our "Dean Trail" leads visually impaired children, with the help of a guide rope, to explore the natural habitat surrounding the ranch. Our sensory garden contains a variety of plants that can be experienced through their scent, taste, and texture. Our enabling garden has raised beds that can be tended without kneeling or bending. All of our ranch facilities are wheelchair accessible. Our programs are aligned with the California Science Content Standards and provide opportunities to learn about the production of food and fiber, the interrelationships of plants and animals in their natural habitats, and the importance of environmental stewardship."

Ms. Jensen explained, "More than half of our visitors have special needs and programs for qualifying schools are offered without charge. While the University of California contributes to our operating budget, the ranch is still dependent on grants, donations, and the support of volunteers to carry out its mission."

Three years ago, another educational program was introduced: "Lunch at the Ranch." Students have a chance to explore the ranch to harvest ingredients for an entire meal. According to Ms. Jensen, "The young chefs then head to the kitchen, don aprons and start chopping vegetables, rolling pizza dough, and baking cookies. This program has become extremely popular and we have added staff hours to insure our gardens can meet the demand."

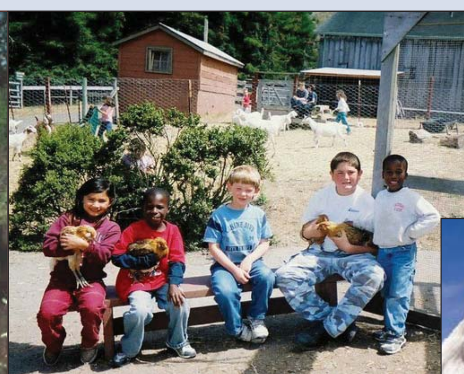
The Ranch is working to expand its fruit orchard to include pear, fig, persimmon, citrus trees, and a variety of berry bushes. This will insure there are year-round supplies of fruit to incorporate into the “Lunch” program, helping thousands of children learn more about good nutrition.

While the Ranch is primarily open to registered groups and visitors, they do offer some family-oriented public events throughout the year. Their most popular annual events are “Sheep to Shawl” (offering demonstrations on sheep shearing and wool spinning), summer and winter day camps for children (6-11 years of age), and their spring and fall pre-school days. In addition, they have opportunities for community-service projects and volunteers.

School groups are encouraged to contact the Ranch to schedule field trips. Low-income schools may qualify for the limited number of scholarships available.

In conjunction with the working ranch, the site offers a 4,400-square-foot conference center, which serves as an educational and day-conference facility. The facility is available to rent for day conferences, off-site meetings, workshops, and training sessions. It includes a commercial kitchen, board room, and ranch house. Local overnight facilities are also available.

When the Ranch was originally donated, the Mr. and Mrs. Elkus specifically asked the University not to sell the property for 25 years. Then, in 1988, the Elkuses donated an additional 93 acres so that the University could sell 45 acres of it and use the sale proceeds for the benefit of the Ranch. In keeping with the Elkuses' intent, the University sold a portion of the second gift in 1994, leaving approximately 582 acres in University ownership. In 2005, the Agriculture and Natural Resources Division determined that most of the remaining 582-acre ranch was surplus to the academic functions at Elkus Ranch; subsequently, approximately 457 acres were sold in August 2009 for $4.5 million. The Treasurer's Office manages the Richard J. Elkus Fund in the General Endowment Pool on behalf of the UC Regents. As of April 30, 2011, the market value of the fund was $5.3 million.





1500 Purisima Creek Road
Half Moon Bay, California 94019
(650) 712-3151
elkusranch@ucdavis.edu

For information about donating to Elkus Ranch, visit ucanr.org/sites/elkus_ranch/donate/

We wish to acknowledge the help of Marilyn Johns and Leslie Jensen in the preparation of this article.

University of California Retirement Plan

The largest pool of assets managed by the Treasurer's Office is the University of California Retirement Plan (UCRP), created in 1961. UCRP is a defined benefit plan, whereby retirement benefits are a function of the employee's age, average salary, and length of service.

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)
Summary of Investments[1] ($ in thousands)

	June 30, 2011		June 30, 2010	
UC RETIREMENT PLAN (UCRP)	Market Value	% of UCRP	Market Value	% of UCRP
EQUITIES				
U.S. Equity	$11,838,951	28.5%	$10,347,379	30.0%
Non-U.S. Equity-Developed	9,110,364	22.0	7,276,353	21.1
Emerging Market Equity	2,109,151	5.1	1,360,861	3.9
Global Equity	862,788	2.1	672,095	2.0
TOTAL EQUITIES	$23,921,254	57.6%	$19,656,688	57.0%
FIXED-INCOME SECURITIES				
U.S. Core Fixed Income	$4,466,039	10.8%	$4,514,972	13.1%
High-Yield Debt	1,075,421	2.6	936,060	2.7
Emerging Market Debt	963,197	2.3	903,246	2.6
TIPS	3,057,010	7.4	2,711,196	7.9
TOTAL FIXED INCOME	$9,561,667	23.1%	$9,065,474	26.3%
ALTERNATIVE ASSETS				
Private Equity	$2,883,768	6.9%	$2,357,728	6.8%
Absolute Return, Diversified	2,516,409	6.1	2,055,609	6.0
Absolute Return, Cross-Asset Class[2]	387,264	0.9	409,686[3]	1.2
Real Assets	325,101	0.8	53,827	0.2
Real Estate (Public and Private)	1,740,425	4.2	895,857	2.6
TOTAL ALTERNATIVE ASSETS	$7,852,967	18.9%	$5,772,707	16.8%
LIQUIDITY PORTFOLIO	$162,659	0.4	$47,918	0.1
TOTAL UCRP	$41,498,548	100.0%	$34,542,787	100.0%

UCRP is a balanced portfolio of equities, fixed-income securities, and alternative investments, which, at June 30, 2011, totaled $41.5 billion versus $34.5 billion at the end of fiscal 2010. For the fiscal year, UCRP returned 22.45% versus 21.64% for its benchmark. Over the long term, UCRP has performed well and exceeded its policy benchmarks. UCRP's annualized total return for the past five years through June 30, 2011, was 4.65% versus its benchmark at 4.38%.

INVESTMENT OBJECTIVE

The overall investment objective for all UCRP assets is to maximize real, long-term total returns (income plus capital appreciation adjusted for inflation), while assuming appropriate levels of risk. UCRP's specific objective is to maximize the probability of meeting the Plan's liabilities, subject to The Regents' funding policy, and to preserve the real (inflation adjusted) purchasing power of assets.

OVERALL INVESTMENT STRATEGY

The benchmarks for the individual UCRP asset classes for the 2010-2011 fiscal year are listed on page 27. The asset allocation benchmarks and portfolio guidelines are designed to manage risk and ensure portfolio diversification and are reviewed monthly. The Regents' Committee on Investments adopts performance benchmarks for each asset class, as advised by the Treasurer's Office. In order to continue to achieve the UCRP investment objectives, The Regents adopted the following asset allocation policy in March 2011[4]:

Asset Class	Current Policy	Min.	Max.
Public Equity	57.5%	47.5%	67.5%
Fixed Income	25.0	20.0	30.0
All Alternatives*	17.5	10.5	24.5
Liquidity	0.0	0.0	10.0

* Including, but not limited to: Real Estate, Private Equity, Real Assets, and Absolute Return Strategies.

The Treasurer monitors the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost-effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts (in accordance with policy) to rebalance the portfolio.

1 For FY2010 and FY2011, the cash portion of the various portfolios excluded the unrealized market appreciation or depreciation of STIP investments, accounts receivable and accounts payable, and the investments in the security lending collateral pool. Therefore, the balances differ from the UC Annual Financial Report. UCRP's investments include assets associated with the UC PERS Voluntary Early Retirement Incentive Program, totaling $68.9 million. The UCRP assets were unitized with UCRP and PERS jointly owning all the units. The method of rounding may produce the appearance of minor inconsistencies in various totals and percentages but the differences do not affect the accuracy of the data.

2 Inception date for the Absolute Return Cross-Asset Class was March 22, 2011.

3 Previously allocated as Opportunistic Class, which was incorporated into Absolute Return Cross-Asset Class in March 2011.

4 Revised policy ranges, targets, and allocations were approved by The Regents on March 17, 2011, and were effective March 1, 2011.



UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) FUNDED STATUS

as of June 30	2007	2008	2009	2010	2011
MARKET VALUE (in millions)	$47,954	$42,031	$32,308	$34,543	$41,499
ANNUAL TOTAL RETURN	18.83%	-5.74%	-18.81%	12.72%	22.45%
ANNUAL TOTAL RISK[1]	4.22%	9.82%	22.14%	10.99%	9.04%
TOTAL CONTRIBUTIONS[2] (in millions) AND INVESTMENT ACTIVITY	$7,941	($2,590)	($7,903)	$4,326	$9,451
TOTAL PAYMENTS (in millions) AND EXPENSES[3]	($3,198)	($3,492)	($1,861)	($2,010)	($2,152)
SURPLUS ASSETS[4] (in millions)	$1,700	$2,000	$1,300	($2,400)	($6,300)
FUNDED RATIO[5]	104.10%	104.80%	103.00%	94.80%	86.70%

EQUITY INVESTMENTS STRATEGY AND RETURNS

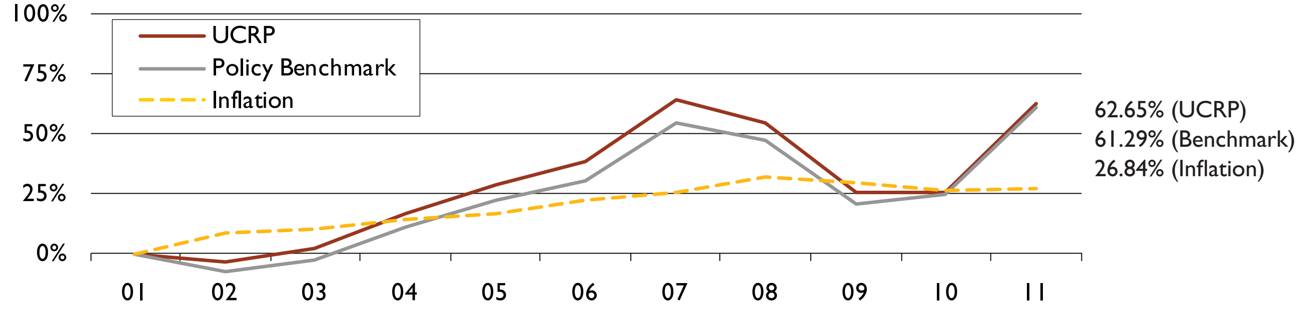
The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to public equity. Assets are segmented into U.S. Equity, Non-U.S. Developed and Non-U.S. Emerging Markets, and Global Equity. The Treasurer's Office team selects multiple equity strategies and the external managers to implement these strategies. After managers are selected, aggregate exposures are compared to the benchmark to ensure that the combination of managers does not result in unintended risk. After managers are hired, considerable time is spent in monitoring them on an ongoing basis. The combined assets in each of the asset classes are monitored under investment guidelines established by The Regents. Each asset class is managed according to a risk budget framework set by The Regents. The allocation between passive and active strategies is determined by both the risk budget and by the opportunities to add value to the benchmark for each asset class.

As of June 30, 2011, approximately 30% of Domestic Equity assets and 32% of Non-U.S. Equity-Developed assets were managed in active strategies by 29 external managers. Emerging Markets are approximately 92% actively managed by 10 firms.

The equity portion of UCRP represented 57.6% of the portfolio at year-end, with a market value of $23.9 billion. U.S. Equity represented 28.5% of the fund, with a market value of $11.8 billion. UCRP's U.S. Equity assets returned 31.82% for the fiscal year and 2.78% for the five-year period. Total Non-U.S. Equity represented 29.2% of UCRP at year-end, with a market value of approximately $12.1 billion. Non-U.S. Equity Developed Markets represented 22.0%, with a market value of $9.1 billion; Emerging Markets represented 5.1%, with a market value of $2.1 billion; and Global Equity represented 2.1% of UCRP, with a market value of $863 million. The UCRP Non-U.S. Developed Markets portfolio returned 30.39% for the fiscal year and had a five-year annualized return of 2.48%. The Emerging Markets portfolio returned 28.36% for the fiscal year and had a five-year return of 11.41%. The Global Equity portfolio, initiated in July 2008, returned 31.36% for the fiscal year.

UCRP Cumulative Total Returns: Fiscal 2001-2011

Fiscal Periods Ending June 30



1 Annual Total Risk is defined as the standard deviation of monthly total return over the 12-month period, ending June 30.

2 Total Contributions and Investment Activity include employer and member contributions, investment income, and realized and unrealized gains and losses, as of the beginning of the fiscal year.

3 Total Payments and Expenses include retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments, member withdrawals, and administrative and other expenses.

4 Surplus assets are as of the beginning of the fiscal year and calculated as the difference of actuarial (or smoothed) assets and actuarial liabilities, neither of which are shown in the table above.

5 The Funded Ratio is the ratio of actuarial assets and actuarial liabilities, as of the beginning of the fiscal year.

FIXED-INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed-Income investments, the Treasurer's Office analyzes relative value among the core benchmark sectors of governments, corporates, and mortgage-backed securities and overweights those sectors and securities offering attractive real returns, while maintaining a risk level commensurate with the benchmark index. At year-end, Fixed-Income investments constituted 23.1% of the portfolio, with a market value of approximately $4.5 billion. UCRP's Core Fixed-Income investments returned 4.77% during the year. Over the long-term, UCRP's Fixed Income returned 6.89% for the five-year period and 6.65% for the 10-year period. UCRP's High Yield Bond returned 15.45% for the fiscal year and 8.63% for the five-year period. Emerging Markets Debt investments returned 11.73% for the fiscal year and 9.99% for the five-year period.

For TIPS, the Treasurer's Office seeks to maximize long-term total real returns and increase portfolio diversification, given TIPS' low correlation with other asset classes. UCRP's TIPS represented 7.4% of total assets with a market value of approximately $3.1 billion on June 30, 2011. TIPS returned 8.11% in the fiscal year and 7.32% for the five-year period. At the end of the fiscal year, the weighted average duration of the Fixed-Income portfolio was 4.9 years and the average credit rating was AA, with 76% rated A or better.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the Treasurer's Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Treasurer's Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event driven and other "hedge fund" strategies. Currently, the AR portfolio is benchmarked to an index comprised of 50% absolute-return, low-market-exposure strategies and 50% directional, higher-market-exposure strategies. As of June 30, 2011, the AR Diversified portfolio represented 6.1% of the UCRP, with a market value of $2.5 billion. It had a one-year return of 12.28% and three-year annualized return of 2.19%.

The Cross-Asset Class Strategy was approved by the Regents on March 22, 2011. The key objective is to identify and invest in assets that provide attractive risk-adjusted returns beneficial to the UCRP through investments that cut across the various asset-class silos. This strategy is also expected to bring a strategic partnership approach with a limited number of managers in an effort to enhance total portfolio returns. The market value of the Absolute Return Cross-Asset Class investments was about $387 million and the return for the fiscal year was 12.84%.

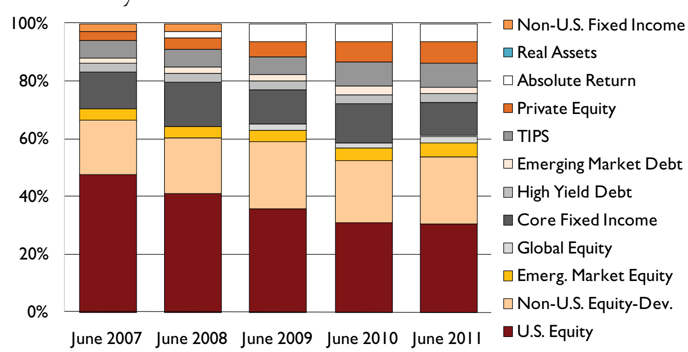
For Private Equity, the Treasurer's Office seeks opportunities through high caliber top-tier buyout funds and select venture-capital partnerships. Private Equity represented 6.9% of UCRP at year-end with a market value of $2.9 billion. UCRP returns for this asset class in the fiscal year were 17.83%.

Real Assets was added to the UCRP portfolio on April 1, 2010. Real Assets is primarily composed of energy assets, timberland, infrastructure, and commodities. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets. The market value of the UCRP Real Assets investments as of June 30, 2011, was approximately $325 million and the return for the fiscal year was 9.25%.

For Real Estate, the Treasurer's Office seeks investments that provide long-term risk-adjusted total returns between U.S. equities and bonds; diversification benefits given Real Estate's low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income. Real Estate represented 4.2% ($1.7 billion) of UCRP at year end. Private Real Estate ($1.5 billion) returned 21.70% in the fiscal year. Over the past five years, the return was -8.06%. Public Real Estate ($290 million), with an effective date of September 1, 2008, returned 31.30%.

