Diversified Returns in 2022:
Being Intentional about Diversity, Equity and Inclusion

A Report by UC Investments
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Our Commitment

As part of the University of California, UC Investments is fully committed to diversity, equity, and inclusion (DEI). UC Investments’ “Statement on Diversity, Equity and Inclusion” is the foundation of our commitment to incorporate DEI into our investment processes.¹

UC Investments
Statement on Diversity, Equity, and Inclusion

The Office of the Chief Investment Officer of the Regents (UC Investments) embraces the University of California’s Board of Regents’ policy on diversity (Policy 4400), which articulates the value of diversity to the University at large.

As investment professionals, we believe that diverse teams achieve higher performance and better results and that accessing the full range of top talent is critical to managing risk.

Fostering diversity - in experience, thought and background—on our team, among our investment partners and within our investee companies is key to achieving superior operational and investment performance. The many dimensions of demographic diversity, including gender, race and ethnicity, age, veteran status, gender identity and sexual orientation and disability status, are a part of the rich tapestry of lived experience that informs cognitive diversity.

Through our Diversified Returns program, UC Investments incorporates diversity, equity and inclusion into our investment and operations processes in furtherance of our mission to sustain the University of California financially for the next 100 years.

We are committed to engaging with intentionality on diversity, equity, and inclusion. We will collaborate with - and learn from - others and share our progress along this journey.

¹ While we recognize there are many dimensions of demographic diversity, UC Investments defines “diverse” as including: female, Black, Latinx, Asian, Native American, veteran, LGBTQ+, gender non-conforming and disabled.
Statement from Jagdeep Singh Bachher, PhD. 
Chief Investment Officer

I am pleased to share UC Investments’ fourth annual report on diversity, equity, and inclusion. Our comprehensive approach, which we call Diversified Returns, is premised on the well-established nexus between diverse, inclusive teams and improved results.

**Intentionality Works**

When we launched Diversified Returns, UC Investments made a commitment to be intentional about finding diverse talent. When we look for a new investment partner or new employee, we make sure our slate includes diverse-owned firms and diverse candidates. Our approach is yielding strong results. In 2022, our team met with roughly 333 diverse-owned managers, including 101 managers largely sourced through our partnership with the National Association of Investment Companies (NAIC)². These meetings – which increased in number by 43% compared to 2021 – enable us to expand our networks, explore new opportunities, and in some cases, form new investment partnerships. In 2022, for example, six of the seven investment partners we funded for the first time are owned by women and people of color.

One key metric – performance – outweighs all others when we evaluate potential investment partners. In 2022, UC Investments’ allocation to diverse-owned partners increased by roughly 10%, from 36% of our surveyed assets to 40%. This increase is in part driven by new commitments to several top performing diverse-owned partners, including two Latino-owned investment firms.

By tracking our engagement with diverse-owned investment partners, we provide ourselves and our stakeholders with a yardstick. We are proud to see the steady progress we are making in tapping into opportunities we might not have otherwise found, but for our intentional approach.

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² For more information on NAIC, the largest network of diverse-owned private equity firms and hedge funds, see: [https://naicpe.com/](https://naicpe.com/)
### Chart 1

**Surveyed Assets Managed by Diverse-Owned Partners: All Products**

<table>
<thead>
<tr>
<th></th>
<th>25%</th>
<th>50%</th>
<th>Greater than 25% 2022</th>
<th>Greater than 25% 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 All Diverse-Owned Partners (36)*</td>
<td>22.9%</td>
<td>16.9%</td>
<td>39.8%</td>
<td>35.6%</td>
</tr>
<tr>
<td>17 Women-Owned Partners (12)</td>
<td>13.7%</td>
<td>3.1%</td>
<td>16.8%</td>
<td>14.5%</td>
</tr>
<tr>
<td>15 Asian-Owned Partners (12)</td>
<td>6.6%</td>
<td>5%</td>
<td>11.6%</td>
<td>10.3%</td>
</tr>
<tr>
<td>9 Multi Racial-Owned Partners (8)</td>
<td>6.2%</td>
<td>1.9%</td>
<td>8.1%</td>
<td>8.5%</td>
</tr>
<tr>
<td>4 Latinx-Owned Partners (2)</td>
<td>0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>4 Black-Owned Partners (3)</td>
<td>0%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>3 Veteran-Owned Partners (3)</td>
<td>0.7%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

*Numbers in parentheses indicate the number of partners in 2021. Please see the appendix for an explanation of our data collection and aggregation processes.

