

# UNIVERSITY OF CALIFORNIA

## ANNUAL ENDOWMENT REPORT

FISCAL YEAR ENDED JUNE 30, 2016

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UC Regents General Endowment Pool  
University of California, Berkeley Foundation  
UC Davis Foundation  
University of California, Irvine Foundation  
The UCLA Foundation  
University of California, Merced Foundation  
UC Riverside Foundation  
UC San Diego Foundation  
The University of California, San Francisco Foundation  
UC Santa Barbara Foundation  
UC Santa Cruz Foundation

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# 1 Purpose

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The purpose of this report is to provide the Regents' Committee on Investments with an overview of the investment portfolios of the University of California campus foundations, as well as the Regents General Endowment Pool (GEP) in which some of the campuses invest. Each campus foundation publishes its own detailed investment report; however, this report is intended to provide key information for all the portfolios on a consolidated basis.

The report is prepared by an independent investment consulting firm hired by the Office of the Chief Investment Officer (OCIO) on behalf of the Regents' Committee on Investments. This particular report was prepared by Mercer Investment Consulting, LLC.

The sources of information in this report are:

- Each respective campus foundation
- The OCIO (for GEP and the campus foundations which are 100% invested in GEP)
- Mercer Investment Consulting
- State Street Bank (historical performance and assets for GEP and the campus foundations for periods between 2006 and 2015)

## 2 Consolidated GEP/Campus Foundation Review

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The following section contains a summary of the consolidated endowment review.

Information is provided on the total investment assets, total portfolio performance, asset allocation, and spending policies for each campus foundation.

All of the information is sourced and reconciled by each respective campus foundation and the OCIO.

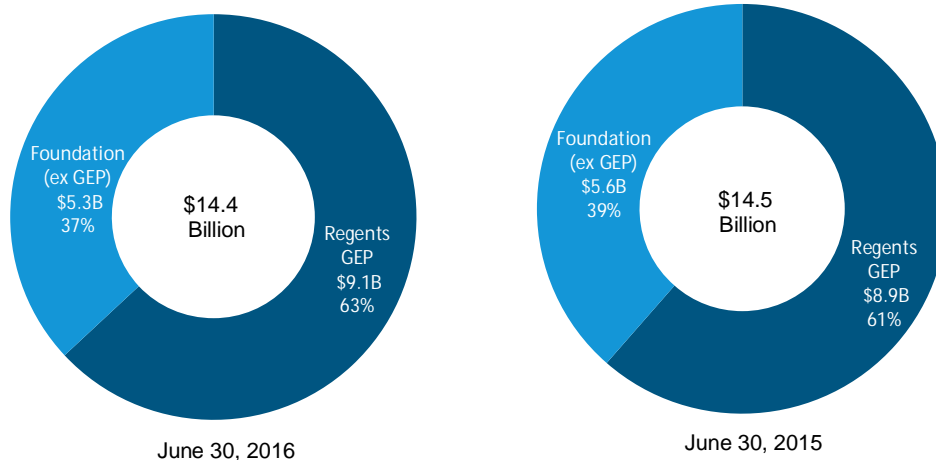
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## 2.1 GEP and Campus Foundation Assets Under Management

This section of the report focuses on the managed endowment assets held by the Regents and the campus foundations, which include assets managed by the Office of the Chief Investment Officer (OCIO) and external managers. Managed endowment assets exclude assets that are categorized as “other endowment assets”, which are not actively managed (i.e., real estate or gifted marketable securities).

The Regents’ General Endowment Pool (GEP), which some of the campuses invest, is managed by the OCIO. The chart below shows the GEP and campus foundation (excluding GEP) managed endowment assets for fiscal years 2016 and 2015.

**Total Managed Endowment Assets**

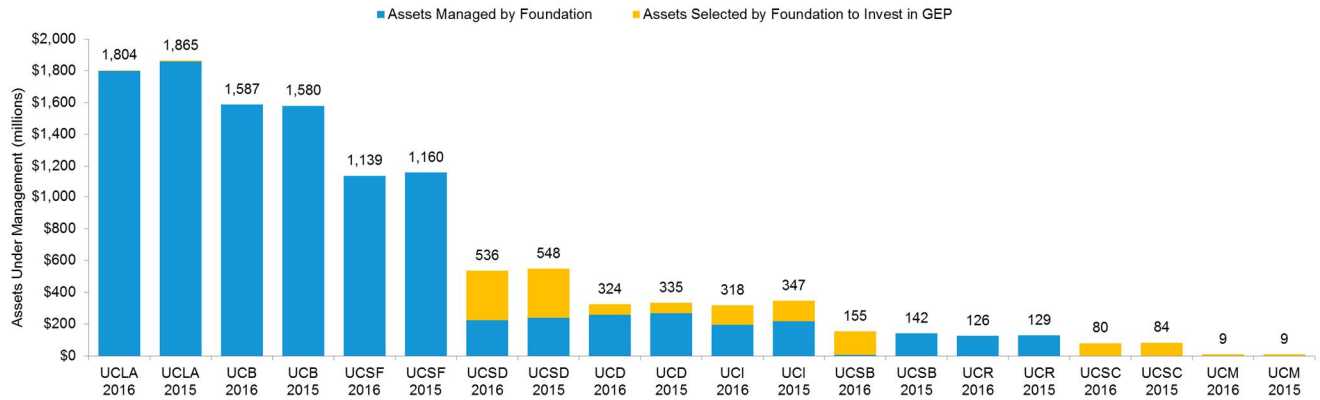


Notes:  
 Source for 2016: Foundations and the OCIO  
 Source for 2015: State Street

GEP and campus foundation total managed endowment assets were \$14.4 billion as of June 30, 2016. Overall, managed endowment assets decreased by 0.5% over the last fiscal year. These changes incorporate cash flows and investment performance.

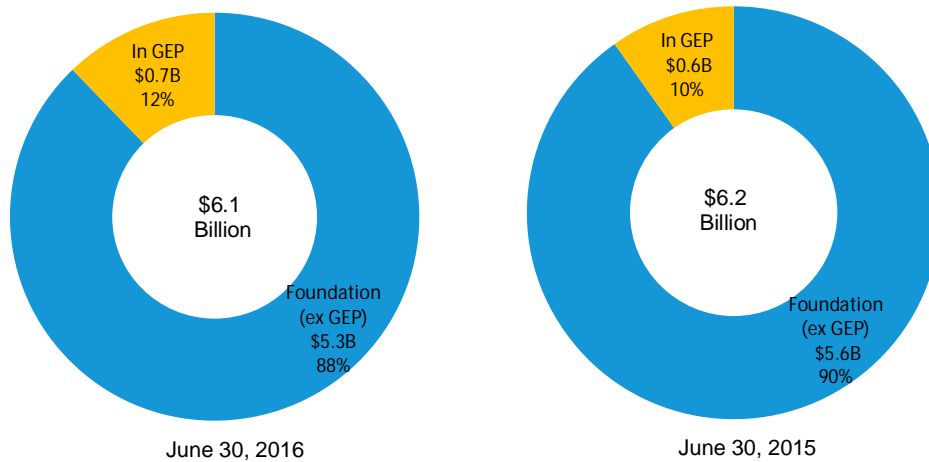
The two charts below show the total investment portfolio assets under management by campus foundation and in aggregate for fiscal years 2016 and 2015.

### Assets Under Management by Foundation for Fiscal Years 2016 and 2015



Notes:  
 Source for 2016: Foundations and the OCIC  
 Source for 2015: State Street

### Total Managed Foundation Endowment Assets



Notes:  
 Source for 2016: Foundations and the OCIO  
 Source for 2015: State Street

Total campus foundation investment assets were \$6.1 billion as of June 30, 2016. Total foundation assets decreased by 1.9% over the last fiscal year. These changes incorporate cash flows and investment performance.

## 2.2 Foundation Asset Allocation by Asset Class

Asset allocation is the primary driver of a portfolio's total return over the long run, while sector and individual security selection typically drive short-term performance. Therefore, portfolio performance should be viewed in the context of the underlying asset allocation.

The table below shows the asset allocation for each campus foundation and GEP as of June 30, 2016. Campus investments in GEP are included in the specific sub asset classes. The table includes the overall weighted average asset allocation of all foundation assets, as well as the net one-year total returns by campus.

### Asset Allocation of Managed Endowment Funds

As of June 30, 2016

Campus	U.S. Equity	Non-U.S. Equity	Global Equity	U.S. Fixed Income	Non-U.S. Fixed Income	Absolute Return	Real Assets / Real Estate	Private Equity	Com-modities	Other	Cash Equiv.	Total	Fiscal Year 2016 Return
Regents' GEP	24.1%	22.1%	0.0%	8.5%	0.5%	18.2%	7.9%	11.7%	0.0%	0.0%	7.0%	100.0%	-3.4%
Berkeley <sup>1</sup>	10.4%	13.6%	9.6%	6.8%	0.0%	32.8%	3.7%	15.8%	0.0%	0.0%	7.4%	100.0%	-2.3%
Davis <sup>2</sup>	20.0%	18.3%	5.4%	8.0%	0.1%	19.9%	7.2%	12.3%	5.7%	0.0%	3.1%	100.0%	-3.3%
Irvine	24.0%	27.8%	0.0%	12.9%	0.0%	13.7%	8.7%	9.8%	0.0%	0.0%	3.0%	100.0%	-2.4%
Los Angeles <sup>3</sup>	19.4%	23.4%	14.8%	7.1%	0.0%	0.0%	11.7%	11.1%	0.0%	13.2%	-0.6%	100.0%	-4.1%
Merced <sup>4</sup>	24.1%	22.1%	0.0%	8.4%	0.5%	18.2%	7.9%	11.7%	0.0%	0.0%	7.0%	100.0%	-3.5%
Riverside	44.9%	44.6%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.4%	100.0%	-5.1%
San Diego	17.2%	19.9%	15.4%	12.1%	0.0%	13.5%	10.0%	7.6%	0.0%	0.0%	4.2%	100.0%	-2.2%
San Francisco	24.4%	21.4%	4.4%	12.8%	0.0%	21.2%	8.4%	5.8%	0.0%	0.0%	1.5%	100.0%	-4.8%
Santa Barbara <sup>4</sup>	23.3%	21.3%	0.0%	8.1%	0.5%	18.0%	7.6%	14.3%	0.0%	0.0%	6.9%	100.0%	-3.1%
Santa Cruz <sup>4</sup>	24.1%	22.1%	0.0%	8.4%	0.5%	18.2%	7.9%	11.7%	0.0%	0.0%	7.0%	100.0%	-3.5%
<b>Weighted Avg.<sup>5</sup></b>	<b>18.7%</b>	<b>20.5%</b>	<b>9.4%</b>	<b>9.0%</b>	<b>0.0%</b>	<b>16.2%</b>	<b>8.1%</b>	<b>10.9%</b>	<b>0.3%</b>	<b>3.9%</b>	<b>3.0%</b>	<b>100.0%</b>	<b>-3.4%</b>

<sup>1</sup>UCB's Equiy Tactical is included in Global Equity; Liquid Excess Return is included in Private Equity and Diversifying Other is included in Real Assets. Absolute Return Hedge Funds and Equity Long/Short Hedge Funds are included in the Absolute Return category.

<sup>2</sup>UCD's Opportunistic Distressed Credit (primarily forward contracts and derivatives which have short term factor exposures similar to cash) is included in Cash Equivalents.

<sup>3</sup>UCLA's Multi-strategy assets are included in the Other category. The US Equity exposure is 9.3% before including the notional exposure of the S&P 500 Index and ERAUSLT Index swaps. The Cash balance is 9.4% when including collateral for the S&P 500 Index and ERAUSLT Index swaps.

<sup>4</sup>Foundation endowment assets invested primarily in The Regents' GEP and/or STIP funds.

<sup>5</sup>The weighted average Fiscal Year return shown above includes The Regents' GEP return in the calculation.

## 2.3 Investment Performance

Investment performance for campus foundations and GEP (composite) is presented net of investment management fees. This table displays total returns for each foundation and GEP and the median returns of a broad Endowments & Foundations (E&F) peer group (i.e. the InvestorForce Trust – All Endowments & Foundations Net Universe) for comparison. The percentile ranks reflect performance relative to the E&F peer group (1<sup>st</sup> percentile is the best, 100<sup>th</sup> percentile is the worst). The table also includes the simple weighted average returns for GEP and all campus foundation assets.

### Net Performance Summary for Periods Ending June 30, 2016

Periods over 1 Year are Annualized

% Invested in GEP		10 Years		7 Years		5 Years		3 Years		1 Year	
		Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank
100%	<b>Regents' GEP<sup>1</sup></b>	5.9	11	9.0	26	6.5	13	7.1	6	-3.4	76
100%	<b>Merced<sup>2</sup></b>	5.8	14	8.9	30	6.3	16	6.8	9	-3.5	78
100%	<b>Santa Cruz<sup>2</sup></b>	5.8	13	8.9	30	6.3	16	6.8	9	-3.5	78
96%	<b>Santa Barbara<sup>3</sup></b>	3.7	92	7.5	74	3.7	90	4.1	72	-3.1	71
58%	<b>San Diego</b>	5.5	18	9.1	22	6.0	20	6.4	13	-2.2	57
38%	<b>Irvine</b>	5.2	42	8.9	36	6.2	17	6.5	13	-2.4	59
20%	<b>Davis</b>	5.6	17	8.6	38	6.2	18	6.6	11	-3.3	74
0%	<b>Los Angeles<sup>4</sup></b>	4.9	54	8.1	56	5.8	27	5.1	39	-4.1	84
	<b>Berkeley</b>	5.2	38	8.2	54	5.3	36	5.2	35	-2.3	59
	<b>Riverside</b>	5.3	29	8.1	57	4.1	79	4.0	72	-5.1	93
	<b>San Francisco</b>	4.4	76	7.7	71	4.4	73	4.1	75	-4.8	92
	<b>Weighted Average<sup>5</sup></b>	5.5		8.7		6.1		6.3		-3.4	
	<b>E&amp;F Peer Group Median</b>	4.9		8.3		5.0		4.8		-1.8	

<sup>1</sup> GEP's composite performance is shown

<sup>2</sup> GEP's unit value performance is shown

<sup>3</sup> Santa Barbara's total performance includes the GEP, Private Equity, Hedged and General Cash Accounts

<sup>4</sup> Los Angeles' allocation to GEP was 0.3%

<sup>5</sup> The weighted average returns include The Regents' GEP returns in the calculation.

**Dark Blue:** Outperformed the Policy Benchmark

**Light Blue:** Underperformed the Policy Benchmark

Note: Details for the E&F Peer Group can be found on page 67 under "Performance Comparisons"

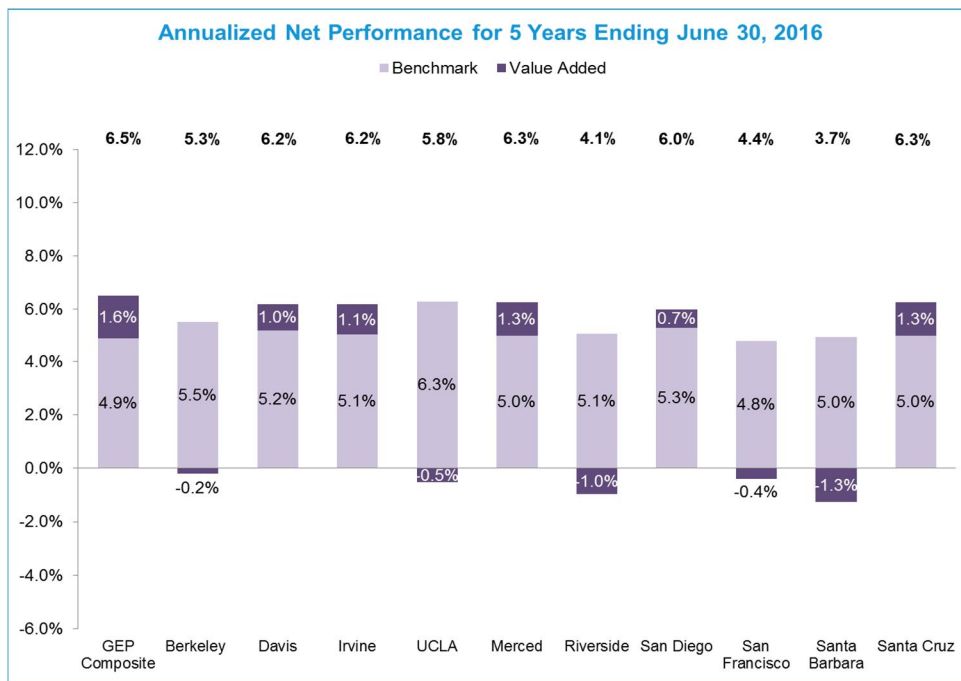
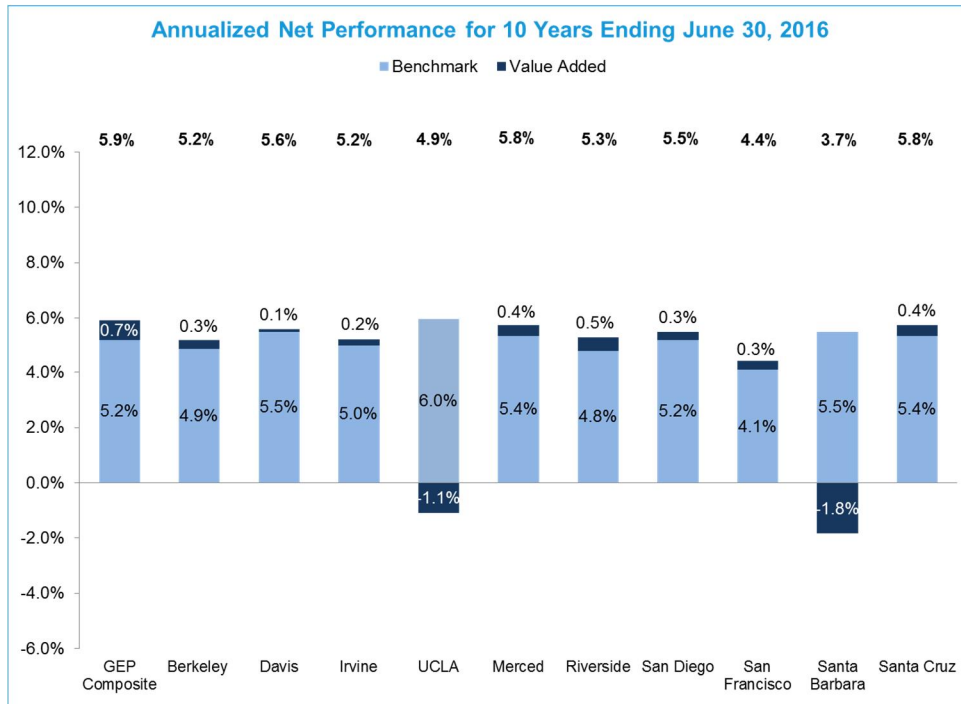
Performance for the trailing 10-year period is still modest as it includes the effect of the financial crises; however, performance for the 7-, 5- and 3-year periods has improved significantly. Performance for the trailing 1-year period was negative for all the ten Foundations.

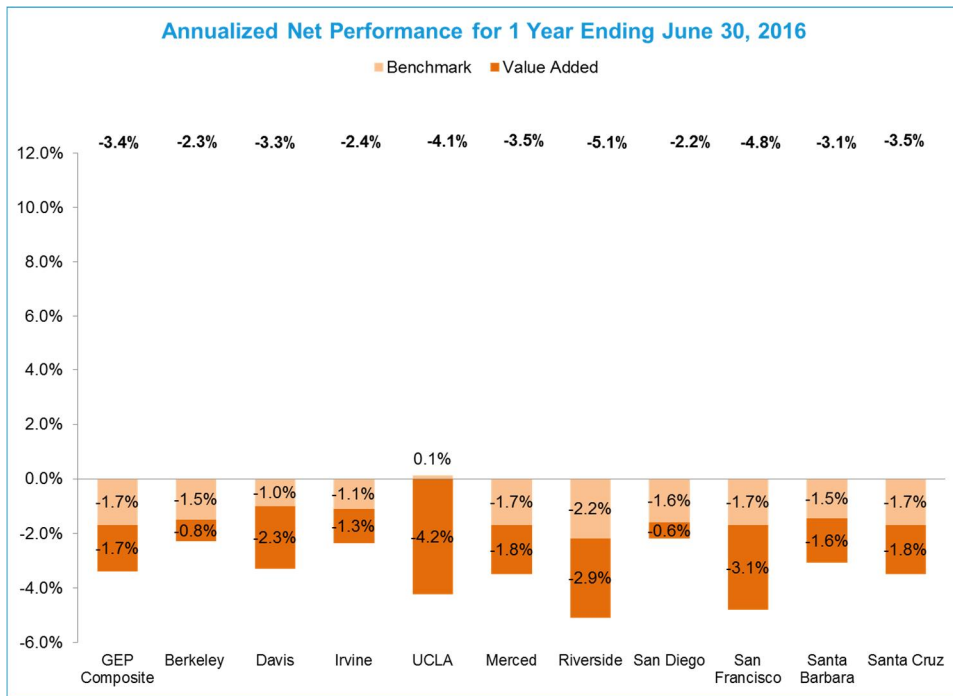
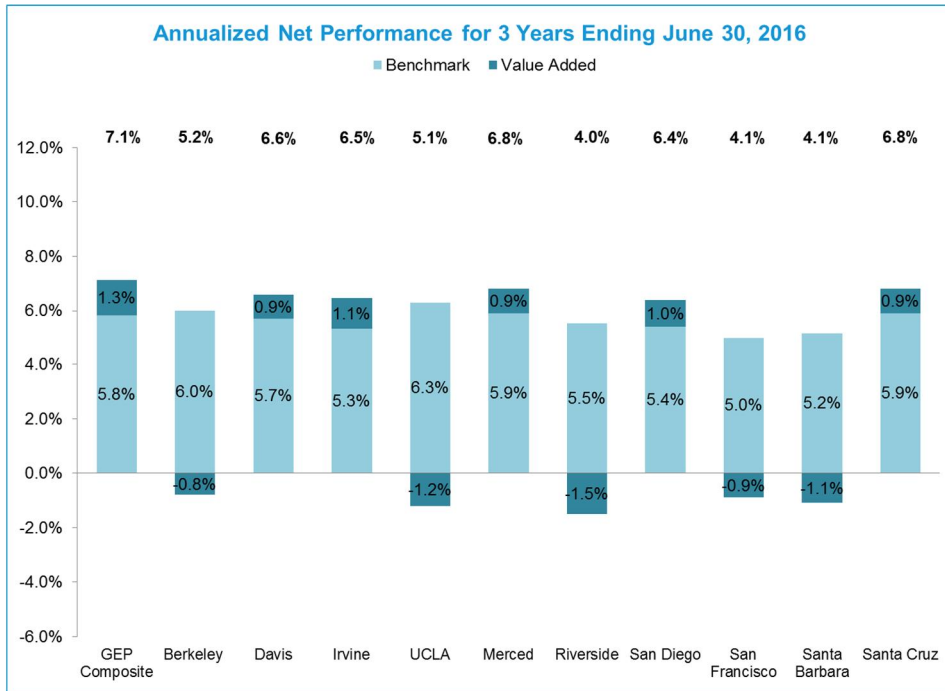
For the 10-, 7-, 5- and 3- year periods, most of the Foundations exceeded or performed close to the universe median return except for two Foundations that underperformed for all the long-term periods and one Foundation that underperformed for the 7-, 5- and 3-year periods. The Foundations' absolute returns ranged from -5.1% to -2.2% for the 1-year period.