ASSET MIX

The following illustrates UCRP's asset mix as of the past five fiscal year ends.



UCRP FUNDING

The UCRP costs are funded by a combination of investment earnings, and employee and employer contributions. Because of a healthy surplus for 20 years, from 1990-2010, UC employees and the University did not pay into the plan. However, with market and demo-graphic changes, and other factors, UCRP faced a deficit. In 2006, The Regents updated the funding policy to provide for a targeted funding level of 100% over the long term and recommended employee and employer contributions rates necessary to maintain the level within a range of 95–110%. Employees and UC started contributing to the plan again in May 2010, with employee contributions starting at 2% of pay and UC contributions at 4% of salary. In July 2011, employee contributions will increase to 3.5% and UC to 7%.

UCRP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2011

	1-Year	5-Years	10-Years	10-Year Cumulative	Benchmark Description [2]
TOTAL FUND					
UCRP	22.45%	4.65%	4.98%	62.65%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation, except that the policy of Private Equity, Real Estate, and Absolute Return are set equal to the actual weights each month. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	21.64	4.38	4.90	61.29	
Inflation	3.56	2.16	2.41	26.84	
U.S. EQUITY					
UCRP	31.82%	2.78%	2.55%	28.66%	
Policy Benchmark	32.16	3.19	3.30	38.35	Policy Benchmark: Russell 3000 TF Index.
NON-U.S. EQUITY-DEVELOPED[3]					
UCRP	30.39%	2.48%	6.31%	90.44%	
Policy Benchmark	30.19	1.90	5.92	77.76	Policy Benchmark: MSCI World ex-U.S. (net dividends) Index TF.
EMERGING MARKET EQUITY[3]					
UCRP	28.36%	11.41%	15.79%	333.04%	
Policy Benchmark	27.80	11.42	16.26	351.09	Policy Benchmark: MSCI Emerging Market (net dividends) Index.
GLOBAL EQUITY					
UCRP	31.36%	N/A	N/A	N/A	
Policy Benchmark	31.00	N/A	N/A	N/A	Policy Benchmark: MSCI All Country World Index Net - IMI - TF.
U.S. CORE FIXED INCOME					
UCRP	4.77%	6.89%	6.65%	90.44%	
Policy Benchmark	3.90	7.07	6.52	88.13	Policy Benchmark: Barclays Capital U.S. Aggregate Bond Index.
HIGH-YIELD DEBT					
UCRP	15.45%	8.63%	N/A	N/A	
Policy Benchmark	15.31	9.07	N/A	N/A	Policy Benchmark: Merrill Lynch High Yield Cash Pay Index.
EMERGING MARKET DEBT					
UCRP	11.73%	9.99%	N/A	N/A	Policy Benchmark: JP Morgan Emerging Market Bond Index Global Diversified.
Policy Benchmark	11.39	10.05	N/A	N/A	
TIPS					
UCRP	8.11%	7.32%	N/A	N/A	
Policy Benchmark	7.74	6.91	N/A	N/A	Policy Benchmark: Barclays Capital U.S. TIPS.
PRIVATE EQUITY[4]	17.83%	7.42%	6.72%	91.71%	Actual PE Returns.
ABSOLUTE RETURN, DIVERSIFIED[5]					
UCRP	12.28%	N/A	N/A	N/A	Policy Benchmark: 50% HFRX Absolute Return Index + 50% HRFX Market Directional Index.
Policy Benchmark	2.49	N/A	N/A	N/A	
ABSOLUTE RETURN, CROSS-ASSET CLASS[6]					
UCRP	12.84%	N/A	N/A	N/A	
Policy Benchmark	6.83	N/A	N/A	N/A	Aggregate UCRP Policy Benchmark.
REAL ASSETS					
UCRP	9.25%	N/A	N/A	N/A	Policy Benchmark: Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return.
Policy Benchmark	9.25	N/A	N/A	N/A	
PUBLIC REAL ESTATE					
UCRP	31.30%	N/A	N/A	N/A	
Policy Benchmark	32.88	N/A	N/A	N/A	Policy Benchmark: FTSE EPRA NAREIT Global Index.
PRIVATE REAL ESTATE					
UCRP	21.70%	-8.06%	N/A	N/A	Policy Benchmark: NFI-ODCE Index - NCREIF Funds Index-Open-End Diversified Core Equity (lagged three months).
Policy Benchmark	20.08	-7.75	N/A	N/A	

1 UCRP's total returns are net of (after) the Treasurer's Office investment management, administrative expenses, and external management fees. The asset class returns reflect investment returns. The performance of The Regents' total return investment portfolio is calculated by State Street Bank, according to the standard recommended by the Bank Administration Institute (BAI), which uses a time-weighted methodology that essentially neutralizes the effect of contributions and withdrawals so as to measure only the return on assets. These calculations comply with the CFA Institute's standards, which require time-weighted rates of return using realized and unrealized gains plus income. For FY 2010-2011, the cost of managing the UCRP was 77 basis points, comprised of 70 basis points attributable to external money managers and 7 basis points to UC's internal costs (4 basis points related to administrative costs and 3 basis points related to investment management and custodial expenses).

2 Historical benchmark information is available online at http://www.ucop.edu/treasurer/currentpol/Benchmarks.html.

3 For 10-year period returns were reclassified to match current asset classes.

4 See Private Equity Performance information on page 13 of the "Investment Performance Summary," June Quarter 2011, for comparison of Private Equity to multiple performance metrics: www.ucop.edu/treasurer/invinfo/Investment_Perf_Summary_06-30-11.pdf

5 Benchmark for Absolute Return (AR) class was changed effective March 1, 2009, from TBills + 450 bp to 50% HFRX-AR Index + 50% HFRX-MD Index.

6 Inception date for the Absolute Return Cross-Asset Class was March 22, 2011.

UC-Managed Defined Contribution Funds

In addition to the defined benefit program (UCRP), the University offers defined contribution plans to provide employees with supplemental retirement benefits—the Defined Contribution Plan (DC Plan), the Tax-Deferred 403(b) Plan, the 457(b) Deferred Compensation Plan and the Defined Contribution Plan After-Tax Account. These programs differ from UCRP in that the benefits received by participants are based on the employee's contributions to the plans and the returns earned on those contributions over time and that each participant chooses a mix of asset classes (funds) consistent with his or her own investment objectives and risk tolerance.

UNIVERSITY-MANAGED DEFINED CONTRIBUTION (DC) FUNDS[1]

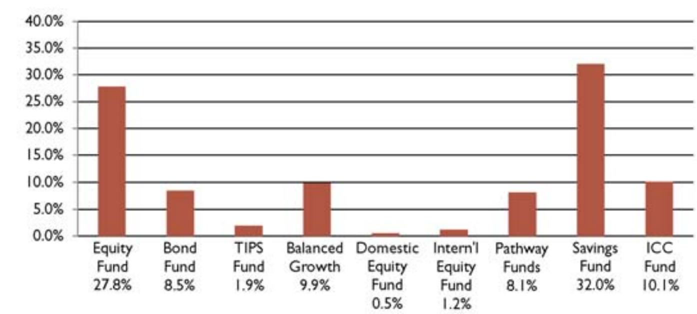
Summary of Investments ($ in thousands)

	June 30, 2011		June 30, 2010	
DEFINED CONTRIBUTION (DC) FUNDS	Market Value	% of DC	Market Value	% of DC
TOTAL RETURN FUNDS				
EQUITY FUND	$3,235,869	27.8%	$2,588,077	24.8%
BOND FUND	983,747	8.5	974,168	9.3
TIPS FUND	219,887	1.9	188,419	1.8
BALANCED GROWTH FUND	1,154,103	9.9	945,308	9.1
DOMESTIC EQUITY INDEX FUND	57,913	0.5	34,911	0.3
INTERNATIONAL EQUITY INDEX FUND	134,355	1.2	100,279	1.0
PATHWAY INCOME FUND	192,678	1.7	57,794	0.6
PATHWAY FUND 2010[2]	N/A	N/A	142,553	1.4
PATHWAY FUND 2015[3,4]	68,063	0.6	34,080	0.3
PATHWAY FUND 2020[4]	241,425	2.1	203,838	2.0
PATHWAY FUND 2025[3,4]	31,013	0.3	13,762	0.1
PATHWAY FUND 2030[4]	192,287	1.7	148,632	1.4
PATHWAY FUND 2035[3,4]	22,020	0.2	9,342	0.1
PATHWAY FUND 2040[2]	116,939	1.0	83,398	0.8
PATHWAY FUND 2045[3,4]	12,436	0.1	3,952	0.0
PATHWAY FUND 2050[4]	54,779	0.5	38,775	0.4
PATHWAY FUND 2055[3,4]	5,247	0.0	1,424	0.0
PATHWAY FUND 2060[3,4]	12,176	0.1	2,996	0.0
INTEREST INCOME FUNDS				
SAVINGS FUND	$3,718,134	32.0%	$3,780,186	36.2%
ICC FUND	1,170,306	10.1	1,078,439	10.3
TOTAL UC MANAGED DC FUNDS	$ 11,623,376	100.0%[5]	$10,430,333	100.0%[5]

As of June 30, 2011, total assets in the UC-managed defined contribution plans were $11.6 billion versus $10.4 billion on June 30, 2010.

