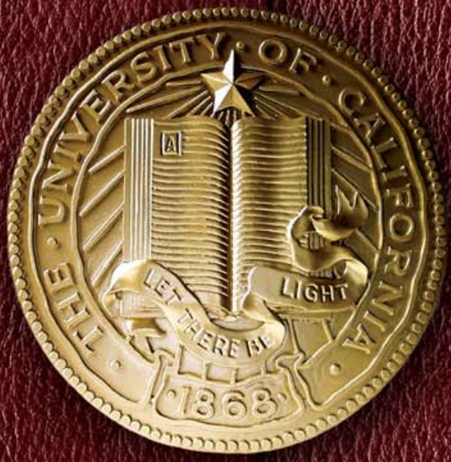


Chief Investment Officer of the Regents Annual Report

One hundred and forty-fifth fiscal year
University of California • 2012-2013

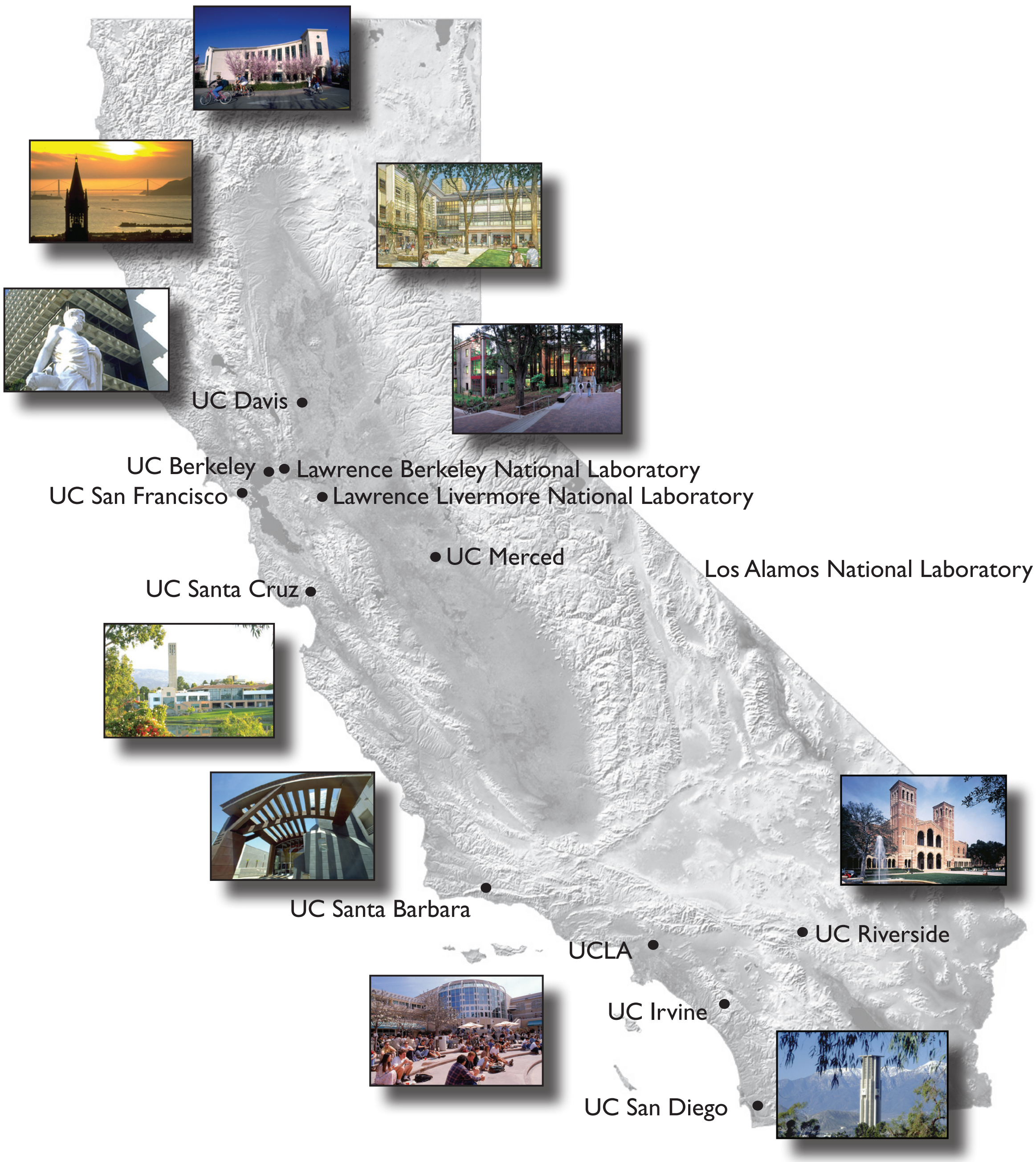
Mission Statement

The Office of the Chief Investment Officer (CIO) and Vice President of Investments 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 mission of the Office of the CIO 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

Widely recognized as the best public research university system in the world, the University of California includes more than 240,000 students, 190,000 faculty and staff, and a $24 billion systemwide annual budget. It comprises 10 campuses at Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Cruz and Santa Barbara, and is involved in managing the three U.S. Department of Energy national laboratories at Berkeley, Livermore and Los Alamos. UC campuses offer programs in more than 150 disciplines — many of which are ranked among the top 10 nationally. The five UC medical centers support the clinical teaching programs of the University's medical and health sciences schools and handle more than 3.9 million patient visits each year. The UC system also includes a Division of Agriculture and Natural Resources.

Campuses and National Laboratories



Chief Investment Officer's Annual Report 2012-2013

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FISCAL YEAR 2012-2013 IN REVIEW

Global equities over the full fiscal year 2012-13 were largely buoyed by the extension of historically unprecedented levels of monetary stimulus provided by the Federal Reserve. Among major developed markets, U.S. equities led the market higher, gaining 19.8% based on the MSCI U.S. Index. U.S. equity gains were eclipsed by Japan's 52.2% local market gain, as the Bank of Japan committed to ending its deflationary cycle through aggressive monetary stimulus. The Dow reached a peak milestone of 15,409 on May 28, nearly 9% above the pre-crisis high of 14,164 on October 9, 2007, before losing ground near the close of the fiscal year, as talk of winding down quantitative easing weighed on the markets by the fourth fiscal quarter. While developed markets rallied, emerging markets, particularly commodity-producing countries more susceptible to headwinds from a softening in China's growth prospects, lagged with a modest gain of 2.87%.

Gross-domestic-product releases in 2013 indicate the path to economic recovery is intact. The release of 2.5% growth exceeded consensus forecasts and was driven by an improvement in exports. For the fiscal year, U.S. residential housing has stood out as a key driver of growth, while manufacturing and unemployment gains show slow but steady improvement. For the fiscal year ended June 2013, the Case-Shiller National Home Price Index saw double-digit 10.1% growth from prior year levels, with San Francisco at more than double the national average. The ISM's June-end Purchasing and Manufacturing Index was 50.9, indicating expansion. A reading below 50, as we saw in May, indicates contraction. The bellwether unemployment rate, a key benchmark for Fed policy decisions, declined from 8.1% last June to settle at 7.5% by fiscal-year end. However, it remains above the 6.5% threshold for full employment and does not account for the cohort of underemployment and discouraged workers, still a significant segment of the labor force.

The degree of tail risk, as measured by VIX (a measure of the implied volatility of equity index options), generally remained low through fiscal year 2013, declining below pre-crisis levels. Volatility rose in May and June on uncertainties around a potential tapering of the Fed's QE stimulus. Bernanke's remarks at the May testimony before Congress, and again at the close of the June Federal Open Market Committee (FOMC) meeting, suggesting that the FOMC could begin to taper or "moderate the pace of purchases later this year" led to a spike in treasury yields and significant outflows from fixed-income exchange-traded funds and mutual funds. Market participants initially pushed the 10-year yield above 2.5% during the quarter, its highest level in nearly two years. Duration-sensitive assets fared the worst as 30-year mortgage rates climbed nearly 100 bps above their yearly lows. This was the first fiscal year since the crisis that the Barclays Aggregate had a net loss for the year of -0.69%. Longer-dated treasuries, such as the Barclays Government Long Index, fell -8.18% over the full fiscal year. By month end, Fed officials clarified their views in assessing the necessary economic conditions before any accommodative policies would be rolled back and helped calm the markets.

More recently, the Fed has tempered fears on the timing of the taper even further by maintaining the QE bond purchases at the Fed meeting on Sept. 18, 2013. However, the potential for further volatility arising from the eventual normalization of interest rates as the path for growth appears fully sustainable cannot be discounted.

MESSAGE FROM THE ACTING CHIEF INVESTMENT OFFICERS

All UC plans managed by the Office of the Chief Investment Officer delivered robust absolute and relative gains in the 2012-2013 fiscal year.

The UC Entity ($78.5 billion) returned 9.85% or 1.07% over the benchmark return of 8.78%. The UC Retirement Plan ($45.1 billion) returned 11.71% or 1.03% in excess of the benchmark return of 10.68%. The General Endowment Pool ($7.1 billion) returned 11.63% or 1.55% over the benchmark return of 10.08%. Fiscal year gains within the plans were primarily a result of effective asset allocation and manager selection.

The Short Term Investment Pool (STIP), with assets under management of $9.2 billion, returned 2.09% for the full fiscal year or 1.91% in excess of the benchmark. The Total Return Investment Pool (TRIP), with assets under management of $4.6 billion, returned 8.31% or 0.36% in excess of the benchmark over the fiscal year.

The Office of the CIO manages 20 of the 25 core funds available to University employees within the UC Retirement Savings Program—made up of the 403(b), 457(b), and defined contribution plans. Total assets of the UC-managed funds were $13.9 billion as of June 30, 2013, versus $12.2 billion on June 30, 2012.

The Office of the CIO and Vice President for Investments is responsible for managing all investments for retirement, endowment, and cash assets for the UC system, including its 10 campuses, five academic medical centers, and the Lawrence Berkeley National Laboratory. The Office of the CIO carries out these activities under the policies, guidelines, and performance benchmarks established by the Regents. Its 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 Regents' responsibilities center on approving investment policy, asset allocation, benchmarks, and risk budgets and guidelines, while the Office of the CIO 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 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.

Investment returns are the largest driver of assets available to pay retirement benefits. Investment performance has been consistently above its benchmark. The UCRP costs are funded by a combination of investment earnings, and employee and employer contributions. Beginning on July 1, 2013, the total amount of contributions will cover the "normal cost" (that portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method). The employer (UC) contribution rose to 12% of the employee's salary, the employee contribution increased to 6.5%, and the employee contribution from those hired into the new tier (those hired after July 1, 2013) is 7%.

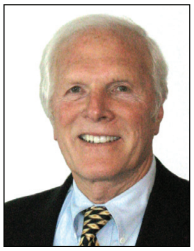
The Office of the CIO continues to work with the UC Human Resources Benefits Programs and Strategy Group, to support employee retirement and financial education through classes, consultations with investment representatives, and the "UC Focus on Your Future" website. The UC-managed core funds, a comprehensive range of investment options overseen by the Office of the CIO, are designed to carry lower expenses than many similar publicly traded mutual funds.

The Office of the CIO also continues to offer support to the 10 UC Foundations, including opportunities to invest in the Private Equity and Real Estate Vintage Year programs, and the Absolute Return Unitized Program. The UC Foundations can benefit by partnering with our Office, with access to managers who impose high-minimum investment amounts; offer lower fees than those charged by funds of funds; and the elimination of time spent on manager searches and monitoring.

We have built a very solid team within the Office of the CIO that consistently demonstrates productive and responsive efforts during these uncertain economic times. Our Office looks forward to continuing to serve the UC Regents, faculty, staff, retirees, and students.

Sincerely,

Mel Stanton and Randy Wedding
Acting Chief Investment Officers
University of California, October 2013



LOOKING FORWARD

New Asset Allocation: Total Return Investment Pool

The UC Total Return Investment Pool, or TRIP, is an investment pool established by the Regents and is available to the campuses and certain other related entities. TRIP allows these organizations 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 Regents approved a new TRIP policy allocation that became effective in August 2013. The process incorporated scenario-based asset allocation, which began with developing four likely economic scenarios for the next three years, simulating asset returns in each scenario, and optimizing each scenario using downside risk measures. The process continued by developing a single optimal portfolio, designed to perform moderately well in all scenarios but hedged against extreme downside tilting in the directions suggested by this single optimal portfolio. The current TRIP policy weights will evolve toward the strategic weights as investments are transitioned among the asset classes.