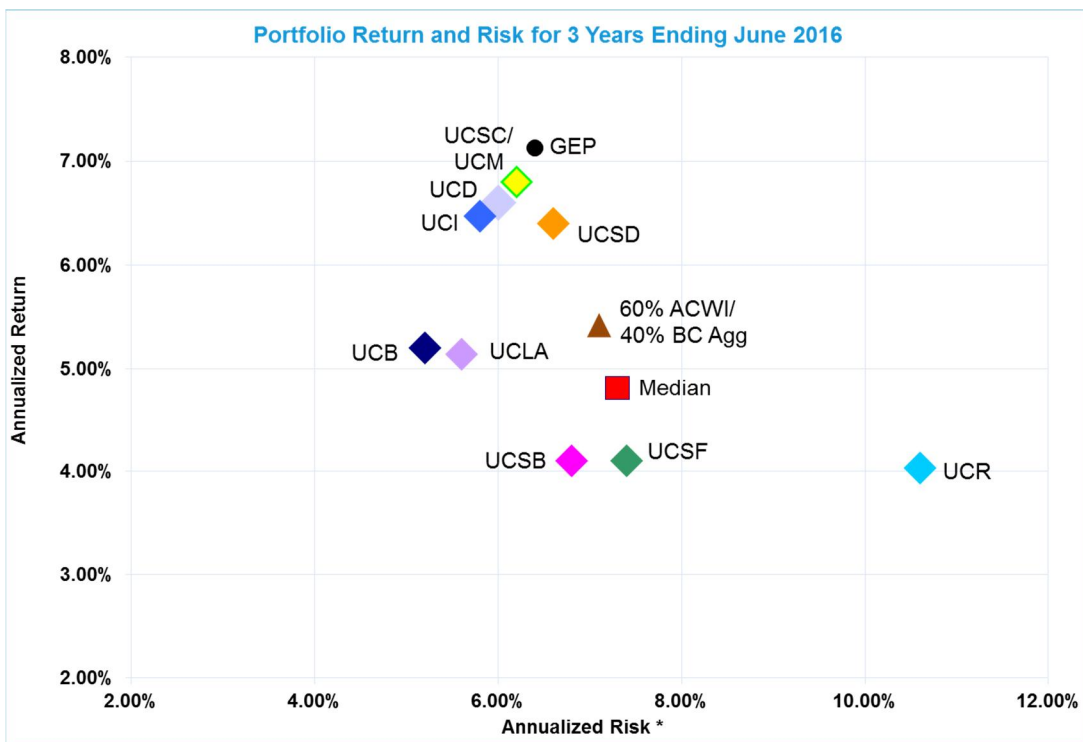
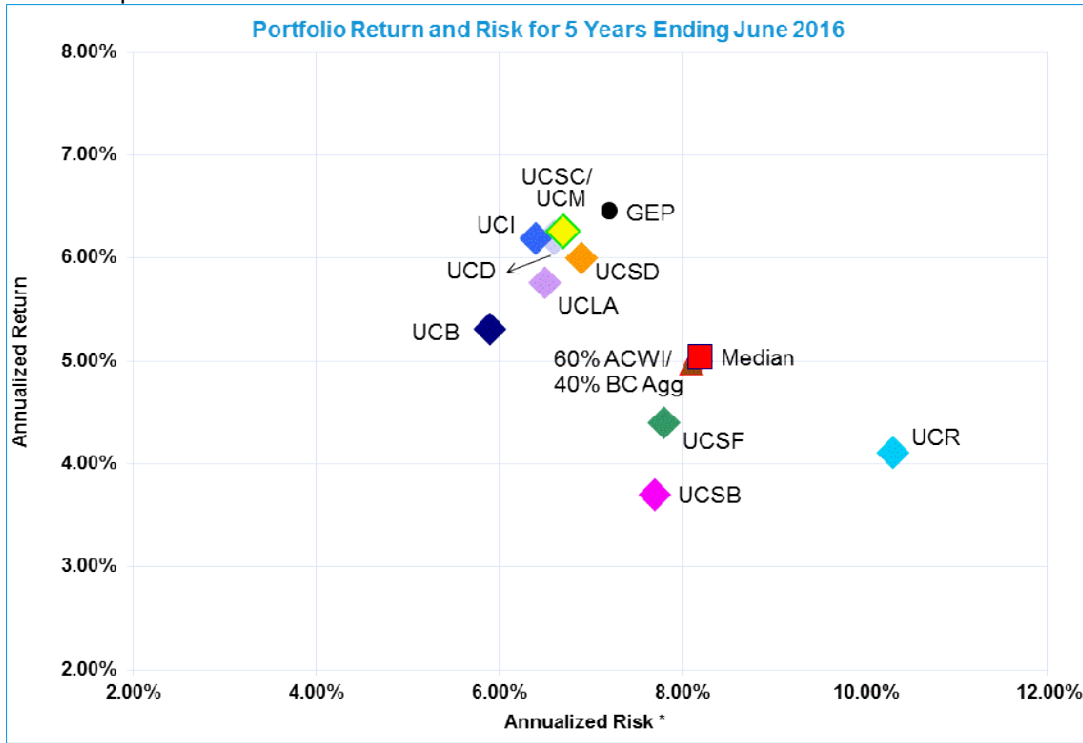
The graphs below show the absolute net returns of the campus foundations and GEP, and the value added (excess returns) versus their respective policy benchmarks for the 10-, 5-, 3- and 1-year periods ending June 30, 2016.

Relative returns for the 10-year period were generally positive, as eight of the 10 Foundations outperformed their respective benchmarks. For the 5- and 3-year periods, five of the 10 Foundations added value with respect to the benchmark.



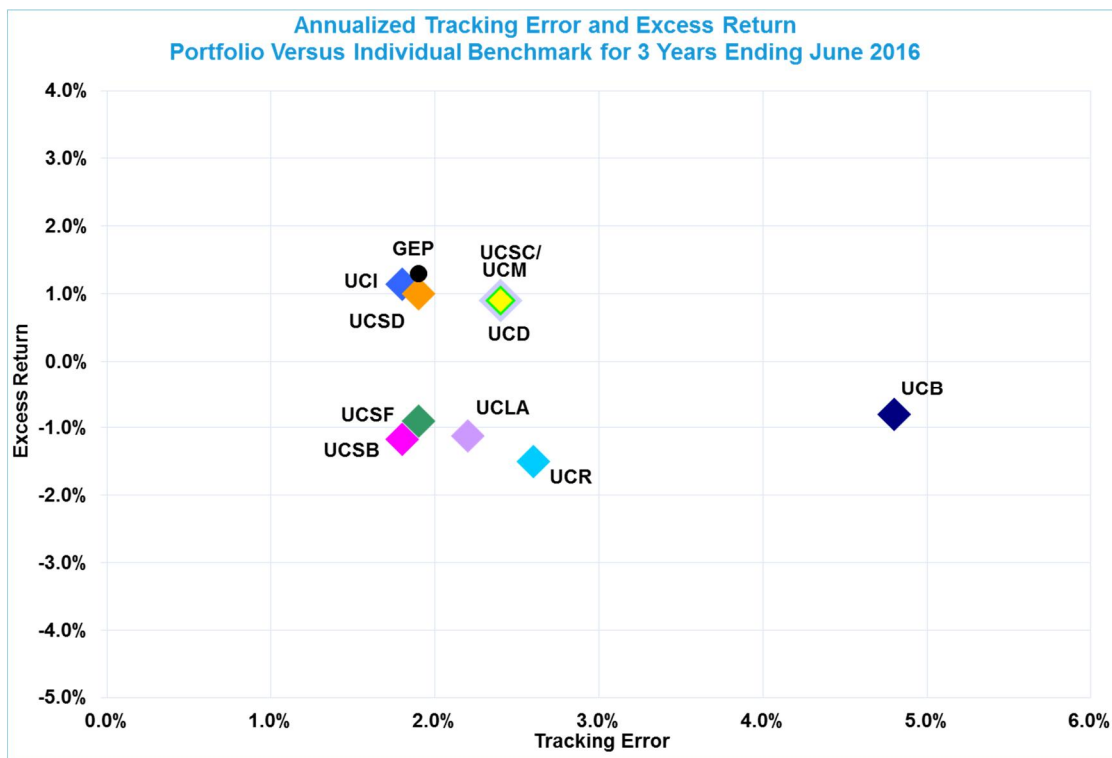
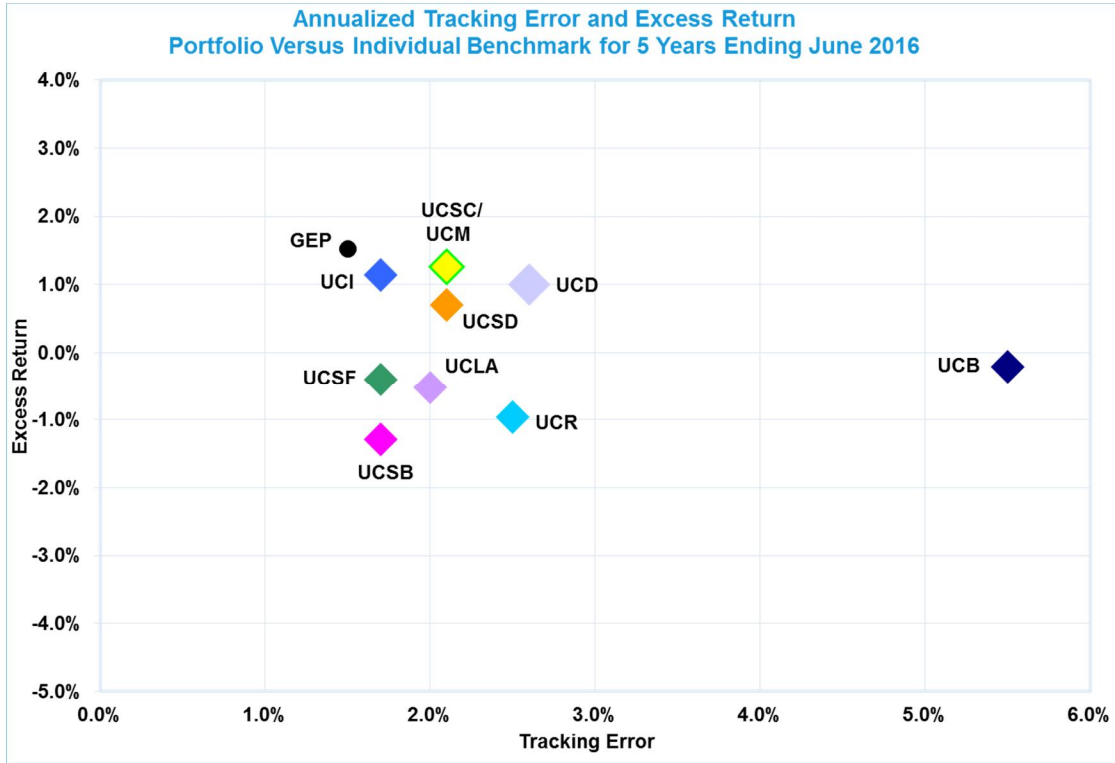


The scatter plot charts below show the annualized returns versus standard deviation (calculated with monthly returns) for the three- and five-year periods ending June 30, 2016. Relative to the E&F peer group median (red square) most of the Foundations exhibited higher returns with lower volatility. Riverside is virtually all invested in daily priced assets which overstate their apparent volatility compared to foundations that are more invested in non-public assets.



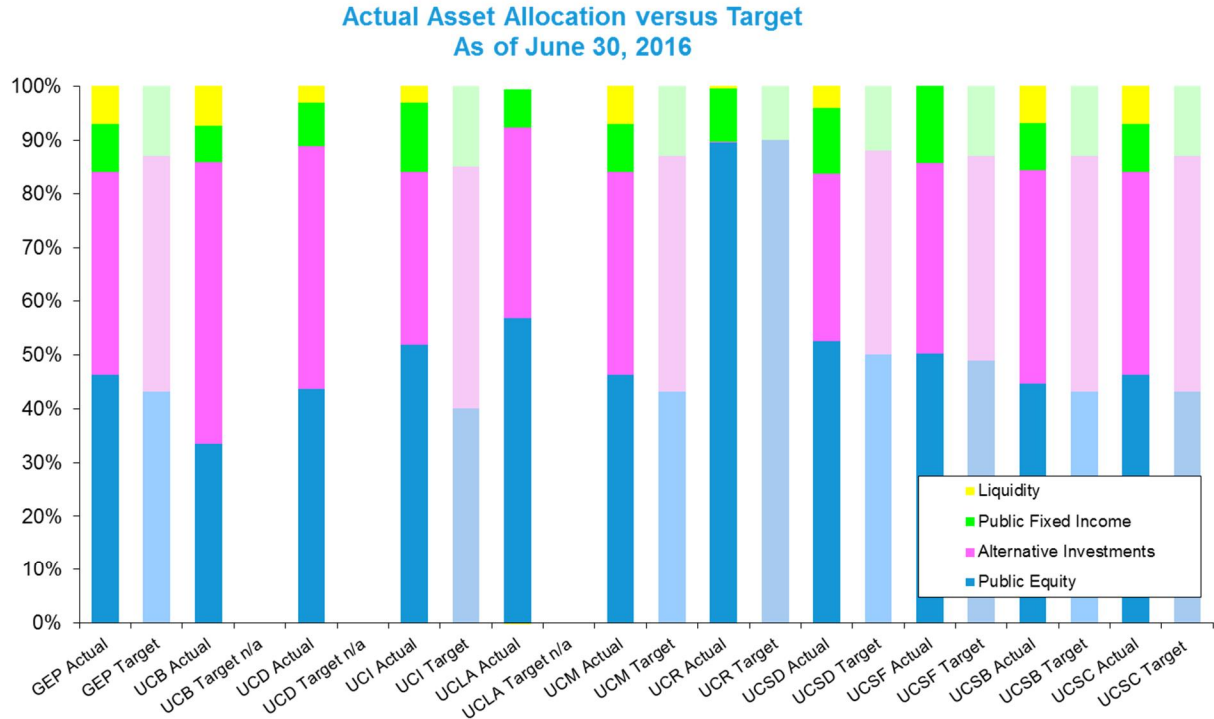
\* (Annualized) Risk is defined as the annualized standard deviation calculated using monthly observations. This evaluation may understate the risk measures for non-public assets such as private equity and absolute return strategies for the following reasons: 1.) The assets are not priced daily; 2.) Returns are reported on a lagged basis. 3.) Most of the campus foundations have significant portions of their endowments invested in non-public assets.

In addition, we evaluated the portfolio's active risk, which measures how closely the portfolio follows a specified benchmark. The graphs below reflect excess returns versus the tracking error for the individual portfolios when compared to their respective benchmarks over 3- and 5-years ending June 30, 2016. For both periods, half of the Foundations outperformed their respective benchmarks and half underperformed. All Foundations, except Berkeley, exhibited low to moderate active risk. Berkeley's asset class benchmarks do not roll up into the policy benchmark; therefore, it exhibited a high tracking error for both periods.



## 2.4 Asset Allocation Policy Compliance

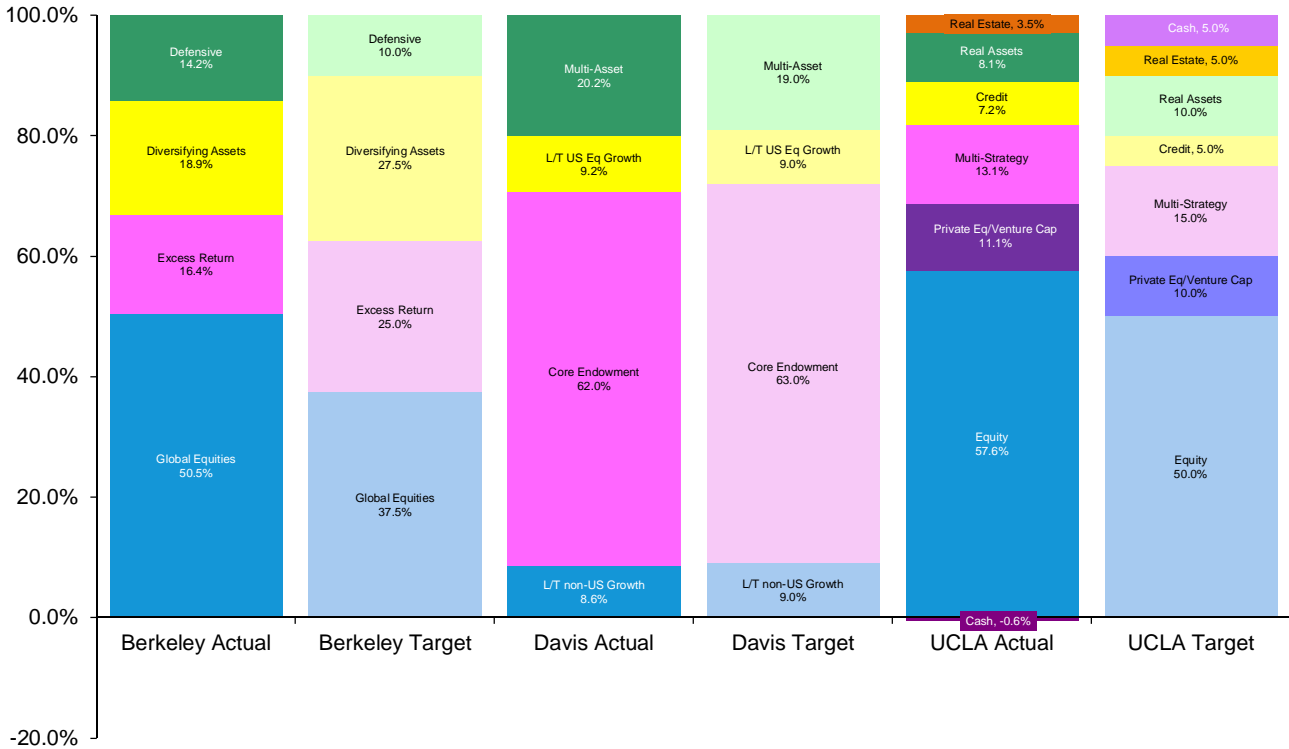
Santa Barbara (effective July 1, 2015), Merced and Santa Cruz are invested 100% in GEP. The other seven Foundations have implemented their own individual investment policies. As of June 30, 2016, San Diego, Irvine and Davis allocated 58%, 38% and 20% respectively to GEP. An overview of the Foundations' actual asset allocation versus the individual targets is presented below.



Note: UC Los Angeles' Cash allocation was -0.6% when excluding collateral for the S&P 500 Index and ERAUSLT Index SWAPS.

Berkeley, Davis and UCLA use a strategy-based investment structure and have implemented multi-asset class portfolios. Their actual allocation versus the different investment types or strategies is presented in the chart below.

**Actual Allocation versus Target  
As of June 30, 2016**



Note: UC Los Angeles' Cash allocation was -0.6% when excluding collateral for the S&P 500 Index and ERAUSLT Index SWAPS.

The following benchmarks are implemented on total fund level:

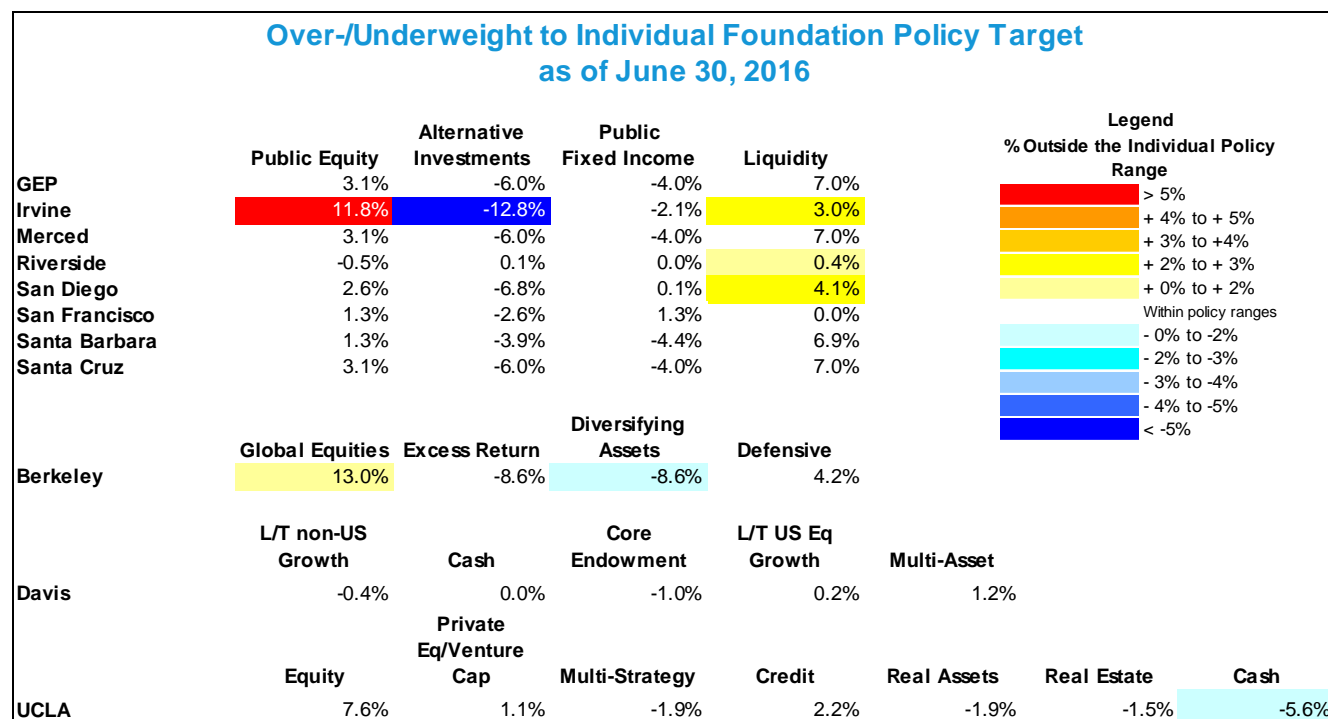
- Berkeley
  - 82.5% MSCI ACWI with USA Gross (Net) Index
  - 17.5% Barclays Treasury Index
- Davis
  - 63.0% GEM Policy Portfolio\*
  - 19% GEP Policy Benchmark\*
  - 9% Russell 3000 Tobacco-Free Index
  - 9% MSCI EAFE Tobacco-Free + Canada Index
- UCLA
  - 30% Russell 3000 Index
  - 15% Citigroup 3-month Treasury Bill Index X 2
  - 10% Cambridge Associates LLC U.S. Private Equity Index
  - 20% MSCI All Country World Ex-US Index
  - 5% Citigroup 3-month Treasury Bill Index (Cash)
  - 5% Merrill Lynch High Yield Master II Index
  - 5% NCREIF Property Index
  - 10% Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%

\* Index composition details shown in Section 4.3 on page 53

During the fiscal year, the following foundations changed their investment policy statements:

- UC Regents GEP
  - May 2016 – GEP Investment Policy
  - July 1, 2016 – New Policy Targets effective
- UC Davis
  - May 6, 2016 – Minor verbiage changes to Spending Policy (Appendix B)
- UC Irvine
  - January 1, 2016 – Cost Recovery Fee Policy
- UC Riverside
  - October 1, 2015 – Target Policy, Policy Range and Policy Benchmark Composition
  - March 10, 2016 – Investment Objective, Addition of “Uniform Prudent Management of Institutional Funds Act” language
- UC San Diego
  - No changes to the Investment Policy Statement. However, the Benchmark Policy (which is a separate document) changed effective December 12, 2015
- UC San Francisco
  - March 31, 2016 – The Investment Company began operations on August 1, 2015. The Benchmark policy was approved as of March 31, 2016
- UC Santa Barbara
  - July 1, 2015 – Transitioned assets to GEP
  - May 2016 - Adopted the GEP Investment Policy

The following table reflects the difference between the actual asset allocation as of June 30, 2016, and the target policy allocation defined in the investment policy statement for each foundation. Any exposure outside the individual policy ranges is shaded, and the heat map on the right side shows by how much.



The exposures outside of the policy ranges shown on the chart above are minor, with the exception of UC Irvine, and therefore not a concern.

UC Irvine is going through an asset allocation study and making changes to the portfolio. The over/under exposure to the public equity and alternative investments should be transitional while changes are being finalized. UC Irvine's policy has a target of 0% cash and no definitive range. The 3.0% allocation to cash was due to investments in the GEP cash.

UC Riverside's policy has a target of 0% cash and no definitive range, the 0.4% allocation in cash is minor.

UC San Diego's allocation to cash was 2.1% above the maximum target range of 2%. This was mainly due to investments in the GEP cash.

UC Berkeley's allocation to Global Equities was 0.5% above the maximum target range of 50% and the allocation to Diversifying Assets was 1.1% below the minimum target range of 20%.

UC Los Angeles' allocation to Cash was 0.6% below the minimum target range of 0%. This allocation excludes collateral for the S&P 500 Index and ERAUSLT Index SWAPS. Cash allocation was 9% when including collateral for the SWAPS.



## 2.5 Spending Policies

A summary of the endowment spending policies for each campus foundation is shown in the table below.