When investing their defined contribution funds, employees may choose among 24 UC Core Funds.[6] UC Core Funds are under the direction of the Office of the Treasurer. The UC Treasurer manages each fund, or selects the fund's investment manager.

Total UC-Managed Defined Contribution Plan Assets by Fund
June 30, 2011



[1] For FY2010 and FY2011, the cash portion of the various portfolios excludes the unrealized market appreciation or depreciation of STIP investments, accounts receivable and accounts payable, and the investments in the security lending collateral pool. Therefore, the balances differ from the University's Annual Financial Report.

[2] The target date for the UC Pathway Fund 2010 arrived. On December 31, 2010, the entire UC Pathway Fund 2010 was merged into the UC Pathway Income Fund.

[3] New funds inception December 1, 2008.

[4] The Pathway Funds are funds of funds and include some assets managed by Vanguard.

[5] The method of rounding may produce the appearance of minor inconsistencies in various totals and percentages but the differences do not affect the accuracy of the data.

[6] UC Core Funds also include three mutual funds managed by Vanguard, one managed by Dreyfus, and one by Dimensional. Information on the specific investment objectives, strategies, returns and risks associated with the UC Core Funds is available at www.ucfocusonyourfuture.com/plan-investments/core-funds.php.

UNIVERSITY-MANAGED DEFINED CONTRIBUTION FUNDS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2011

	1-Year	5-Year	10-Year	Fund Policy Benchmark Description
TOTAL RETURN FUNDS				
Equity Fund	31.34%	3.41%	3.48%	Policy Benchmark: 85% less the actual Private Equity weight from the prior month end times the Russell 3000 TF Index, 15% MSCI EAFE + Canada TF Index and the actual Private Equity weight of the previous month end times the actual PE return; Historical: S&P 500 Index.
Policy Benchmark	32.27	3.08	3.95	
Morningstar Domestic Equity Funds Median[2]	32.51	3.54	3.93	
Bond Fund	4.34%	6.60%	6.10%	Policy Benchmark: Barclays Capital U.S. Aggregate Bond Index.
Policy Benchmark	3.90	6.52	5.75	
Morningstar Taxable Bond Funds Median[2]	5.67	6.08	5.33	
TIPS Fund (started 4/1/04)	8.10%	7.34%	N/A	Policy Benchmark: Barclays Capital TIPS Index.
Policy Benchmark	7.74	6.91	N/A	
Balanced Growth Fund (started 4/1/04)	21.61%	5.45%	N/A	Policy Benchmark: 65% policy benchmark for Equity Fund, 30% policy benchmark for Bond Fund and 5% policy benchmark for TIPS Fund.
Policy Benchmark	21.49	4.68	N/A	
Domestic Equity Index Fund (started 7/1/05)	32.18%	3.32%	N/A	Policy Benchmark: Russell 3000 Tobacco Free Index.
Policy Benchmark	32.16	3.19	N/A	
International Equity Index Fund (started 7/1/05)	30.55%	2.34%	N/A	Policy Benchmark: MSCI EAFE + Canada Tobacco Free Index.
Policy Benchmark	30.19	1.90	N/A	
UC Pathway 2015 (started 12/01/08)[3]	10.31%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	9.69	N/A	N/A	
UC Pathway 2020 (started 7/1/05)	11.99%	4.45%	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	11.92	3.92	N/A	
UC Pathway 2025 (started 12/01/08)[3]	13.97%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	13.77	N/A	N/A	
UC Pathway 2030 (started 7/1/05)	15.77%	3.79%	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	15.62	3.25	N/A	
UC Pathway 2035 (started 12/01/08)[3]	17.73%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	17.49	N/A	N/A	
UC Pathway 2040 (started 7/1/05)	19.75%	3.69%	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	19.50	3.14	N/A	
UC Pathway 2045 (started 12/01/08)[3]	21.94%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	21.53	N/A	N/A	
UC Pathway 2050 (started 7/1/05)	24.10%	3.47%	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	23.79	3.02	N/A	
UC Pathway 2055 (started 12/01/08)[3]	26.44%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	26.08	N/A	N/A	
UC Pathway 2060 (started 12/01/08)[3]	28.77%	N/A	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	28.39	N/A	N/A	
UC Pathway Income (started 7/1/05)	4.82%	5.46%	N/A	Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	4.09	4.68	N/A	
INTEREST INCOME FUNDS				
Savings Fund	1.92%	3.42%	3.91%	Savings Fund: 2-Year U.S. Treasury Note Income Return.
Policy Benchmark	0.64	2.26	2.56	
ICC Fund	3.94%	4.87%	5.33%	ICC Fund: 5-Year U.S. Treasury Note Income Return.
Policy Benchmark	1.70	3.02	3.37	
Inflation	3.56%	2.16%	2.41%	Inflation: Consumer Price Index.

1 All returns for the University-managed funds are net of (after) investment expenses, which are targeted to be 0.15% and are based on unit values for the Total Return Funds and on yields and interest factors for the Interest Income Funds. State Street Bank calculates returns and yields by dividing the new unit value or interest factor by the previous unit value or interest factor. The Treasurer's Office compares these results to the gross investment returns calculated by State Street Bank. State Street Bank's calculations comply with the Association for Investment Management and Research (AIMR) standards, which require time-weighted rates of return using realized and unrealized gains plus income.

2 Source: Morningstar, Inc. Although gathered from reliable sources, data completeness and accuracy cannot be guaranteed.

3 UC Pathway Funds 2015, 2025, 2035, 2045, 2055, and 2060 became available on December 1, 2008; therefore, long-term performance information is not yet available.

INTERNALLY MANAGED UC FUNDS

The University-managed investment choices include total return funds—the Equity Fund, Bond Fund, TIPS Fund, Balanced Growth Fund, Domestic Equity Index Fund, International Index Fund, and the 11 UC Pathway Funds—and interest-income funds—the Savings Fund and Insurance Company Contract (ICC) Fund. University-managed funds offer employees the opportunity to achieve attractive, long-term investment performance by investing in one or more funds of their choice. These funds represent diversified portfolios of high-quality, growth-oriented global stocks and bonds, as well as more conservative interest-income funds with attractive above-market yields. The table on page 29 illustrates that these Defined Contribution (DC) funds performed well versus their benchmarks in the fiscal year and over the long term, as well. The University-managed funds have an extremely low cost relative to external fund options. Annual expenses are targeted to be 0.15%[1] of average annual market value, compared to the industry average of 1.2%.[2]

TOTAL RETURN FUNDS

EQUITY FUND

The second largest of the University-managed DC funds is the Equity Fund, established in August 1967. The Equity Fund is a total return fund with the primary objective of maximizing long-term capital appreciation with a moderate level of risk. The following asset allocation policy for the Equity Fund has been in effect since March 2000:

Asset Class	Policy	Minimum	Maximum
U.S. Equity	80%	75%	85%
Non-U.S. Equity	15	10	20
Private Equity	5	3	7

At June 30, 2011, the total market value of the Equity Fund was $3.2 billion. The portfolio consisted of 79.4% U.S. Equity, 15.2% Non-U.S. Equity, and 5.4% Private Equity.

During the fiscal year, the U.S. equity was invested in a Russell 3000 Tobacco Free (TF) Index fund managed by State Street Global Advisors. Non-U.S. Equity is invested in a MSCI EAFE + Canada Tobacco Free Index fund (also managed by State Street Global Advisors). The private equity is invested in venture capital partnerships and buyout funds and is managed by the Treasurer's Office.