The current TRIP investment guidelines are available online: www.ucop.edu/investment-office/investment-policies/stip-trip-policy/.

Changes within the UC Retirement Savings Program

On July 31, 2013, the UC Retirement Savings Program added the UC Short Term Treasury Inflation Protected Securities (TIPS) Fund as part of the core fund menu for direct investment by participants. The new fund will complement but not replace the existing UC TIPS Fund by offering participants another TIPS option that may provide additional protection against inflation.

The UC Short Term TIPS Fund was developed for investors seeking inflation protection with the potential for less volatility than other inflation hedges, including stocks, longer-term TIPS, gold, and Real Estate Investment Trusts (REITs).

Also effective June 30, 2013, the UC Short Term TIPS Fund replaced the TIPS allocation within the UC Pathway Fund series.

SENIOR MANAGEMENT, as of June 30, 2013

MARIE N. BERGGREN, MS Chief Investment Officer, Vice President–Investments (Retired July 2013)

As chief investment officer, Ms. Berggren is responsible for overseeing the University of California investment portfolio. Before joining the Office of the Chief Investment Officer of the Regents 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 CIO, is responsible for the overall management of the Office of the Chief Investment Officer. Before joining the 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 Office of the Chief Investment Officer 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 (Retired July 2013)

Mr. Phillips is responsible for integrating risk monitoring, measurement, and management into all aspects of the investment process. Before joining the Office of the Chief Investment Officer 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 Office of the Chief Investment Officer 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 designation, and previously held the CFP and CIMA certifications.



INVESTMENT MANAGEMENT OVERVIEW

The investment funds managed by the Office of the Chief Investment Officer of the Regents consist of the University's retirement and endowment funds, as well as the system's cash assets. As of June 30, 2013, the Office of the Chief Investment Officer managed $78.5 billion in total assets, as outlined below.

TOTAL MARKET VALUE OF CONSOLIDATED ASSETS[1]

June 30, 2013
($ in billions)

University of California Retirement Plan (UCRP)	45.1
UC Retirement Savings Program (UCRSP)	13.9
General Endowment Pool (GEP) and Other Endowments	7.1
Short Term Investment Pool (STIP)[2]	9.2
Total Return Investment Pool (TRIP)	4.6
Total Funds	$78.5

The investment management staff includes 34 investment professionals with an average of 25 years of 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.

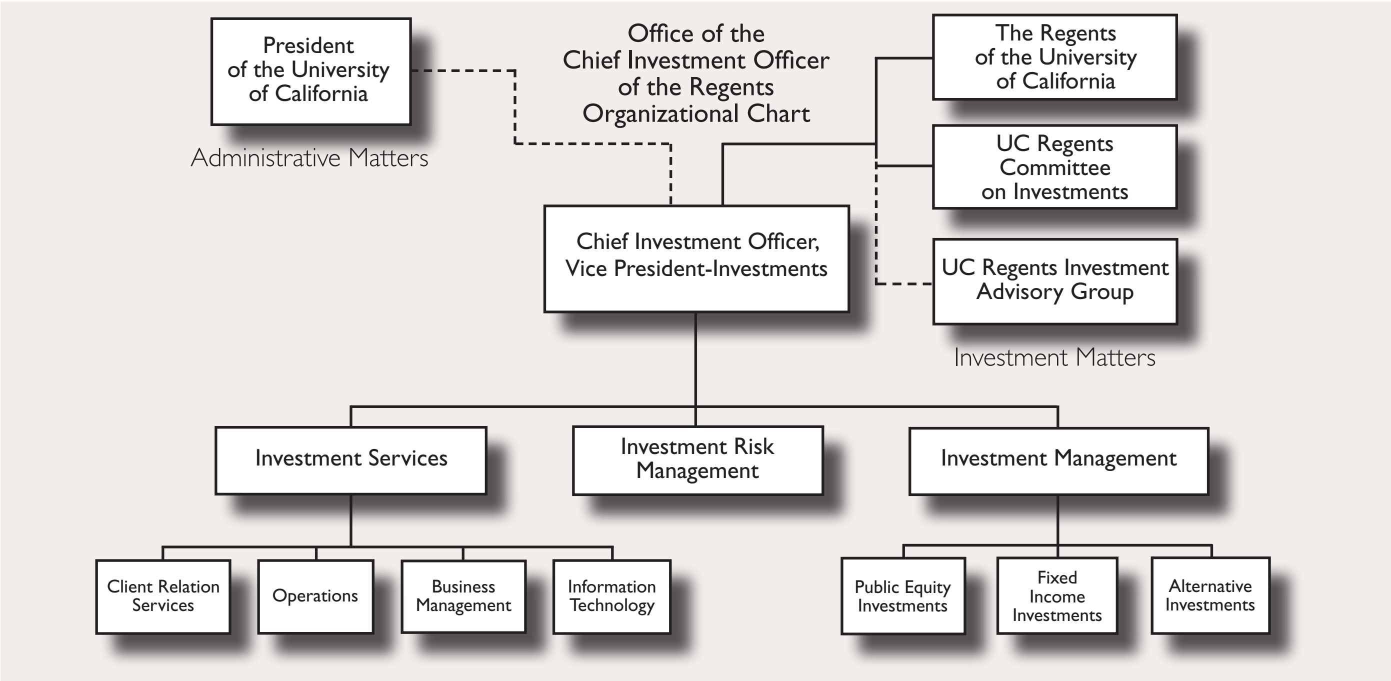
For the University of California Retirement Plan, the objective is to maximize the probability of meeting the Plan's liabilities, subject to the Regents' funding policy, and preserve the real (inflation-adjusted) purchasing power of assets.

The UC Retirement Savings Program funds seek to meet stated investment objectives.

For the Endowment Fund, the objective is to 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, 30, 35, and 36). 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, with greater year-to-year volatility.



[1] Market values include other endowments and Planned Giving 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] 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, UCRSP, 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 CIO decides on the timing and extent of the rebalancing, within the Regents' policy, based on market conditions.

PUBLIC EQUITY INVESTING

The Office of the Chief Investment Officer 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, and Emerging Markets asset classes.

The initial steps in the investment process are to evaluate the landscape of investment managers 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" 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 quarterly due diligence meetings, questionnaires, 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 the Chief Investment Officer, the risk budget, and the opportunities to add value versus the benchmark for each asset class.

As of June 30, 2013, Public Equities represented 48% of UCRP and 34% of GEP. The U.S. Equity and Non-U.S. Equity portfolios, 40% and 50%, respectively, are actively managed by a total of 32 external managers. Emerging Market Equity is, on average, 70% actively managed by 11 firms.

FIXED INCOME INVESTING

Within the primary goal of maximizing total return over a long-term horizon, the members of the 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 regularly 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 approval of the Chief Investment Officer. 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 manager takes an active approach to managing the TIPS portfolio, focusing on real yield duration, break-even inflation levels, slope of the break-even inflation curve, and security selection. The objective of these strategies is to add value to the TIPS benchmark with a focus on the active risks associated with each strategy.

The Fixed Income investments also include allocations to Emerging Markets and 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 Office of the CIO 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, 2013, the allocations to Fixed Income securities were 11% of the GEP and 23% of the UCRP.

ALTERNATIVE INVESTING

Absolute Return

For Absolute Return (AR) investments, the Office of the CIO 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 Office of the CIO 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 36 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 Office of the CIO 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 Office of the CIO 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, 2013, the allocations to Absolute Return Strategies were approximately 23% of the GEP and 6% 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 UC 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. 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 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. Starting in 2009, the Regents began investing in co-investment opportunities.

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 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 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, 2013, the allocations to Private Equity were 9% of GEP and 8% of UCRP.

Cross-Asset Class

The Office of the CIO seeks innovative ways to create value and enhance returns. The Cross-Asset Class (CAC) Strategy has gained significant institutional interest but has not yet been widely adopted. 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 key objective of the CAC Strategy is to identify and invest in assets that provide attractive, risk-adjusted returns that are beneficial to UCRP and GEP through investments that cut across the various asset-class silos. The CAC team collaborates with various asset-class managers to draw on the deep expertise across the institution to properly evaluate investment strategies that work across groups.

The Regents formally approved the CAC Strategy on February 22, 2011. 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 long-term strategic allocation is 5% for GEP and 8% for UCRP.

The UC Cross-Asset Class Strategy is comprised of strategic partnerships with asset managers that have expertise globally across a broad array of asset classes. These managers are expected, over time, to outperform the UCRP, GEP, aggregate plans, and policy benchmarks 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 innovative investment ideas to the Office of the Chief Investment Officer, above and beyond managing a specific Cross-Asset Class mandate, based on opportunities arising from identifiable market dislocation

We have engaged strategic partners willing to be part of an "idea engine" who surface new investment ideas that can be shared across other asset classes. In addition, we seek 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 Office of the CIO. As a result, the frequency and depth of involvement with our strategic partners is more than the typical managers as we transfer knowledge and extract value from our strategic partners across asset classes.

As of June 30, 2013, the allocation to Cross-Asset Class Strategy was 4% of GEP and 3% of UCRP.

Opportunistic Equity

The Opportunistic Equity strategy was initiated in GEP and UCRP in January and April of 2013, respectively. The objective of this portfolio is to earn higher excess returns than is typically earned in traditional portfolios by investing in public equity in more differentiated ways.

Since January 2013, we invested in the following strategies: global; global 130/30; global small cap; theme-based; long-short; a sector specialist; highly concentrated strategies; and an emerging markets strategy that invests using an activist philosophy. It is expected to be 100% actively managed.



As of June 30, 2013, the allocation to Opportunistic Equity was 8% of GEP and 5% of UCRP.

Real Assets

The Regents of the University of California approved a 3% long-term target allocation to Real Assets in March 2010 with an effective date of April 1, 2010. The core objectives of the Real Assets program is to deliver attractive long-term total returns to the GEP and UCRP, enhance portfolio diversification, and provide inflation protection by way of higher “real” returns during periods of rising inflation.

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. Real Assets is primarily composed of energy assets, timberland, infrastructure, royalties, and commodities.

The process of investing in Real Assets, consistent with other private-market investing, is resource intensive. Recognizing the synergies across other investments, the Office of the CIO accesses 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. 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.

As of June 30, 2013, the allocation to Real Assets was 2% of the GEP and of the UCRP. Staff expects to reach the long-term strategic target of 3% for both the GEP and UCRP during the next one to two years.

Real Estate

The Real Estate program is now entering its eighth 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.

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.

The existing portfolio is constructed with the flexibility to reposition or adjust the strategy in changing market conditions. More than 50% of UC’s investment commitments are to structures that provide some degree of liquidity (i.e., separate accounts, open-end funds, and REITS). There is currently $890.1 million in unfunded commitments in the Private Real Estate portfolio (including separate accounts and commingled funds), available to invest into lower pricing in a post-correction market.

As of June 30, 2013, the GEP Real Estate portfolio was valued at approximately $550 million and made up 8% of GEP. The UCRP Real Estate portfolio was valued at $2.5 billion and represented a 6% allocation. As of June 30, 2013, the long-term target allocations were 8.5% and 7.0%, respectively. Ninety-two percent (92%) of the total plan investments are in the U.S. and 8% 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 investment activities carried out by the Office of the Chief Investment Officer 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 Office of the CIO 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 25 years of experience in banking and/or investment operations and six analysts with an average of 18 years of experience in investment accounting and operations.

The Investment Operations staff is responsible for all middle- and back-office trade responsibilities, including confirming and insuring trade settlement, processing corporate actions, and validating and funding daily margin transactions. All gifts of securities to the University are received, valued, and reported through the unit. Operations also initiates the trade documentation and letters of direction for all alternative assets transactions with the external managers and for the daily cash transactions with external managers utilized in the definied contribution retirement system. Other functions include verifying and analyzing the returns prepared by the custodian bank, State Street Corporation, preparing performance and holdings reports, and providing the investment accounting entries for input into the UCOP Endowment and Investment Accounting general ledger.

A well-established custodial relationship with State Street, 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 Office of the CIO, 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 Office. Custom workflow software allows the financial and systems analyst to manage and run reports or perform calculations for the 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 Office of the CIO. 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, compliance, and performance for the investment portfolios. The group also oversees and maintains the website for the Office of the CIO.