Endowment Spending Policies by Foundation*	
Regents' GEP	Annual spending shall be calculated as: a percentage times the average of the past 60 months market value of endowment assets, where the percentage may range between 4.35% and 4.75%, inclusive. Even with this smoothing of the impact of investment returns, there is a possibility that both nominal and inflation adjusted spending may experience year-to-year declines.
Berkeley	The Foundation's payout policy is 4.0% - 5.0% of a twelve-quarter (three year) moving average market value of the endowment pool. The Finance and Administration Committee, at its discretion, may recommend to the Executive Committee payout percentage within a range of 4.0% to 5.0% for a specific payout year.
Davis	The primary objective of the UC Davis Foundation's endowment spending policy is to achieve a proper balance between present and future needs of endowed units at UC Davis. The current approved spending rate is 4.25% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31. Payouts are pro-rated for new endowments and may be reduced on endowments that are more than 5% underwater for the period ending March 31.
Irvine	The endowment fund spending policy allows for allocation of income equivalent to 4.5% of the moving average market value of the endowment portfolio. This average market value is computed using the previous 36 months of portfolio activity. Income earned in excess of the spending rate may be reinvested in endowment principal. Income available for expenditure is calculated according to a predetermined formula.
Los Angeles	In 2016, The UCLA Foundation endowment spending rate was 4.54% of a 12 quarter rolling average market value, calculated quarterly. The UCLA Foundation approved endowment spending policy for fiscal 2017 is 4.50% of a 12 quarter rolling average.
Merced	The spending policy of the UC Merced Foundation is to provide 100% of the endowment earnings up to a maximum spending payout rate of 4.75% of the 60-month average unit market value.
Riverside	The endowment spending policy applicable to FYE 2016 was to withdraw per unit 4% of the average unit market value of the endowment fund calculated using the closing unit market value on the last day of each of the 84 contiguous months the last of which ended on May 31, 2016.
San Diego	Endowment spending during fiscal year 2015-16 was calculated using a predetermined formula at an amount equal to 4.75% of the 60-month average unit market value of the endowment portfolio. Spending is allocated to fund holders monthly.
San Francisco	The Foundation payout policy guideline is to distribute 4.75% of the 36 month rolling average unitized market value of the Endowment Pool. The payout will not exceed 6% nor be less than 3.5% of the ending market value on the last day of the fiscal year for which it is being calculated. The payout will be reviewed annually, which may result in modification. In determining the annual payout, the Foundation will consider factors such as stability of fund flows to operations and preservation of endowment principal, in addition to the guideline formula.
Santa Barbara	Endowment spending during fiscal year 2015-2016 was calculated using a predetermined formula at an amount equal to 4.65% of the 60-month average unit market value of the endowment portfolio as of December 31, 2014. To the extent requested by the Fund Administrator, spending was allocated to fund holders in September (40%) and April (60%).
Santa Cruz	The UC Santa Cruz Foundation endowment expenditure rate approved February 2015, is 4.65% times a three-year moving average of December 31 market values. The endowment expenditure formula is reviewed annually and adjusted accordingly with respect to prudent concern for campus needs, donor expectations, and current market conditions. In no event will the corpus be reduced below the amount of the original gift, adjusted by the Gross Domestic Product (GDP) price index, unless specific language of the endowment agreement so allows.

Note: Updates provided by the campus foundations are reflected above up to the time this report was produced.

## 3 Investment Profiles for Campus Foundations

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The following section contains a summary for each campus foundation and GEP which includes:

- Investment Objectives
- Spending Policy
- Actual vs. Policy Target Allocations and Ranges
- Investment Performance
- Asset Allocation by Asset Class
- Rolling 1-Year Excess Return

## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)

### Regents' GEP Investment Objective

The overall investment goal of the GEP is to preserve the purchasing power of the future stream of endowment payout 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. Other goals include:

- 1) To maximize return within reasonable and prudent levels of risk
- 2) To maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets.

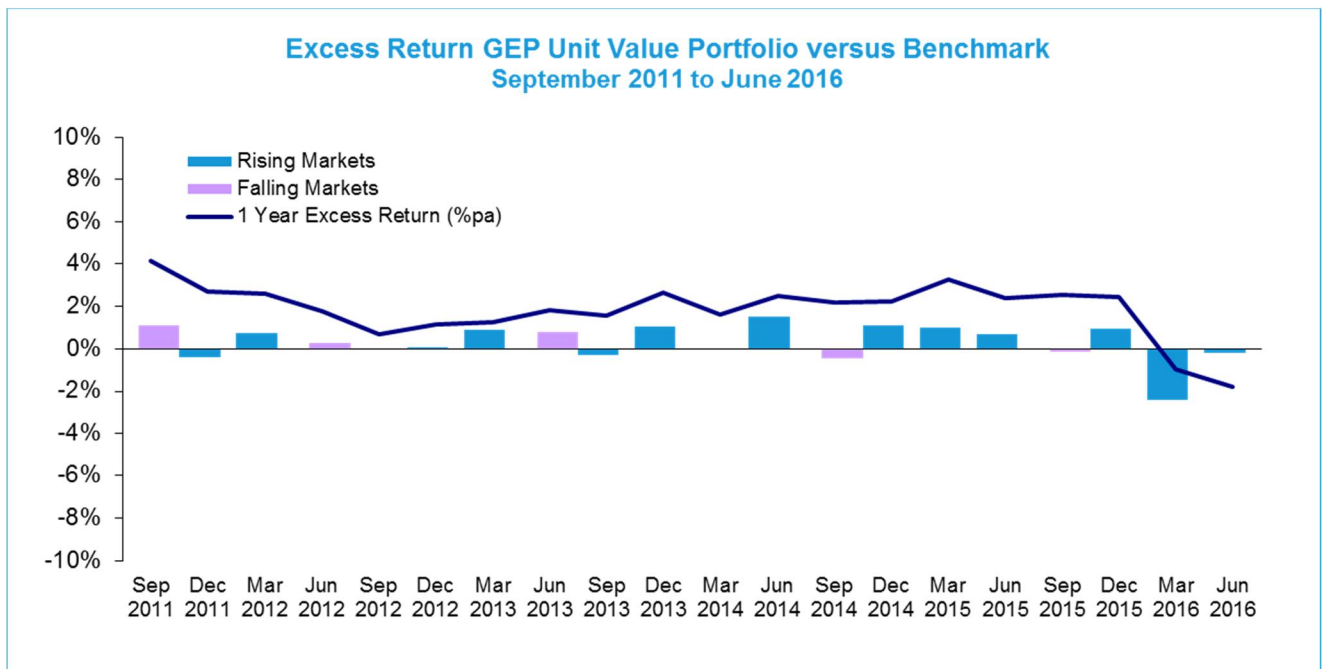
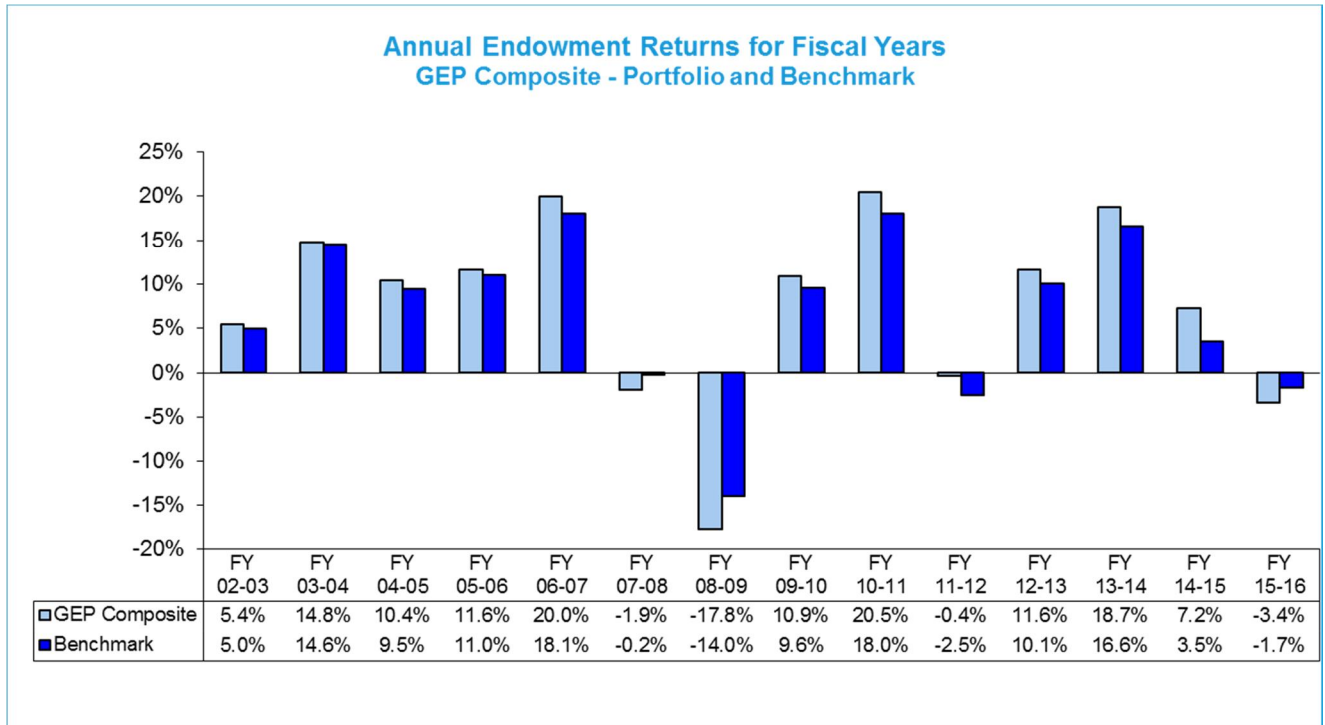
### Regents' GEP Spending Policy

Annual spending shall be calculated as: a percentage times the average of the past 60 months market value of endowment assets, where the percentage may range between 4.35% and 4.75%, inclusive. Even with this smoothing of the impact of investment returns, there is a possibility that both nominal and inflation adjusted spending may experience year-to-year declines.

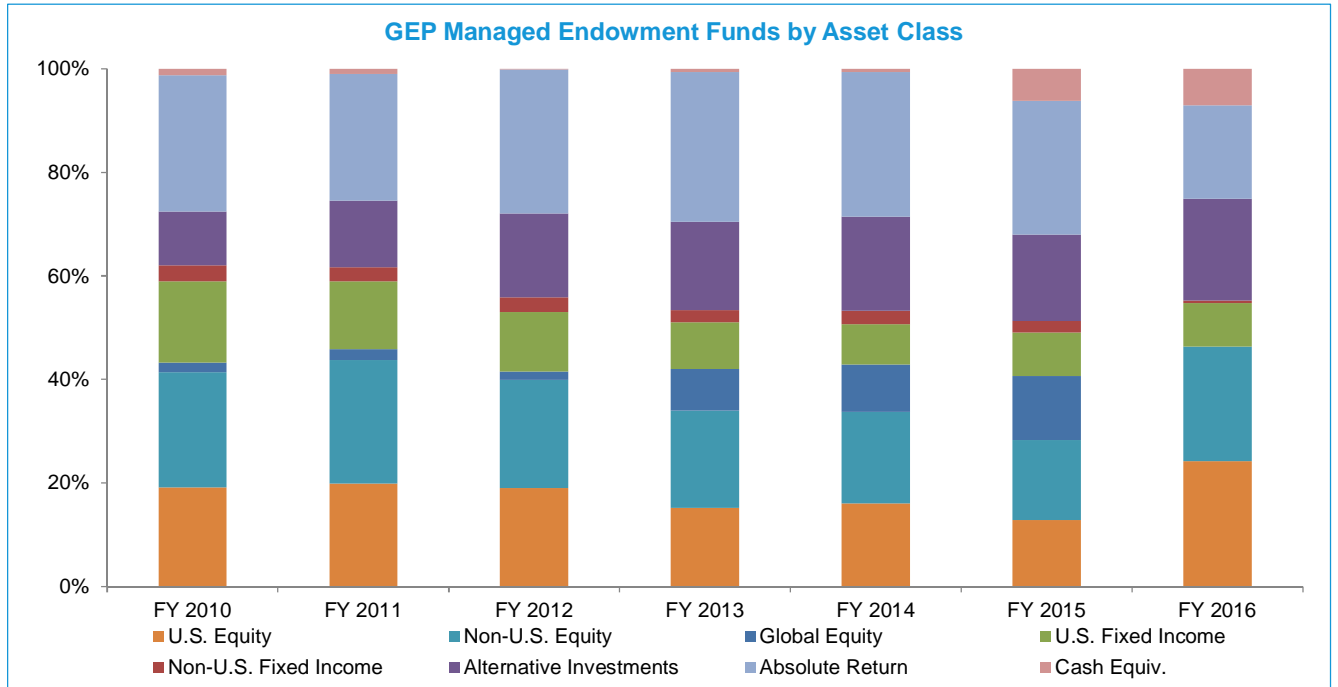
### University of California Regents, General Endowment Pool Asset Allocation June 30, 2016

	Assets (\$M)	Actual Allocation	Benchmark Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$4,217	46.3%	43.2%	3.1%	33.2%	53.2%	Yes
Public Fixed Income	\$816	9.0%	13.0%	-4.0%	8.0%	18.0%	Yes
Alternatives	\$3,443	37.8%	43.8%	-6.0%	33.8%	53.8%	Yes
Liquidity Portfolio	\$634	7.0%	0.0%	7.0%	0.0%	10.0%	Yes
<b>Total Assets</b>	<b>\$9,110</b>	<b>100.0%</b>	<b>100.0%</b>				

## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)



## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)



## UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION

### Endowment Investment Objective

There are three intersecting goals for the UC Berkeley Foundation ("UCBF") endowment pool:

- 1) Support UCB - Generate returns sufficient to meet UCBF's desired financial support to UC Berkeley over the long term, while maintaining real purchasing power, sufficient liquidity and acceptable volatility.
- 2) Market Returns - Generate results after all relevant expenses, that match or exceed the returns of a representative mix of investable assets, known as the Total Portfolio Benchmark, over rolling ten year periods.
- 3) Manager Selection - Demonstrate success in selecting investments, as measured by comparing performance after all relevant expenses versus the return and volatility measures of other investable options over rolling five year periods.

### Endowment Spending Policy

The Foundation's payout policy is 4.0% - 5.0% of a twelve-quarter (three year) moving average market value of the endowment pool. The Finance and Administration Committee, at its discretion, may recommend to the Executive Committee payout percentage within a range of 4.0% to 5.0% for a specific payout year.

### University of California, Berkeley Foundation Portfolio Asset Allocation June 30, 2016

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Global Equities	\$801	50.5%	37.5%	13.0%	30.0%	50.0%	0.5%
Diversifying Assets	\$301	18.9%	27.5%	-8.6%	20.0%	35.0%	-1.1%
Excess Return	\$260	16.4%	25.0%	-8.6%	0.0%	30.0%	Yes
Defensive	\$225	14.2%	10.0%	4.2%	5.0%	25.0%	Yes
<b>Total Assets</b>	<b>\$1,587</b>	<b>100.0%</b>	<b>100.0%</b>				

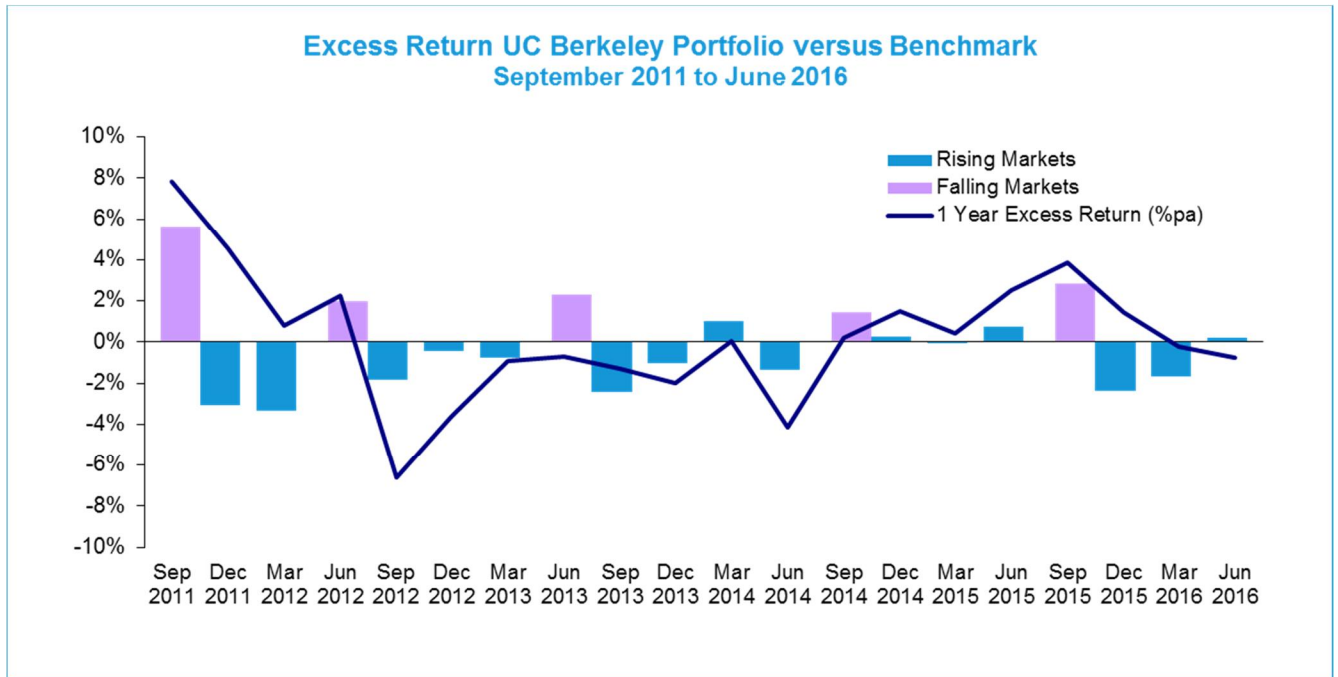
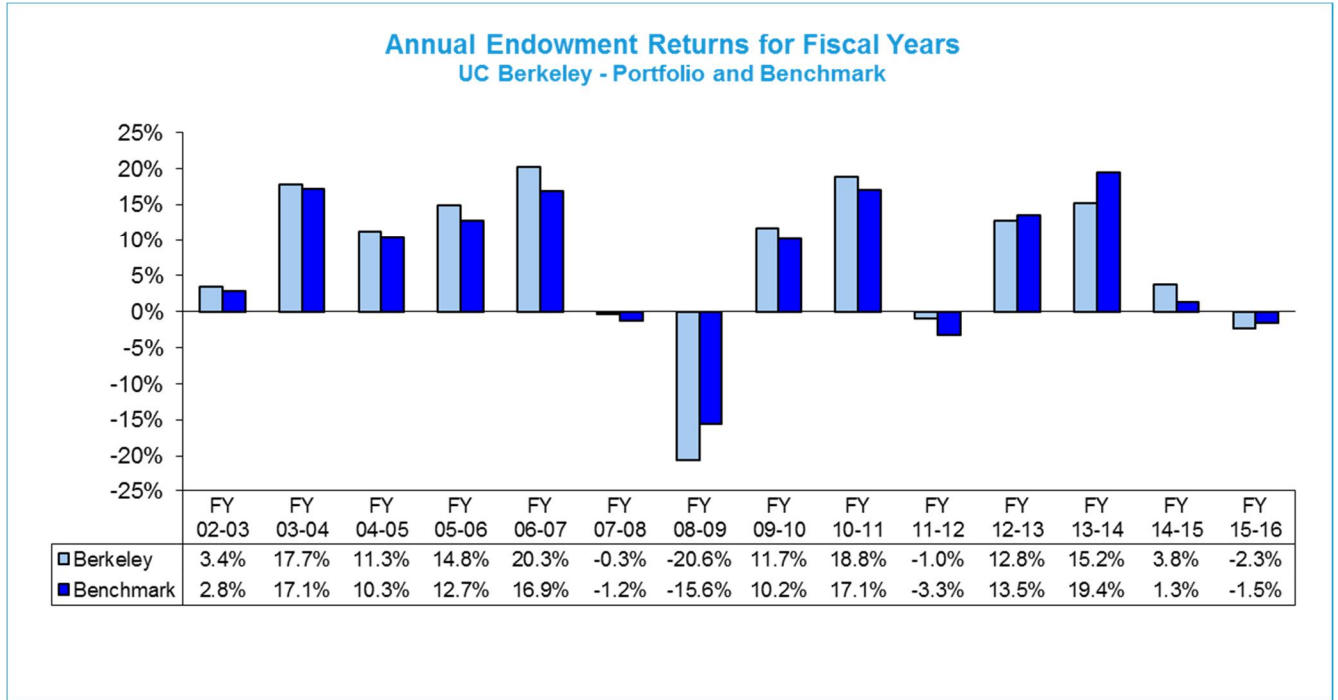
As of March 1, 2011 UCB implemented a new Investment Policy moving to a multi-asset class portfolio approach. The policy targets and ranges are reported on the level of the employed asset categories.

Notes:

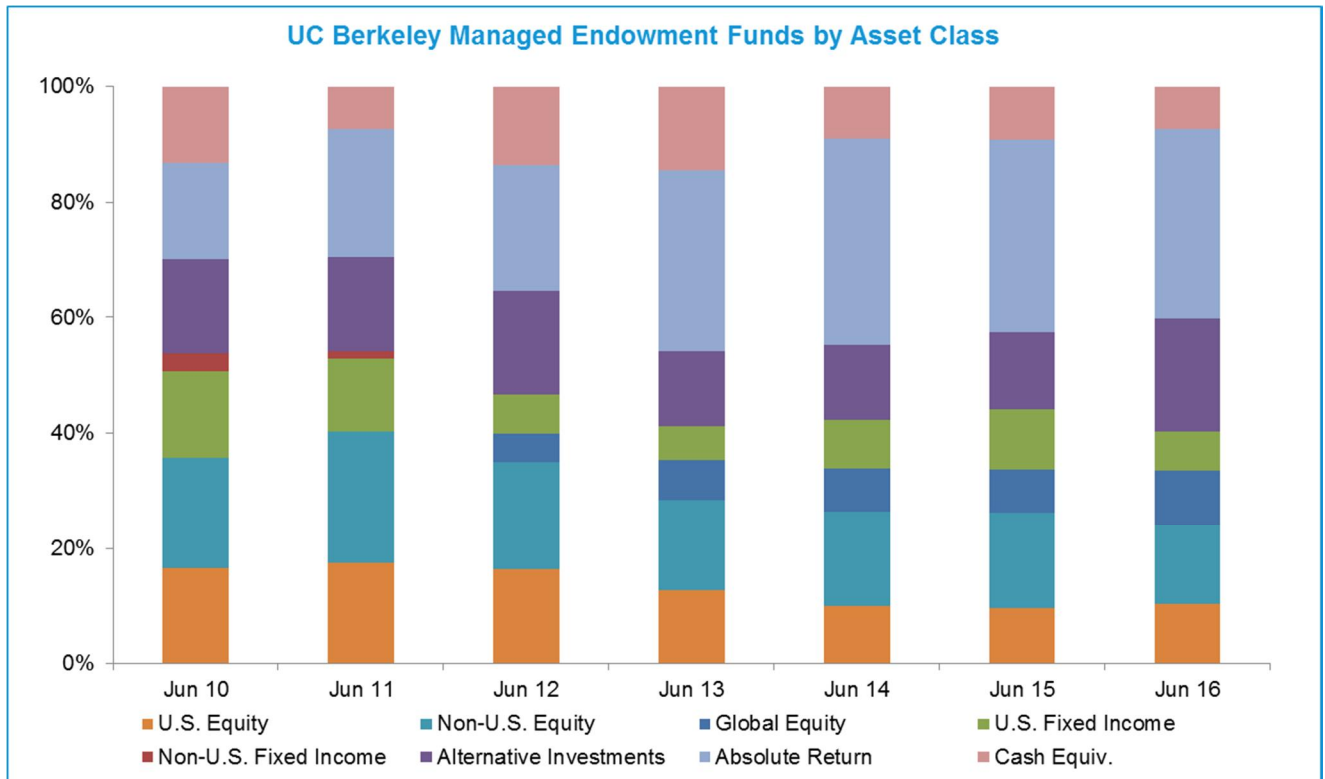
The asset class benchmarks do not roll up into the policy benchmark.

The total fund benchmark reflects 82.5% MSCI ACWI with USA Gross (net) and 17.5% Barclays Treasury.

# UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION



## UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION



Note: Absolute Return includes Equity Long/Short Hedge Funds (17.0% as of 6/30/16) and Absolute Return Hedge Funds (15.8% as of 6/30/16).



## UC DAVIS FOUNDATION

### Endowment Investment Objective

The Fund seeks future long-term growth of investments, at an acceptable risk level, sufficient to offset reasonable spending plus normal inflation, thereby preserving the purchasing power of the Fund for future generations.