For the fiscal year, the return for Equity Fund was 31.34%, compared to 32.27% for the benchmark. The Equity Fund outperformed its benchmark over a five-year period, with a return of 3.41% vs 3.08. The 10-year return for the Equity Fund was 3.48% vs. 3.95% for the benchmark.

BOND FUND

The Bond Fund is a total return fund established by The Regents in January 1978. The primary objective of the Bond Fund is to maximize real long-term total return through a combination of interest income and price appreciation, subject to maturity and quality constraints. The Treasurer's Office invests the Bond Fund in a diversified portfolio of primarily high-quality debt securities.

At June 30, 2011, the total market value of the Bond Fund was $984 million. The Bond Fund sector weightings (types of securities) as of June 30, 2011, were: core collateral,[3] 47%; core credit, 23%; and core government, 30%. The weighted average maturity of the portfolio at year-end was approximately 9.14 years, the weighted average duration 4.34 years, and 77% of the portfolio was rated A or better.

The Bond Fund returned 4.34% in the fiscal year, 6.60% for five years, and 6.10% for the 10-year period, outperforming its benchmark in all periods.

TIPS FUND

The TIPS (Treasury Inflation-Protected Securities) Fund, started April 1, 2004, seeks to provide long-term total return and inflation protection consistent with an investment in U.S. Government inflation-indexed securities. The Fund invests in inflation-protected securities issued by the U.S. Government. Inflation-indexed securities are designed to protect future purchasing power. The principal value is adjusted for changes in inflation, and interest is paid on the inflation-adjusted principal.

The market value of the TIPS Fund at June 30, 2011, was approximately $220 million and the Fund had a return of 8.10%, outperforming the benchmark with a return of 7.74%.

BALANCED GROWTH FUND

The Balanced Growth Fund seeks to provide long-term growth and income through a balanced portfolio of equity and fixed income securities held within UC-managed funds. The market value of the Balanced Growth Fund at June 30,

[1] Total expenses are comprised of about 0.03% for investment management, 0.02% for investor education, and 0.10% for accounting, audit, legal and recordkeeping services.

[2] Source: Morningstar, Inc. Although gathered from reliable sources, data completeness and accuracy cannot be guaranteed.

[3] "Securtized Investments" equivalent to the Barclays Capital U.S. Aggregate Bond Index benchmark, which includes investments in residential mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities.

2011, was $1.2 billion and returned 21.61% for the fiscal year. The benchmark had a return of 21.49%.

Contributions are invested according to a fixed ratio: 52% Equity Fund, 26% Bond Fund and 22% International Equity Fund, similar to the broad asset allocation of the UCRP. The Balanced Growth Fund's returns are a function of the performance of its component funds.

The Fund is rebalanced as needed to prevent the three component funds from growing outside their allocation percentages. The Treasurer's Office manages the component funds according to the investment objectives and strategies of those funds.

DOMESTIC EQUITY INDEX FUND

The Domestic Equity Index Fund, started July 1, 2005, seeks to provide investment results approximating the total return performance of securities included in the Russell 3000 Index. The Fund is invested in a Russell 3000 Tobacco Free (TF) Index Fund, composed of shares of 3,000 U.S. companies as determined by market capitalization. The portfolio of securities represents approximately 98% of the investable U.S. equity market. The TF version excludes tobacco companies.

At June 30, 2011, the market value of the Domestic Equity Index Fund was $58 million and the Fund had a one-year return of 32.18%. The benchmark return was 32.16%.

INTERNATIONAL EQUITY INDEX FUND

The International Equity Index Fund is invested in a MSCI EAFE + Canada Tobacco Free (TF) Index Fund. Started on July 1, 2005, the International Equity Index Fund seeks to provide investment results approximating the total return performance of the securities included in the MSCI + Canada Index. The Morgan Stanley Capital International Europe, Australasia, and Far East Index is designed to measure the performance of stock markets in those regions. The TF version excludes tobacco companies.

The market value of the International Equity Index Fund at June 30, 2011, was $134 million,with a one-year return of 30.55%. The benchmark return was 30.19%.

UC PATHWAY FUNDS

The UC Pathway Funds are a simple yet diversified, one-stop-shopping approach to saving for retirement. The UC Pathway Funds, which initially became available on July 1, 2005, and were expanded on December 1, 2008, are lifecycle funds that seek to provide capital appreciation and current income consistent with its asset allocation, which will increasingly emphasize income as the target dates approach.

The Pathway Funds invest in a combination of core funds[1] and allocate their assets among these funds according to an asset-allocation strategy. As each Pathway Fund moves toward its defined target dates, the asset allocation becomes more conservative. Over time, the amount invested in stock funds is gradually reduced, while the amount invested in bond and short-term funds is increased.

Once the target date is met for a particular Pathway Fund, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. Investor guidance is provided for each Pathway Fund, e.g., the UC Pathway Fund 2015 may be appropriate for those investors planning to begin drawing income from their 403(b), 457(b), or DC accounts between 2013 and 2017.

At June 30, 2011, the market values and fiscal year returns for the UC Pathway Funds were as follows:

Pathway Fund	Net Market Value (million)	One-Year Return
Pathway Income	$193	4.82%
2015	68	10.31
2020	241	11.99
2025	31	13.97
2030	192	15.77
2035	22	17.73
2040	117	19.75
2045	12	21.94
2050	55	24.10
2055	5	26.44
2060	12	28.77

INTEREST-INCOME FUNDS

SAVINGS FUND

The Savings Fund, the largest DC Fund, is an interest income fund created in July 1967. The Fund seeks to maximize interest-income returns, while protecting principal, in order to provide a stable, low-risk investment, with attractive returns. The Fund invests in fixed-income securities issued by the U.S. Treasury and U.S. government agencies, most of which are backed by the full faith and

[1] The Core Funds are under the direction of the UC Office of the Treasurer. The UC Treasurer manages each fund, or selects the fund's investment manager. Information on the specific investment objectives, strategies, returns, and risks associated with the UC Core Funds is available at www.ucfocusonyourfuture.com.

credit of the U.S. government. The Fund also invests in fixed-income securities issued by U.S. government-sponsored enterprises (GSEs) such as Fannie Mae, Freddie Mac and the Federal Home Loan Banks. The principal and interest payments of GSE obligations are guaranteed solely by the issuer. The maturity of all investments must be five years or less.

At June 30, 2011, the Savings Fund totaled $3.7 billion and was composed of 45% U.S. Treasuries and 55% government-sponsored enterprises (GSEs). The weighted average maturity of the Fund was 2.52 years.

The Savings Fund has historically provided an income return considerably greater than that of two-year U.S. Treasury Note income. In fiscal 2011, the Savings Fund generated an income return of 1.92% versus 0.64% for the benchmark. During the past 10 years, the Savings Fund generated an average income return of 3.91% versus 2.56% on two-year U.S. Treasury Note income.

INSURANCE COMPANY CONTRACT FUND

The Regents approved the Insurance Company Contract (ICC) Fund as an investment option in September 1985. The investment objective of the ICC Fund is to maximize interest income return while protecting principal. The Treasurer's Office invests contributions to the ICC Fund in insurance company contracts offered by select, highly rated, financially sound insurance companies. Under such contracts, the insurance companies guarantee a fixed annual rate of interest for a specified time period and the repayment of principal at the end of that time period. The Fund may also invest in government and government agency securities and cash during periods in which maturing contracts expire and available contracts are not deemed attractive by the portfolio manager. ICC Fund participants receive the blended interest rate of all contracts in the fund. The Fund strives to exceed the income returns of five-year U.S. Treasury Notes and to outpace inflation.

At June 30, 2011, the ICC Fund totaled $1.2 billion, with a weighted average maturity of 1.2 years. Since its inception, the ICC Fund has generated income returns that have exceeded those of five-year U.S. Treasury Note income by a comfortable margin. In fiscal 2011, the ICC Fund generated an income return of 3.94% versus 1.70% for the benchmark. During the past 10 years, the ICC Fund generated an income return of 5.33% compared to 3.37% on five-year U.S. Treasury Note income.

UC-MANAGED FUND FEES

Investor expenses are targeted to be 0.15% (or $1.50 per $1,000 invested) of the Fund's average market value per year, assessed on a daily basis (1/365th per day invested). These expenses are not billed to participants, but are netted against the investment experience of the fund. These expenses are comprised of approximately 0.03% for investment management, 0.02% for investor education and 0.10% for administration (including accounting, audit, legal, custodial, and recordkeeping services). The total administrative expenses are estimated and could actually be higher or lower in some periods. Because actual administrative expenses are netted against investment experience, if actual administrative expenses are higher than estimated, the effective expense ratio for participants will increase; if actual expenses are lower than estimated, the effective expense ratio will decrease. There are no front-end or deferred-sales loads or other marketing expenses.