### Chart 2

**Surveyed Assets Managed by Diverse-Owned Partners: Pension**

<table>
<thead>
<tr>
<th></th>
<th>25%</th>
<th>50%</th>
<th>Greater than 25% 2022</th>
<th>Greater than 25% 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>37 All Diverse-Owned Partners (34) *</td>
<td>16.6%</td>
<td>17.4%</td>
<td>34%</td>
<td>25.2%</td>
</tr>
<tr>
<td>15 Women-Owned Partners (12)</td>
<td>5.9%</td>
<td>3%</td>
<td>8.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>13 Asian-Owned Partners (11)</td>
<td>8.4%</td>
<td>5%</td>
<td>13.4%</td>
<td>11.7%</td>
</tr>
<tr>
<td>8 Multi Racial-Owned Partners (6)</td>
<td>7.1%</td>
<td>1.7%</td>
<td>8.8%</td>
<td>6.8%</td>
</tr>
<tr>
<td>3 Latinx-Owned Partners (2)</td>
<td>0%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>3 Black-Owned Partners (3)</td>
<td>0%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>3%</td>
</tr>
<tr>
<td>3 Veteran-Owned Partners (3)</td>
<td>0.7%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

*Numbers in parentheses indicate the number of partners in 2021. Please see the appendix for an explanation of our data collection and aggregation processes.
A New Frontier: UC Students in Investment Management

Diversified Returns refers to our engagement on diversity, equity, and inclusion across the areas in which we have the most influence and responsibility – as an employer, an investor, and a shareholder. Now, we have expanded this engagement to reflect our position within the University of California, which educates hundreds of thousands of students annually. As the investment office for the University of California, we are in a unique position to connect students, including students of color and women, to careers in the financial industry. In 2022, we launched two new student focused initiatives: the UC Investments Academy and the UC Investments/Toigo Foundation Fellowships, both designed to cultivate the next generation of financial leaders.

The UC Investments Academy is a partnership between our office and the UC campuses. The academy offers students free professional training in all areas of the financial industry, mentorship, industry speakers, and internship opportunities. Starting with an initial cohort of some 150 UC Merced undergraduates, we plan to scale the academy to 10,000 students system-wide by 2027.

While the UC Investments Academy is focused on UC undergraduates, our newly announced partnership with the Toigo Foundation focuses on UC graduate students. We will fund 20 Toigo fellowships for UC graduate students, giving them

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3 See [https://toigofoundation.org/](https://toigofoundation.org/)

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<table>
<thead>
<tr>
<th>Chart 3</th>
<th>25%</th>
<th>50%</th>
<th>Greater than 25% 2022</th>
<th>Greater than 25% 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Diverse-Owned Partners (27)*</td>
<td>12.5%</td>
<td>23.4%</td>
<td>35.9%</td>
<td>38%</td>
</tr>
<tr>
<td>Women-Owned Partners (8)</td>
<td>3.0%</td>
<td>2.8%</td>
<td>5.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Asian-Owned Partners (8)</td>
<td>3.7%</td>
<td>5.8%</td>
<td>9.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Multi Racial-Owned Partners (8)</td>
<td>9%</td>
<td>3.6%</td>
<td>12.6%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Latinx-Owned Partners (2)</td>
<td>0%</td>
<td>8.7%</td>
<td>8.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Black-Owned Partners (1)</td>
<td>0%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Veteran-Owned Partners (3)</td>
<td>2.8%</td>
<td>0.4%</td>
<td>3.2%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

*Numbers in parentheses indicate the number of partners in 2021. Please see the appendix for an explanation of our data collection and aggregation processes.*
access to Toigo’s robust program of industry education, leadership training, and
career counseling that fuels their career paths within the wide array of opportunities
in the financial industry. Each of the UC Toigo fellows will also have an individual
mentor from the UC Investments’ staff. Providing Toigo fellowships to UC students
enrolled in UC MBA and graduate real estate programs is a sound investment in the
future – for UC students, UC Investments, and the financial industry.