### Endowment Spending Policy

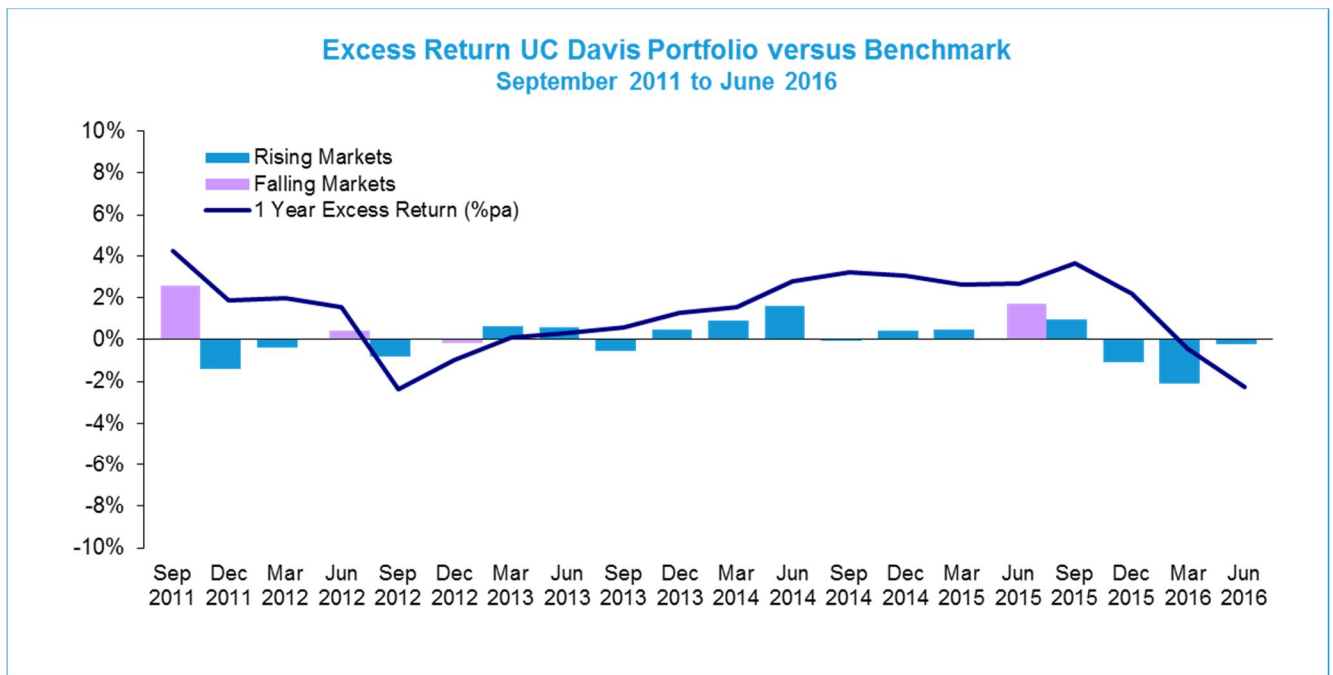
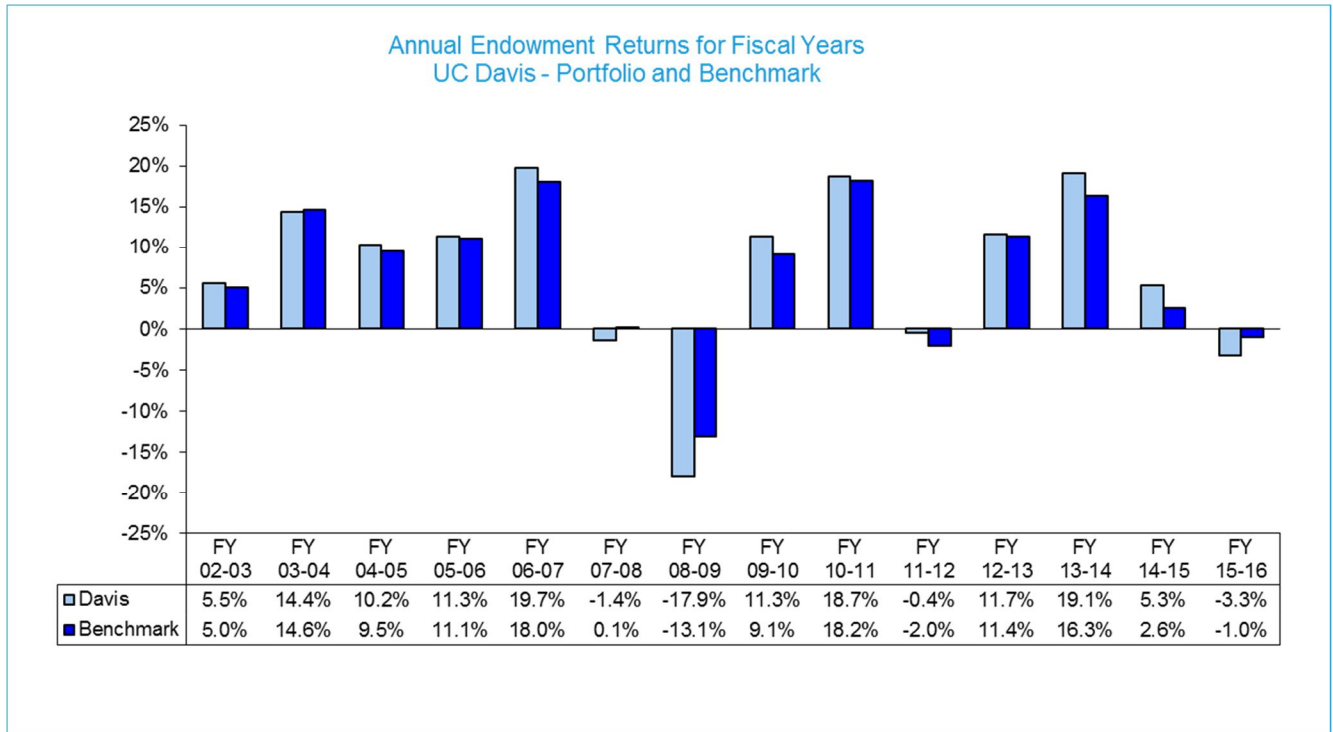
The primary objective of the UC Davis Foundation's endowment spending policy is to achieve a proper balance between present and future needs of endowed units at UC Davis. The current approved spending rate is 4.25% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31. Payouts are pro-rated for new endowments and may be reduced on endowments that are more than 5% underwater for the period ending March 31.

### University of California, Davis Foundation Portfolio Asset Allocation June 30, 2016

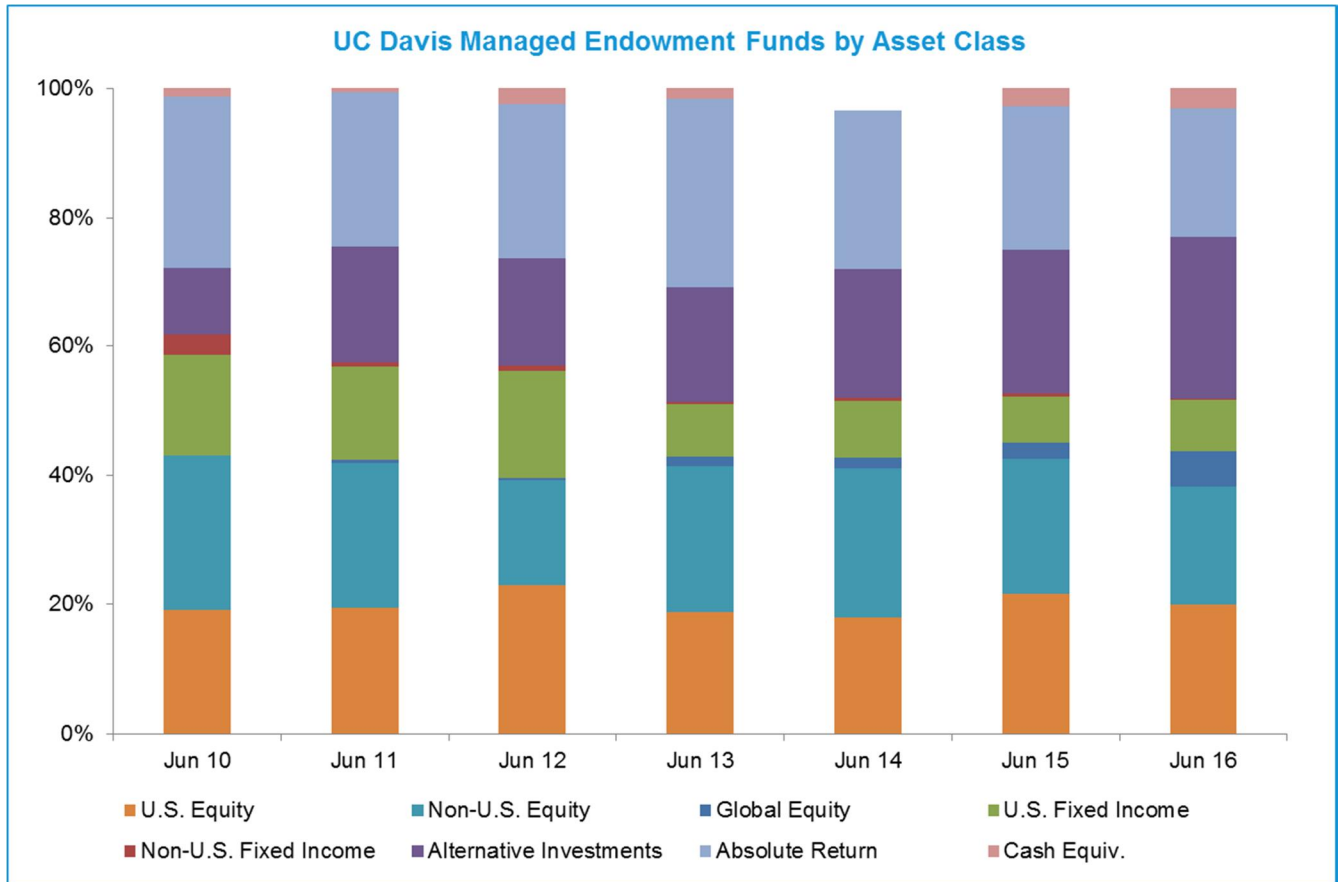
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Core Endowment	\$201	62.0%	63.0%	-1.0%	50.0%	76.0%	Yes
Multi-Asset	\$65	20.2%	19.0%	1.2%	7.0%	31.0%	Yes
L/T US Eq Growth	\$30	9.2%	9.0%	0.2%	3.0%	15.0%	Yes
L/T non-US Growth	\$28	8.6%	9.0%	-0.4%	3.0%	15.0%	Yes
<b>Total Assets</b>	<b>\$324</b>	<b>100.0%</b>	<b>100.0%</b>				

As of January 1, 2011, UCD implemented a new Investment Policy moving to a multi-asset class portfolio approach. Prior to January 1, 2011, UCD was invested 100% in GEP. The policy targets and ranges are reported on the level of the employed asset categories.

## UC DAVIS FOUNDATION



## UC DAVIS FOUNDATION



Note: UC Davis' actual asset allocation for the Liquidity Portfolio was -3.7% as of 6/30/14.

## UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION

### Endowment Investment Objective

The Irvine Foundation's investment objective for its endowment portfolio is to maximize long-term total return, with a total return objective (net of fees), measured over a full market cycle, of not less than the rate of inflation as measured by the CPI, plus 500 basis points. Ideally, total return should exceed market performance. The investment policy is 20% US Equity, 20% Non-US Equity, 20% Hedge Funds, 15% Fixed Income, 15% Private Equity and Venture Capital, 10% Real Assets, and 0% Cash.

### Endowment Spending Policy

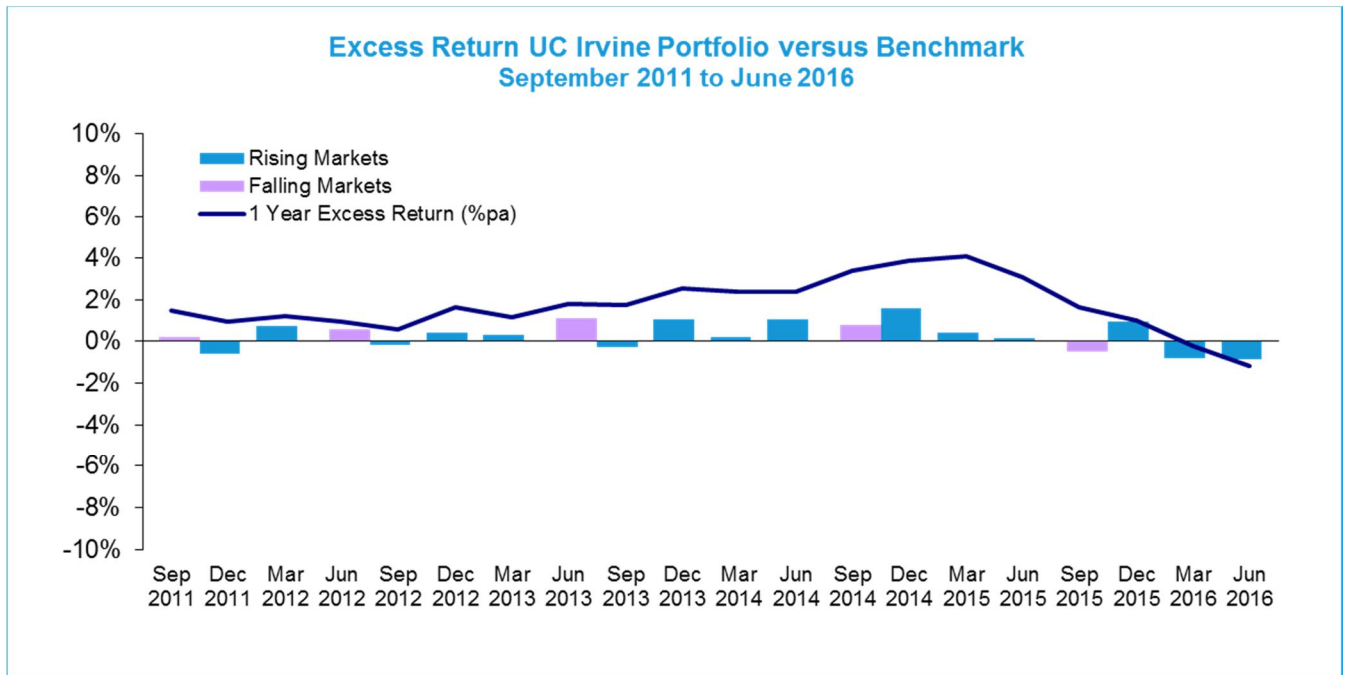
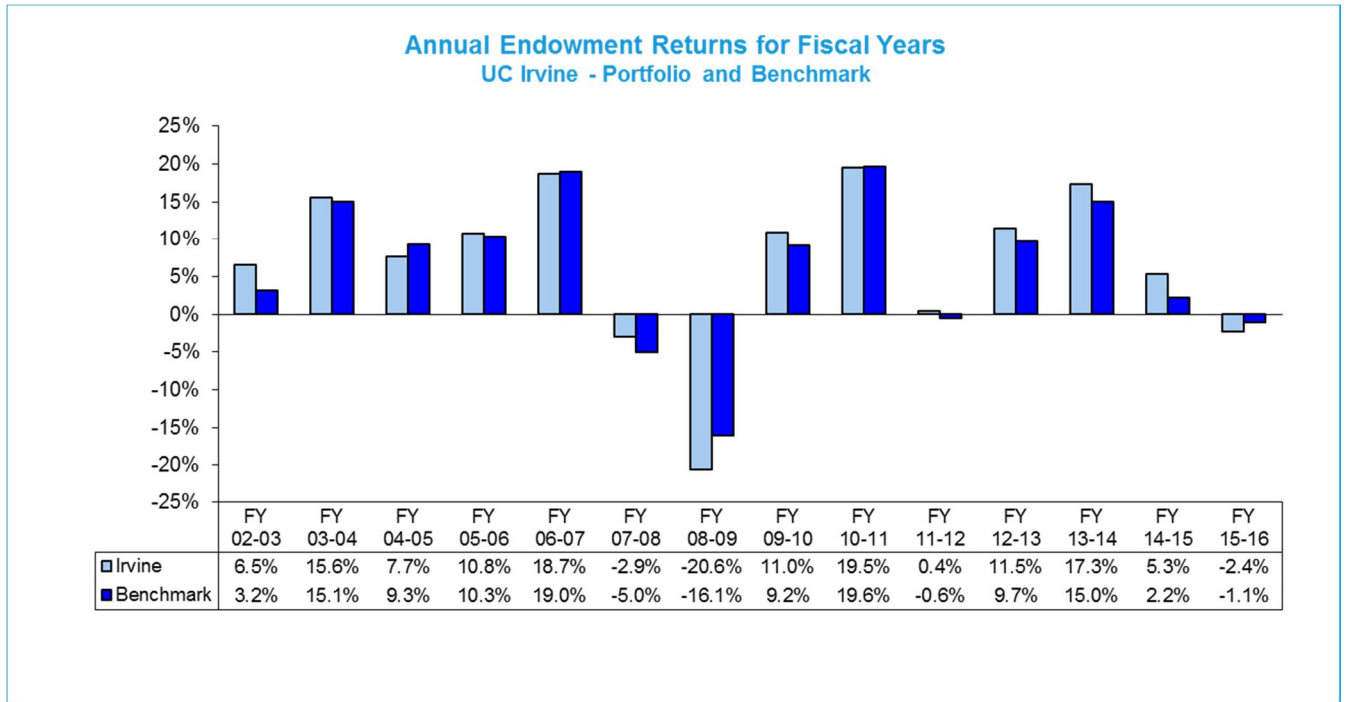
The endowment fund spending policy allows for allocation of income equivalent to 4.5% of the moving average market value of the endowment portfolio. This average market value is computed using the previous 36 months of portfolio activity. Income earned in excess of the spending rate may be reinvested in endowment principal. Income available for expenditure is calculated according to a predetermined formula.

#### University of California, Irvine Foundation Portfolio Asset Allocation June 30, 2016

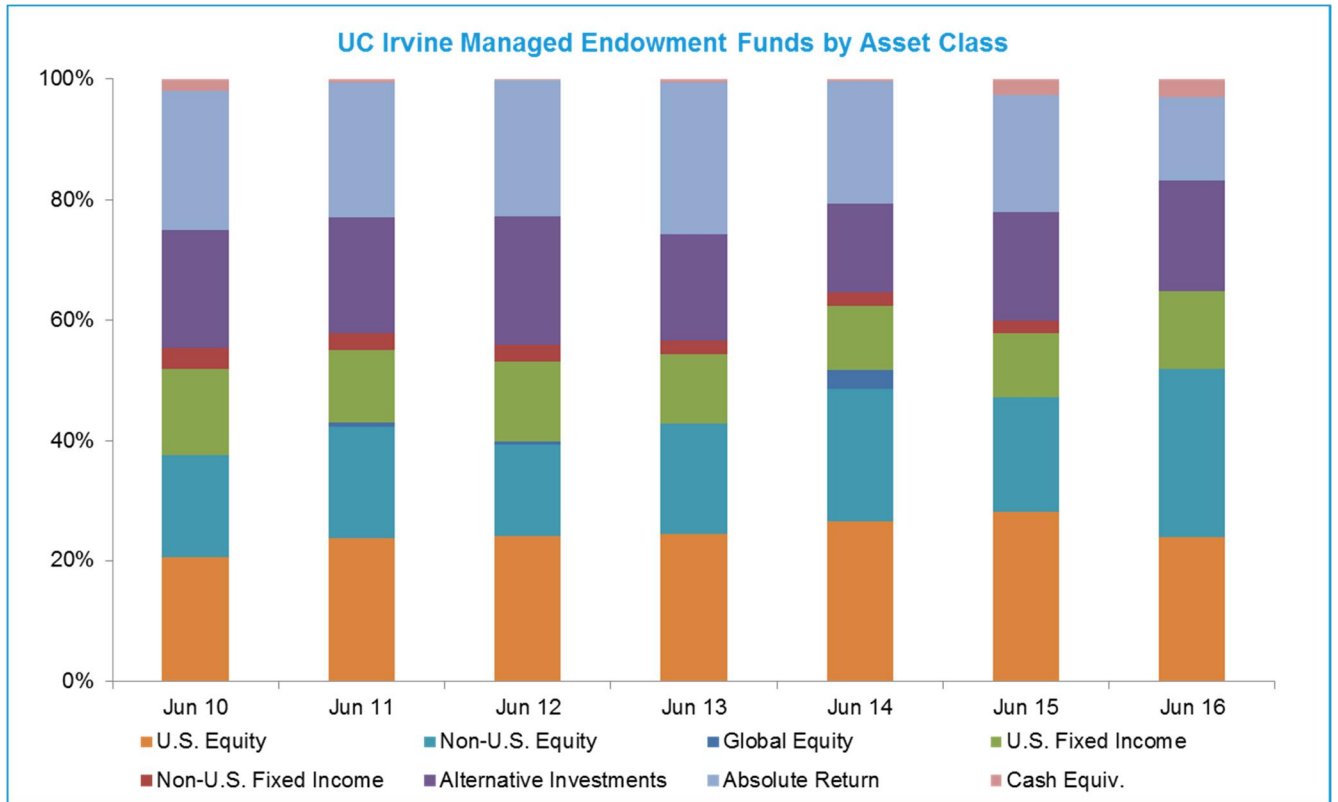
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$165	51.8%	40.0%	11.8%	35.0%	45.0%	6.8%
Public Fixed Income	\$41	12.9%	15.0%	-2.1%	10.0%	20.0%	Yes
All Alternative Inv.	\$102	32.2%	45.0%	-12.8%	40.0%	50.0%	-7.8%
Liquidity Portfolio	\$10	3.0%	0.0%	3.0%	0.0%	0.0%	3.0%
<b>Total Assets</b>	<b>\$318</b>	<b>100%</b>	<b>100%</b>				

Note: Market values were taken from the UC Irvine's investment consultant report and may differ from the audited financials because they are not adjusted for capital calls and distributions.

# UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION



## UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION



## THE UCLA FOUNDATION

### Endowment Investment Objective

The primary investment objective of the Foundation endowment is to earn an average annual real total return of at least 5% per year over the long term, net of cost. Attainment of this objective will enable the University to maintain the purchasing power of endowment assets in perpetuity and meet its current spending policy.

A secondary investment objective of the endowment is to outperform over the long term (defined as rolling five-year periods) a blended custom benchmark based on a current asset allocation policy of: 30% Russell 3000, 15% Citigroup 3 Month Treasury Bill Index X 2, 10% Cambridge Associates LLC U.S. Private Equity Index, 20% MSCI All Country World Ex-US Index, 5% Citigroup 3 Month Treasury Bill Index (Cash), 5% Merrill Lynch High Yield Master II Index, 5% NCREIF Property Index, and 10% Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%.

### Endowment Spending Policy

In 2016, The UCLA Foundation endowment spending rate was 4.54% of a 12 quarter rolling average market value, calculated quarterly. The UCLA Foundation approved endowment spending policy for fiscal 2017 is 4.50% of a 12 quarter rolling average.