RETIREE PROFILE

Jacqueline Hanson

Retired, Associate University Librarian

35 years with the University of California, San Diego

Perhaps Jacqueline Hanson didn't wear "horn-rimmed glasses" as a child but she admits she was "one of those nerdy kids who carried around a briefcase by age 12." Jackie says she felt like she had found her "natural habitat" when she grew up and came to the University of California. "I've always loved an academic environment." Jackie enjoyed working on the UC San Diego campus so much she stayed for 35 years, ultimately serving as an Associate University Librarian.

"I'm proud of what I did during my working years to help develop innovative digital library services for the UCSD campus community. I loved the stimulating atmosphere; the opportunity to work alongside bright, energetic colleagues, learning something new and intriguing every day; the fast pace of change; and the opportunity to be part of a larger mission that has tremendous value for society. It was especially exciting to be part of the digital revolution that occurred in research libraries over the span of my career. I feel so fortunate to have had a career doing work I enjoyed thoroughly, followed by a retirement that's been wonderful so far."

"Make it a priority to learn about the investment opportunities UC offers you during your working years."

Jackie, who retired at 58, has been enjoying retirement for the past seven years and continues to live in San Diego. She actually retired a couple of years sooner than she originally planned. "I loved my work in research libraries but it had one downside (literally): a lot of it is done sitting down. With every passing year after I turned 50, I felt a strong wish to be much more physically active every day. Also, I wanted to have more flexibility with my time than I'd had for many decades. The ideal life would have been to continue working full time and also be retired full time, but I couldn't figure out how to do that." Jackie said, as she planned for retirement, "My dream was to be financially independent; physically active every day; and have the time, resources, and good health to pursue a wider variety of social, intellectual, and spiritual activities than I was able to while working and raising my son as a single parent." Now, after many years of dedicated service to the University, she is living her dream.

When asked about her retirement planning strategy, she reflects, "At first, I took an intensive approach with my retirement planning. I attended informational meetings held on campus, read the literature provided, made a decision not to affiliate with Social Security, and began to contribute monthly to the UC 403(b) plan. I also began to read financial columns, newspapers, and magazines regularly, learning about both domestic and international investing. This subject had a lot of appeal for me." Jackie admits she had an early fascination with the stock market, which was, as she put it, "another aspect of my childhood 'nerdiness.'" She continued, "I contributed to the 403(b) plan at a modest level at first but, as my salary increased over the years, I began to contribute any salary increase I received to the 403(b) plan, living on the income I'd earned up to that time. After my son finished college, I was able to do a larger contribution to offset the lower contributions I'd made in the early years.

"I had more confidence in the integrity of a UC-managed investment program than in a commercial service. I put about 20% into the savings fund and about 80% into the multi-asset fund, which was conveniently diverse enough in its makeup so that I didn't have to spend my time figuring that out. I stayed with that approach over the decades. It seemed sound to me; it freed me from spending time and energy managing it; and by investing every month as the markets went up or down, I was able to realize the benefits of dollar cost averaging in the growth of my portfolio. I also followed the conventional advice in financial columns about not living beyond my means, diversifying my portfolio, not trying to time the market, etc. My second husband has a keen interest in investing, too, and we talk over our ideas often and have learned a lot from each other over the years. I had no formal advice, though, until I retired and brought my various investments together in one portfolio overseen by a financial advisor whose judgment and ethics I trust."

When Jackie retired, she opted for the monthly pension payments from the UC Retirement Plan (UCRP). "I would have chosen the lump-sum cashout option only if I'd felt sure my choices about investing that money (even with the help of a financial advisor) would be more of a "sure thing" for many years to come than the dependability of UCRP. I doubted I could do that and have not regretted my decision to take the monthly retirement income."

Jackie is pleased with how her retirement years are unfolding. "Whatever success I have in retirement is due to a combination of decades of affiliation with UC and its investment opportunities; some common-sense planning and persistence on my part; and just plain luck (which plays a bigger part in all our lives than we sometimes recognize, in my opinion)."

Jackie has this advice for current or potential UC employees. "Make it a priority to learn about the investment opportunities UC offers you during your working years. Never assume that someone else is going to plan for your future financial security. For women, especially: take responsibility for understanding your financial situation and managing it to provide for yourself and your children, if needed, and don't be intimidated by the whole notion of investing. It's really not very complicated and doesn't require math skills beyond the 4th grade concept of compounded interest, as far as I could tell. But having a plan and persistence is valuable."

We wish to acknowledge the help of Joe A. Lewis, UC Retirement Administration Service Center, and Suzan Cioffi, UC San Diego Retirement Resource Center.

Short Term Investment Pool (STIP)

The Short Term Investment Pool (STIP) is a cash investment pool established in fiscal 1976 by The Regents, in which all University fund groups participate, including retirement and endowment funds as well as campus endowment funds. Cash to meet payrolls, operating expenses, and construction funds of all the campuses and teaching hospitals of the University are the major funds invested in the STIP until expended. Pension, endowment, and defined contribution funds awaiting permanent investment are also invested in the STIP until transferred. The STIP participants are able to maximize returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large cash pool.

INVESTMENT OBJECTIVE

The basic investment objective of the STIP is to maximize returns consistent with safety of principal, liquidity, and cash-flow requirements. The STIP's investments managed by the Treasurer's Office include a broad spectrum of high-quality money-market and fixed-income instruments with a maximum maturity of five-and-a-half years. Investment maturities are structured to ensure an adequate flow of funds to meet the University's cash needs as well as to provide the liquidity needed to facilitate asset class rebalancing and other major liquidity events.

In September 2009, The Regents authorized a change in the investment guidelines for the STIP, effective October 2009. As the liquidity requirements of the University have changed, due in part to the financial status of the State of California, an increased level of liquidity is now maintained in the STIP portfolio. Accordingly, to reflect the fact that there are now implicitly two components of the portfolio—a very short-term liquid portion and a somewhat longer portion—the policy benchmark has been changed to one that combines both components. The new benchmark is the weighted average of the income return on a constant maturity two-year U.S. Treasury Note and the return on the 30-day U.S. Treasury Bills. The weights are set at the actual average weights of the bond and cash equivalent components of the pool, rebalanced monthly. This change allows the managers to continue managing STIP consistent with the fund's guidelines, while allowing for volatility in the amount of cash equivalents needed at any given time.

INVESTMENT STRATEGY AND RETURNS

The Treasurer's Office manages the STIP as a highly liquid portfolio, using maturity distribution strategies to maximize returns in different yield-curve environments. Select swapping strategies are employed to take advantage of disparities in the market to improve quality and yield, while maintaining liquidity.

STIP Annualized Income Return[1]
June 30, 2011

	1-Year	5-Year	10-Year	10-Year Cumulative
STIP	2.56%	3.68%	3.86%	45.99%
Policy Benchmark[2]	0.49	2.23	2.57	28.93
Inflation[3]	3.56	2.16	2.41	26.84

1 STIP returns are net of (after) investment management costs which are automatically deducted from income. The distribution return (net of all expenses) was 2.52%, 3.63%, and 3.82% for the one-, five-, and 10-Year periods respectively.

2 The STIP Policy Benchmark is a weighted average of the income return on a constant maturity two-year Treasury Note and the return on U.S. 30-day Treasury Bills. The weight is the average of the actual weights of the bond and cash equivalent components of the pool, rebalanced monthly. This benchmark was effective October 1, 2009.

3 Inflation as measured by the Consumer Price Index.

For the fiscal year ended June 30, 2011, the amortized book value of the STIP investments managed by the Treasurer's Office was $8.6 billion. The STIP's income return was 2.56% versus the policy benchmark income return of 0.49%. The weighted average maturity of the fund was 1.7 years.

The STIP has achieved attractive returns over the long term. Over the last 10 years, the average annual income return on the STIP was 3.86%, compared to the policy benchmark income return of 2.57%.