Chart 4

**UC Students: The Next Generation of Financial Leaders**

<table>
<thead>
<tr>
<th>UC Investments Academy Year One Results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>380</strong></td>
<td><strong>7</strong></td>
</tr>
<tr>
<td>students from: UC Merced UC Davis UC Santa Barbara UC Irvine</td>
<td>guest lectures from leading investment managers and consultants.</td>
</tr>
</tbody>
</table>

**UC Investments/Toigo Foundation Fellowships**

<table>
<thead>
<tr>
<th><strong>20</strong> fellows</th>
<th><strong>20</strong> mentors</th>
<th><strong>10</strong> UC Toigo alums</th>
</tr>
</thead>
<tbody>
<tr>
<td>drawn from UC students enrolled in MBA and graduate real estate programs.</td>
<td>each student will be paired with a mentor from UC Investments, which is funding the fellowships.</td>
<td>have agreed to serve as members of the Committee that will select the Fellows.</td>
</tr>
</tbody>
</table>
Executive Summary

Mounting evidence shows that "diversity significantly improves financial performance on measures such as profitable investments at the individual portfolio-company level and overall fund returns." Important to our success in earning the best risk-adjusted returns, therefore, are the processes we have established to tap into overlooked investment talent.

Specifically, we implement a “diverse slate” approach to all new, U.S.-based manager selections. When hiring new employees, we also use a “diverse slate” approach. Please see Chart 5 for the full suite of Diversified Returns goals and metrics for FY21-22.

Chart 5

Diversified Returns: FY21-22 Program Goals & Metrics

This report finds:

- We met with 333 diverse-owned potential investment partners, a year over year increase of 43%, to expand our networks.

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5 A “diverse slate rule” as implemented by UC Investments means that our searches for new managers result in a diverse pool of qualified potential managers. When hiring new employees, we post all open positions with generic job sites, as well as with job sites geared toward targeted demographic segments, with the goal of yielding a bigger potential pool of qualified applicants. If the pool of qualified applicants lacks diversity, we may re-initiate the recruitment process.
- We added seven new U.S.-based managers in 2022. 100% of the searches for those managers followed our “diverse slate” process. Six out of seven of those searches resulted in a diverse-owned manager being selected.
- Our allocation to diverse-owned investment partners increased from the prior year by 10%, to $21.4 billion of our actively managed assets, due to increased allocations to top performing existing managers and allocations to new diverse-owned investment partners. (Chart 6.)
- We conducted our third annual survey of top business partners (e.g., accountants, investment consultants and data providers) to understand their DEI practices and ownership demographics. Diverse-owned business partners accounted for ~60% of UC Investments’ FY21-22 spend.
- 100% of our hiring processes followed our “diverse slate” approach.
- UC Investments actively engaged with the senior leadership of 249 public companies in our portfolio regarding diversity and inclusion.
- We launched two initiatives to connect UC students with opportunities in the financial industry.

Chart 6

Surveyed Assets Managed by Diverse-Owned Partners

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.
Engaging as an Employer

One of the tools we use to ensure we find top talent for our team is to use a form of the “diverse slate rule.” Since studies show that internal teams tend to refer people who are like themselves in terms of race, education, and background, reaching beyond personal networks is key to assembling a diverse candidate pool. This means we are intentional about recruiting via job sites geared toward targeted demographic segments, as well as generic job sites. Our goal is to find and attract a bigger potential pool of qualified applicants. If the pool of qualified applicants lacks diversity, we may re-initiate the recruitment process. We implemented our “diverse slate rule” process with the only new hire of the fiscal year; in other words, 100% of the positions that UC Investments filled had a diverse slate of qualified applicants.

Team Demographic Data

UC Investments’ staff are roughly evenly split between investment professionals and those who work in Operations and Risk. Our workforce demographic statistics (by gender and race) are summarized in charts 7-9 below.