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 CIO, 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 investable 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. It is not necessarily true that market index portfolios are "efficient" (provide highest risk adjusted return of all possible portfolios). Also, it is very difficult to find good benchmarks for illiquid assets (e.g., private equity) or specialized strategies (e.g., hedge funds) that meet the criteria below.

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.

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.
Reflect 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 UC Public Equity and Opportunistic Equity Investment Strategies

Public equity is the largest allocation in the University of California's investment portfolio and, as such, is a significantly important asset class.

Despite the recent volatility, the very long-term returns in public equity have continued to be quite good. The 20- and 30-year returns of the S&P 500 have been 8.66% and 10.54% annualized, respectively, which equates to compound returns of 426% over 20 years and 1,921% over 30 years. A long-term perspective is vital to investing in public equity so as to benefit from compounding returns over many years.

While public equity has delivered attractive long-term returns, the volatility of returns is unsettling to many investors. In the past 13 years, the S&P 500 declined -43% on one occasion and -52% on another. These were two of the three worst equity declines in history. Even so, investing in public equity has still been very rewarding for long-term investors. Despite the -52% decline almost five years ago, the index returned 8.06% annualized over the past 10 years.

The primary risks to equity investing in the near term are policy uncertainty in Washington, D.C., the economic and market impact when the Federal Reserve begins withdrawing its easy money policy of quantitative easing and ultra-low interest rates. That said, equity valuations are reasonable and in many segments of the market they are attractive. In the past, buying stocks at low prices has been strongly linked to earning good investment returns in the future.

In such a challenging environment of risk coexisting with opportunity, the public equity team is focused on finding especially outstanding investment partners that will enable us to earn attractive excess returns regardless of market direction.

PUBLIC EQUITY PORTFOLIOS

U.S. Equity

The U.S. equity portfolio is currently 40% actively managed and 60% is invested passively. The active portfolio is presently invested in 21 managers. The tracking error in the actively managed portfolio has been low at 1.5%. Tracking error is the variability of a portfolio's returns versus its benchmark.

Non-U.S. Developed Equity

The non-U.S. developed equity portfolio is currently 50% actively managed and 50% is invested passively. The active portfolio is presently invested in 11 managers. This active portfolio is more differentiated versus its benchmark than the U.S. equity portfolio; however, its tracking error is still modest at 2.0%.

Emerging Markets Equity

The emerging market equity portfolio is currently 70% actively managed and 30% is invested passively. The active portfolio is presently invested in 11 managers. Its tracking error has been higher than the previous two portfolios, averaging 2.5% in recent years.

Opportunistic Equity

The opportunistic equity strategy was initiated in GEP and UCRP in January and April of 2013, respectively. It is expected to be 100% actively managed. The objective of this portfolio is to earn higher excess returns than is typically earned in traditional portfolios by investing in public equity in more differentiated ways. Since January 2013, we invested in the following strategies: global; global 130/30; global small cap; theme-based; long-short; a sector specialist; highly concentrated strategies; and an emerging markets strategy that invests using an activist philosophy. All of these strategies are very different than most public equity mandates. In an effort to earn higher excess returns, the expected tracking error of this portfolio is 3-5%.

CURRENT INVESTMENT STRATEGIES

U.S. Equity

In the past few years, we have increased the actively managed portion of the portfolio from 25% to 40%. We have also increased the differentiation of the active portfolio versus the benchmark. For example, in the past 2½ years, we hired four strategies whose active share ranges from 80% to 100%.

Active share is the percent of a portfolio that is different than benchmark. Research by Yale University and others has found that managers with active share of 80% and higher have been more likely to outperform their benchmark and they have also been more likely to outperform by larger amounts. Managers whose active share is 80% or higher has increased from 23% to 42% in the past 2½ years.

The recent change toward managers with higher active share has boosted performance. The active portfolio outperformed its benchmark in FY 2012-13 by 1.25%.

Non-U.S. Developed Equity

The actively managed portion of the portfolio has steadily increased in the past several years from 40% to 50%. We have also increased the active portfolios differentiation versus the benchmark. For example, the percentage of the active portfolio that is invested in managers whose active share is 80% or higher has increased from 54% to 81% in the past three years.

The active portfolio outperformed its benchmark in FY 2012-13 by 0.53%. It has outperformed by 1.26% over the past five years.

Emerging Market Equity

The percent devoted to active strategies in this portfolio has consistently been 70% or higher. Four years ago, we hired two managers whose active share is over 80%. Those two strategies have outperformed by 7.02% and 4.46%, respectively, since we hired them. In the past year, we hired an emerging markets small cap specialist as well as a country specialist, both of whom have active shares of nearly 100%.

The changes initiated four years ago have improved performance. The active portfolio outperformed its benchmark in FY 2012-13 by 2.58%. It has outperformed by 2.49% annualized over the past three years.

Opportunistic Equity

As described earlier, all of the strategies in this portfolio are quite different than typical public equity mandates. Also, every manager in the portfolio has an active share greater than 80%. This new portfolio commenced in January 2013 and outperformed by 4.92% in its first six months.

INVESTMENT STRATEGY LOOKING FORWARD

In the U.S. and non-U.S. equity portfolios, we plan to increase the percentage devoted to active strategies to 60% or higher. We will further differentiate both portfolios versus their benchmarks, which we will accomplish in four ways. First, we plan to reduce the number of active managers in both portfolios. Second, we will increase our allocation to managers that have high active share. Third, we plan to reduce our allocation to style box constrained strategies, investing more prominently in all-cap strategies. Fourth, we plan to put more emphasis on excellent managers and giving them greater flexibility to invest.

In the emerging markets equity portfolio, we plan to maintain approximately the same number of managers; however, we will change the composition of the types of strategies. For example, we plan to increase our allocation to country and regional specialists.

In the opportunistic equity portfolio, we will continue emphasizing managers with highly differentiated strategies that are very different than the benchmark. We are currently researching strategies in biotechnology as well as health care more broadly. We are also investigating strategies that have the discretion to invest in both emerging markets and frontier markets. Lastly, we are conducting additional research on global value, activist, long-short, sector, regional, country, and highly concentrated strategies.

In all four public equity portfolios, we are putting less emphasis on style-specific mandates and more emphasis on managers we believe are outstanding.

UC Public Equity Investment Group

L-R: Chris Winiarz, Investment Officer; Rudy Hobson, Investment Officer; William Coaker, Senior Managing Director; Paul Teng, Investment Officer; Kristina Chow, Analyst.

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 5,000 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, 2013		June 30, 2012	
GENERAL ENDOWMENT POOL	Market Value	% of Pool	Market Value	% of Pool
EQUITIES				
U.S. Equity	$1,098,427	15.4%	$1,248,595	19.1%
Non-U.S. Developed Equity	890,997	12.5	1,001,680	15.4
Emerging Market Equity	447,246	6.3	360,395	5.5
Global Equity	N/A	N/A	110,720	1.7
TOTAL EQUITIES	$2,436,670	34.2%	$2,721,390	41.7%
FIXED-INCOME SECURITIES				
U.S. Core Fixed Income	$321,114	4.5%	$365,563	5.6%
High-Yield Bond	175,561	2.5	207,885	3.2
Emerging Market Debt	164,026	2.3	191,066	2.9
TIPS	152,357	2.1	168,974	2.6
TOTAL FIXED-INCOME SECURITIES	$813,058	11.4%	$933,488	14.3%
ALTERNATIVE ASSETS				
Private Equity	659,705	9.2%	619,278	9.5%
Absolute Return Strategies	$1,617,065	22.7	$1,547,584	23.7
Cross-Asset Class Strategy	290,788	4.1	149,312	2.3
Opportunistic Equity	570,190	8.0	N/A	N/A
Real Assets	154,192	2.2	116,968	1.8
Real Estate	550,438	7.7	431,278	6.6
TOTAL ALTERNATIVES	$3,842,378	53.9%	$2,864,420	43.9%
LIQUIDITY PORTFOLIO	$40,410	0.5%	$7,002	0.1%
TOTAL GENERAL ENDOWMENT POOL	$7,132,514	100.0%	$6,526,301	100.0%

The market value of the GEP, as of June 30, 2013, was approximately $7.1 billion, or $26.05 per share, versus $6.5 billion, or $23.88 per share, at the end of fiscal 2012. The total GEP net investment income for the year was $82.7 million, or $.30 per share, versus $100.0 million, or $.36 per share, at the end of fiscal 2012. In addition, $173.7 million was withdrawn to fund the Total Return Payout.

GEP returned 11.63% for the fiscal year versus 10.08% for its benchmark. For the past five years, GEP's total return was 4.09% vs. 3.60% for its benchmark. During that time, payout distributions grew at an average annual rate of 1.53%—above the annualized inflation of 1.31%.

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 16, 2012, the Regents approved the continuance of a rate of 4.75% for expenditure in fiscal year 2012-2013.

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

[1] For FY2012 and FY2013, 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.



GENERAL ENDOWMENT POOL (GEP) POLICY ASSET ALLOCATION as of June 30

	2009	2010	2011	2012	2013
MARKET VALUE (in millions)	$5,186	$5,723	$6,731	$6,526	$7,133
ANNUAL TOTAL RETURN	-17.74%	10.87%	20.49%	-0.36%	11.63%
ANNUAL TOTAL RISK[1]	17.63%	9.34%	7.93%	11.22%	4.13%

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 long-term asset allocation policy in July 2012:[2]

Asset Class	Long-Term Policy	Min.	Max.
Public Equity	28.5%	18.5%	38.5%
Fixed Income	12.5	7.5	17.5
All Alternatives*	59.0	49.0	69.0
Liquidity	0.0	0.0	10.0

* Including, but not limited to: Private Equity, Absolute Return Strategies, Cross-Asset Class Strategy, Opportunistic Equity, Real Assets, Real Estate.

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 Office of the CIO. GEP benchmarks are listed on page 19.

In addition, the Chief Investment Officer monitors the actual asset allocation at least monthly. The Committee directs the Chief Investment Officer 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 Office of the CIO may utilize derivative contracts (in accordance with policy) to rebalance the portfolio.

EQUITY INVESTMENTS STRATEGY AND RETURNS

The Office of the CIO 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, and Emerging Market Equity asset classes. The 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, 2013, about 40% of Domestic Equity assets and 50% of Non-U.S. Developed Equity assets were managed in active strategies by 32 external managers. Emerging Markets are approximately 70% actively managed by 11 firms.

The Equity portion of GEP represented 34% of the portfolio at year-end, with a market value of $2.4 billion. U.S. Equity represented 15% of the fund at year-end, with a market value of $1.1 billion. The U.S. Equity assets had returns of 21.82% for the fiscal year and 7.47% for the 10-year period.

Total Non-U.S. Developed Equity represented 13% of GEP at year-end with a market value of $891 million. Emerging Market Equity represented 6% with a market value of $447 million. The GEP Non-U.S. Developed Equities returned 17.91% for the fiscal year and had a 10-year return of 8.41%. Emerging Market Equity returned 4.40% in the fiscal year and had a 10-year return of 13.56%.

FIXED INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed Income investments, the Office of the CIO 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 11% of the portfolio, with a market value of $813 million. Within total Fixed Income, the GEP U.S. Core Fixed Income investments returned 1.39% during the year, and 5.19% and 4.67% for the five- and 10-year periods. The GEP High Yield Bond and Emerging Market Debt investments had a one-year return of 10.24% and 1.23%, respectively, and a five-year return of 10.33% and 8.04%.

For GEP TIPS, the Office of the CIO seeks to maximize long-term total real returns and increase portfolio diversification,

[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 July 19, 2012, with adjustments toward long-term targets approved by the Regents' consultant.

given TIPS' low correlation with other asset classes. TIPS represented 2% of total assets, with a market value of $152 million on June 30, 2013. The TIPS rate of return was -4.71% for the fiscal year and 4.83% for the five-year period.

The average duration of the Core Fixed Income portfolio at year-end was 5.1 years and the average credit quality was AA, with more than 82% of Core Fixed Income securities rated A or higher.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) strategies, the Office of the CIO 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 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, 2013, the AR portfolio represented approximately 23% of the GEP and had a market value of $1.6 billion. The return for the fiscal year was 8.79% and 5.61% for the 10-year period.