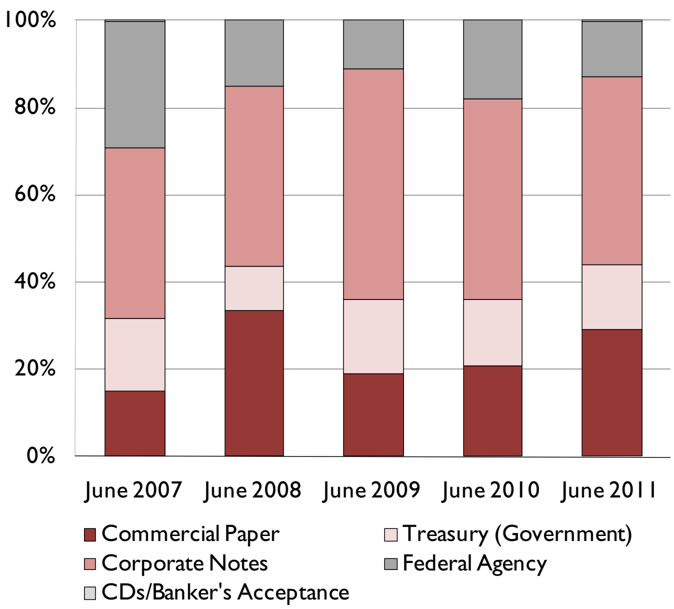
The Federal Reserve Board has kept monetary policy very accommodative. The Federal funds rate has been near zero (0-0.25%) since December 2008. In light of considerably slower than expected economic growth, along with a deterioration in the labor market conditions, the Federal Open Market Committee made an historic policy move at its August 2011 meeting and committed to leave the federal funds rate at the current range of 0-0.25% at least through mid-2013. Federal Reserve Chairman Ben Bernanke also noted that the Fed has a range of policy tools that could be used to provide additional stimulus, as appropriate.

With the record level of low interest rates of the past few years, short-term yields remain pressured in a difficult market as the front end of the yield curve is anchored to the Fed's 0% policy. During the year, the front end (0-5 years) of the yield curve continued to flatten. The decline in U.S. Treasury yields has been relentless and yields are now at the lowest levels seen in decades. As of October 17, 2011, the two-year U.S. Treasury Note yield is at 0.27% and the five-year U.S. Treasury Note yield is at 1.07%. Credit spreads have widened again and still offer excellent opportunities to add incremental yield to the portfolio, especially as high-grade corporate credit fundamentals

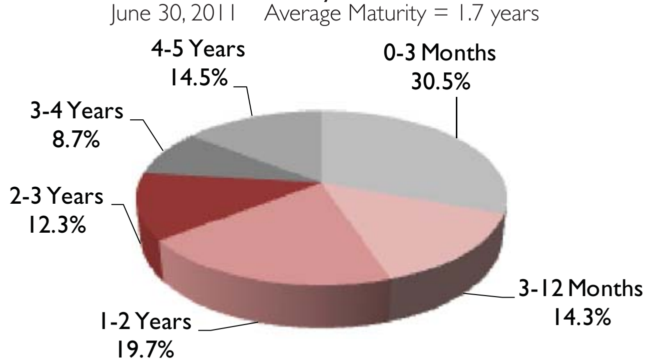
remain positive. We continue to take advantage of the dislocations in the market to purchase very high-quality credit spread products at attractive levels to lock in higher yields. At all times, the STIP's primary investment objective remained the safety of principal with the focus on maintaining liquidity and managing the risk in the portfolio.

The University continues to struggle with the challenges of an ongoing budget shortfall and significant unfunded pension and post-employment benefits liabilities. The high quality of the STIP portfolio, with its highly liquid investments, provides the needed liquidity to meet the University's cash needs. During the fiscal year, the campuses transferred $1.2 billion out of STIP to TRIP. Additionally, $1.1 billion was transferred from STIP to UCRP, as part of a $2.1 billion funding plan authorized by the Regents to contribute to the UCRP the "modified" annual required contribution (ARC), which would include the University's normal cost for the pension system plus interest only on the unfunded actuarial accrual liability in UCRP.

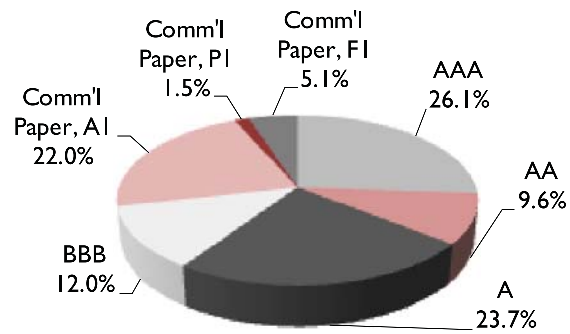
STIP Asset Mix



STIP Maturity Distribution
June 30, 2011 Average Maturity = 1.7 years



STIP Quality Mix
June 30, 2011 Average Long-Term Credit Rating = AA
(BBB and higher = investment grade)



Commercial paper must have a rating of at least A-1, P-1, D-1, or F-1.

UNIVERSITY PROGRAMS UTILIZING STIP

In fiscal 1985, The Regents authorized the University of California Mortgage Origination Program (MOP), which was funded by the legally available cash balances in the unrestricted portion of STIP. The MOP provides first deed of trust variable-rate mortgage loans with up to 40-year terms to eligible members of the University's faculty and staff. In November 2001, The Regents approved interest-only mortgage loans under the MOP. Graduated payment mortgages, which offer a reduced interest rate during the initial years of the loan, were approved for the MOP by The Regents in May 2007. These loans totaled $705.5 million at June 30, 2011.

In March 1999, The Regents authorized the use of the legally available cash balances in the unrestricted portion of STIP to provide liquidity support for the University's Commercial Paper Program. At the July 2008 meeting, The Regents authorized the President to increase the program from $550 million to $2 billion. The STIP also provides working capital advances to the medical centers.

Subsequent to the creation of the TRIP portfolio, in November 2008, The Regents authorized the President to utilize up to 40% of the combined outstanding balances from the combined STIP and TRIP investment portfolios as liquidity support for the Commercial Paper Program, the medical centers' working capital borrowings, and the MOP loans. In November 2009, the Regents revised the internal limits and liquidity support options for the Commercial Paper Program.

At the March 2011 meeting, the Regents authorized the President to utilize borrowing from STIP, restructuring of University debt, and other internal or external sources to fund the gap between scheduled pension contributions from the University and employees and the required funding amount.

Total Return Investment Pool (TRIP)

The Total Return Investment Pool (TRIP) is an investment pool established by The Regents, which became available in August 2008 to the UC campuses and Office of the President.

The TRIP allows the campuses to maximize return on their long-term working capital, subject to an acceptable level of risk, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

The fund—which has a total-return mandate responsive to campus needs—supplements the STIP, which has a current income mandate and is appropriate for short-term working capital needs.

The Regents' Committee on Investments has responsibility for governance and oversight of the TRIP. The benchmark for the fund is the weighted average of the same asset-class benchmarks used in the GEP and UCRP. The asset class guidelines and rebalancing policy are identical to those governing the GEP and UCRP.

The asset allocation was developed to produce limited downside risk combined with some current income. The approved UCRP and GEP asset classes were used as a starting point. The initial allocation excludes all assets with limited liquidity, emerging market equity and debt, and "alternative" assets. It also excludes currency risk. The portfolio contains currency-hedged non-U.S. equity in developed markets.

The TRIP is expected to have a higher total return and a higher volatility level compared to STIP, as well as a lower downside risk than other total return funds. For the fiscal year 2010-2011, the total return for TRIP was 11.26% vs. 2.56% for STIP.

Although the actual return of the portfolio will fluctuate from year to year, The Regents approved a TRIP expenditure rate (payout rate) at a maximum of 6% for the 2010-11 fiscal year. The UC campuses may elect to take the payout or reinvest it back in the pool each year.

INVESTMENT OBJECTIVE

The objective of the TRIP program 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.

INVESTMENT STRATEGY AND RETURNS

The Treasurer's Office uses a combination of internal and external management ("managers"), employing actively managed strategies where appropriate. Active strategies will include both sector allocation and security selection. The Treasurer's Office monitors the program's adherence to these guidelines.

The TRIP portfolio is invested primarily in marketable, publicly traded equity, and fixed-income securities denominated in U.S. dollars. The "Investment Guidelines" approved on November 2, 2010, and effective January 1, 2011, designates the following asset classes, target allocations, and minimum and maximum policy ranges for the TRIP:

Asset Class	Policy	Minimum	Maximum
Public Equity	35%	25%	45%
U.S. Fixed Income	65	55	75
Liquidity	0	0	10

For the fiscal year ended June 30, 2011, the TRIP total market value was approximately $3.1 billion. The portfolio consisted of 15.0% U.S. Equity, 14.6% Non-U.S. Equity, 55.5% Core Fixed Income, 9.7% High-Yield Debt, and 5.2% U.S. REIT Index Fund.