Chart 7

UC Investments Workforce Demographic Trends - Gender

<table>
<thead>
<tr>
<th>Month</th>
<th># Employees</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2018</td>
<td>62</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>April 2019</td>
<td>60</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>April 2020</td>
<td>63</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>April 2021</td>
<td>53</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>July 2022</td>
<td>46</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Chart 8

UC Investments Workforce Demographic Trends - Race

<table>
<thead>
<tr>
<th></th>
<th>April 2018</th>
<th>April 2019</th>
<th>April 2020</th>
<th>April 2021</th>
<th>July 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>1.7%</td>
<td>1.7%</td>
<td>3.2%</td>
<td>3.8%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Asian</td>
<td>38.7%</td>
<td>38.3%</td>
<td>38.1%</td>
<td>39.6%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Black</td>
<td>6.5%</td>
<td>8.3%</td>
<td>12.7%</td>
<td>13.2%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Latinx</td>
<td>9.7%</td>
<td>10.0%</td>
<td>7.9%</td>
<td>9.4%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Latinx</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two or More Races</td>
<td>41.7%</td>
<td>40.0%</td>
<td>36.5%</td>
<td>32.1%</td>
<td>32.6%</td>
</tr>
</tbody>
</table>

# Employees
- April 2018: 62
- April 2019: 60
- April 2020: 63
- April 2021: 53
- July 2022: 46

Chart 9

UC Investments Workforce Demographics by Job Type

Investment Team
- White: 11
- Asian: 2
- Black: 10
- Latinx: 5
- Two or More Races: 18

Operations & Risk Team
- White: 5
- Asian: 1
- Black: 7
- Latinx: 5
- Two or More Races: 14

As of July 2022
Engaging as an Investor

Goals and Metrics

UC Investments seeks the best possible risk-adjusted returns. Important to our success, therefore, is overcoming homophily and tapping into overlooked talent. We track two metrics on that front: the percentage of new, U.S.-based manager selections filled that had a diverse slate of qualified potential partners and the number of meetings with diverse-owned fund managers. Because getting comprehensive demographic data from our investment partners is critical, we also measure the response rate to our annual demographic survey. Our performance on these three metrics is summarized in Chart 10.

Chart 10

Our engagement on DEI as an investor in 2022 included several strategic activities not reflected in the FY21-22 program metrics. We learned from and shared with many other LPs and stakeholders throughout the year. These included industry associations such as ILPA’s Diversity in Action and the Thirty Percent Coalition, as well as the NAIC and the New America Alliance. Finally, as we have for the past four years, UC Investments continued to engage with our non-diverse owned investment partners around DEI, because they play an important role in developing and advancing diverse teams in the financial industry. To wit, women and people of color who end up starting their own
funds often start their careers at big, established asset management firms, where they develop skills and build networks and wealth.

**Investment Partner Demographic Survey: Methodology**

There is no consensus on how to measure and assess demographic diversity in the asset management industry. UC Investments generally follows the Knight Foundation reports’ ownership-based definition and tracks two metrics:

1. the percentage of our assets managed by firms owned or led by women or underrepresented populations; and
2. the absolute number of our investment partners owned or led by women or underrepresented populations.

To gather the necessary data, UC Investments conducts a bespoke, annual demographic survey of investment partners, now in its fourth year. We have used the same survey methodology each year, as described below and in greater detail in the appendix.

To determine the percentage of actively managed assets, we calculate the AUM managed by diverse owned firms (numerator) and actively managed AUM (denominator).

For the purposes of determining diverse-owned firms (numerator), our survey covers both privately and publicly owned investment partners. For privately owned firms, the survey asks for the demographic composition of their ownership, broken down by individual ownership percentages. For publicly owned firms, the survey asks for the demographic composition of the decision-makers on the team managing UC’s investments.

For the purposes of determining the actively managed surveyed assets (denominator), we exclude:

- passively managed assets
- assets that UC Investments manages internally
- investment partners headquartered outside the United States
- partners that UC Investments intended to redeem in 2021 or early 2022

Thus, as shown in Chart 11, starting from an overall AUM of ~$152 billion, the value of surveyed assets is ~$54 billion (denominator).