The Cross-Asset Class (CAC) Strategy investment 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, 2013, the CAC represented 4% of the GEP portfolio, the market value was about $291 million, and the one-year return was 6.26%.

The new Opportunistic Equity asset class was approved January 1, 2013, and now makes up 8% of the portfolio. The market value at the end of the fiscal year was $570 million. In its first six months, Opportunistic Equity returned 10.97% and outperformed the MSCI ACWI benchmark by 4.92%.

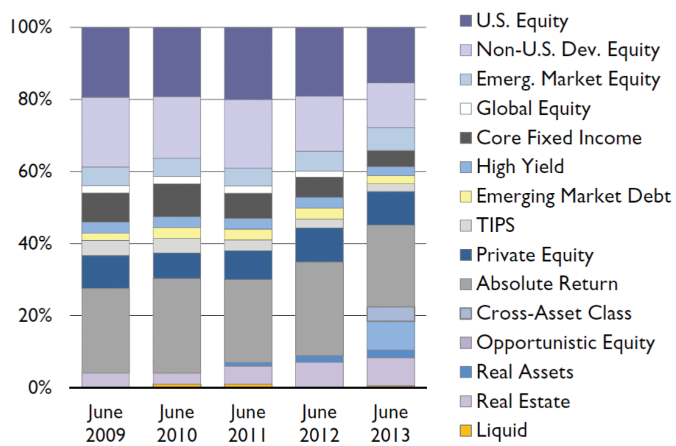
Real Assets was added to the GEP portfolio on April 1, 2010, and is primarily composed of energy assets, timberland, infrastructure, royalties, and commodities. It is currently 2% of the GEP portfolio. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets. The market value of the Real Assets investments, as of June 30, 2013, was about $154 million and the return for the fiscal year was 4.23%.

For Private Equity, the Office of the CIO seeks opportunities through high caliber top-tier buyout funds and select venture-capital partnerships. Private Equity represented 9% of the GEP, with a year-end with a market value of $660 million. The rate of return for the fiscal year was 8.97% and 13.32% for the 10-year period.

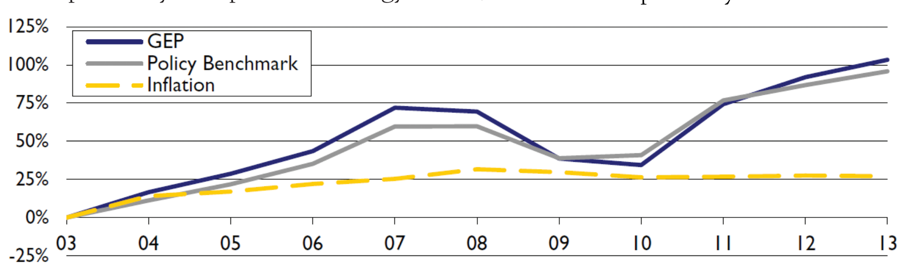
For Real Estate, the Office of the CIO seeks investments that provide long-term, risk-adjusted total returns between those of U.S. equities and bonds; diversification benefits given Real Estate's low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income. Real Estate represented 8% (approximately $550 million invested) of the GEP at fiscal-year end. Private Real Estate ($520 million) had a return of 10.37% in the fiscal year. Public Real Estate (approximately $31 million), which was established September 1, 2008, had a one-year return of 12.44%.

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 2003-2013
Periods Ending June 30

103.35% (GEP)
95.84% (Benchmark)
27.14% (Inflation)



GEP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2013

	1-Year	5-Year	10-Year	10-Year Cumulative	Benchmark Description[2]
TOTAL FUND					
GEP	11.63%	4.09%	7.36%	103.35%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	10.08	3.60	6.95	95.84	
Inflation	1.75%	1.31%	2.43%	27.14	
U.S. EQUITY[2]					
GEP	21.82%	7.19%	7.47%	105.49%	
Policy Benchmark	21.75	7.10	7.67	109.32	Russell 3000 TF Index.
NON-U.S. DEVELOPED EQUITY[2]					
GEP	17.91%	0.12%	8.41%	124.17%	
Policy Benchmark	17.27	-0.98	7.74	107.77	MSCI World ex-U.S. (net dividends) TF.
EMERGING MARKET EQUITY[2]					
GEP	4.40%	0.29%	13.56%	256.72%	
Policy Benchmark	2.87	-0.43	13.66	259.92	MSCI Emerging Market (net dividends)
U.S. CORE FIXED INCOME					
GEP	1.39%	5.19%	4.67%	57.79%	
Policy Benchmark	-0.69	5.19	4.76	59.27	Barclays U.S. Aggregate Bond Index.
HIGH-YIELD BOND					
GEP	10.24%	10.33%	N/A	N/A	
Policy Benchmark	9.44	10.49	N/A	N/A	Merrill Lynch High Yield Cash Pay Index.
EMERGING MARKET DEBT					
GEP	1.23%	8.04%	N/A	N/A	
Policy Benchmark	0.97	8.17	N/A	N/A	JP Morgan Emerging Market Bond Index Global Diversified.
TIPS					
GEP	-4.71%	4.83%	N/A	N/A	
Policy Benchmark	-4.78	4.41	N/A	N/A	Barclays U.S. TIPS Index.
PRIVATE EQUITY[3]	8.97%	5.99%	13.32%	249.07%	Actual PE Returns.
ABSOLUTE RETURN STRATEGIES[4]					
GEP	8.79%	2.61%	5.61%	72.66%	50% HFRX Absolute Return Index + 50% HFRX Market Directional Index.
Policy Benchmark	5.54	2.15	4.64	57.43	
CROSS-ASSET CLASS STRATEGY[5]					
GEP	6.26%	N/A	N/A	N/A	
Policy Benchmark	10.08	N/A	N/A	N/A	Aggregate GEP Policy Benchmark.
OPPORTUNISTIC EQUITY[6]					
GEP	N/A	N/A	N/A	N/A	
Policy Benchmark	N/A	N/A	N/A	N/A	MSCI All Country World Index (net)
REAL ASSETS[5]					
GEP	4.23%	N/A	N/A	N/A	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return.
Policy Benchmark	2.34	N/A	N/A	N/A	
PUBLIC REAL ESTATE					
GEP	12.44%	N/A	N/A	N/A	
Policy Benchmark	14.19	N/A	N/A	N/A	FTSE EPRA NAREIT Global Index.
PRIVATE REAL ESTATE					
GEP	10.37%	-8.03%	N/A	N/A	NCREIF Funds Index-Open-End Diversified Core Equity (lagged 3 months).
Policy Benchmark	9.68	-5.71	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. GEP's total returns, based on the unit value calculated by UCOP Endowment and Investment Accounting and net of all fees and expenses, are 11.96%, 4.01%, and 7.32% for the one-, five-, and 10-year periods, respectively. For FY 2012-2013, the cost of managing the GEP was 152.5 basis points, comprised of 143.0 basis points attributable to external money managers and 9.5 basis points to UC's internal costs (6.5 basis points related to administrative costs and 3.0 basis points related to investment management and custodial expenses).

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

[3] See Private Equity Performance information on page 13 of the "Investment Performance Summary," June Quarter 2013, for comparison of Private Equity to multiple performance metrics: http://www.ucop.edu/investment-office/investment-reports/index.html.

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

[5] Inception date for the Real Assets and Cross-Asset Class Strategy (formerly known as Opportunistic) was April 1, 2010.

[6] Inception date for Opportunistic Equity was January 1, 2013.

ASSET DESIGNATION BY CAMPUS AND PURPOSE

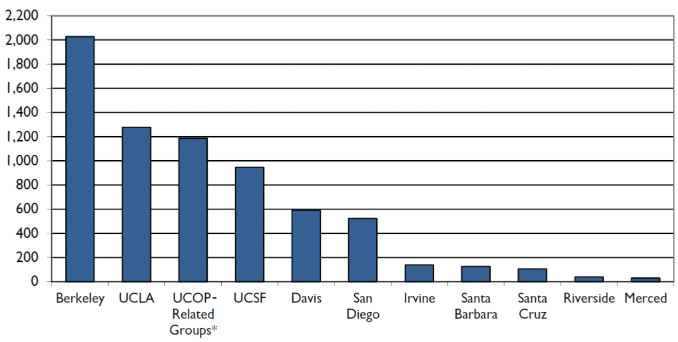
A donor has two avenues for making a gift to the University or establishing an endowment at the University: directly to the Regents for a specific campus and/or purpose or directly to a campus through its Foundation. The campus foundation trustees have discretion in their choice of investment managers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

The Regents' endowment pools include assets that were gifted directly to the Regents, as well as foundation assets where the Chief Investment Officer 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.

Fundraising efforts provide critically needed monies to support the goals of the University. As illustrated in the chart below, more than half of GEP's assets support financial aid (22%), departmental use (19%), and research (16%).

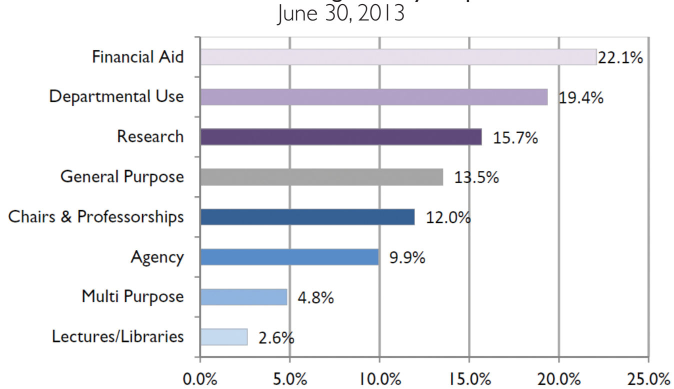
Detailed information on fund-raising results are available in the University's *Annual Report on University Private Support,* prepared by the UC Office of Institutional Advancement.

GEP Assets Designated by Campus
(in millions)
June 30, 2013



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

GEP Assets Designated by Purpose
June 30, 2013



PLANNED GIVING INVESTMENTS

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), Charitable Gift Services, from State Street Global Advisors. The pool was renamed Planned Giving (PG) Investments and is 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 Office of the Chief Investment Officer of the Regents. The pools were originally created in November 2003.

At fiscal year-end, the Planned Giving assets totaled approximately $69 million, with the PG Russell 3000 Tobacco Free (TF) Index Pool's market value at about $31 million, the PG EAFE + Canada TF Index Pool's market value at approximately $8 million, and the PG Fixed Income Pool's market value at about $30 million.

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. One 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; another variation is the "flip" unitrust, which starts as a net income trust and then "flips" or converts to a standard charitable remainder unitrust upon the occurrence of a specific event. Minimum gift to establish a trust with the Regents as trustee is generally $250,000. Additional contributions are accepted anytime into any of these charitable remainder unitrusts.

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(ies) on the date of gift. The amount of the charitable contribution deduction is the difference between the amount of the gift and actuarial value

RETURNS

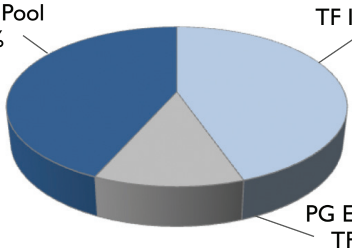
Performance ending June 30, 2013, was as follows:

Fund/Policy Benchmark	Annualized 1-Year Return	3-Year Return	5-Year Return
PG Russell 3000 TF Index Pool	21.89	18.69	7.31
Russell 3000 TF Index	*21.75*	*18.50*	*7.10*
PG EAFE + Canada TF Index Pool	18.12	9.83	-0.44
MSCI EAFE + Canada TF Index	*17.27*	*9.26*	*-0.98*
PG Fixed Income Pool	1.32	4.94	6.22
Barclays Capital U.S. Aggregate	*-0.69*	*3.51*	*5.19*

INVESTMENT OBJECTIVES

The PG 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 PG 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 PG Fixed Income Pool seeks to outperform the Barclays Capital U.S. Aggregate 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 Planned Giving Investment Assets by Pool
June 30, 2013



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.

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.

Ann E. Pitzer, a UC Davis alumna and member of the UCD Foundation Board of Trustees, donated a $1 million gift to the UCD Education Abroad Center so that more students will have the opportunity to add a global perspective to their academic careers without having to worry about the financial barriers.