The benchmarks for the individual TRIP asset classes are: Barclays Capital U.S. Aggregate Government Index for U.S. Fixed Income, Government; Barclays Capital U.S. Aggregate Credit Index for U.S. Fixed Income, Credit; Barclays U.S. Aggregate Securitized Index for U.S. Fixed Income, Securitized; Merrill Lynch High Yield Cash Pay BB/B Index for High Yield Debt; Russell 3000 Index (TF) for U.S. Equity, All Cap; MSCI World ex-U.S. Net Index (hedged) (TF) for Non-U.S. Equity (hedged); and FTSE/NAREIT U.S. REIT for REITS.

The TRIP one-year return of 11.26% underperformed the overall benchmark return of 11.44%; however, it has performed very well since its inception.

The Regents of the University of California

2010-2011

The University of California is governed by The Regents, a 26-member board, as established under Article IX, Section 9 of the California Constitution. The Treasurer of The Regents is responsible for managing the investments and cash for the University of California System. The Treasurer's Office carries out these activities under the policies established by the Investment Committee of The Regents of the University of California.

Officers of The Regents

The Honorable Jerry Brown, **President**
Russell Gould, **Chairman**
Sherry L. Lansing, **Vice Chairman**
Charles F. Robinson, **General Counsel and Vice President for Legal Affairs**
Vacant, **Secretary and Chief of Staff to The Regents**
Marie N. Berggren, **Chief Investment Officer, Vice President–Investments, and Acting Treasurer of The Regents**
Sheryl Vacca, **Senior Vice President/Chief Compliance and Audit Officer**

Ex Officio Regents

The Honorable Jerry Brown, **Governor of California**
Mark G. Yudof, **President of the University of California**
Gavin Newsom, **Lieutenant Governor of California**
John A. Pérez, **Speaker of the Assembly**
Tom Torlakson, **State Superintendent of Public Instruction**
Rex Hime, **President of the Alumni Associations of the University of California**
Darek DeFreece, **Vice President, Alumni Associations of the University of California**

Appointed Regents

Richard C. Blum
David Crane
William De La Peña
Russell Gould
Eddie R. Island
Odessa P. Johnson
George Kieffer
Sherry L. Lansing
Monica C. Lozano
Hadi Makarechian
George M. Marcus
Norman J. Pattiz
Bonnie Reiss
Frederick Ruiz
Leslie Tang Schilling
Bruce Varner
Paul D. Wachter
Charlene Zettel
Alfred Mireles, Jr., **Student**

Faculty Representatives

Robert Anderson
Daniel Simmons

Regents-Designate

Bruce Hallett
Lori S. Pelliccioni

Staff Advisors to the Regents

Penny Herbert
Juliann Martinez

Committee on Investments

William De La Peña
George Kieffer
Hadi Makarechian
George M. Marcus, **Vice Chair**
Norman Pattiz
Leslie Tang Schilling
Paul D. Wachter, **Chair**

Ex Officio Members:

The Honorable Jerry Brown
Russell Gould
Mark G. Yudof

Advisory Members:

Robert Anderson
Bruce Hallett
Penny Herbert
Juliann Martinez

As of June 30, 2011

Office of the Treasurer

June 2011

Marie N. Berggren, MS – **Chief Investment Officer, Vice President–Investments, and Acting Treasurer of The Regents**

Elizabeth Agbayani – **Executive Assistant**

Melvin L. Stanton, MBA – **Associate Chief Investment Officer**

Randolph E. Wedding, MBA – **Senior Managing Director – Fixed Income Investments**

Jesse L. Phillips, CFA, MBA, MA – **Senior Managing Director – Investment Risk Management**

William J. Coaker, CFA, MBA – **Senior Managing Director – Public Equity**

ALTERNATIVE INVESTMENTS

Absolute Return

Lynda Choi, MBA	Managing Director
Edmond Fong, CFA, MBA	Investment Officer
George Song, CFA, CAIA, MBA	Investment Officer
Scott Nystrom, AB	Senior Investment Analyst
Feleciana Feller, BA	Administrative Assistant (50/50 with Private Equity)

Private Equity/Real Assets/Cross-Asset Class

Timothy Recker, CFA, MBA	Managing Director
Thomas Lurquin, PhD	Director
Michelle Cucullu, MS	Investment Officer
Brian J. Johnson, CFA, MBA	Investment Officer
Aileen Liu, MS	Investment Officer
Julia Winterson, MBA	Investment Officer
Ciera Ashley, MBA	Senior Investment Analyst
Gaurav Sood, MBA	Senior Investment Analyst
Leslie Watson, BA	Analyst

Real Estate

Gloria Gil, CRE, BS	Managing Director
Rebecca Stafford, MA	Investment Officer
Cay Sison, BA	Senior Investment Analyst
Milkah Cunningham	Administrative Specialist

PUBLIC EQUITY INVESTMENTS

Rudy Hobson, MA, MBA	Investment Officer
Victoria Owens, CFA, MBA	Investment Officer
Paul Teng, CFA, MBA	Senior Investment Analyst
Kristina Chow, MBA	Administrative Analyst

FIXED INCOME INVESTMENTS

Kim Evans, MBA	Senior Portfolio Manager, Credit Analysis
Linda Fried, BA	Senior Portfolio Manager, Credit Sector
David Schroeder, BA	Senior Portfolio Manager, Governments Sector
Satish Swamy, CFA, MBA	Senior Portfolio Manager, Collateralized Sector
Alice Yee, MBA	Senior Portfolio Manager, Short-Term Securities
Sharon Zhang, CFA, MBA	Interim Senior Portfolio Manager, Credit Analysis
Tony Lo, CFA, BA	Portfolio Manager
Byron Ong, CFA, MBA	Investment Officer
Aaron Staines, BA	Junior Portfolio Manager

INVESTMENT RISK MANAGEMENT

William Dumas, PhD	Principal Risk Analyst
Duane Gilyot, MS	Senior Analyst
Farhan Zamil, CFA, BA	Analyst
Joanne Birdsall	Executive Assistant

CLIENT RELATION SERVICES

Susan Rossi, Director
Sharon Murphy

OPERATIONS

Robert Yastishak, Director
Jan Kehoe, Assistant Director
Paula Ferreira, Supervisor
Floyd Gazaway, Jr.
Brian Hagland
James Han
Khaleelah Muhammad
Marjan Shomali
Pu Wang-Fackler

BUSINESS MANAGEMENT

Nelson Chiu, Director
William Byrd
Pamala Williams-Perkins
Claudia Green

INFORMATION SYSTEMS

Richard Thomas, Financial and Systems Analyst

RESOURCES

UC Treasurer's Office: http://www.ucop.edu/treasurer/

UC-Managed Funds

UC "At Your Service" — Retirement and Savings Plans:
http://atyourservice.ucop.edu/employees/retirement_savings/

UC Retirement Savings Program, including 403(b), 457(b), and DC Plan Information:
http://www.ucfocusonyourfuture.com

UC Retirement Savings Program Policy Statement:
http://www.ucop.edu/treasurer/invpol/Retirement_Sav_investment_policy.html

UC Retirement Plan Investment Policy Statement:
http://www.ucop.edu/treasurer/invpol/UCRP_investment_policy.html

UC General Endowment Policy (GEP) Investment Policy Statement:
http://www.ucop.edu/treasurer/invpol/GEP_investment_policy.html

UC Investment Guidelines for STIP:
http://www.ucop.edu/treasurer/stip/STIP_investment_guidelines.html

UC Investment Guidelines for TRIP:
http://www.ucop.edu/treasurer/trip/TRIP_investment_guidelines.html

Conflict of Interest Policy: http://www.universityofcalifornia.edu/regents/policies/6104.html

Regents' Committee on Investments/Investment Advisory Group

Schedule and Agendas: http://www.universityofcalifornia.edu/regents/meetings.html

UC News

UC Newsroom: http://www.universityofcalifornia.edu/news/

UC Human Resources and Benefits News: http://atyourservice.ucop.edu/

This *Treasurer's Annual Report 2010-2011* is unaudited; however, these investments are included in the following audited financial statements of the University of California: *The University of California Annual Financial Report 2010-2011* (available at http://www.universityofcalifornia.edu/reportingtransparency/); *The University of California Retirement Savings Program* (Defined Contribution Plan, Supplemental Defined Contribution Plan, the Tax-Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan) and *The University of California Retirement Plan 2010-2011* (both available at http://atyourservice.ucop.edu/forms_pubs/categorical/annual_reports.html).

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