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Investment Partner Demographic Survey: Results

In 2022, we surveyed 98 investment partners. Of those, 92 responded, yielding a 94% response rate, up from last year’s 91% response rate. Chart 12 provides an overview of the survey results.

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8 Unless otherwise noted, all data is as of June 30, 2022, the end of our fiscal year.
The charts below compare our 2022 demographic survey results to our prior results. The key drivers of change between 2021 and 2022 are:

- UC Investments added seven new U.S.-based managers, of which five are 50%+ diverse owned and one is 25-50% diverse-owned.
- UC Investments fully or partially redeemed several managers, including some diverse-owned managers.
- UC Investments significantly increased allocations to several existing managers, including some diverse-owned managers.
- Some managers responded differently to our 2021 survey than they did in 2020 due to personnel changes, an increased or decreased willingness to share demographic data, or some other reason.

Information on the percentage of diverse owned actively and passively managed assets is in the Appendix.
Chart 13

Surveyed Assets Managed by Diverse-Owned Partners

For the purposes of this chart, "diverse-owned" covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.

Chart 14

Surveyed Assets Managed by Women-Owned Partners

For the purposes of this chart, "diverse-owned" covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.
Chart 15

Surveyed Assets Managed by Latinx-Owned Partners

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.

Chart 16

Surveyed Assets Managed by Black-Owned Partners

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.
**Chart 17**

Surveyed Assets Managed by Asian/Pacific-Islander-Owned Partners

$53.8 Billion Total (actively managed)

- 6.6% (3 managers)
- 5.0% (12 managers)

2022

- Majority (50% or more) diverse-owned
- Substantially (25-50%) diverse-owned

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC’s investments at public companies.

**Chart 18**

Surveyed Assets Managed by “Multi-Racial” Owned Partners

$53.8 Billion Total (actively managed)

- 6.2% (8 managers)
- 1.9% (1 manager)

2022

- Majority (50% or more) diverse-owned
- Substantially (25-50%) diverse-owned

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC’s investments at public companies.
Chart 19

Surveyed Assets Managed by Veteran-Owned Partners

$53.8 Billion Total (actively managed)

- 0.7% (2 managers)
- 0.1% (1 manager)

2022

- Majority (50% or more) diverse-owned
- Substantially (25-50%) diverse-owned

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC’s investments at public companies.

Chart 20

Surveyed Assets Managed by LGBTQ-Owned Partners

$53.8 Billion Total (actively managed)

- 0% (0 managers)

2022

- Majority (50% or more) diverse-owned
- Substantially (25-50%) diverse-owned

For the purposes of this chart, “diverse-owned” covers both ownership of private companies and leadership of the teams managing UC’s investments at public companies.
Chart 21

Surveyed Assets Managed by Disabled-Owned Managers

$53.8 Billion Total (actively managed)

2022
0% (0 managers)

For the purposes of this chart, "diverse-owned" covers both ownership of private companies and leadership of the teams managing UC’s investments at public companies.
Business Partners Survey Results

UC Investments’ business partners – the companies that provide us with professional services such as valuation, investment consulting, and ESG and risk data – are critical to our success. We engage on DEI with our top business partners through an annual survey, which both conveys DEI’s importance to us and gathers information.10

Our business partner survey, now in its third year, seeks information on the firms’ demographic composition and their engagement on diversity, equity, and inclusion. UC Investments’ “spend” with diverse-owned business partners increased from 37% in 2021 to 60% in 2022. Chart 22 provides more information.

Chart 22

Diversity & Inclusion at our Business Partners, 2022

In addition, the UC’s Office of the General Counsel provided data from its DEI survey of law firms that provide legal counsel to UC Investments. Chart 23 provides more information.