Courtesy of UC Davis News Service

All of the giving vehicles outlined above are administered centrally but donors will generally designate specific campus programs to be supported. The Office of the Chief Investment Officer ensures that the investments are prudently managed for all of these planned gifts. In addition, the University received a private letter ruling from the IRS that enables charitable remainder trusts to be invested in the Regents General Endowment Pool – if the donor and the University determine that this is an appropriate option.

What a Difference a Family Can Make: The Porter Families Make It a Tradition to Donate Time, Talent, and Treasure

If you've ever lived in Santa Cruz or visited that part of California, you've probably come across the name "Porter" on various signs and buildings. Several Porter family pioneers made a lasting impact on the State of California in the 1800s through their numerous business successes (a tannery, sawmill, general store, land acquisitions, farming, banking, etc.). Many decendants of cousins Benjamin F. Porter and John T. Porter have made their own impact on UC Santa Cruz for decades through their contributions of time, talent, and treasure. The term "family philanthropy" has been coined to describe stewardship passed on through generations, creating a family legacy over time. It is certainly applicable to the Porter family, as illustrated by the following examples.

Benjamin F. Porter College at UC Santa Cruz

In 1971, the sale of about 66 acres of Porter-Sesnon land near Cabrillo College and the donation of the proceeds to the University of California allowed UCSC to develop its fifth college—a fine arts college. It helped to further implement the UCSC vision of having smaller colleges within the larger institution. The fifth college was formally dedicated as "Porter College" on November 21, 1981, and serves as a memorial to Benjamin F. Porter, the grandfather of the three benefactors: Porter Sesnon, Barbara Sesnon Cartan, and William T. Sesnon.

As of June 30, 2013, the market value of the remaining Benjamin F. Porter Memorial Fund is $8 million. With these additional funds, Porter College offers financial aid to UCSC undergraduates and fellowships to graduate students within the academic community.

Celebration of the Bernice Porter Arboretum Butterfly Endowment, 1993

Right: Bernice Porter (wife of Thomas B. Porter)
Center: Diane Porter Cooley (daughter)
Left: Anne Cooley (granddaughter) and Genevieve Dash (great-granddaughter)

Barbara Sesnon Cartan, the great-granddaughter of Benjamin Porter, also donated capital funds in 1968 for the establishment of the Mary Porter Sesnon Art Gallery, located within Porter College. The donation was offered in memory of her mother, the only surviving child of Benjamin Porter.

Nell Sesnon Cliff, another descendant of Benjamin Porter, was elected to be the first woman to serve as board chair of the UCSC Foundation from 1985-87.

In 1994 and again in 1999, the Porter family made generous donations toward the Thomas B. Porter Endowment, the Scholar Award. Thomas was the great-grandson of John T. Porter. (Endowment payouts since 1998 have been almost $80,000 and the market value of the Fund is $209,000, as of June 30, 2013.)

The beloved UCSC Arboretum, a world-class outdoor horticulture "classroom," has also benefited significantly from the generosity of the Porter family. Bernice Porter (wife of Thomas B. Porter), her daughter, Diane Porter Cooley, and her husband, Don Cooley, established an endowment (current market value: $141,000) to support experiential learning for students at the Arboretum, providing them with the opportunity to work with the extensive collection of precious and rare plants from all over the world. The students work side-by-side with community volunteers to appreciate the joys of botany and horticulture. "The work program allows students to connect with the wonders and beauty that the Earth provides," Diane Porter Cooley said. Bernice Porter also enhanced the Arboretum by funding a habitat for reptiles and amphibians and sanctuary for butterflies, which are now considered to be cherished resources in the Monterey Bay region. (The current market value of the amphibian habitat endowment is $101,000 and the butterfly endowment is now valued at $142,000.)

When Diane and Don Cooley celebrated their 50th anniversary in 1998, family and friends donated financial gifts in their honor for the renovation of the Arboretum's amphitheater. The Cooleys also added their own personal gift on that occasion to support efforts at the garden. The renovated amphitheater was renamed to honor the first UCSC chancellor, Dean E. McHenry, who formed the original Arboretum and Plantations Committee and was instrumental in the development of the site. The Cooleys are lifetime members of the Friends of the Arboretum, which now includes over 1,000 participants.

According to the Arboretum Web site, "More than four decades of dedication, horticultural expertise, and hard work have created an extensive collection unmatched anywhere else in the world!"

In addition, the UC Santa Cruz Library maintains a collection titled "Local History, Santa Cruziana." Among its documents are the papers of local pioneer families, including the Porter Family. This collection was donated in 2001 by Porter Sesnon, Jr. and Susan Salt (great-grandchildren of Benjamin Porter).

In appreciation for their many contributions over many years, the UCSC Foundation will present Don and Diane Cooley with the Fiat Lux Award in October 2013. The award is presented to alumni and friends of UCSC who have demonstrated outstanding achievement, dedication, and service in support of the campus.

As mentioned, the Cooleys have been longstanding stewards and advocates of the UCSC Arboretum and they created the Thomas B. Porter Scholarship in honor of Diane's father. They also have donated to the UCSC Opera Theatre, Shakespeare Santa Cruz, Long Marine Lab, the Natural Reserves, and the Robert Sinsheimer Chair in Molecular Biology.

Don Cooley is a former president and long-time trustee of the UC Santa Cruz Foundation, and Diane Cooley is a founder and member of the UCSC Opera Circle.

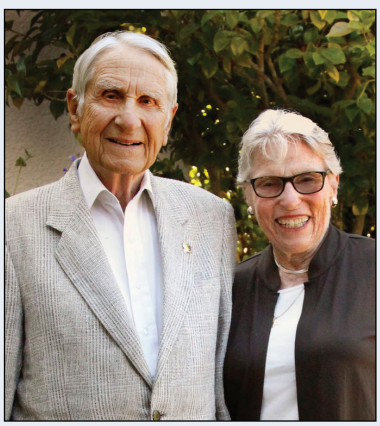
It is obvious that "family philanthropy" is alive and well in the Porter family. UCSC has benefited greatly from their many contributions over the decades and through multiple generations.

"Over the years, the extended Porter family has been extremely generous to UCSC," said Sarah Schuster Kudela, director of Stewardship and Donor Services at UC Santa Cruz. "The first Benjamin F. Porter gift was transformative."

Celebration of Porter College and the Porter Endowment in May 2013 (The Cliff family members are descendants of Benjamin F. Porter)

Front row: Sheila Houser Cliff, Nell Sesnon Cliff, Diane Porter Cooley, and Molly Cliff Hilts (Molly Porter Cliff, Porter '81)

Back row: Peter Cliff, Lee H. Cliff, Daniel Cliff, Shanti Cliff Aurell (Susan Harker Cliff, Merrill '86), and Paul Aurell



UCSC Fiat Lux Recipients: Don and Diane Cooley (daughter of Thomas B. and Bernice Porter)

Cousins: Benjamin Franklin Porter (namesake of UCSC Porter College) and John T. Porter (grandfather of Thomas B. Porter)

We wish to acknowledge the assistance of the following UCSC individuals in the preparation of this article:
William Jump, Controller, UC Santa Cruz Foundation; Sarah Schuster Kudela, Stewardship Director, Stewardship and Donor Services; and Lynne Stoops, Executive Director, Development. http://giving.ucsc.edu/

The largest pool of assets managed by the Office of the Chief Investment Officer 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, 2013		June 30, 2012	
UC RETIREMENT PLAN (UCRP)	Market Value	% of UCRP	Market Value	% of UCRP
EQUITIES				
U.S. Equity	$11,186,704	24.8%	$10,718,458	25.9%
Non-U.S. Developed Equity	7,309,658	16.2	7,705,374	18.6
Emerging Market Equity	3,310,064	7.3	2,636,383	6.4
Global Equity	N/A	N/A	797,021	1.9
TOTAL EQUITIES	$21,806,427	48.3%	$21,857,236	52.8%
FIXED-INCOME SECURITIES				
U.S. Core Fixed Income	$4,952,497	11.0	$4,989,489	12.1%
High-Yield Bond	1,368,962	3.0	1,272,508	3.1
Emerging Market Debt	1,092,253	2.4	1,048,422	2.5
TIPS	2,750,745	6.1	2,664,348	6.4
TOTAL FIXED INCOME	$10,164,457	22.5%	$9,974,767	24.1%
ALTERNATIVE ASSETS				
Private Equity[2]	$3,486,704	7.7	$3,302,720	8.0%
Absolute Return Strategies	2,489,043	5.5	2,482,020	6.0
Cross-Asset Class Strategy	1,536,456	3.4	903,060	2.2
Opportunistic Equity[3]	2,105,335	4.7	N/A	N/A
Real Assets	873,699	1.9	534,525	1.3
Real Estate (Public and Private)	2,527,942	5.6	2,211,238	5.3
TOTAL ALTERNATIVE ASSETS	$10,913,845	28.9%	$9,433,563	22.8%
LIQUIDITY PORTFOLIO	132,170	0.3	$110,842	0.3
TOTAL UCRP	$45,122,231	100.0%	$41,376,408	100.0%

UCRP is a balanced portfolio of equities, fixed-income securities, and alternative investments, which, at June 30, 2013, totaled $45.1 billion versus $41.4 billion at the end of fiscal 2012. For the fiscal year, UCRP returned 11.71% versus 10.68% for its benchmark. Over the long term, UCRP has performed well and exceeded its policy benchmarks. UCRP's annualized total return for the past 10 years through June 30, 2013, was 6.62% versus its benchmark at 6.20%.

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 2012-2013 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 Office of the CIO. In order to continue to achieve the UCRP investment objectives, the Regents approved the following long-term asset allocation policy in March 2013:

Asset Class	Long-Term Policy	Min.	Max.
Public Equity	39.5%	29.5%	49.5%
Fixed Income	20.0	15.0	25.0
All Alternatives*	40.5	33.5	47.5
Liquidity	0.0	0.0	10.0

* Including, but not limited to: Private Equity, Absolute Return Strategies, Cross-Asset Class Strategy, Opportunistic Equity, Real Assets, Real Estate.

The Chief Investment Officer monitors the actual asset allocation at least monthly. The Committee directs the Chief Investment Officer to take all actions necessary, within the requirement to act prudently, to rebalance assets to

1 For FY2012 and FY2013, 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 $65.2 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 See Private Equity Performance information on page 13 for comparison of Private Equity to multiple performance metrics.

3 Inception date for Opportunistic Equity was March 31, 2013.

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) FUNDED STATUS
as of June 30

	2009	2010	2011	2012	2013
MARKET VALUE (in millions)	$32,308	$34,543	$41,499	$41,377	$45,122
ANNUAL TOTAL RETURN	-18.81%	12.72%	22.45%	0.37%	11.71%
ANNUAL TOTAL RISK[1]	22.14%	10.99%	9.04%	12.66%	4.55%
TOTAL CONTRIBUTIONS[2] (in millions) AND INVESTMENT ACTIVITY	($7,903)	$4,326	$9,451	$2,240	$6,059
TOTAL PAYMENTS (in millions) AND EXPENSES[3]	($1,861)	($2,010)	($2,152)	($2,306)	($2,525)
SURPLUS/(DEFICIT) ASSETS[4] (in millions)	$1,300	($2,400)	($6,300)	($9,100)	($11,700)
FUNDED RATIO[5]	103.00%	94.80%	86.70%	82.50%	78.70%

within the policy ranges in a timely and cost-effective manner when actual weights are outside the prescribed ranges. The Chief Investment Officer may utilize derivative contracts (in accordance with policy) to rebalance the portfolio.

EQUITY INVESTMENTS STRATEGY AND RETURNS

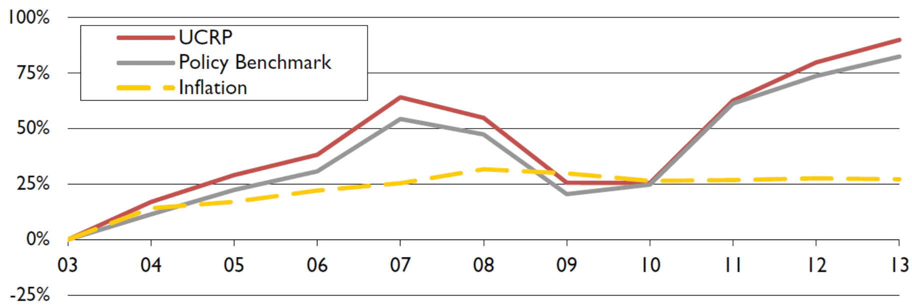
The Office of the CIO has an internal team of experienced investment professionals who implement the Regents' allocation to public equity. Assets are segmented into U.S. Equity, Non-U.S. Developed Equity, and Emerging Markets. The Office team selects multiple equity strategies and the external managers 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, 2013, approximately 40% of Domestic Equity assets and 50% of Non-U.S. Developed Equity assets were managed in active strategies by 32 external managers. Approximately 70% of the Emerging Market Equity assets were actively managed by 11 firms.