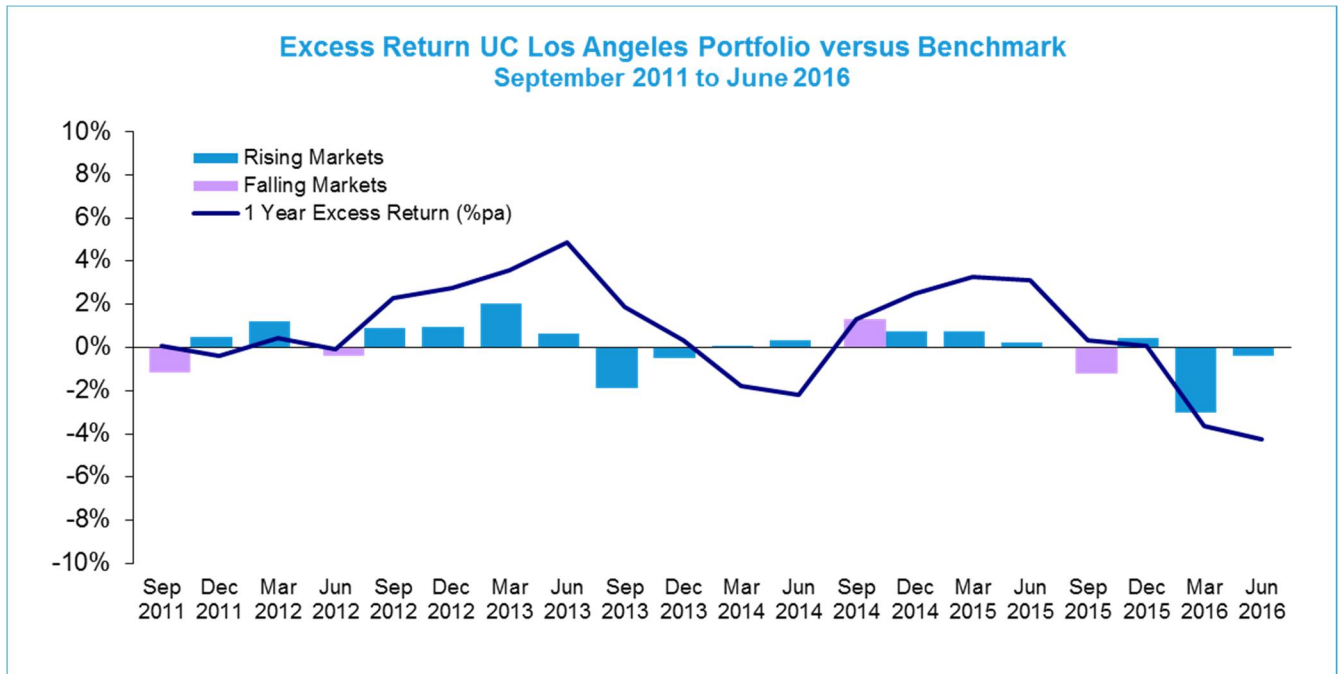
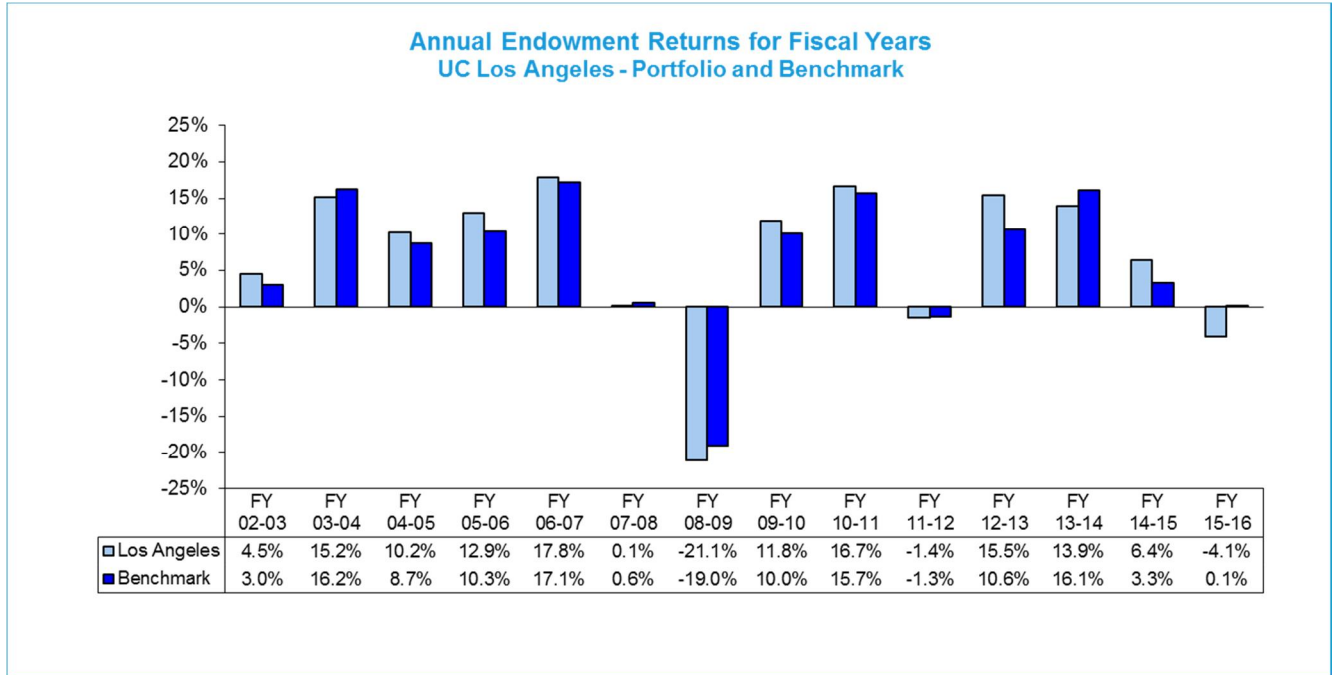
### University of California, Los Angeles Foundation Portfolio Asset Allocation June 30, 2016

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Equity <sup>1</sup>	\$1,038	57.6%	50.0%	7.6%	30.0%	75.0%	Yes
Private Eq/Venture Cap	\$199	11.1%	10.0%	1.1%	0.0%	25.0%	Yes
Multi-Strategy	\$237	13.1%	15.0%	-1.9%	5.0%	20.0%	Yes
Credit	\$129	7.2%	5.0%	2.2%	0.0%	15.0%	Yes
Real Assets	\$147	8.1%	10.0%	-1.9%	0.0%	10.0%	Yes
Real Estate	\$64	3.5%	5.0%	-1.5%	0.0%	10.0%	Yes
Cash <sup>2</sup>	(\$11)	-0.6%	5.0%	-5.6%	0.0%	10.0%	-0.6%
<b>Total Assets</b>	<b>\$1,804</b>	<b>100.0%</b>	<b>100.0%</b>				

As of January 1, 2013, UCLA implemented a new investment Policy using static weights. Prior to January 1, 2013, the UCLA Foundation Policy Benchmark reflects actual weights.

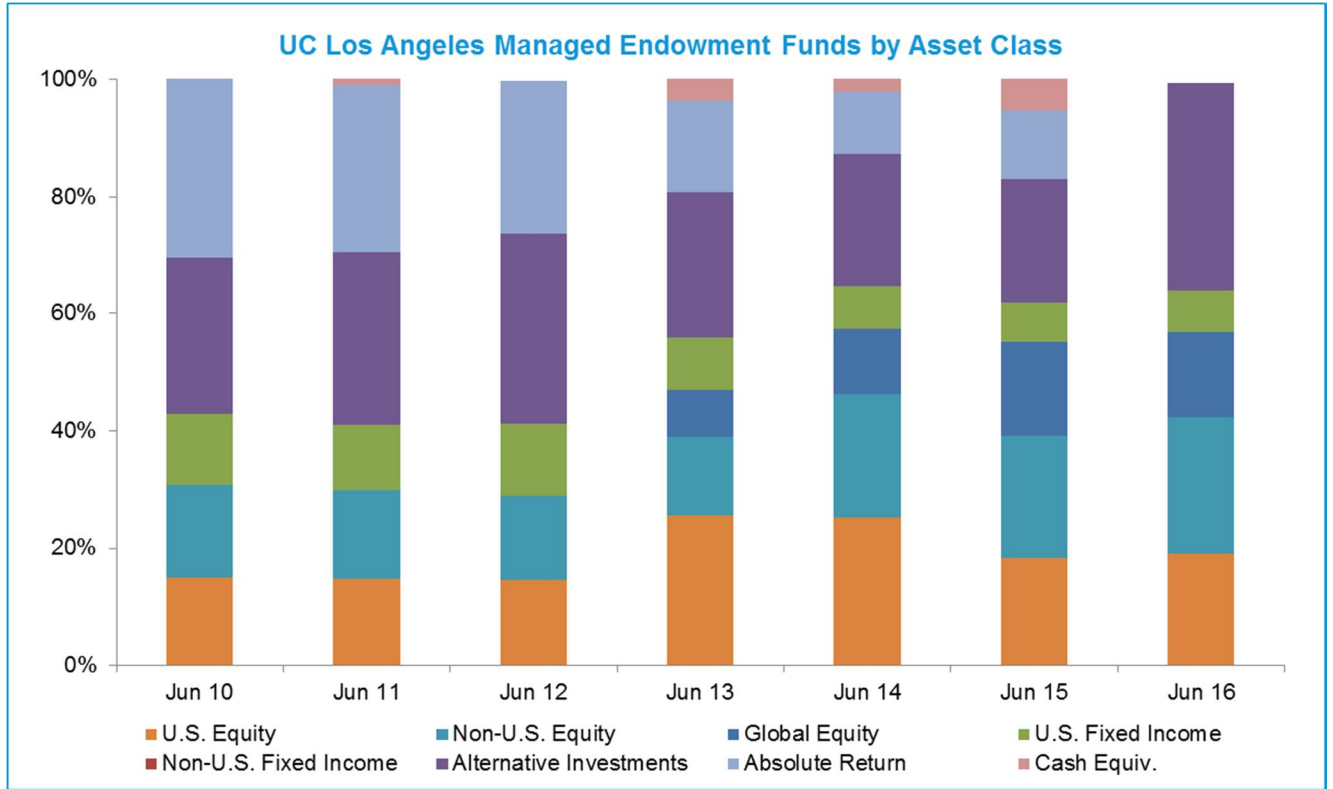
- 1) The Equity Exposure is 48% after excluding the notional exposure of the S&P 500 Index and ERAUSLT Index SWAPS.
- 2) The Cash allocation is 9% when including collateral for the S&P 500 Index and ERAUSLT Index SWAPS.

# THE UCLA FOUNDATION





## THE UCLA FOUNDATION



Note: UC Los Angeles' Cash allocation was -0.6% when excluding collateral for the S&P 500 Index and ERAUSLT Index SWAPS.

## UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION

### Endowment Investment Objective

UC Merced Foundation's investment objectives are: (1) provide investment earnings adequate to secure the benefits promised and the financial obligations created by the endowment, and (2) secure, preserve, and increase the inflation-adjusted value of the Fund.

### Endowment Spending Policy

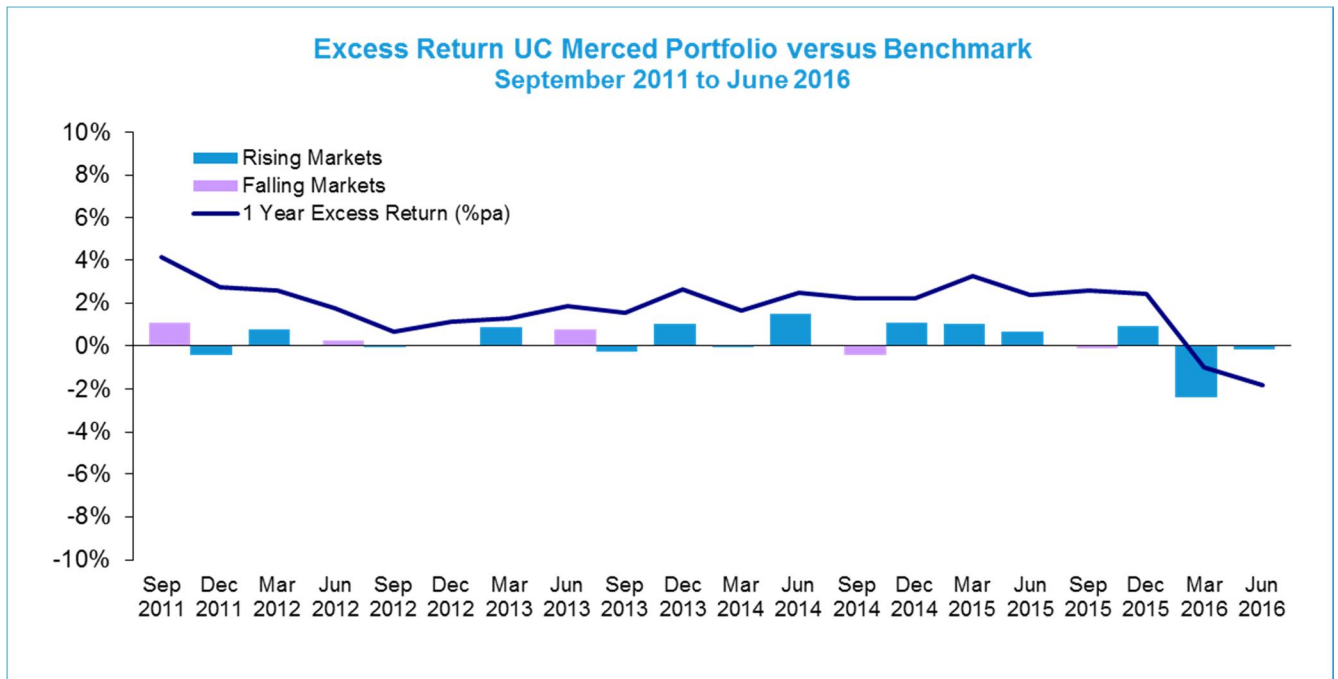
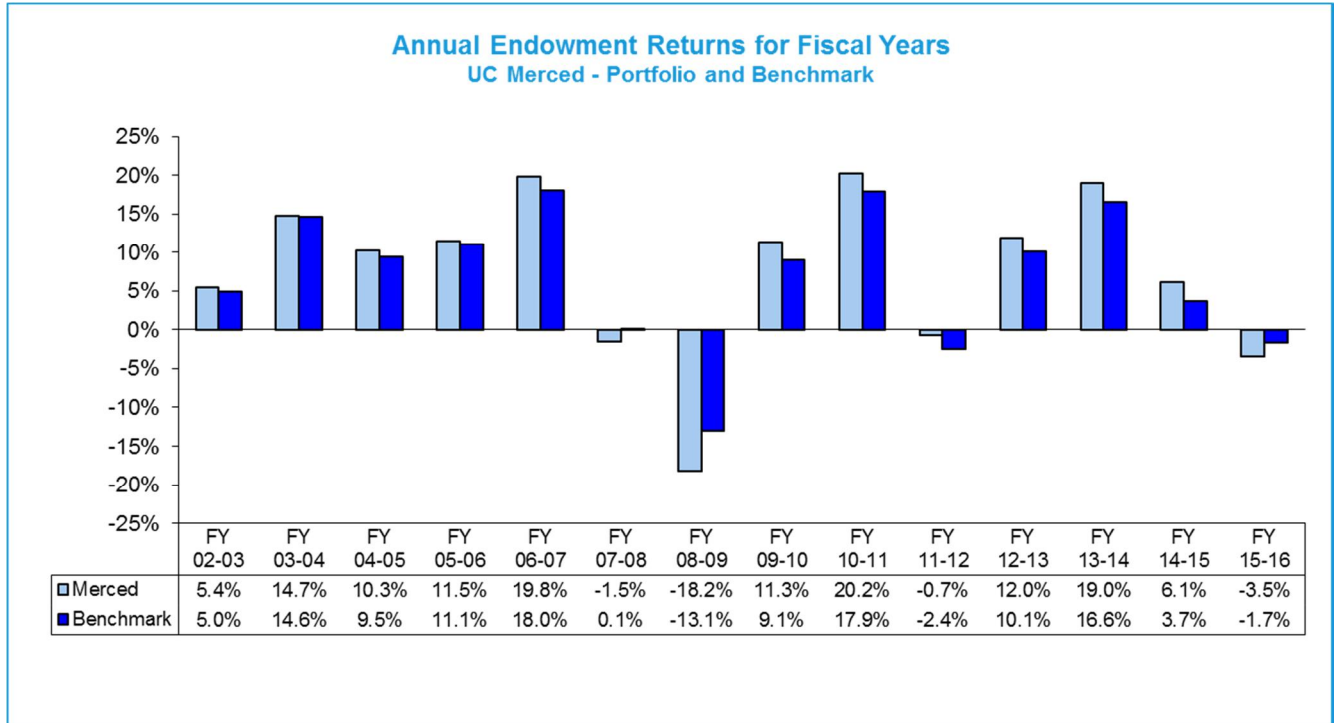
The spending policy of the UC Merced Foundation is to provide 100% of the endowment earnings up to a maximum spending payout rate of 4.75% of the 60-month average unit market value.

#### University of California, Merced Foundation Portfolio Asset Allocation June 30, 2016

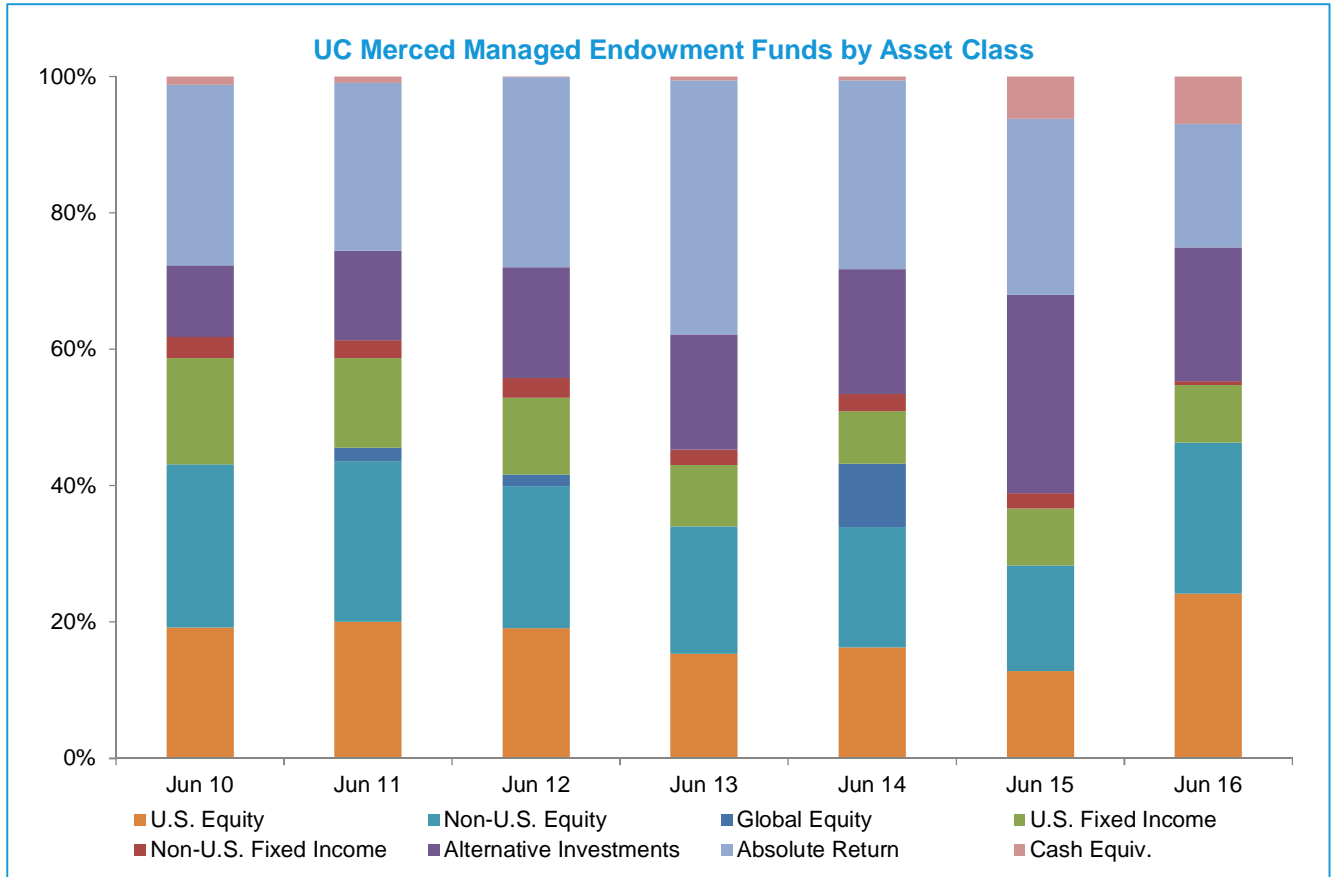
	Assets (\$M)	Actual Allocation	Benchmark Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$4	46.3%	43.2%	3.1%	33.2%	53.2%	Yes
Public Fixed Income	\$1	9.0%	13.0%	-4.0%	8.0%	18.0%	Yes
Alternatives	\$3	37.8%	43.8%	-6.0%	33.8%	53.8%	Yes
Liquidity Portfolio	\$1	7.0%	0.0%	7.0%	0.0%	10.0%	Yes
<b>Total Assets</b>	<b>\$9</b>	<b>100.0%</b>	<b>100.0%</b>				

The UC Merced Foundation utilizes the GEP Policy Benchmark.

# UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION



## UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION



## UC RIVERSIDE FOUNDATION

### Endowment Investment Objective

The investment objective of the endowment fund is to earn a multi-year average rate of return on its investments that meets or exceeds annual distributions (spending) plus inflation. To do this, the Foundation seeks to maximize the investment return within a level of risk deemed appropriate taking all these objectives into account. The spending objectives of the endowment fund are to pay out amounts that are relatively predictable and stable, sustainable in real terms (i.e., on an inflation-adjusted basis), and as large as possible. To meet these objectives, both the spending per unit and the unit market value after spending must grow over time at least as fast as the general rate of inflation.

### Endowment Spending Policy

The endowment spending policy applicable to FYE 2016 was to withdraw per unit 4% of the average unit market value of the endowment fund calculated using the closing unit market value on the last day of each of the 84 contiguous months the last of which ended on May 31, 2016.