Chart 23

Diverse-Owned Outside Counsel

Law firm's partnership consists of 25% or more of women, Black, Latinx, Asian/Pacific-Islander, Native American, veteran, disabled, gender non-binary/or LGBTQ partners.
Engaging as a Shareholder

Goals and Metrics

With roughly $79 billion invested in passively and actively managed public equities around the world, UC Investments has a significant interest in corporate governance at the companies we own. Sound corporate governance is essential to creating long-term value; one measure of sound corporate governance is the composition of its board of directors. Like other institutional investors, UC Investments is persuaded by the extensive research linking cognitive and demographic diversity on a board of directors to long-term financial performance.\(^\text{11}\) The benefits of demographic diversity on a corporate board of directors can include a larger candidate pool from which to pick top talent, a better understanding of consumer preferences, a stronger mix of leadership skills, and improved risk management.\(^\text{12}\)

Through proxy voting and direct engagement, UC Investments encourages U.S.-based companies to:

- institutionalize a commitment to diversity in their nominating committee charter
- commit to including women and minority candidates in every pool from which board nominees are chosen, a practice commonly referred to as the "diverse slate rule"\(^\text{13}\)
- and publicly disclose the demographic composition of their board and their workforce.

These steps are consistent with our membership in the Thirty Percent Coalition, a collaboration among corporations, investors, and advocacy groups whose mission is to advocate for diversity on corporate boards and promoting women and people of color.\(^\text{14}\)

UC Investments met its Diversified Returns program goals as a shareholder in FY21-22, as indicated in Chart 24.

\(^{11}\) See, e.g., Vivian Hunt et al., "Delivering through Diversity," McKinsey & Co. 13 (Jan. 2018), https://www.mckinsey.com/~/media/mckinsey/business%20functions/organization/our%20insights/delivering%0through%20diversity/delivering-through-diversity_full-report.ashx ("We found that companies with the most ethnically/culturally diverse boards worldwide are 43% more likely to experience higher profits.")

\(^{12}\) Currently, 32% of all S&P 500 directors are women and 22% are from historically underrepresented racial and ethnic groups. See SpencerStuart, "2022 S&P 500 Board Diversity Snapshot," at 1. https://www.spencerstuart.com/research-and-insight/sp-500-board-diversity-snapshot

\(^{13}\) As of 2022, 50% of S&P 500 boards reported having a policy like the diverse slate rule in place – a significant increase from 39% in 2021. Id at 2.

\(^{14}\) See: https://www.30percentcoalition.org/. UC Investments’ private equity investment officer Lucy Chang joined the board of directors of the Thirty Percent Coalition in 2022.
Proxy Voting

UC Investments’ proxy voting guidelines seek to advance diversity, equity, and inclusion at the companies we own and to increase their disclosure of demographic information. Our votes on DEI-related shareholder proposals are summarized in Chart 25.

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Direct Engagement

In addition to proxy voting, UC Investments exercises its shareholder interests through engaging directly with senior leadership of selected companies on high priority material issues, including diversity, equity, and inclusion.

In 2022, UC Investments actively engaged through correspondence and meetings with 249 public companies regarding diversity and inclusion.\(^{16}\)

\(^{16}\) To maximize our influence, we collaborated with other institutional investors through a “responsible engagement overlay” consulting service. With combined assets under advisement of $1.6 trillion, the engagement overlay service leverages UC Investments’ capacity and amplifies our voice on diversity and inclusion at the companies in which we are a shareholder.
Concluding Remarks from Arthur Guimarães, Chief Operating Officer

UC Investments believes that fostering diversity—in experience, thought and background—on our team, among our investment and business partners and within our investee companies is key to achieving superior operational and investment performance. We act upon this belief, and we are seeing our actions bear fruit, as described in this report.

While we are proud of what we have accomplished with our Diversified Returns program, we are only getting started. As we continue to learn and refine our approach, we re-commit ourselves to taking action, measuring our results, and sharing our work with the public.

Looking ahead to the next three years, we have refreshed our program goals and metrics to reflect our work building bridges between UC students and the financial industry. In the coming years, we also seek to share more of our experience to help advance the industry and access undercapitalized and overlooked managers. Chart 26 lays out our updated Diversified Returns program goals and metrics.
# Diversified Returns: FY22-25 Program Goals & Metrics