The equity portion of UCRP represented 48% of the portfolio at year-end, with a market value of $21.8 billion. U.S. Equity represented 25% of the fund, with a market value of $11.2 billion. UCRP's U.S. Equity assets returned 22.11% for the fiscal year and 7.54% for the 10-year period. Non-U.S. Developed Equity represented 16%, with a market value of $7.3 billion; and Emerging Markets represented 7%, with a market value of $3.3 billion. The UCRP Non-U.S. Developed Equity portfolio returned 17.79% for the fiscal year and had a 10-year annualized return of 8.22%. The Emerging Market Equity portfolio returned 4.04% for the fiscal year and had a 10-year return of 13.92%.

FIXED INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed Income investments, the Office of the Chief Investment Officer 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, total Fixed Income investments constituted 23% of the portfolio, with a market value of



UCRP Cumulative Total Returns: Fiscal 2003-2013
Fiscal Periods Ending June 30

89.91% (UCRP)
82.43% (Benchmark)
27.14% (Inflation)

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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.

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.

approximately $10 billion. UCRP's Core Fixed Income investment returned 0.97% during the year. Over the long-term, UCRP's Fixed Income returned 6.05% for the five-year period and 4.96% for the 10-year period. UCRP's High Yield Bond returned 10.20% for the fiscal year and 10.50% for the five-year period. Emerging Market Debt had a one-year return of 1.23% and a five-year return of 7.98%.

For TIPS, the 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 6% of total assets with a market value of approximately $2.8 billion on June 30, 2013. TIPS fell to -4.39% for the fiscal year, gained 4.81% for the five-year period, and 5.46% for the 10-year period.

The average duration of the Core Fixed Income portfolio at year-end was 5.1 years and the average credit quality was AA, with more than 82% of Core Fixed Income securities rated A or higher.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the 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 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, 2013, the AR portfolio represented 6% of the UCRP, with a market value of $2.5 billion. It had a one-year return of 8.79% and five-year annualized return of 2.61%.

The Cross-Asset Class Strategy investment portfolio 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. CAC made up 3% of the UCRP portfolio, had a fiscal-year return of 7.34% and market value of $1.5 billion.

Opportunistic Equity was added to the UCRP on March 31, 2013, and made up 5% of the portfolio. The market value at the end of the fiscal year was $2.1 billion.

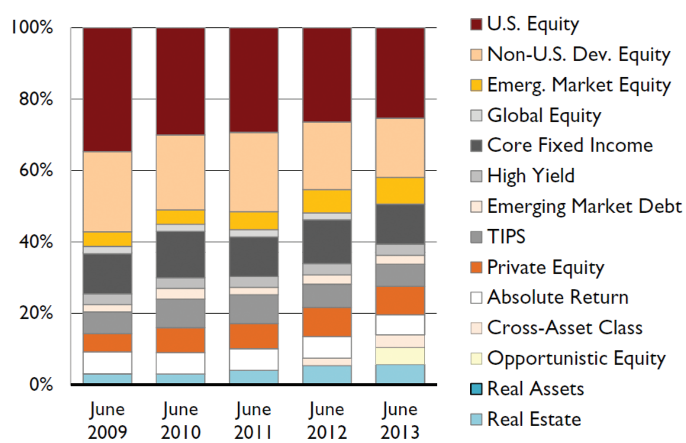
For Private Equity, the Office seeks opportunities through high-caliber, top-tier buyout funds and select venture-capital partnerships. Private Equity represented 8% of UCRP at year-end with a market value of $3.5 billion. UCRP returns for this asset class in the fiscal year were 8.96% and 13.04% for the 10-year period.

Real Assets was added to UCRP on April 1, 2010, and is now 2% of the portfolio. 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 Real Assets investments as of June 30, 2013, was approximately $874 million and the return for the fiscal year was 4.15%.

For Real Estate, the 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 6% of UCRP at year end, with a market value of $2.5 billion. Private Real Estate, with a market value of $2.3 billion, returned 10.47% in the fiscal year. Public Real Estate, which began in September 2008, had a market value of $218 million and returned 12.74%.

ASSET MIX

UCRP's asset mix for five fiscal-year ends is illustrated.



UCRP FUNDING

The UCRP benefits are funded by contributions from both the University and active members, and by the investment earnings of the portfolio, which constitute a single pool of assets. Annual actuarial valuations determine the Plan's liabilities (i.e., projected benefits to be paid) and the funding status. University contributions are used to pay Plan benefits for all members, and are not allocated to individual member accounts. During the fiscal year, UC contributed 10% of members' covered compensation and active members made contributions to UCRP equal to 5% of covered compensation.

UCRP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2013

	1-Year	5-Years	10-Years	10-Year Cumulative	Benchmark Description
TOTAL FUND					
UCRP	11.71%	4.67%	6.62%	89.91%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	10.68	3.91	6.20	82.43	
Inflation	1.75	1.31	2.43	27.14	
U.S. EQUITY					
UCRP	22.11%	7.21%	7.54%	106.88%	
Policy Benchmark	21.75	7.10	7.67	109.32	Russell 3000 Tobacco Free (TF) Index.
NON-U.S. DEVELOPED EQUITY[2]					
UCRP	17.79%	-0.15%	8.22%	120.34%	
Policy Benchmark	17.27	-0.98	7.74	107.77	MSCI World ex-U.S. (net dividends) TF.
EMERGING MARKET EQUITY[3]					
UCRP	4.04%	0.46%	13.92%	268.28%	
Policy Benchmark	2.87	-0.43	13.66	259.92	MSCI Emerging Market (net dividends)
U.S. CORE FIXED INCOME					
UCRP	0.97%	6.05%	4.96%	62.21%	
Policy Benchmark	-0.69	5.44	4.84	60.43	Barclays U.S. Aggregate Bond Index.
HIGH-YIELD BOND					
UCRP	10.20%	10.50%	N/A	N/A	
Policy Benchmark	9.44	10.49	N/A	N/A	Merrill Lynch High Yield Cash Pay Index.
EMERGING MARKET DEBT					
UCRP	1.23%	7.98%	N/A	N/A	
Policy Benchmark	0.97	8.17	N/A	N/A	JPMorgan Emerging Market Bond Index Global Diversified
TIPS					
UCRP	-4.39%	4.81%	5.46%	N/A	
Policy Benchmark	-4.78	4.41	5.19	N/A	Barclays U.S. TIPS.
PRIVATE EQUITY[3]	8.96%	5.72%	13.04%	240.69%	Actual PE Returns.
ABSOLUTE RETURN STRATEGIES[4]					
UCRP	8.79%	2.61%	N/A	N/A	50% HFRX Absolute Return Index + 50% HRFX Market Directional Index.
Policy Benchmark	5.54	2.15	N/A	N/A	
CROSS-ASSET CLASS STRATEGY[5]					
UCRP	7.34%	N/A	N/A	N/A	
Policy Benchmark	10.68	N/A	N/A	N/A	Aggregate UCRP Policy Benchmark.
OPPORTUNISTIC EQUITY[6]					
UCRP	N/A	N/A	N/A	N/A	
Policy Benchmark	N/A	N/A	N/A	N/A	MSCI All Country World Index (net dividends)
REAL ASSETS					
UCRP	4.15%	N/A	N/A	N/A	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return.
Policy Benchmark	2.33	N/A	N/A	N/A	
PUBLIC REAL ESTATE					
UCRP	12.74%	N/A	N/A	N/A	
Policy Benchmark	14.19	N/A	N/A	N/A	FTSE EPRA NAREIT Global Index.
PRIVATE REAL ESTATE					
UCRP	10.47%	-8.29%	N/A	N/A	NCREIF Funds Index-Open-End Diversified Core Equity (lagged three months).
Policy Benchmark	9.68	-7.54	N/A	N/A	

1 UCRP's total returns are net of (after) the 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. For FY 2012-2013, the cost of managing the UCRP was 75 basis points, comprised of 67 basis points attributable to external money managers and 8 basis points to UC's internal costs (5 basis points related to administrative costs and 3 basis points related to investment management and custodial expenses).

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

3 See Private Equity Performance information on page 13 of the "Investment Performance Summary," June Quarter 2013, for comparison of Private Equity to multiple performance metrics: www.ucop.edu/investment-officer/ /investment-reports/index.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 Real Assets and Cross-Asset Class Strategy (formerly known as Opportunistic) was April 1, 2010..

6 Inception date for Opportunistic Equity was March 31, 2013.

UC Retirement Savings Program (UCRSP)

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 employee 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.

UC RETIREMENT SAVINGS PROGRAM — UC-MANAGED CORE FUNDS[1]

Summary of Investments ($ in thousands)

	June 30, 2013		June 30, 2012	
DEFINED CONTRIBUTION (DC) FUNDS	Market Value	% of DC	Market Value	% of DC
TOTAL RETURN FUNDS				
EQUITY FUND	$3,643,329	26.2%	$3,130,104	26.1%
BOND FUND	1,062,707	7.6	1,079,369	9.0
TIPS FUND	270,717	1.9	317,054	2.6
BALANCED GROWTH FUND	1,320,443	9.9	1,135,890	9.5
DOMESTIC EQUITY INDEX FUND	125,213	0.9	68,844	0.6
INTERNATIONAL EQUITY INDEX FUND	152,583	1.1	115,950	1.0
PATHWAY INCOME FUND[2]	366,169	2.6	230,808	1.9
PATHWAY FUND 2015[3,4]	265,185	1.9	119,185	1.0
PATHWAY FUND 2020[4]	519,686	3.7	301,833	2.5
PATHWAY FUND 2025[3,4]	279,526	2.0	57,777	0.5
PATHWAY FUND 2030[4]	421,716	3.0	220,248	1.8
PATHWAY FUND 2035[3,4]	185,625	1.3	34,982	0.3
PATHWAY FUND 2040[4]	245,153	1.8	137,990	1.2
PATHWAY FUND 2045[3,4]	71,244	0.5	21,655	0.2
PATHWAY FUND 2050[4]	83,364	0.6	61,014	0.5
PATHWAY FUND 2055[3,4]	17,988	0.1	9,074	0.1
PATHWAY FUND 2060[3,4]	38,210	0.3	16,599	0.1
INTEREST INCOME FUNDS				
SAVINGS FUND	$3,750,907	27.0%	$3,715,542	31.0%
ICC FUND	1,081,749	7.8	1,224,469	10.2
TOTAL UC-MANAGED CORE FUNDS	$13,901,514	100.0%[5]	$11,998,387	100.0%[5]

Total assets in the UC Retirement Savings Program core funds were approximately $13.9 billion as of June 30, 2013, versus $12 billion on June 30, 2012.

When investing their defined contribution funds, employees may choose among 25 UC Core Funds.[6] UC Core Funds are under the direction of the Office of the Chief Investment Officer. The Office manages each fund, or selects the fund's investment manager.

1 For FY2012 and FY2013, 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 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 and Dimensional Fund Advisors.