#### University of California, Riverside Foundation Portfolio Asset Allocation June 30, 2016

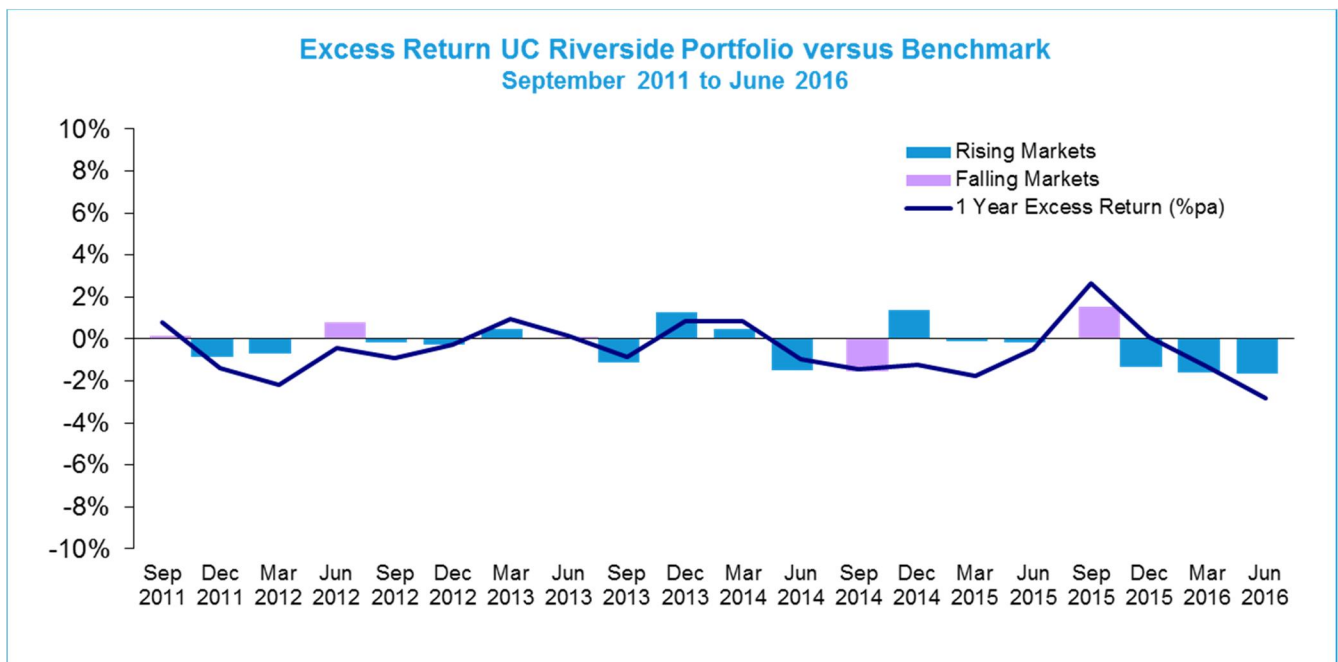
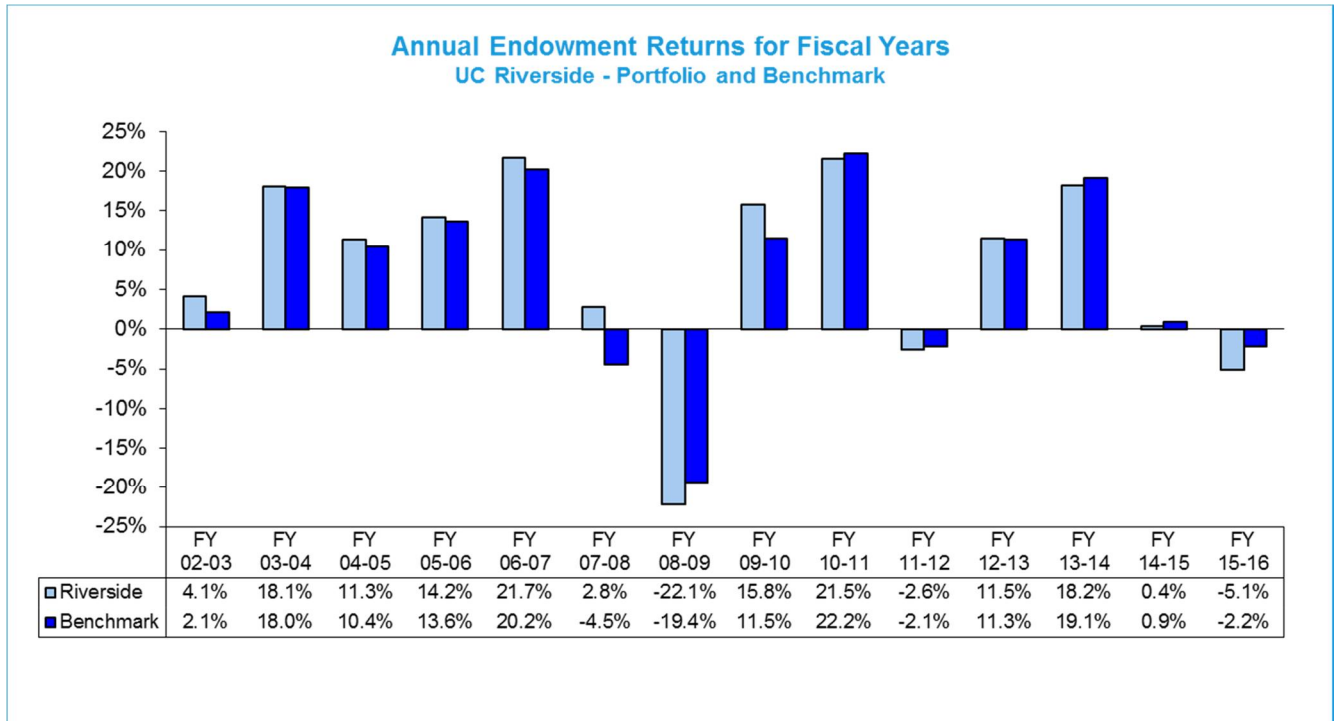
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$113	89.5%	90.0%	-0.5%	50.0%	90.0%	Yes
Public Fixed Income	\$13	10.0%	10.0%	0.0%	10.0%	50.0%	Yes
All Alternative Inv.	\$0	0.1%	0.0%	0.1%	0.0%	25.0%	Yes
Liquidity Portfolio	\$0	0.4%	0.0%	0.4%	0.0%	0.0%	0.4%
<b>Total Assets</b>	<b>\$126</b>	<b>100%</b>	<b>100%</b>				

#### Notes:

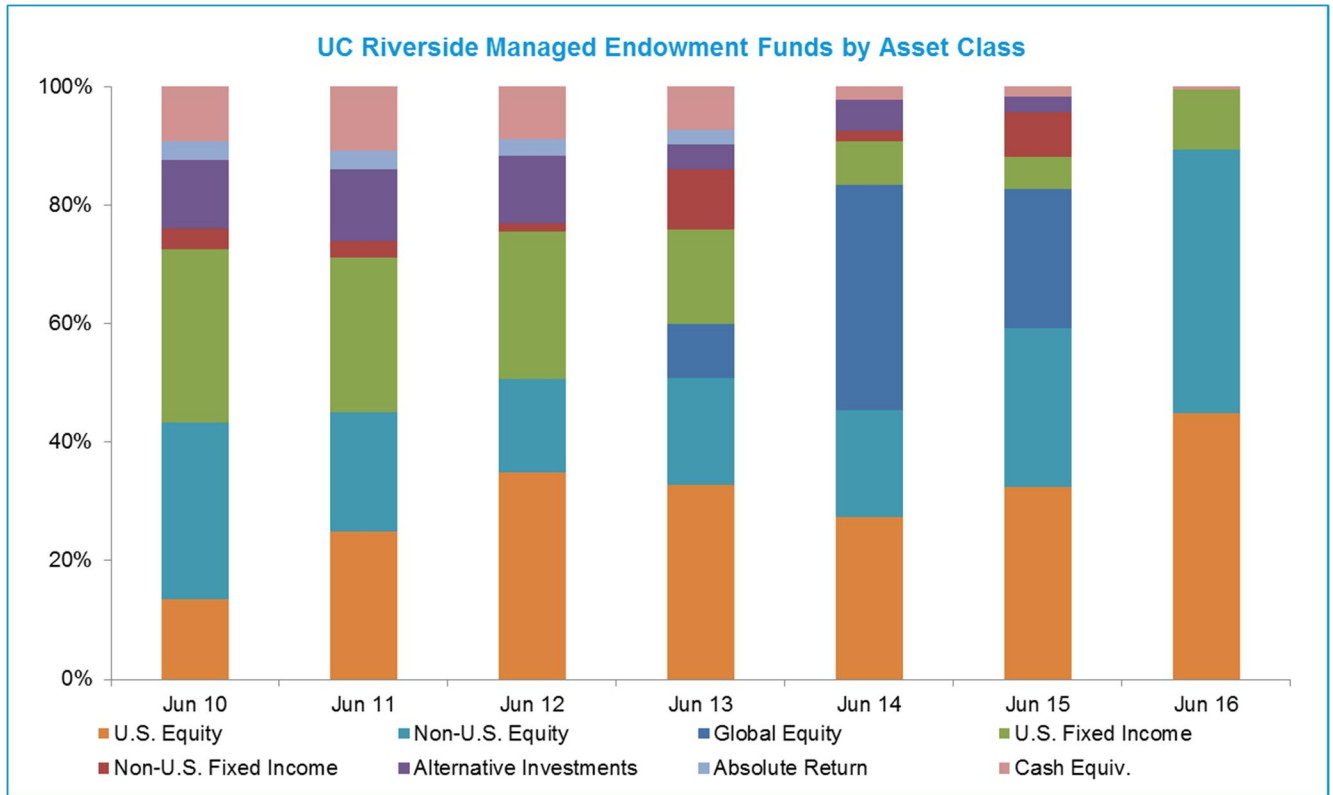
The asset class benchmarks do not roll up into the policy benchmark.

The total fund benchmark reflects 90% MSCI AC World and 10% Barclays Capital Aggregate.

## UC RIVERSIDE FOUNDATION



## UC RIVERSIDE FOUNDATION



## UC SAN DIEGO FOUNDATION

### Endowment Investment Objective

The UC San Diego Foundation's primary investment goal for its endowment is to maximize long-term total return, utilizing a diversified portfolio consistent with prudent levels of risk. Endowment portfolio performance is expected to preserve or enhance the real value of the endowment and the purchasing power of the spending. The portfolio return goal is to achieve an annualized total net return at least equivalent to, and preferably exceeding, the endowment spending rate plus inflation, over rolling five and ten year periods. The investment policy target asset allocation is 20% U.S. Equity, 23% Non-U.S. Equity, 7% Global Equity, 8% Private Equity, 13% Absolute Return, 10% Real Estate, 7% Other Alternatives, and 12% Fixed Income.

### Endowment Spending Policy

Endowment spending during fiscal year 2015-16 was calculated using a predetermined formula at an amount equal to 4.75% of the 60-month average unit market value of the endowment portfolio. Spending is allocated to fund holders monthly.

#### University of California, San Diego Foundation Portfolio

##### Asset Allocation

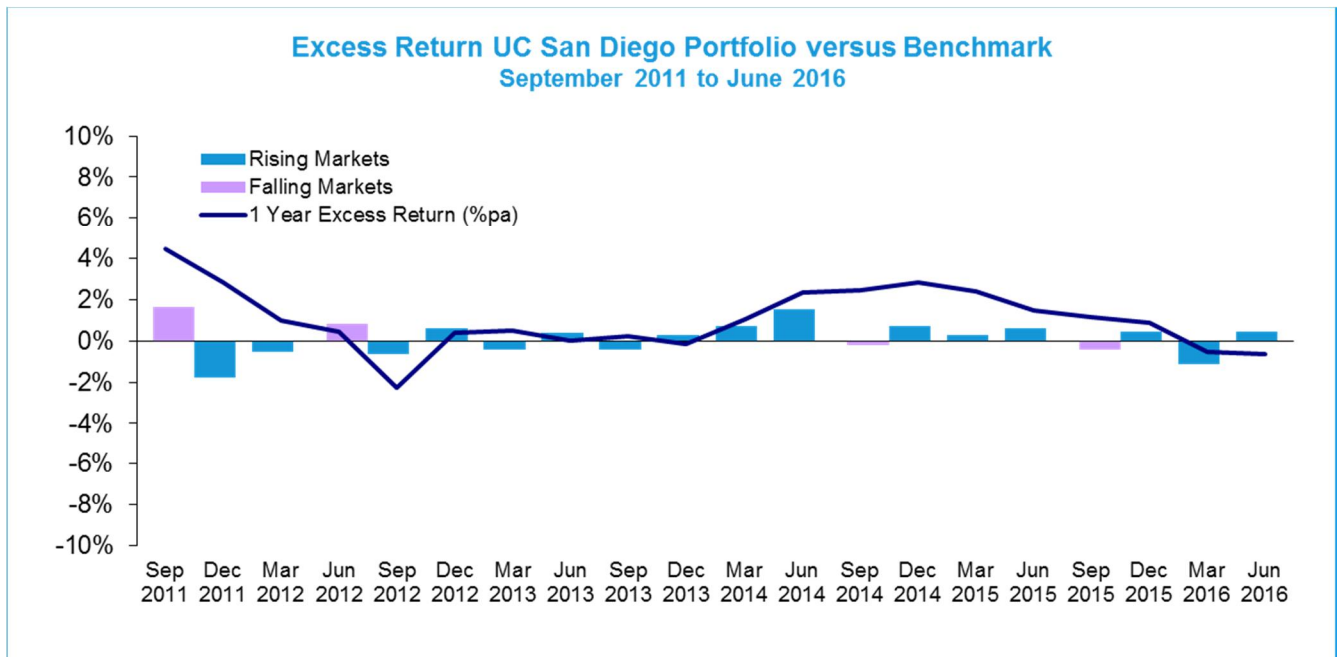
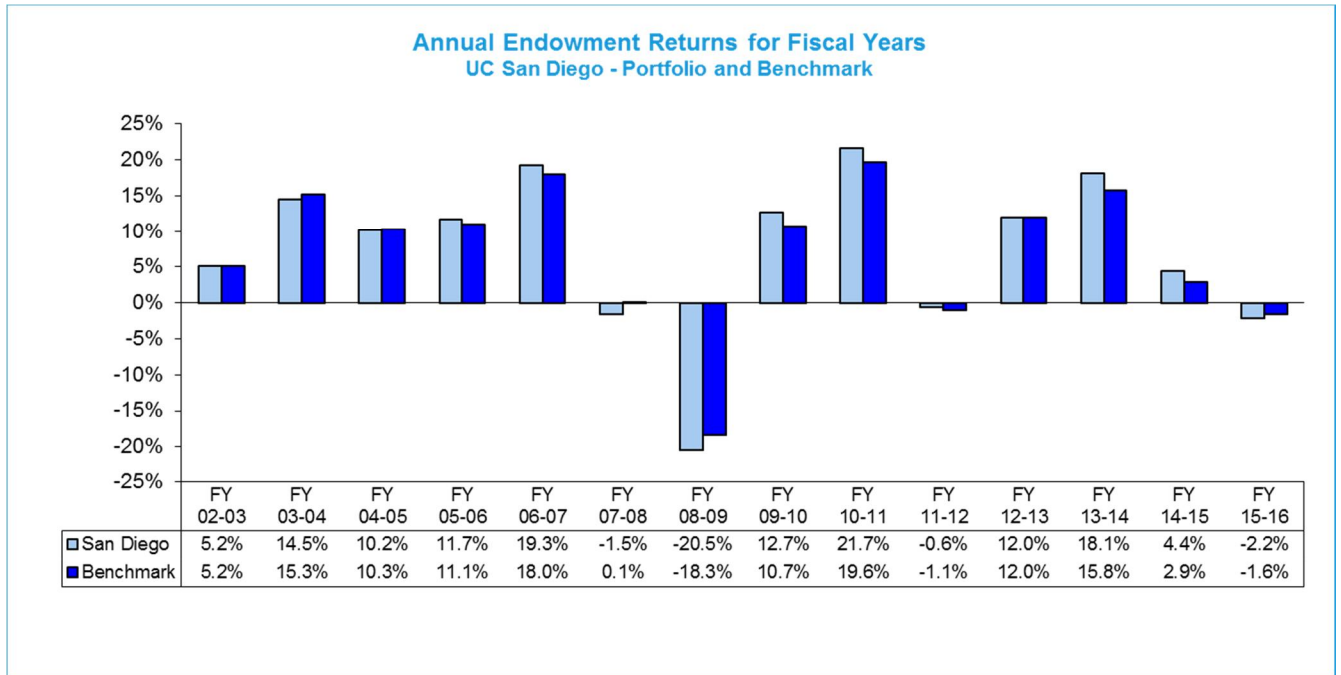
June 30, 2016

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$282	52.6%	50.0%	2.6%	35.0%	55.0%	Yes
Public Fixed Income	\$65	12.1%	12.0%	0.1%	5.0%	20.0%	Yes
All Alternative Inv.	\$167	31.2%	38.0%	-6.8%	20.0%	45.0%	Yes
Liquidity Portfolio	\$22	4.1%	0.0%	4.1%	0.0%	2.0%	2.1%
<b>Total Assets</b>	<b>\$536</b>	<b>100.0%</b>	<b>100.0%</b>				

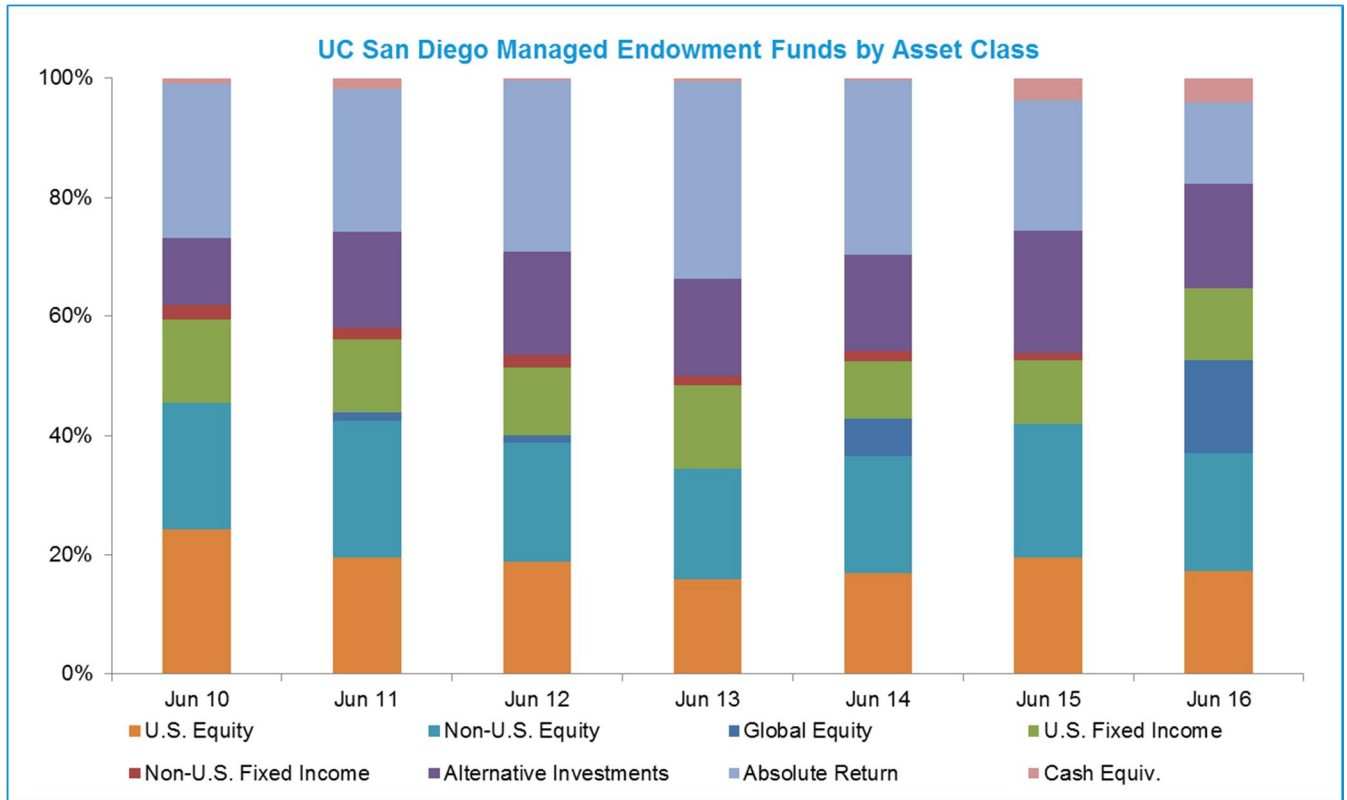
UCSD's allocation to the liquidity portfolio was 2.1% above the maximum target range of 2% due to a high liquidity allocation within the Regents GEP.



# UC SAN DIEGO FOUNDATION



## UC SAN DIEGO FOUNDATION



## UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION

### Endowment Investment Objective

The San Francisco Foundation's primary investment objective for its endowment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future University activities. Over the long term, it is the goal of the Foundation that the total return on investment assets should equal the rate of inflation, plus the payout rate (which is used to support current activities), plus an amount reinvested to support future activities.

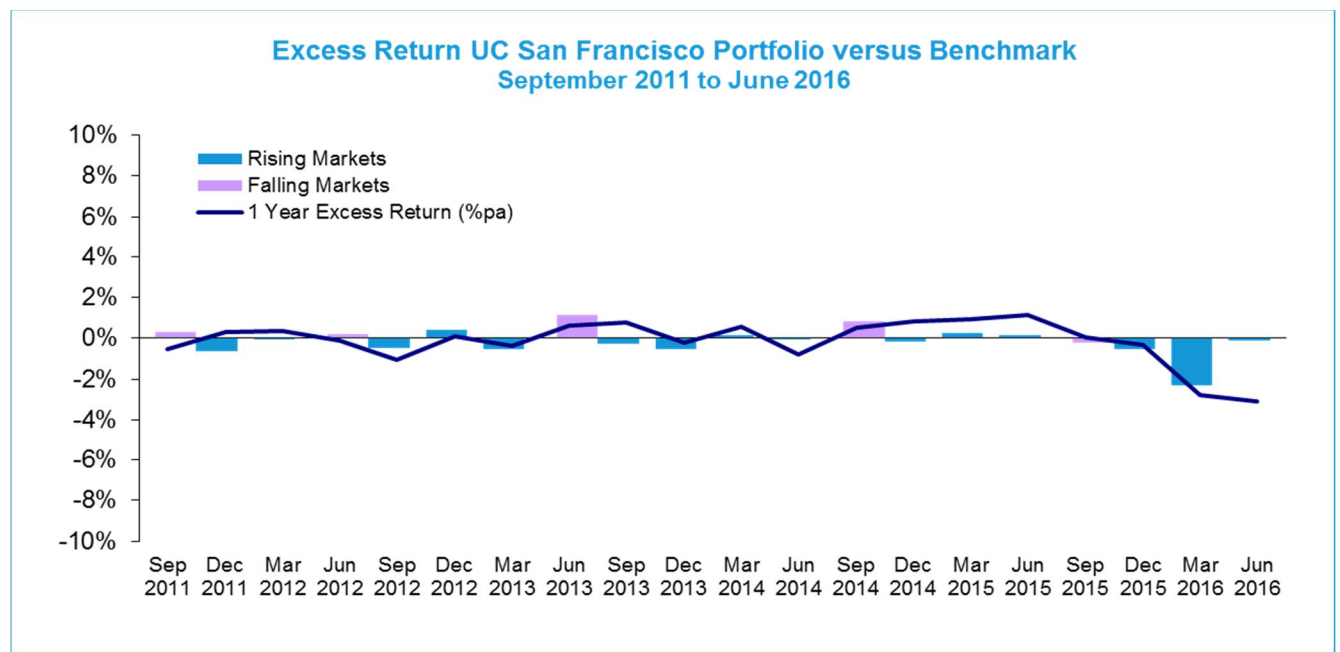
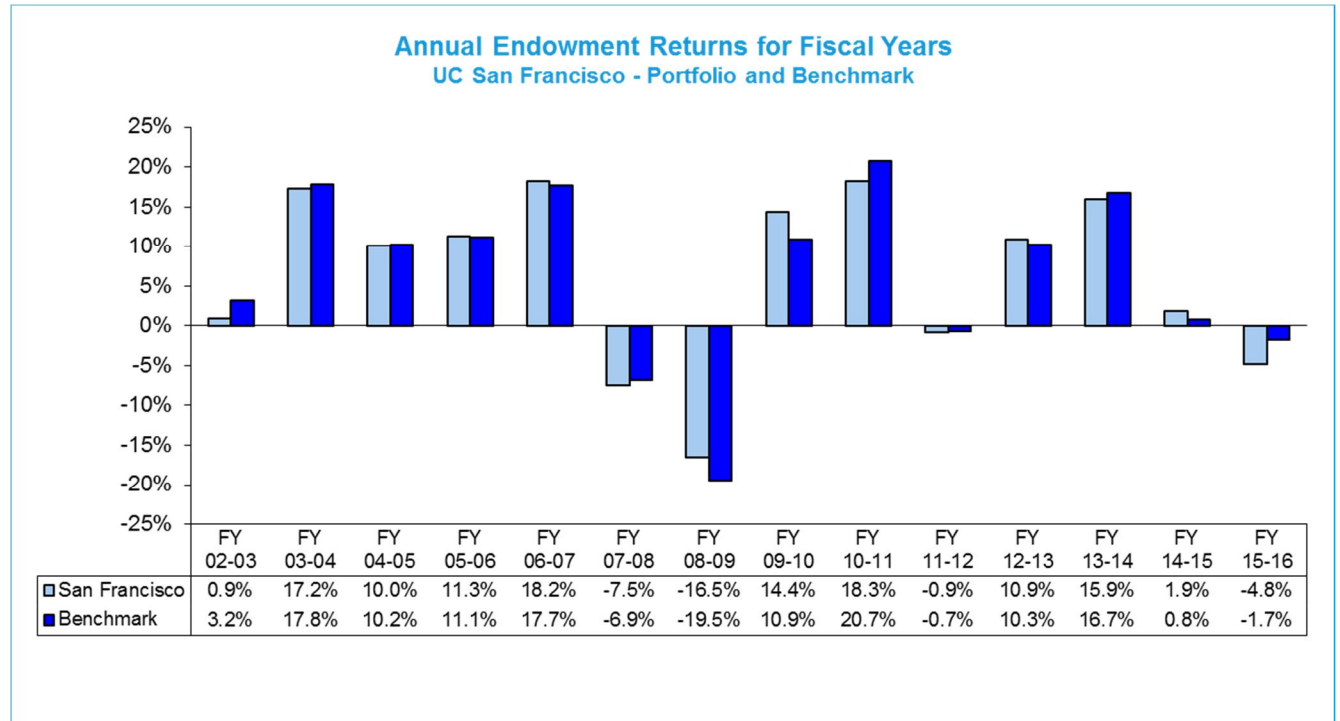
### Endowment Spending Policy

The Foundation payout policy guideline is to distribute 4.75% of the 36 month rolling average unitized market value of the Endowment Pool. The payout will not exceed 6% nor be less than 3.5% of the ending market value on the last day of the fiscal year for which it is being calculated. The payout will be reviewed annually, which may result in modification. In determining the annual payout, the Foundation will consider factors such as stability of fund flows to operations and preservation of endowment principal, in addition to the guideline formula.