<table>
<thead>
<tr>
<th>GOALS</th>
<th>METRICS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTOR</strong></td>
<td><strong>SHAREHOLDER</strong></td>
</tr>
<tr>
<td>100% of new manager selection processes consider a qualified diverse slate of potential managers. &lt;br&gt;Converse with all existing investment partners on DEI integration.</td>
<td>Percentage of new manager selections filled that had a qualified, diverse slate. &lt;br&gt;Number of meetings taken to expand networks. &lt;br&gt;Engage with ~33% of investment partners annually for a total of 100% over three years. &lt;br&gt;90%+ response rate to annual demographic survey.</td>
</tr>
<tr>
<td><strong>EMPLOYER</strong></td>
<td><strong>UNIVERSITY</strong></td>
</tr>
<tr>
<td>Actively collaborate with other institutional investors to advance diversity and inclusion on corporate boards of directors and workforces of our investee companies.</td>
<td>Number of annual engagements re: DEI with investee companies. &lt;br&gt;Percentage of investee companies that take action to advance board &amp; workforce diversity and inclusion annually.</td>
</tr>
<tr>
<td>All open positions consider a qualified diverse applicant pool. &lt;br&gt;All hiring panels include representative diversity.</td>
<td>Percentage of positions filled that had a diverse slate of qualified applicants. &lt;br&gt;Percentage of hiring panels that included representative diversity.</td>
</tr>
<tr>
<td>Connect UC undergrads with opportunities in the asset management sector through the UC Investments Academy. &lt;br&gt;Provide leadership development for UC graduate students interested in the financial services sector. &lt;br&gt;Connect UC students and post-docs to peers and Nobel Laureates.</td>
<td>10,000 UC students enrolled in Investments Academy by 2027. &lt;br&gt;Fund 20 new Toigo Fellowships and mentor 20 UC students by 2025. &lt;br&gt;Fund 20 UC President’s Lindau Nobel Laureates Meetings Fellowships annually.</td>
</tr>
</tbody>
</table>
Appendix

I. Investment Partner Survey Methodology

There is no industry standard approach to measuring and assessing demographic diversity in the financial industry. UC Investments broadly hews to the approach – focused on ownership – established by the landmark 2019 “Knight Foundation report,” and its 2021 update.\(^\text{17}\) Specifically, we seek to answer two questions:

1. What percentage of our assets is managed by firms owned or led by women or diverse populations?
2. How many of our investment partners are firms owned or led by women or diverse populations?

Survey Administration: Because we were not satisfied with the mainstream institutional investor approach to collecting the data needed to answer these two questions, we developed our own method. To gather high quality, comprehensive data, we needed to achieve a high response rate, which in turn meant we needed to eliminate obstacles to responding, including potential respondents’ concerns about privacy.

Therefore, we designed the survey to be anonymous and confidential. A third-party survey administrator, Alphapipe, compiled the survey responses and aggregated the data across diversity dimensions and asset classes, per our instructions.

Definitions: UC Investments’ definition of diverse spans multiple demographic dimensions: gender and gender identity, race and ethnicity, sexual orientation, veteran status, and disability status.

In reporting and aggregating the data, we tracked the same two ownership/leadership thresholds – 25% and 50% -- tracked by the 2019 “Knight Foundation report.”

Scope: To gather comprehensive data, we designed our survey to cover both privately and publicly owned investment partners. For privately owned firms, we asked about the demographics of their ownership, broken down by individual ownership percentages.

For publicly owned firms, we asked about the demographics of the decision-makers on the team managing UC’s investments.

Excluded from the survey were products and asset classes that UC Investments manages internally (e.g., the Short-Term Investment Pool). Furthermore, we excluded firms headquartered outside of the U.S. due to foreign data privacy laws and different definitions of “diversity” outside of the United States. We did not survey investment partners whose relationship with UC Investments was scheduled to end in 2022 or early 2023.

We surveyed our U.S.-based investment partners across all asset classes and covering the following investment products: General Endowment Pool, UC Retirement Program, UC Retirement Savings Plan, and the Total Returns Investment Pool.

To calculate the assets under management for the purposes of this report, we include both the net asset value and the unfunded capital allocated to each manager.

**Data Aggregation:** Survey responses include demographic information from 98 firms across 1412 anonymized individuals. Percentages for these responses are based on counts of individuals identified as diverse by category (not weighted by ownership level). Separate ownership-weighted disclosures for privately owned firms are not available given most firms were reluctant to disclose ownership by anonymized individual owner.