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 CORE FUNDS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2013

	1-Year	5-Year	10-Year	Fund Policy Benchmark Description
TOTAL RETURN FUNDS				
Equity Fund	20.54%	6.11%	8.07%	Policy Benchmark: 85% less the actual Private Equity weight from the prior month end times the Russell 3000 TF Index, 15% MSCI World ex-U.S. TF Index and the actual Private Equity weight of the previous month end times the actual PE portfolio; Historical: S&P 500 Index.
Policy Benchmark	20.48	5.82	7.84	
Morningstar Domestic Equity Funds Median[2]	20.94	6.53	8.05	
Bond Fund	0.65%	5.94%	4.71%	
Policy Benchmark	-0.69	5.19	4.52	
Morningstar Taxable Bond Funds Median[2]	1.32	5.26	4.43	Barclays U.S. Aggregate Bond Index.
TIPS Fund (started 4/1/04)	-4.72%	4.79%	N/A	
Policy Benchmark	-4.78	4.41	N/A	Barclays U.S. TIPS Index.
Balanced Growth Fund (started 4/1/04)	12.81%	6.06%	N/A	Blend of benchmarks of underlying Funds based on holdings percentages.
Policy Benchmark	12.46	5.21	N/A	
Domestic Equity Index Fund (started 7/1/05)	21.78%	7.27%	N/A	
Policy Benchmark	21.75	7.10	N/A	Russell 3000 TF Index.
International Equity Index Fund (started 7/1/05)	17.79%	-0.55%	N/A	
Policy Benchmark	17.27	-0.98	N/A	MSCI EAFE + Canada TF Index.
UC Pathway Income (started 7/1/05)	-1.23%	4.33%	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages
Policy Benchmark	-1.79	3.30	N/A	
UC Pathway 2015 (started 12/01/08)[3]	0.59%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-0.04	N/A	N/A	
UC Pathway 2020 (started 7/1/05)	2.70%	4.01%	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	2.09	3.37	N/A	
UC Pathway 2025 (started 12/01/08)[3]	4.20%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	3.60	N/A	N/A	
UC Pathway 2030 (started 7/1/05)	5.66%	3.57%	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	5.06	3.00	N/A	
UC Pathway 2035 (started 12/01/08)[3]	7.14%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	6.54	N/A	N/A	
UC Pathway 2040 (started 7/1/05)	8.64%	3.59%	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	8.04	3.04	N/A	
UC Pathway 2045 (started 12/01/08)[3]	10.17%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	9.57	N/A	N/A	
UC Pathway 2050 (started 7/1/05)	11.51%	3.69%	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	10.98	3.21	N/A	
UC Pathway 2055 (started 12/01/08)[3]	12.75%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	12.31	N/A	N/A	
UC Pathway 2060 (started 12/01/08)[3]	13.99%	N/A	N/A	Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	13.65	N/A	N/A	
INTEREST INCOME FUNDS				
Savings Fund	1.07%	2.10%	3.14%	
Policy Benchmark	0.22	0.73	2.08	2-Year U.S. Treasury Note Income Return.
ICC Fund	3.01%	4.03%	4.65%	
Policy Benchmark	0.68	1.65	2.80	5-Year U.S. Treasury Note Income Return.
Inflation	1.75%	1.31%	2.43%	Consumer Price Index.

[1] All returns for the University-managed funds are net of (after) investment expenses. The funds 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 Office of the Chief Investment Officer compares these results to the gross investment returns calculated by State Street Bank. State Street Bank's calculations comply with the CFA Institute 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 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. The Office of the CIO and the UC Human Resources Benefits Program and Strategy Group strive to keep annual investor expenses at or below 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 through investing in various equity-related asset classes. 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, 2013, the total market value of the Equity Fund was $3.6 billion. The portfolio consisted of 81.1% U.S. Equity, 14.3% Non-U.S. Equity, and 4.6% Private Equity.

During the fiscal year, the U.S. equity portion 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 TF 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 Office of the CIO.

For the fiscal year, the return for Equity Fund was 20.54%, compared to 20.48% for the benchmark. The Equity Fund outperformed its benchmark over a five-year period, with a return of 6.11% vs 5.82%. The 10-year return for the Equity Fund was 8.07% vs. 7.84% 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 long-term investment returns by investing in intermediate-term debt securities. The Office of the CIO invests the Bond Fund in a diversified portfolio of primarily high-quality debt securities.

At June 30, 2013, the total market value of the Bond Fund was approximately $1.1 billion. The Bond Fund sector weightings (types of securities) as of June 30, 2013, were: 35% core collateral;[3] 30% core credit; and 35% core government. The weighted average maturity of the portfolio at year-end was approximately 6.1 years, the weighted average duration 4.9 years, and 83% of the portfolio was rated A or better.

The Bond Fund returned 0.65% in the fiscal year, 5.94% for five years, and 4.71% 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 return and inflation protection consistent with an investment in U.S. Government inflation-indexed securities or TIPS. 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, 2013, was approximately $271 million. The Fund had a return of one-year return of -4.72% and a five-year return of 4.79%.

BALANCED GROWTH FUND

The Balanced Growth Fund seeks to provide long-term growth and income through a single balanced portfolio of equity and fixed-income securities, which maintains a similar asset allocation as the UCRP. The market value of the Balanced Growth Fund at June 30, 2013, was $1.3 billion and returned 12.81% for the fiscal year and 6.06% for five years. The benchmark had a fiscal-year return of 12.46% and 5.21% for five years.

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

Contributions are currently being invested at these target weights: 52% Domestic Equity/REITs; 26% Bond Fund; and 22% International Equity Fund. 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 component funds from growing outside their allocation percentages. The Office of the CIO 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 broad and diversified exposure to the U.S. equity market. 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, 2013, the market value of the Domestic Equity Index Fund was $125 million and the Fund had a one-year return of 21.78%. The benchmark return was 21.75%. The five-year return was 7.27% and benchmark return was 7.10%

INTERNATIONAL EQUITY INDEX FUND

The International Equity Index Fund is invested in a MSCI EAFE + Canada Tobacco Free Index Fund. Started on July 1, 2005, the International Equity Index Fund seeks to provide broad and diversified explosure to developed country (ex-U.S.) equity markets. The TF version excludes tobacco companies.

The market value of the International Equity Index Fund at June 30, 2013, was $153 million,with a one-year return of 17.79%. The benchmark return was 17.27%.

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 are designed for investors who want a single, diversified approach to saving for retirement. The UC Pathway Funds are managed to adjust the investment risk level lower as each approaches its specific target date. The Pathway Funds invest in a combination of core funds[1] and allocate their assets among these funds according to an asset-allocation strategy. 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 plan accounts between 2013 and 2017.

At June 30, 2013, 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	$366	-1.23%
2015	265	0.59
2020	520	2.70
2025	280	4.20
2030	422	5.66
2035	186	7.14
2040	245	8.64
2045	71	10.17
2050	83	11.51
2055	18	12.75
2060	38	13.99

INTEREST-INCOME FUNDS

SAVINGS FUND

The Savings Fund, created in July 1967, seeks to maximize interest-income returns, while protecting principal, in order to provide a stable, low-risk investment, with attractive returns that attempt to exceed the rate of inflation.

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 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.

[1] The Core Funds are under the direction of the UC Office of the Chief Investment Officer. The Office 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.

At June 30, 2013, the Savings Fund totaled $3.8 billion and was composed of 45% U.S. Treasuries and 55% government-sponsored enterprises (GSEs). The weighted average maturity of the Fund was 2.92 years.

The Savings Fund has historically provided an income return considerably greater than that of two-year U.S. Treasury Note income. In fiscal 2013, the Savings Fund generated an income return of 1.07% versus 0.22% for the benchmark. During the past 10 years, the Savings Fund generated an average income return of 3.14% versus the policy benchmark income return of 2.08%. The Savings Fund policy benchmark is the income return on a constant maturity two-year U.S. Treasury Note.

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 Office of the CIO has invested contributions to the ICC Fund in insurance company contracts offered by select, highly rated, financially sound insurance companies. Under such contracts, the insurance companies have guaranteed a fixed annual rate of interest for a specified time period and the repayment of principal at the end of that time period.

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.

Based on the current level of interest rates offered by insurance companies and the expectation that rates will remain at current levels for an extended period of time, the Fund is now no longer purchasing new contracts and all of the contract redemptions are now being invested in the UC Short Term Investment Pool (STIP). Historically, STIP has been the vehicle in which Retirement Savings Program Funds have been temporarily invested until used to purchase securities in one of the Core Fund options.

In addition, beginning June 29, 2012, the ICC Fund no longer accepts transfers or contributions from UC investors.

The ICC Fund manager will continue to evaluate the investment opportunities of insurance company contracts and may choose to reopen the Fund to new contributions in the future if conditions warrant.

At June 30, 2013, the ICC Fund totaled $1.1 billion, with a weighted average maturity of 1.1 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 the 2012-2013 fiscal year, the ICC Fund generated a return of 3.01% versus 0.68% for the benchmark. During the past 10 years, the ICC Fund generated a return of 4.65% compared to 2.80% on five-year U.S. Treasury Note income.

The estimated yield for this fund (net all fees and expenses) for the 2013 calendar year is 2.75%.

UC-MANAGED CORE FUND FEES

The Fund strives to hold investor expenses at or below 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 return 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: Bicycling Dream Becomes Retirement Reality

Doris Phinney (shown with her husband, Owen Patmor) retired after 35 years with UC Santa Barbara.

When Doris Phinney retired from UC Santa Barbara, she and her husband had a clear vision for their retirement years. “Our ideal vacations always involved cycling. Bicycling has been our passion. I planned to retire early so that my husband and I could spend significant time bicycling throughout the United States. Our retirement dream has come true!”

When Doris retired in 2000, she and her husband celebrated by pedaling their bicycles across the United States. On May 14, after dipping their rear wheels in the Pacific Ocean, they left Manhattan Beach, California. After 49 days (and just five days of rest along the way) and bicycling an average of 80 miles per day, they arrived in Boston, Massachusetts, at Paul Revere Beach on June 30. They completed their accomplishment by dipping their front wheels in the Atlantic Ocean. This first retirement trip was organized by a tour company and included about 60 other cyclists and eight support staff.

“Since then, we have cycled the Erie Canal, the Chesapeake and Ohio Canal, the Katy Trail in Missouri, the Natchez Trace in Mississippi, the Florida Keys, the historical triangle around Williamsburg, across Oregon, Nevada, Georgia, Virginia, Tennessee, Iowa, Wisconsin, Indiana, Washington, and Prince Edward Island. The most difficult cycling event—and the hardest physical and mental test ever—was the Davis Double. That’s an annual event in and around Davis, California. You must complete a course of 200 miles in 24 hours. It took us 16 hours. The oldest cyclist to complete the course was 80 years old.”

Doris worked hard to achieve her dream retirement, serving 35 years at UC Santa Barbara. As a student at UCSB in the early 60s, she was one of the first to qualify for the “new” work-study program. “I began working for a faculty member in the Psychology Department, studying child development. I took her class in child development because my daughter was two years old and I thought it would be interesting.”

As a result of this position, when she graduated (in political science), she was asked to work with Howard and Tracy Kendler, doing field work in child development. “I tested children from ages 3 (preschool) to 18 (college freshmen). I assumed the position would be temporary. It lasted 11 years and then I moved from a research position into administration.” At the time of Doris’ retirement, her position at UCSB was management services officer in the Political Science Department.

“I always wanted to and did work in academic departments so that I could be closest to the mission of the university. It was rewarding to be able to assist faculty and students who were trying to understand and work through the complicated rules and procedures put in place by the administration.

“Initially, I really didn’t spend a lot of time planning for retirement. Early in my career, I rarely thought about retirement or planning for it. I really had no dreams until the last 10 years or so before I retired at age 57. My focus amped up when I realized I wanted to retire early. My husband is 12 years older than I and he retired early. I wanted time to share our passion for bicycling with him. About 10 years before I retired, I began putting all of my salary increases in my 403(b). When my retirement income projections reached the amount of my current take-home pay, I retired.”

When Doris was asked “If you had your career to do over, would you change anything?” she responded by saying, “I would have begun contributions to my 403(b) sooner. When I first became a career employee at UCSB, I did not join the UCRP. At that time, employees under 30 could opt out of the retirement plan. I could not fathom working at UCSB for 35 years. So I had seven years of noncontributory service.”

Doris started learning about investing through the help of the Human Resources staff and investment presentations sponsored by UC. “I also have an outside investment account I inherited and a financial advisor. The main advice I’ve received has been related to the kind of risk I can tolerate financially. Interestingly, I was too conservative with my investments when I was younger and could afford the risk. I should have sought expert guidance then.”

Doris said there is no real “secret” to her retirement success. She believes it’s important to know the standard of living you want to maintain and then retire when you know you can achieve that goal. Doris offered this advice: “You will age and be old enough to want to retire so start thinking and planning now. Even if it’s only a small amount, set up a salary deduction for your retirement savings. I chose to invest in UC-managed funds over the years because it was easy and convenient.”

After celebrating her 70th birthday this year, Doris said her main dream now is to continue riding her bicycle as her daily transportation/recreation for at least another decade or longer. “I have a cycling friend who just celebrated her 80th birthday by riding 80 kilometers (50 miles) with family and friends. She’s my role model.”