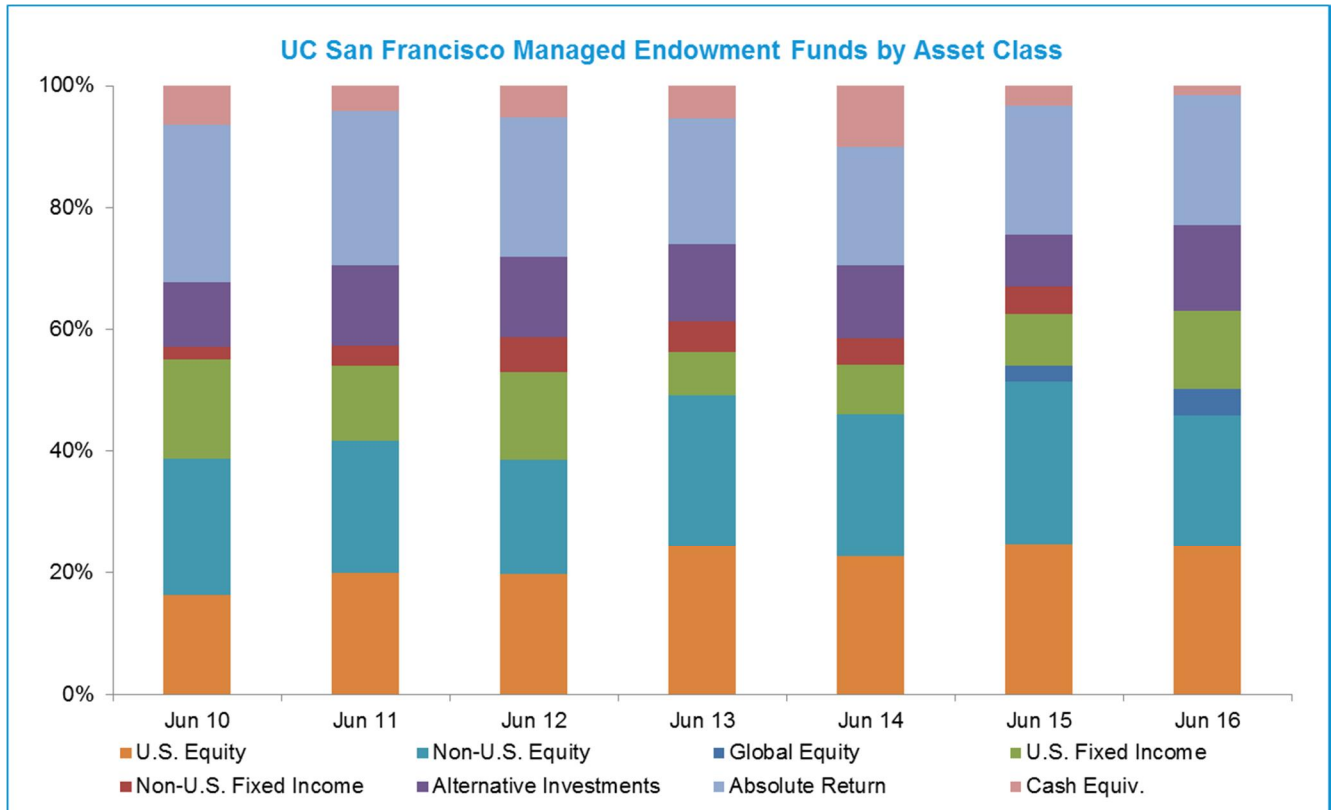
#### University of California, San Francisco Foundation Portfolio Asset Allocation June 30, 2016

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Compliance (Actual Allocation)
Public Equity	\$572	50.3%	49.0%	1.3%	20.0%	60.0%	Yes
Public Fixed Income	\$163	14.3%	13.0%	1.3%	0.0%	25.0%	Yes
All Alternative Inv.	\$404	35.4%	38.0%	-2.6%	17.5%	82.5%	Yes
Liquidity Portfolio	\$0	0.0%	0.0%	0.0%	0.0%	0.0%	Yes
<b>Total Assets</b>	<b>\$1,139</b>	<b>100%</b>	<b>100%</b>				

# UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION



# UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION



## UC SANTA BARBARA FOUNDATION

### Endowment Investment Objective

A. The primary long-term financial objective for the Foundation's Long Term Investment Policy (LTIP) is to preserve the purchasing power of the LTIP's principal, while providing a relatively stable and growing source of funding for endowment and trust beneficiaries. The LTIP is held primarily in the Regent's GEP with minimal investments held with Goldman Sachs, Lexington and Farallon.

B. The primary long-term investment objective of the LTIP is to earn an average annual real (i.e., after adjusting for inflation) total return on a risk-adjusted basis that is at least equal to the LTIP's total spending rate, net of consultant and management fees, over long time periods (i.e., rolling ten-year periods). Over shorter time periods (i.e., rolling five-year periods), the LTIP will seek to meet or exceed an appropriate composite of market indices reflecting the LTIP's asset allocation policies. The LTIP is held primarily in the Regent's GEP with minimal investments held with Goldman Sachs, Lexington and Farallon.

### Endowment Spending Policy

Endowment spending during fiscal year 2015-2016 was calculated using a predetermined formula at an amount equal to 4.65% of the 60-month average unit market value of the endowment portfolio as of December 31, 2014. To the extent requested by the Fund Administrator, spending was allocated to fund holders in September (40%) and April (60%).

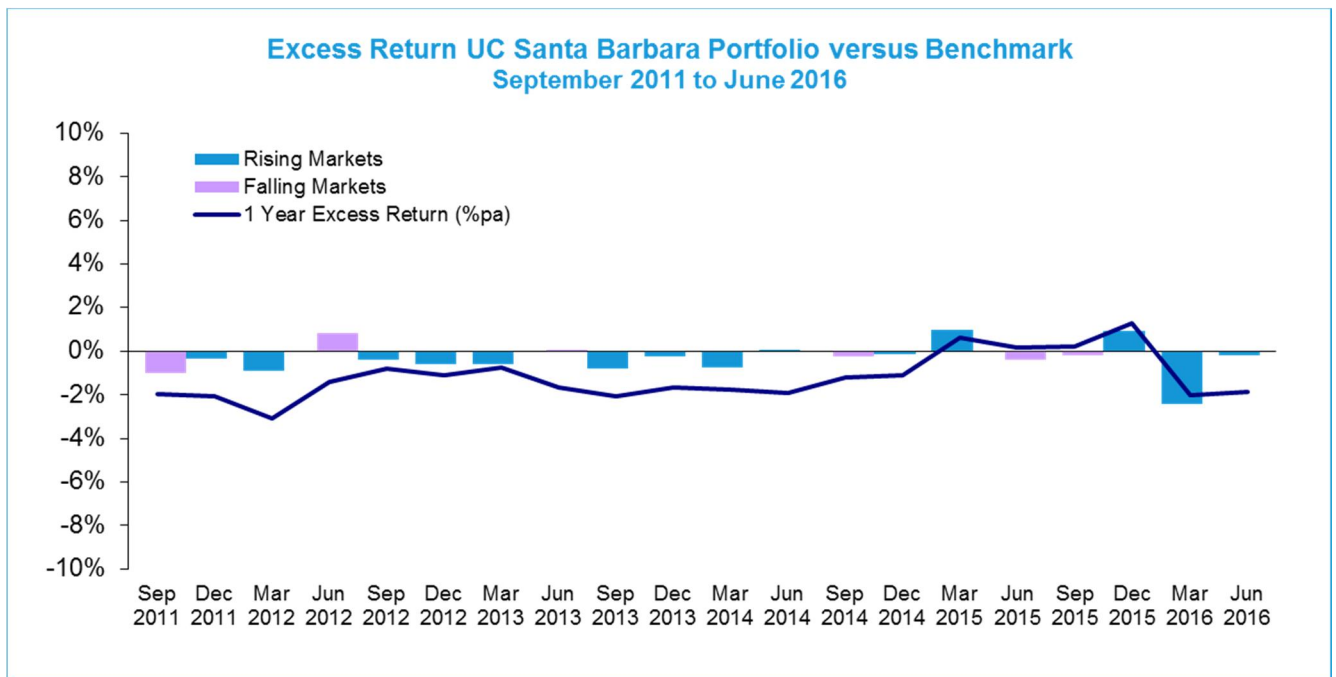
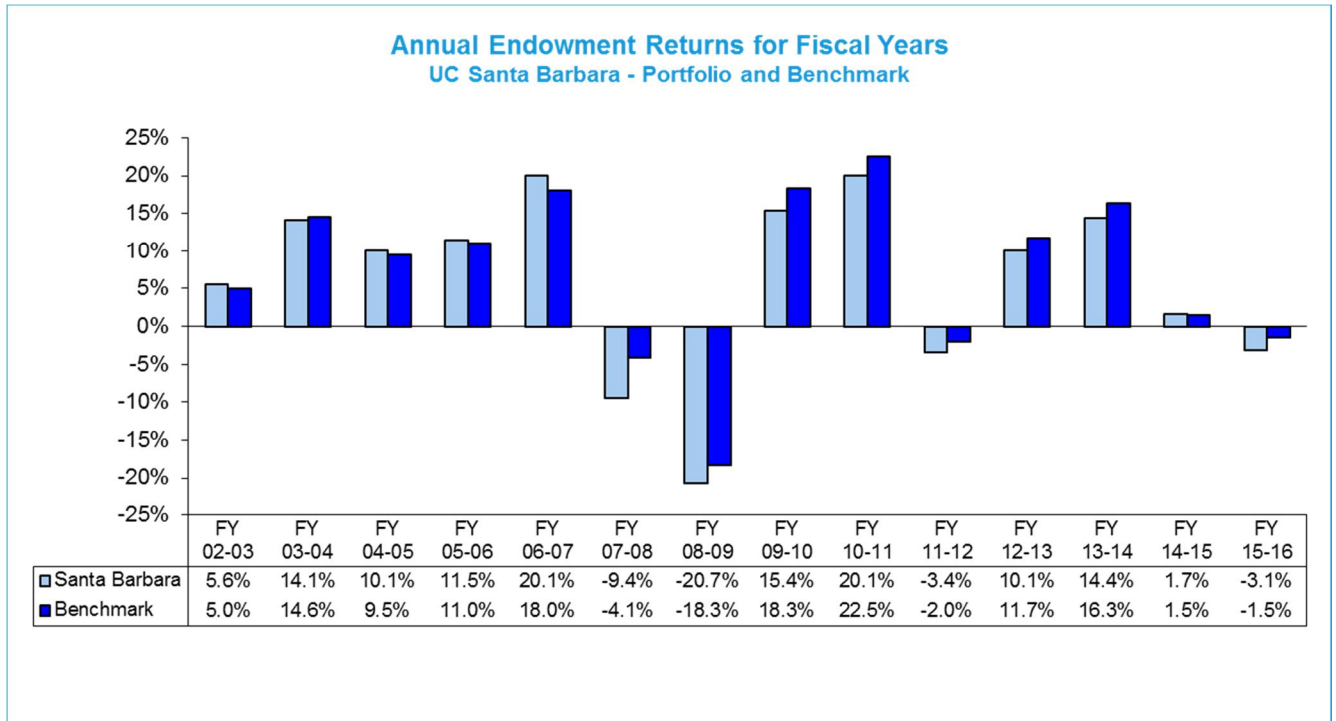
#### University of California, Santa Barbara Foundation Portfolio Asset Allocation June 30, 2016

	Assets (\$M)	Actual Allocation	Benchmark Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$69	44.6%	43.2%	1.3%	33.2%	53.2%	Yes
Public Fixed Income	\$13	8.6%	13.0%	-4.4%	8.0%	18.0%	Yes
Alternatives	\$62	39.9%	43.8%	-3.9%	33.8%	53.8%	Yes
Liquidity Portfolio	\$11	6.9%	0.0%	6.9%	0.0%	10.0%	Yes
<b>Total Assets</b>	<b>\$155</b>	<b>100.0%</b>	<b>100.0%</b>				

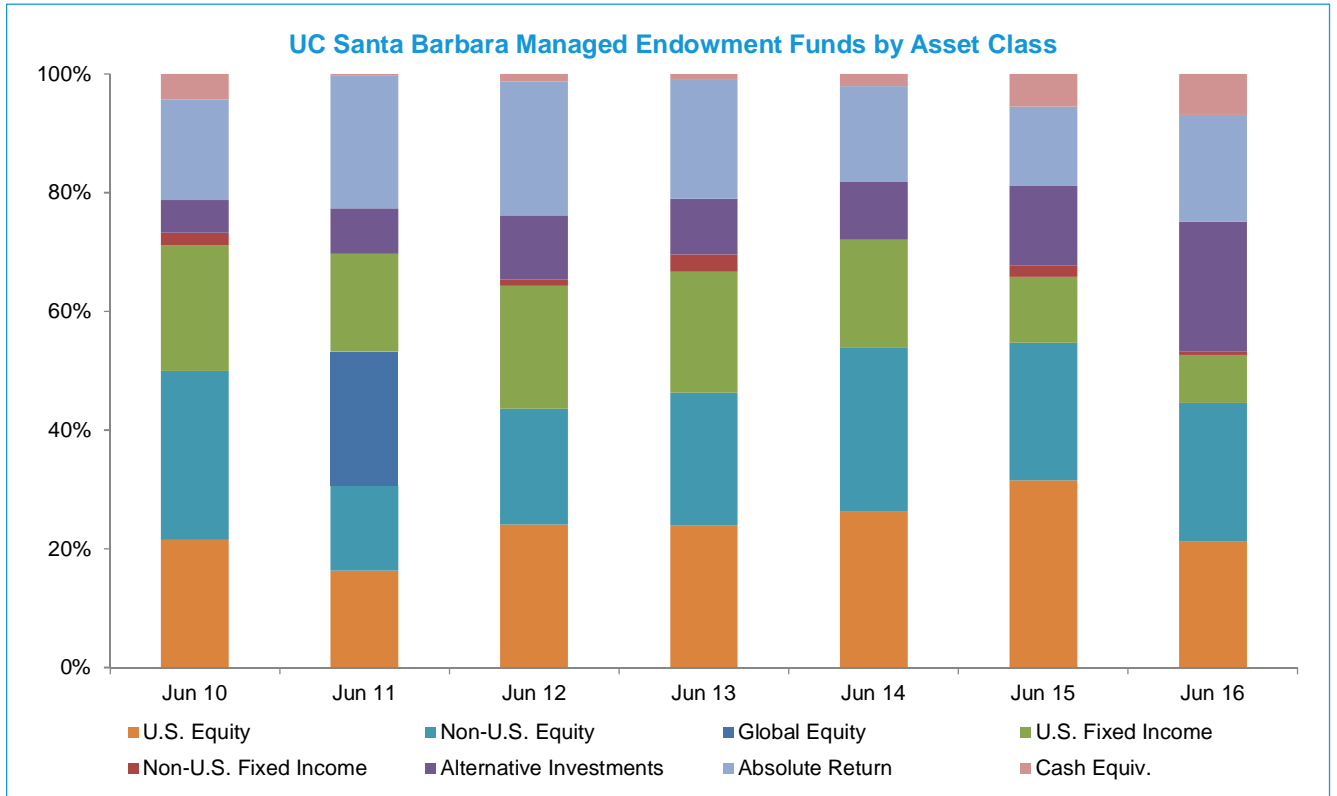
Notes:

The out-sourced CIO function has been moved from Goldman Sachs to the Office of the CIO of the Regents effective 7/1/2015. The UC Santa Barbara Foundation utilizes the GEP Policy Benchmark.

## UC SANTA BARBARA FOUNDATION



## UC SANTA BARBARA FOUNDATION





## UC SANTA CRUZ FOUNDATION

### Endowment Investment Objective

The UC Santa Cruz Foundation's investment objective for its endowment portfolio is to maximize long-term total return with a prudent level of risk, to provide inflation protection through reinvestment of an appropriate level of realized and unrealized earnings, and to maximize the real rate of return over the long term. The investment policy matches that of the General Endowment Pool.

### Endowment Spending Policy

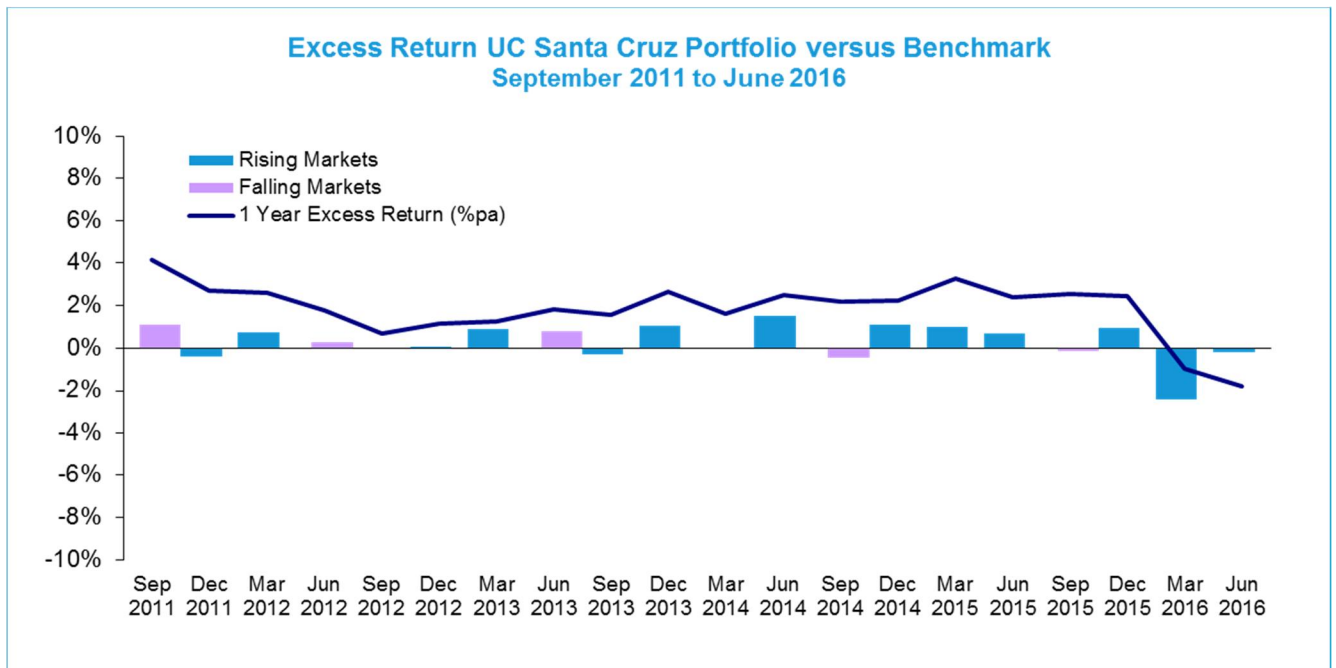
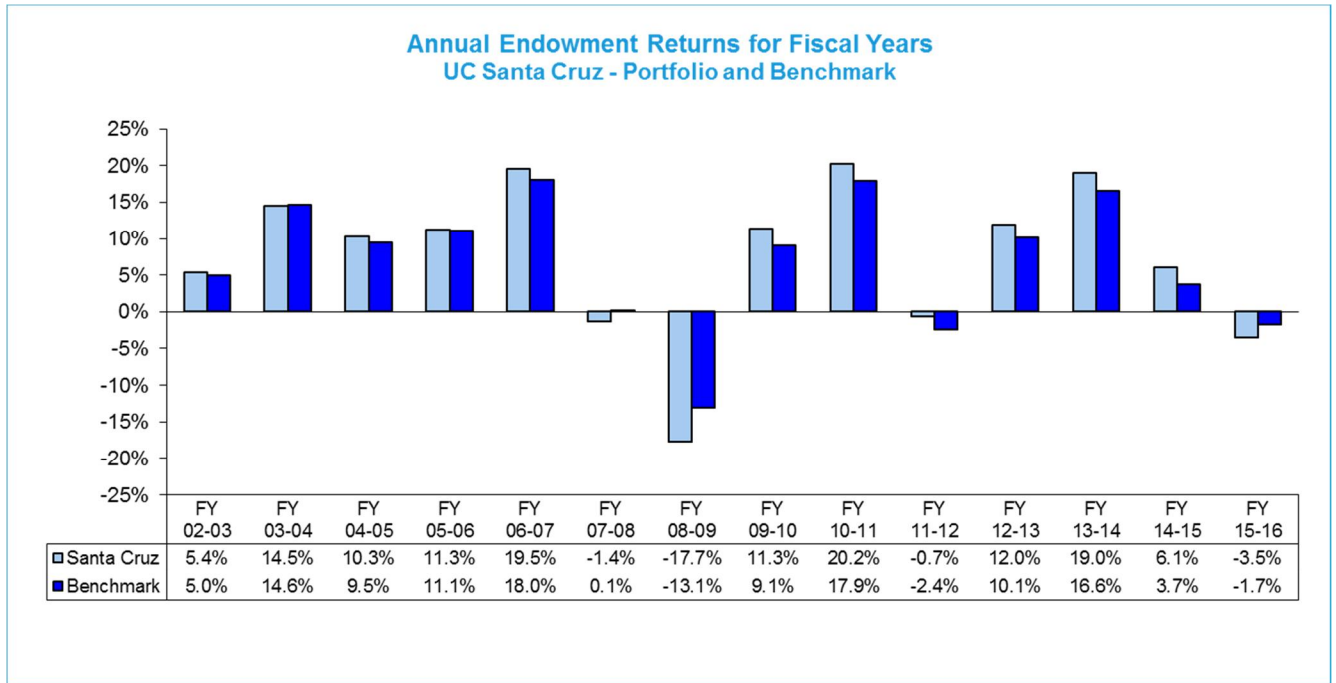
The UC Santa Cruz Foundation endowment expenditure rate approved February 2015, is 4.65% times a three-year moving average of December 31 market values. The endowment expenditure formula is reviewed annually and adjusted accordingly with respect to prudent concern for campus needs, donor expectations, and current market conditions. In no event will the corpus be reduced below the amount of the original gift, adjusted by the Gross Domestic Product (GDP) price index, unless specific language of the endowment agreement so allows.

**University of California, Santa Cruz Foundation Portfolio**  
**Asset Allocation**  
 June 30, 2016

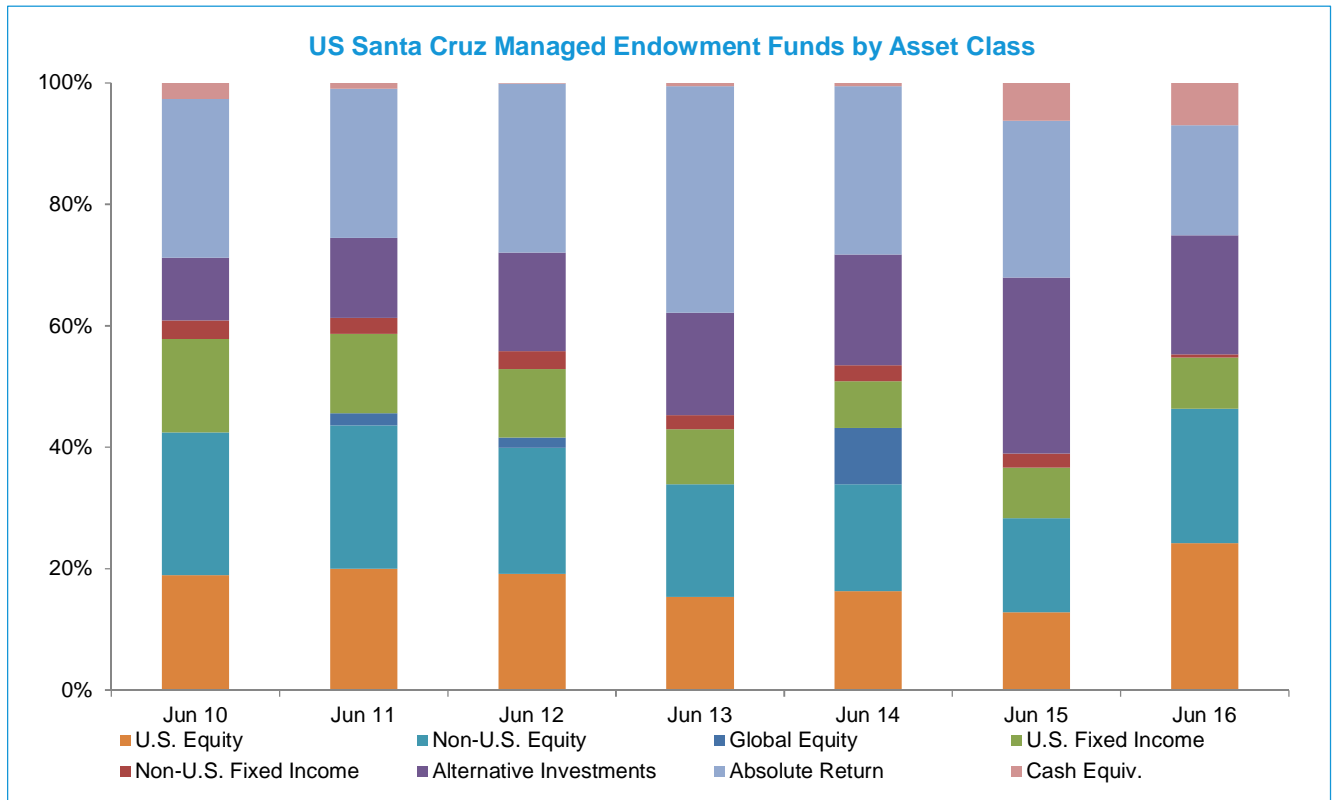
	Assets (\$M)	Actual Allocation	Benchmark Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$37	46.3%	43.2%	3.1%	33.2%	53.2%	Yes
Public Fixed Income	\$7	9.0%	13.0%	-4.0%	8.0%	18.0%	Yes
Alternatives	\$30	37.8%	43.8%	-6.0%	33.8%	53.8%	Yes
Liquidity Portfolio	\$6	7.0%	0.0%	7.0%	0.0%	10.0%	Yes
<b>Total Assets</b>	<b>\$80</b>	<b>100.0%</b>	<b>100.0%</b>				

The UC Santa Cruz Foundation utilizes the GEP Policy Benchmark.