In instances where data reported multiple demographic dimensions of diversity, we took the following approach: a Black woman veteran is “counted” in the gender, Black and veteran charts. But she is only “counted” once in the chart reflecting overall diverse ownership.

Diversity for some firms may be understated because individuals who responded, "Information not Available" or "Prefer not to Disclose" were included in the respective firm totals used as the denominator for percentage calculations. In such instances, individuals were presumed to be straight, white, male, not disabled and not veterans.

In the context of this report, "Multi-Racial" describes ownership of firms with individuals reporting as multi-racial at a level above the 25% or 50% threshold and/or individuals reporting races other than white that – only in combination, not alone – exceed the 25% or 50% threshold.

In most instances, we accepted the data as reported. As in prior years, our survey administrator conducted a calibration of reported data against publicly available
data for certain partners. This calibration usually, but not always, resulted in a reduced number of diverse-owned managers, compared to the survey data.

If a manager failed to respond to our demographic survey in 2022, we used their responses from 2020 or 2021 if available. If a manager failed to respond and no survey data were available from the prior two years, we include the assets managed by the manager in the surveyed assets (denominator) and consider the manager a “non-response.”

Disclaimer: While we and our survey administrator endeavored to design the survey and gather and aggregate the data in a way that would eliminate inaccuracies, there may be slight data imperfections.

II. Business Partner Survey Methodology

We surveyed the business partners that provide us services valued at $100,000 or more annually, comprising a total of 22 companies. We developed our business partner survey to cover both quantitative demographic information and qualitative program information.

Survey Administration: We designed the survey to be anonymous and confidential. A third-party survey administrator, Alphapipe, compiled the survey responses and aggregated the data, per our instructions.

Disclaimer: While we and our survey administrator endeavored to design the survey and gather and aggregate the data in a way that would eliminate inaccuracies, there may be slight data imperfections.

Definitions: UC Investments’ definition of diverse spans multiple demographic dimensions: gender and gender identity, race and ethnicity, sexual orientation, veteran status, and disability status.

Our survey asked respondents to indicate whether their respective diverse owners (privately owned) or senior leaders (publicly owned) constituted 25% or more.

Scope: To gather comprehensive data, we designed our survey to cover both privately and publicly owned business partners. All data is as of June 30, 2022, the end of our fiscal year.

III. Investment Partner Demographic Survey Results Calculated Using Both Actively and Passively Managed Assets
Chart 27

Surveyed Assets Managed by Diverse-Owned Partners

$126.4 Billion Total (actively and passively managed)

- 9.7% (19 managers) - Majority (50% or more) diverse-owned
- 7.2% (25 managers) - Substantially (25-50%) diverse-owned

2019-2022

Percentage of surveyed assets

For the purposes of this chart, "diverse-owned" covers both ownership of private companies and leadership of the teams managing UC's investments at public companies.

Chart 28

Surveyed Assets Managed by Diverse-Owned Partners (Passively & Actively Managed)

<table>
<thead>
<tr>
<th></th>
<th>25%</th>
<th>50%</th>
<th>Greater than 25% 2022</th>
<th>Greater than 25% 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 All Diverse-Owned Partners (36)</td>
<td>9.7%</td>
<td>7.2%</td>
<td>16.9%</td>
<td>13.7%</td>
</tr>
<tr>
<td>17 Women-Owned Partners (12)</td>
<td>5.8%</td>
<td>1.3%</td>
<td>7.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>15 Asian-Owned Partners (12)</td>
<td>2.8%</td>
<td>2.1%</td>
<td>4.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>9 Multi Racial-Owned Partners (8)</td>
<td>2.6%</td>
<td>0.9%</td>
<td>3.5%</td>
<td>3.3%</td>
</tr>
<tr>
<td>4 Latinx-Owned Partners (2)</td>
<td>0%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>4 Black-Owned Partners (3)</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>3 Veteran-Owned Partners (3)</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

For the purposes of this chart, "diverse-owned" covers both ownership of private companies and leadership of the teams managing UC's investments at public companies. This chart is calculated using UC Investments' US-based, actively and passively managed assets as of June 30, 2022.