We wish to acknowledge the help of Joe A. Lewis, of the UC Retirement Administration Service Center, and Ernest Newbrun, Chair of the Council of University of California Emeriti Associations.

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 STIP until expended. Retirement and endowment funds awaiting permanent investment are also invested in STIP until transferred. 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 STIP is to maximize returns consistent with safety of principal, liquidity, and cash-flow requirements. STIP investments[1] managed by the Office of the CIO 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 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

STIP is managed 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[2]
June 30, 2013

	1-Year	5-Year	10-Year	10-Year Cumulative
STIP	2.09%	2.70%	3.41%	39.85%
Policy Benchmark[3]	0.18	0.66	2.07	22.78
Inflation[4]	1.75	1.31	2.43	27.14

[2] STIP returns are net of (after) investment management costs which are automatically deducted from income. The distribution return (net of all expenses and other program activities) was 2.09%, 2.65%, and 3.37% for the one-, five-, and 10-year periods, respectively.

[3] 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.

[4] Inflation as measured by the Consumer Price Index.

STIP has achieved attractive returns over the long term. Over the last 10 years, the average annual income return was 3.41%, compared to the policy benchmark return of 2.07%.

For the fiscal year ended June 30, 2013, the amortized book value of the STIP investments was approximately $9.2 billion. STIP's income return was 2.09% versus the policy benchmark income return of 0.18%. The weighted average maturity of the fund was 2.2 years.

It has been five years after the Lehman Brothers bankruptcy, which triggered the worst financial crisis since the Great Depression and ushered in a period of volatility unlike any before it. The scope and size of government intervention was unprecedented. The U.S. government provided an enormous backstop to the financial system and injected huge amounts of stimulus into the economy. Since then, there have been a number of regulatory reforms to the market, including those stemming from the implementation of the Dodd-Frank Wall Street Reform and Consumer Act.

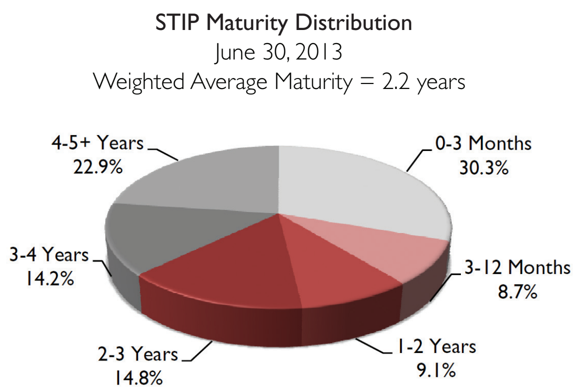
At the September 2013 meeting, the Federal Reserve Board's Federal Open Market Committee (FOMC) shocked the markets by deciding not to slow its large-scale asset purchase program of buying bonds at an $85 billion monthly pace. Chairman Ben Bernanke stated that the FOMC decided to delay tapering as it wants to see more economic data given the downside risks created by higher mortgage rates and the evolving U.S. fiscal debate, and that monetary policy will remain extremely accommodative. The FOMC also decided to keep the target for the federal funds rate at 0–0.25%.

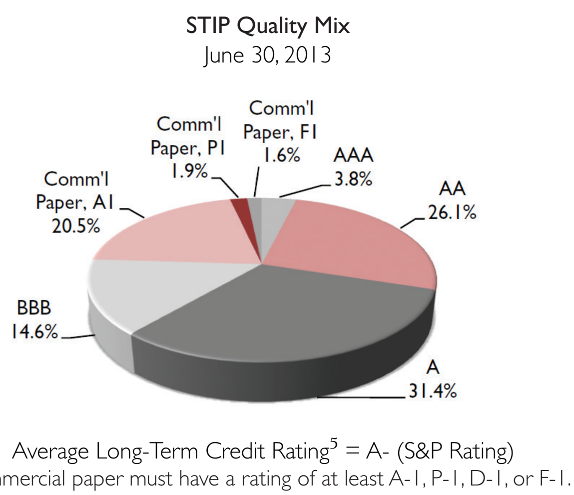
The Federal funds rate has been near zero (0–0.25%) since December 2008. With the record level of low interest rates since the financial crisis, short-term yields remain

[1] Although not managed by the Office of the Chief Investment Officer, Mortgage Origination Program (MOP) loans are an allowable investment under the current STIP guidelines.

pressured as the front end of the yield curve is anchored to the Fed's zero interest rate policy. During the year, the yield curve steepened and credit spreads have narrowed. As of October 4, 2013, the three-month U.S. Treasury bill yield was 0.02%, the two-year U.S. Treasury Note yield was 0.33% and the five-year U.S. Treasury Note yield was 1.41%.

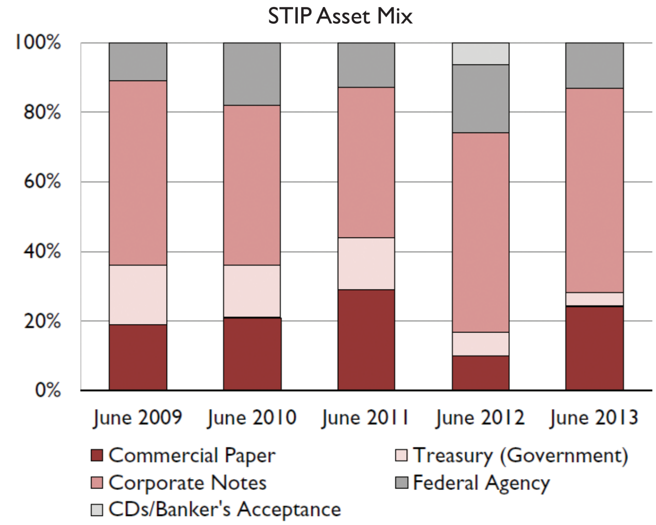
With Treasury yields remaining at historic lows, credit spreads remain attractive and continue to offer excellent yield enhancement opportunities for the portfolio, especially as high-grade corporate credit fundamentals remain positive. We continue to take advantage of the dislocations in the market to selectively add 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 high quality of the STIP portfolio, with its highly liquid investments, provided the needed liquidity to meet the University's cash needs.





Average Long-Term Credit Rating[5] = A- (S&P Rating)
Commercial paper must have a rating of at least A-1, P-1, D-1, or F-1.

[5] BBB- and higher = Investment grade



UNIVERSITY PROGRAMS UTILIZING STIP

In fiscal year 1985, the Regents authorized the University of California Mortgage Origination Program, 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 $161.1 million at June 30, 2013.

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.

In March 2011, 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.

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 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 TRIP. The benchmark for the fund is the weighted average of the asset-class benchmarks shown below. The asset class guidelines and rebalancing policy are similar to those governing GEP and UCRP.

The asset allocation was developed to limit downside risk while providing higher current income than STIP. The TRIP portfolio is invested primarily in marketable, publicly traded, equity and fixed-income securities denominated in (or hedged to) U.S. dollars.

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

The Office of the CIO uses a combination of internal and external management, employing actively managed strategies where appropriate. The Office monitors the program's adherence to these guidelines.

The investment guidelines (approved on November 2, 2010, effective January 1, 2011, and amended on March 29, 2012) designates the following asset classes, target allocations, minimum and maximum policy ranges, and benchmarks for TRIP:

TRIP Asset Allocation					
Asset Class	Policy %	Min %	Max %	Weight at 6/30/13, %	Benchmark
U.S. Equity	15			16	Russell 3000 TF
Non U.S. Equity-Passive	15	25	45	15	MSCI World ex-U.S. Net Index (hedged) TF
REITS	5			5	FTSE/NA-REIT U.S. REIT
U.S. Fixed Income: Investment Grade Credit	45			44	Barclays Aggregate Credit Index
U.S. Fixed Income: Investment Grade Government	5			5	Barclays Aggregate Govt Index
U.S. Fixed Income: Investment Grade Securitized	5	55	75	5	Barclays Aggregate Securitized Index
High Yield Bond	10			10	Merrill Lynch High Yield Cash Pay BB/B Index

INVESTMENT RETURNS

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 2012-2013, the total return for TRIP was 8.31% vs. 2.09% for STIP. TRIP also outperformed its benchmark, which return of 7.95% for the fiscal-year end.

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 2012-13 fiscal year.

For the fiscal year ended June 30, 2013, the TRIP total market value was approximately $4.6 billion.

The Regents of the University of California

2012-2013

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 Chief Investment Officer of the Regents is responsible for managing the investments and cash for the University of California System. The Office carries out these activities under the policies established by the Investment Committee of the Regents of the University of California.

As of June 30, 2013

Office of the Chief Investment Officer of the Regents

As of June 2013

Marie N. Berggren, MS – **Chief Investment Officer, Vice President–Investments**
(retired July 2013)

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**
(retired July 2013)

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

ALTERNATIVE INVESTMENTS

Absolute Return

Lynda Choi, MBA	Managing Director
Edmond Fong, CFA, MBA	Director
George Song, CFA, CAIA, MBA	Investment Officer
Craig Huie, CFA, MBA	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
Michelle Cucullu, MS	Director
Julia Winterson, MBA	Director
Brian J. Johnson, CFA, MBA	Director
Aileen Liu, SM	Investment Officer
Ciera Ashley, MBA	Investment Officer
John Cole, MBA	Senior Investment Analyst
Gaurav Sood, MBA	Senior Investment Analyst

Real Estate

Gloria Gil, CRE, BS	Managing Director
Cay Sison, BA	Investment Officer
Farhan Zamil, CFA, BA	Analyst
Milkah Cunningham	Administrative Specialist

PUBLIC EQUITY INVESTMENTS

Rudy Hobson, MA, MBA	Investment Officer
Paul Teng, CFA, MBA	Investment Officer
Chris Winiarz, MBA	Investment Officer
Kristina Chow, MBA	Analyst

FIXED INCOME INVESTMENTS

David Schroeder, BA	Senior Portfolio Manager, Government Sector
Steve Sterman, CFA, MBA	Senior Portfolio Manager, Credit Sector
Satish Swamy, CFA, MBA	Senior Portfolio Manager, Collateralized Sector
Alice Yee, MBA	Senior Portfolio Manager, Short-Term Securities
Sharon Zhang, CFA, MBA	Director, Credit Research
Tony Lo, CFA, BA	Portfolio Manager
Aaron Staines, BA	Portfolio Manager
Byron Ong, CFA, MBA	Investment Officer
Jeffrey Gordon, MBA	Senior Investment Analyst

INVESTMENT RISK MANAGEMENT

William Dumas, PhD	Principal Risk Analyst
Susie Ardeshir, CFA, MA	Senior Investment Analyst
Joanne Birdsall	Executive Assistant (50/50 with Fixed Income)

CLIENT RELATION SERVICES

William Ryan, MBA	Director
Sharon Murphy, BS	Specialist
Leslie Watson, BA	Specialist

OPERATIONS

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

BUSINESS MANAGEMENT

Nelson Chiu, Director	Claudia Green
William Byrd	Rosario Mendoza

INFORMATION SYSTEMS

Richard Thomas, Financial and Systems Analyst

RESOURCES

UC Office of the Chief Investment Officer: http://www.ucop.edu/investment-office/

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/investment-office/investment-policies/ucsrp-policy/

UC Retirement Plan Investment Policy Statement:
http://www.ucop.edu/investment-office/investment-policies/index.html

UC General Endowment Policy (GEP) Investment Policy Statement:
http://www.ucop.edu/investment-office/investment-policies/gep-policy-holdings/

UC Investment Guidelines for STIP and TRIP:
http://www.ucop.edu/investment-office/investment-policies/stip-trip-policy/

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

Regents' Committee on Investments/Investment Advisory Group

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

UC News

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

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

The *Chief Investment Officer of the Regents Annual Report 2012-2013* 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 2012-2013*, available at http://www.ucop.edu/financial-accounting/financial-reports/annual-financial-reports.html. The *UC Annual Financial Report: Retirement System* is available at http://www.ucop.edu/financial-accounting/financial-reports/retirement-system-annual-reports.html.

Office of the Chief Investment Officer of the Regents, University of California
1111 Broadway, Suite 1400, Oakland, CA 94607-4007

Website: www.ucop.edu/investment-office/ E-mail: cio.regents@ucop.edu