## UC SANTA CRUZ FOUNDATION



## UC SANTA CRUZ FOUNDATION



## 4 Appendix

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## 4.1 Historical Foundation Investment Performance

### Historical Fiscal Year Foundation Investment Performance

#### Annual Total Returns - Foundations

Year	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Composite
2016	-2.3%	-3.3%	-2.4%	-4.1%	-3.5%	-5.1%	-2.2%	-4.8%	-3.1%	-3.5%	-3.4%
2015	3.8%	5.3%	5.3%	6.4%	6.1%	0.4%	4.4%	1.9%	1.7%	6.1%	7.2%
2014	15.2%	19.1%	17.3%	13.9%	19.0%	18.2%	18.1%	15.9%	14.4%	19.0%	18.7%
2013	12.8%	11.7%	11.5%	15.5%	12.0%	11.5%	12.0%	10.9%	10.1%	12.0%	11.6%
2012	-1.0%	-0.4%	0.4%	-1.4%	-0.7%	-2.6%	-0.6%	-0.9%	-3.4%	-0.7%	-0.4%
2011	18.8%	18.7%	19.5%	16.7%	20.2%	21.5%	21.7%	18.3%	20.1%	20.2%	20.5%
2010	11.7%	11.3%	11.0%	11.8%	11.3%	15.8%	12.7%	14.4%	15.4%	11.3%	10.9%
2009	-20.6%	-17.9%	-20.6%	-21.1%	-18.2%	-22.1%	-20.4%	-16.5%	-20.7%	-17.7%	-17.8%
2008	-0.3%	-1.4%	-2.9%	0.1%	-1.5%	2.9%	-1.6%	-7.5%	-9.4%	-1.4%	-1.9%
2007	20.3%	19.7%	18.7%	17.8%	19.8%	21.7%	19.3%	18.2%	20.1%	19.5%	20.0%
2006	14.8%	11.3%	10.8%	12.9%	11.5%	14.2%	11.7%	11.3%	11.5%	11.3%	11.6%
2005	11.3%	10.2%	7.7%	10.2%	10.3%	11.3%	10.2%	10.0%	10.1%	10.3%	10.4%
2004	17.7%	14.4%	15.6%	15.2%	14.7%	18.1%	14.5%	17.2%	14.1%	14.5%	14.8%
2003	3.4%	5.5%	6.5%	4.5%	5.4%	4.1%	5.2%	0.9%	5.6%	5.4%	5.4%
2002	-4.8%	-8.3%	-7.2%	-8.9%		-4.1%	-9.5%	-6.8%	-9.4%	-9.1%	-9.5%

#### Average Annualized Total Returns - Foundations

Year	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Composite
2016	-2.3%	-3.3%	-2.4%	-4.1%	-3.5%	-5.1%	-2.2%	-4.8%	-3.1%	-3.5%	-3.4%
('15-'16)	0.7%	0.9%	1.4%	1.0%	1.2%	-2.4%	1.0%	-1.5%	-0.7%	1.2%	1.8%
('14-'16)	5.3%	6.6%	6.4%	5.1%	6.8%	4.0%	6.4%	4.0%	4.1%	6.8%	7.1%
('13-'16)	7.2%	7.9%	7.7%	7.6%	8.1%	5.9%	7.8%	5.7%	5.5%	8.1%	8.2%
('12-'16)	5.5%	6.2%	6.2%	5.8%	6.3%	4.1%	6.1%	4.3%	3.7%	6.3%	6.5%
('11-'16)	7.6%	8.1%	8.3%	7.5%	8.5%	6.8%	8.5%	6.5%	6.3%	8.5%	8.7%
('10-'16)	8.2%	8.6%	8.7%	8.1%	8.9%	8.1%	9.1%	7.6%	7.5%	8.9%	9.0%
('09-'16)	4.1%	4.9%	4.5%	3.9%	5.1%	3.7%	4.9%	4.3%	3.5%	5.1%	5.2%
('08-'16)	3.6%	4.1%	3.6%	3.5%	4.3%	3.6%	4.2%	2.9%	2.0%	4.4%	4.4%
('07-'16)	5.1%	5.6%	5.1%	4.9%	5.8%	5.3%	5.6%	4.3%	3.7%	5.8%	5.9%
('06-'16)	6.0%	6.1%	5.6%	5.6%	6.3%	6.1%	6.1%	4.9%	4.3%	6.3%	6.4%
('05-'16)	6.4%	6.5%	5.7%	5.9%	6.6%	6.5%	6.5%	5.4%	4.8%	6.6%	6.7%
('04-'16)	7.2%	7.0%	6.5%	6.6%	7.2%	7.4%	7.0%	6.2%	5.5%	7.2%	7.3%
('03-'16)	7.0%	6.9%	6.5%	6.5%	7.1%	7.1%	6.9%	5.8%	5.5%	7.1%	7.2%
('02-'16)	6.1%	5.8%	5.5%	5.4%	6.6%	6.3%	5.7%	4.9%	4.4%	5.9%	6.0%

#### Cumulative Total Returns - Foundations

# Year	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Composite
2016	-2.3%	-3.3%	-2.4%	-4.1%	-3.5%	-5.1%	-2.2%	-4.8%	-3.1%	-3.5%	-3.4%
('15-'16)	1.4%	1.8%	2.8%	2.0%	2.4%	-4.7%	2.1%	-3.0%	-1.5%	2.4%	3.5%
('14-'16)	16.9%	21.2%	20.6%	16.2%	21.9%	12.6%	20.6%	12.4%	12.7%	21.9%	22.9%
('13-'16)	31.9%	35.4%	34.5%	34.2%	36.5%	25.5%	35.1%	24.7%	24.1%	36.5%	37.2%
('12-'16)	30.5%	34.8%	35.0%	32.3%	35.5%	22.3%	34.3%	23.6%	19.9%	35.5%	36.7%
('11-'16)	55.1%	59.9%	61.3%	54.4%	62.9%	48.7%	63.4%	46.2%	44.0%	62.9%	64.7%
('10-'16)	73.3%	78.0%	79.0%	72.6%	81.3%	72.1%	84.2%	67.2%	66.2%	81.3%	82.7%
('09-'16)	37.5%	46.1%	42.1%	36.3%	48.3%	34.0%	46.5%	39.6%	31.7%	49.2%	50.2%
('08-'16)	37.1%	44.2%	37.9%	36.4%	46.1%	37.8%	44.2%	29.2%	19.3%	47.1%	47.3%
('07-'16)	64.9%	72.6%	63.7%	60.6%	75.0%	67.8%	72.0%	52.8%	43.2%	75.8%	76.8%
('06-'16)	89.4%	92.2%	81.4%	81.4%	95.2%	91.6%	92.1%	70.0%	59.7%	95.7%	97.4%
('05-'16)	110.8%	111.8%	95.3%	99.9%	115.3%	113.2%	111.7%	87.1%	75.8%	115.8%	117.8%
('04-'16)	148.1%	142.3%	125.7%	130.3%	147.0%	151.8%	142.4%	119.3%	100.6%	147.1%	150.0%
('03-'16)	156.6%	155.7%	140.4%	140.6%	160.3%	162.1%	155.1%	121.3%	111.8%	160.4%	163.5%
('02-'16)	144.3%	134.4%	123.1%	119.2%	160.3%	151.4%	130.8%	106.2%	91.9%	136.7%	138.4%

Returns shown above prior to 2006 were provided by the individual Foundations.

Returns for 2006 and later were provided by State Street Bank, except in extraordinary circumstances.

## 4.2 Historical Benchmark and Active Performance

### Historical Fiscal Year Benchmark and Active Performance

#### Annual Total Returns - Benchmarks

Year	Annual Total Returns - Benchmarks										GEP Composite
	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	
2016	-1.5%	-1.0%	-1.1%	0.1%	-1.7%	-2.2%	-1.6%	-1.7%	-1.5%	-1.7%	-1.7%
2015	1.3%	2.6%	2.2%	3.3%	3.7%	0.9%	2.9%	0.8%	1.5%	3.7%	3.5%
2014	19.4%	16.3%	15.0%	16.1%	16.6%	19.1%	15.8%	16.7%	16.3%	16.6%	16.6%
2013	13.5%	11.4%	9.7%	10.6%	10.1%	11.3%	12.0%	10.3%	11.7%	10.1%	10.1%
2012	-3.3%	-2.0%	-0.6%	-1.3%	-2.4%	-2.1%	-1.1%	-0.7%	-2.0%	-2.4%	-2.5%
2011	17.1%	18.2%	19.6%	15.7%	17.9%	22.2%	19.6%	20.7%	22.5%	17.9%	18.0%
2010	10.2%	9.1%	9.2%	10.0%	9.1%	11.5%	10.7%	10.9%	18.3%	9.1%	9.6%
2009	-15.6%	-13.1%	-16.1%	-19.0%	-13.1%	-19.4%	-18.3%	-19.5%	-18.3%	-13.1%	-14.0%
2008	-1.2%	0.1%	-5.0%	-0.8%	0.1%	-4.5%	0.1%	-6.9%	-4.1%	0.1%	-0.2%
2007	16.9%	18.0%	19.0%	17.7%	18.0%	20.2%	18.0%	17.7%	18.0%	18.0%	18.1%
2006	12.7%	11.1%	10.3%	10.4%	11.1%	13.6%	11.1%	11.1%	11.0%	11.0%	11.0%
2005	10.3%	9.5%	9.3%	8.7%	9.5%	10.4%	10.3%	10.2%	9.5%	9.5%	9.5%
2004	17.1%	14.6%	15.1%	16.2%	14.6%	18.0%	15.2%	17.8%	14.6%	14.6%	14.6%
2003	2.8%	5.0%	3.2%	3.0%	5.0%	2.1%	5.2%	3.2%	5.0%	5.0%	5.0%
2002	-8.1%	-7.7%	-6.6%	-10.5%		-7.8%	-7.7%	-7.3%	-7.7%	-7.7%	-7.7%

#### Annual Active Returns (Foundation minus Benchmark)

Year	Annual Active Returns (Foundation minus Benchmark)										GEP Composite
	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	
2016	-0.8%	-2.3%	-1.3%	-4.2%	-1.8%	-2.9%	-0.6%	-3.1%	-1.6%	-1.8%	-1.7%
2015	2.5%	2.7%	3.1%	3.1%	2.4%	-0.5%	1.5%	1.1%	0.2%	2.4%	3.7%
2014	-4.2%	2.8%	2.4%	-2.2%	2.5%	-0.9%	2.4%	-0.8%	-1.9%	2.5%	2.2%
2013	-0.7%	0.3%	1.8%	4.8%	1.8%	0.1%	0.0%	0.6%	-1.7%	1.8%	1.6%
2012	2.3%	1.6%	0.9%	-0.1%	1.8%	-0.4%	0.5%	-0.1%	-1.4%	1.8%	2.1%
2011	1.8%	0.5%	-0.1%	1.0%	2.3%	-0.7%	2.0%	-2.4%	-2.5%	2.3%	2.5%
2010	1.6%	2.3%	1.8%	1.8%	2.3%	4.3%	2.0%	3.5%	-2.9%	2.3%	1.4%
2009	-5.1%	-4.9%	-4.6%	-2.0%	-5.1%	-2.8%	-2.1%	3.0%	-2.4%	-4.7%	-3.8%
2008	0.9%	-1.4%	2.0%	0.8%	-1.5%	7.3%	-1.6%	-0.6%	-5.4%	-1.4%	-1.8%
2007	3.4%	1.7%	-0.3%	0.1%	1.7%	1.5%	1.2%	0.5%	2.0%	1.5%	2.0%
2006	2.2%	0.3%	0.5%	2.5%	0.5%	0.5%	0.6%	0.2%	0.5%	0.2%	0.6%
2005	1.0%	0.8%	-1.6%	1.5%	0.9%	0.9%	-0.1%	-0.1%	0.6%	0.8%	0.9%
2004	0.6%	-0.2%	0.5%	-1.0%	0.1%	0.1%	-0.7%	-0.6%	-0.5%	-0.1%	0.2%
2003	0.6%	0.5%	3.3%	1.5%	0.4%	2.0%	0.0%	-2.3%	0.6%	0.4%	0.4%
2002	3.3%	-0.6%	-0.6%	1.6%		3.7%	-1.8%	0.5%	-1.7%	-1.4%	-1.8%

#### Average Annualized Active Returns (Foundation minus Benchmark)

# Year	Average Annualized Active Returns (Foundation minus Benchmark)										GEP Composite
	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	
2016	-0.8%	-2.3%	-1.3%	-4.2%	-1.8%	-2.9%	-0.6%	-3.1%	-1.6%	-1.8%	-1.7%
('15-'16)	0.9%	-0.7%	0.3%	-2.4%	-0.8%	-1.0%	-0.2%	-0.6%	-0.8%	-0.8%	0.0%
('14-'16)	-3.8%	-2.1%	-1.4%	-4.5%	-2.2%	-4.4%	-1.8%	-3.5%	-3.8%	-2.2%	-1.8%
('13-'16)	-3.4%	-1.7%	-0.7%	-2.3%	-1.3%	-3.5%	-1.7%	-2.8%	-3.6%	-1.3%	-1.1%
('12-'16)	-1.5%	-0.4%	0.1%	-1.3%	0.0%	-2.3%	-0.7%	-1.7%	-2.5%	0.0%	0.2%
('11-'16)	-1.3%	-0.7%	-0.4%	-1.2%	-0.1%	-2.5%	-0.7%	-2.3%	-3.0%	-0.1%	0.2%
('10-'16)	-0.9%	-0.3%	-0.1%	-0.8%	0.3%	-1.7%	-0.4%	-1.6%	-3.2%	0.3%	0.3%
('09-'16)	-1.1%	-0.5%	-0.3%	-0.5%	-0.2%	-1.3%	-0.1%	-0.3%	-2.5%	-0.1%	0.1%
('08-'16)	-0.8%	-0.6%	0.1%	-0.2%	-0.2%	-0.1%	-0.2%	-0.1%	-2.7%	-0.2%	0.0%
('07-'16)	-0.6%	-0.5%	-0.1%	-0.4%	-0.2%	-0.2%	-0.2%	-0.2%	-2.5%	-0.2%	0.0%
('06-'16)	-0.4%	-0.5%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-2.3%	-0.2%	0.0%
('05-'16)	-0.3%	-0.4%	-0.2%	0.0%	-0.1%	-0.1%	-0.2%	-0.3%	-2.1%	-0.1%	0.1%
('04-'16)	-0.3%	-0.4%	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-0.4%	-2.0%	-0.2%	0.0%
('03-'16)	-0.2%	-0.4%	0.0%	0.0%	-0.1%	0.0%	-0.3%	-0.5%	-1.8%	-0.1%	0.1%
('02-'16)	0.1%	-0.3%	0.0%	0.2%	-0.1%	0.4%	-0.3%	-0.4%	-1.7%	-0.1%	0.0%

Returns shown above prior to 2006 were provided by the individual Foundations.

Returns for 2006 and later were provided by State Street Bank, except in extraordinary circumstances.

1) Arithmetic difference

2) Annualized geometric difference

## 4.3 Investment Policy Benchmark

Campus	Asset Class	Benchmark Component	Percentage
UC Berkeley	Global Equity	MSCI ACWI with USA Gross (Net)	82.5%
	Fixed Income	Barclays Treasury	17.5%
UC Davis	GEM ***	GEM Policy Index	63.0%
	GEP *	GEP Benchmark	19.0%
	U.S. Equity	Russell 3000 TF Index	9.0%
	Non-U.S. Equity Developed	MSCI EAFE TF + Canada (Net)	9.0%
UC Irvine	U.S. Equity	Russell 3000	20.0%
	Non U.S. Equity	MSCI AC World ex U.S. (Net)	20.0%
	US Fixed Income	Barclays Aggregate	15.0%
	Private Equity	UCIF-Private Equities (Russell 3000 + 3%)	15.0%
	Hedge Funds	HFRF Fund of Funds Index	20.0%
	Real Estate	UCIF Real Assets	10.0%
UC Los Angeles	U.S. Equity	Russell 3000	30.0%
	Non-U.S. and Global Equity	MSCI AC World ex U.S. (Net)	20.0%
	Credit	BofA ML U.S. High Yield Master II Index	5.0%
	Multi-Strategy	Citigroup 3-Month T-Bill X 2	15.0%
	Private Equity	Cambridge Private Equity Index	10.0%
	Real Assets	CPI-All Urban + 6%	10.0%
	Real Estate	NCREIF Property Index	5.0%
	Cash & Equivalents	Citigroup 3-Month T-Bill	5.0%
	GEP *	GEP Benchmark	100.0%
UC Riverside	Global Equity	MSCI AC World	90.0%
	Fixed Income	Barclays Aggregate	10.0%
UC San Diego	U.S. Equity	Russell 3000	20.0%
	Non-U.S. Equity	MSCI ACWI World ex U.S. (Net)	23.0%
	Global Equity	MSCI AC World Index	7.0%
	Fixed Income	Barclays US Aggregate Bond Index	12.0%
	Private Equity	Cambridge PE Index	8.0%
	Absolute Return	HFRX Global Hedge Fund Index	13.0%
	Real Estate	NCREIF Property Index	10.0%
	Other	HFRX Global Hedge Fund Index	7.0%
UC San Francisco	U.S. Equity	Russell 3000	22.0%
	Non-U.S. Equities	MSCI All Country World ex U.S.	27.0%
	Fixed Income	US 1-3 Year Treasuries	13.0%
	Private Equity	CA PE Vintage	6.0%
	Hedge Funds	HFRF Fund Weighted Composite	22.0%
	Hard Assets	67% S&P North America Natural Resources / 33% CA EN Vintage	6.0%
	Real Estate	CA Real Estate Vintage	4.0%
UC Santa Barbara	GEP *	GEP Benchmark	100.0%
UC Santa Cruz	GEP *	GEP Benchmark	100.0%
* GEP	U.S. Equity	Russell 3000 Tobacco Free Index	16.1%
	Non-U.S. Equity Developed	MSCI World ex-US Net Tobacco Free	10.4%
<i>Note: As directed by UC, State Street Bank has been using the EAFE Tobacco Free (TF) + Canada (Net) benchmark to model the performance of the MSCI World ex-US (Net) Tobacco Free Index (as shown in the GEP IPS) for the non-US equity developed asset class since 2008 through June 2015.</i>			
	Emerging Market Equity	MSCI Emerging Market Free (Net)	6.3%
	Global Equity	MSCI All Country World Index (Net)	10.4%
	U.S. Core Fixed Income	Barclays U.S. Aggregate Bond Index	5.2%
	High Yield Debt	Merrill Lynch High Yield Cash Pay Index	2.6%
	Emerging Market Debt	J.P. Morgan EM Bond Index Global Diversified (US)	2.6%
	TIPS	Barclays U.S. TIPS Index	2.6%
	Private Equity	Actual Private Equity Returns	9.4%
	Absolute Return-Diversified	HFRX Absolute Return Index (Prior to February 2016 blended weighted composite)	24.5%
	Real Assets	Actual Real Assets Portfolio Returns	2.9%
	Real Estate	NCREIF Funds Index-Open End Diversified Core Equity Index (lagged 3 months)	7.0%

\*\*\* GEM Policy Index is comprised of 42% MSCI AC World Index, 26% CSFB / Tremont Hedge Fund Index, 22% Real Assets Policy Index (70% NCREIF Property Index QTR LAG, 15% MSCI US REIT Index, 15% Bloomberg Commodity Index TR), and 10% Barclays Treasury Index.

Note: Policy benchmark composition shown for each campus is as of the current fiscal year-end and may have been different in prior periods.

## 4.4 Glossary

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### CURRENT ASSETS

Assets for use in the near term to support the overall operations of the Foundation, where the donor may, or may not, have restricted their use. These assets typically include cash, accounts receivable, notes receivable, deferred charges, amounts due, prepaid expenses, etc.

In accordance with the Support Group Policy, endowed gifts or restricted assets must be transferred to the University to be spent in accordance with the donors' terms. However, the existing policy does not specify the timing and/or frequency of transfers. Consequently, the timing/frequency decision varies among the Foundations.

### ENDOWMENT ASSETS

True endowments, established by donor-restricted gifts to provide a permanent source of income, and Funds Functioning as Endowments (FFE), established by donor-restricted gifts to provide income but principal may also be expended.

### GENERAL ENDOWMENT POOL (GEP)

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

### SHORT TERM INVESTMENT POOL (STIP)

The 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.

### TRUSTS/LIFE ANNUITIES

Assets donated by individuals or organizations, with the institution agreeing to pay a specific level of income to the donor, or designated beneficiary, for his or her lifetime. Subsequent to the beneficiary's death, the institution gains complete ownership of the donated assets. The donor may or may not have restricted the assets'



## 4.5 Foundations Reporting Background

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### BACKGROUND

The history of reporting total University and Foundation endowments dates back to October 1978 when The Regents' Committee on Educational Policy adopted a policy for University Support Groups. In subsequent years, The Regents charged the Office of the Chief Investment Officer (CIO) (formerly called the Office of the Treasurer) with obtaining pertinent information regarding the UC Foundations' investments and presenting an annual report to The Regents. The annual report includes the investment philosophy, policies and performance of each Foundation's endowment assets, as well as the performance of The Regents' endowment assets. In compliance with The Regents Policy 6201 Investment Policy for the University of California Campus Foundations, this report is created by an investment consulting firm which reports any issues found to The Regents.

As of fiscal year 2016, State Street is no longer the book of record for the campus foundations. Starting in 2016 (for reporting as of the fiscal year ended June 30, 2016), information used to create this report is collected and reviewed by the investment consultant, with the campus foundations providing a review of the report before it is finalized.

## 4.6 Data Sources and Responsibilities

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This report was prepared by Mercer Investments, LLC. (Mercer). Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party. Information was provided by each individual campus foundation and the OCIO.

### DATA SOURCES AND RESPONSIBILITIES

The OCIO hired the investment consultant, Mercer Investment Consulting, to create this report. Mercer collected all information directly from each campus foundation and the OCIO (for GEP and the campus foundations which are 100% invested in GEP). The data and reports provided by the campus foundations originate from a variety of third party sources including each campus foundation, the foundations' investment consultants, and auditors. Information in this report for periods between 2006 and 2015 was provided by State Street Bank as the University's former official "book of record". Foundation performance results in this document prior to 2006 were provided by each foundation and was neither audited nor calculated by the OCIO or State Street Bank.

For the purpose of reporting investment performance, each foundation received the same exhibit formats and guidance, and any inconsistencies in definition and reporting are noted in the charts, tables and discussion. The InvestorForce Trust – All Endowments & Foundations Net Universe data cannot be reproduced or redistributed without the express written consent of Mercer.

### PERFORMANCE COMPARISONS

The InvestorForce Trust – All Endowments & Foundations Net Universe: this universe is comprised of 789 observations from a substantial endowment and foundations client base which includes information submitted by industry-leading consulting and trust/custody organizations as compiled by InvestorForce.

Benchmark: For details regarding each individual foundation's benchmark, see Section 4.3

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

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Returns for periods greater than one year are annualized. Returns are calculated gross of investment management fees, unless noted as net of fees.