LESS IS MORE
Behind the Design

All of the illustrations in this year’s report were made by hand using a printmaking technique called linocut. The artist started with a block of linoleum and carefully stripped away the excess, much as a sculptor would.

We photographed the blocks to show the expertise and hard work needed to eliminate what’s not necessary to create art.

To complement the illustrations, we chose an “inktrap”-style font featuring apertures that appear to be chiseled, much like the linocuts themselves.
At UC Investments, we believe that when we eliminate what’s not essential, we’re better able to recognize and act on market openings we might have otherwise missed.

So as the world grew significantly noisier this year, we tuned out the static.

Instead of striving to get more things done, we focused on getting the right things done.

The results have been worth it.

In another year roiled by uncertainty, we used our size and scale to capitalize on game-changing opportunities.
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More is Less
Less or More

Statement from CIO
Jagdeep Singh Bachher, Ph.D.
Chief Investment Officer

UC Investments
The fiscal year began with a sense of déja vu. War in Ukraine, climbing interest rates, kinked supply chains, and Covid still infecting hundreds of thousands of people a week. The bear market kept growling.

Words:

Jagdeep Singh Bachher, Ph.D.
Chief Investment Officer

ig picture? It was getting old. But our job isn’t to react to every dip and spike of the volatile markets, or to simply wring our hands. Our job is to assess the state of the world as it is, calculate the risks, and thoughtfully and assuredly position our portfolio for the long-term benefit of the University of California.

So we did what we know works. We stuck to the 10 pillars that define our UC Investments Way culture, the first among them “Less is More.” We sold some $4 billion in real estate into a rising market, including office buildings with an uncertain future in a post-pandemic work world. To manage global risks, we shored up some $12 billion in the early days of rising interest rates with the added benefit of making us a valuable liquidity provider and,

finally, we earned a return on cash. We continued paring the ranks of our active managers in the public markets – and with them, their fees – in our shift toward index funds that are hard to beat. The sale of our fossil fuel assets catalyzed more investments in renewables that will sustainably fuel our planet’s future. Keeping a lean operations team meant we relied on state-of-the-art technology to streamline our workload and keep us rich in the data we need.

It paid off. At the close of the fiscal year, the portfolio stood at $164 billion, a $12 billion increase from the year before that was helped by market enthusiasm for artificial intelligence and a 73% increase since I joined the university nine years ago. The pension was up by 10.1%, while the endowment returned 8.8% and working capital, 7%.

Today, the system-wide UC Investments office is nearly unrecognizable from the one I joined in 2014. Our 10 pillars encapsulate the foundational changes we’ve made and prepare us for what’s to come. We’ve built a collaborative, creative culture focused on how best to serve our UC stakeholders, not merely in a single year, but for at least the next 100 or so.

On a personal note, I’ve taken more time to think, learn, and strategize over this past year. That’s meant fewer meetings, and bigger moves – the biggest among them our $4.5 billion investment in Blackstone’s real estate investment trust, BREIT. This transaction that made headlines around the world showcased the wisdom of Less is More and cemented UC’s powerful reputation as an investor rather than simply an asset allocator. A Wall Street Journal headline read, “University of California’s terms on BREIT fund are comparable to Warren Buffett’s 2008 Goldman deal.”

Like most financial reports, the bulk of this 2022-2023 annual report is about the numbers. But numbers don’t tell the whole story, neither of this fiscal year nor of those that have come before. It’s this other story, one far richer and multidimensional, that makes my role at the University of California so rewarding.

When I think of the endowment, for example, it’s not simply about whether the unit value is up or down. It’s about the people – our students, faculty, and staff – who directly benefit from the 6,741 separate funds, or endowments within the endowment, that make up the General Endowment Pool. Thanks to annual payouts, these UC stakeholders are able to study, research, teach, and improve the lives of so many others that they touch. And that’s only because our campuses, medical centers, and thousands of individual donors to the University of California have entrusted us to invest their pooled assets. Over the past nine years, our campuses have sent us nearly $10 billion to manage on their behalf in the endowment, which is about $2 billion more than the total value of the pool when I joined
“But numbers don’t tell the whole story, neither of this fiscal year nor of those that have come before.

It’s this other story, one far richer and multidimensional, that makes my role at the University of California so rewarding.

Some. To say we are committed to paying it forward means that we add value in dollars but also to people, including through programs intentionally focused on driving diversity and bringing unique opportunities to our UC students. Count among these opportunities the UC Investments Academy, fellowships for UC students and post-docs to the Lindau Nobel Laureate Meetings in Germany, our partnership with the Toigo Foundation, which advances inclusive leadership in finance, our own internship program, and more.

To succeed at all this, it takes experience, agility, and the confidence to innovate and move when others are hunkered down. It takes talented and dedicated staff; at 50 people, UC Investments is remarkably lean. We keep on track by staying laser-focused on the pillars that have served us well, which helps tune out the noise.

Fundamental to this strategy has been the calm, confident wisdom of Regent Richard Sherman, who has served as chair of the Investments Committee for the past eight years and will move to vice committee chair in the coming year. Richard has been a true partner to UC Investments. Key to his legacy on the board will be the change in asset allocation, in the middle of the pandemic, that added billions to our bottom line and his strong belief that to consistently beat the markets, UC must leverage its size and scale. I look forward to working with the committee’s new chair, Regent Mark Robinson, as well as our UC president, Dr. Michael Drake, in 2023-2024.

I am proud of the work our office did this fiscal year, as I am every year. Our partners added value in dollars, in opportunities, and in insights. We’ve deepened relationships and added new friends. I’m optimistic, and excited, about what’s to come. We’re on the cusp of a dynamic new era of innovation and technological advancement, especially in the United States, I believe. And geopolitical shifts should bolster Asian nations that had long been in China’s shadow, including an ascendent India and Japan. I look forward to a new year of engagement, exploration, and growth.
Total portfolio value, up $12 billion from 2022.

As of June 30, 2023
UC Investments Assets
Our financial products address the needs of our clients: our students, staff, retirees, and the University of California’s 10 campuses and five medical centers.

Endowment

Retirement

Working Capital

- Pension $88.3B
- Retirement Savings $33.7B
- Total Return $13.5B

- Short Term $5.2B
- Total Return $13.6B

- General Endowment Pool $20.7B
- Blue & Gold $2.7B
- $23.4B

- $18.7B
1 Year Returns
- General Endowment Pool: 8.2%
- Pension: 10.1%
- Blue & Gold: 13.3%
- Total Return: 8.6%
- Short-Term: 3.9%

As of June 30, 2023
The Culture

Our ten pillars

I. Less is More
II. Risk Rules
III. Concentrate
IV. Creativity Pays
V. Build Knowledge
VI. Team Up
VII. What Makes UC, UC
VIII. Perfect Alignment
IX. Human Meets Machine
X. Centennial Performance
The UC Investments Way

We created the 10 pillars of what we call the UC Investments Way to guide our long-term investment strategy. Amid epic uncertainty and market turbulence due to the global pandemic, we relied on our pillars more than ever before.

The 10 pillars gave us the strength and confidence to respond thoughtfully—not react defensively—as we made investment decisions in this unusually chaotic time. The pillars are our office’s common language and our guiding light. We wouldn’t be where we are today without them.

I

Less is More

Fewer assets, higher quality, better performance. Experience has shown us the value of lean, high-performance teams working collaboratively to manage a concentrated, high-conviction portfolio. We’ve greatly reduced the number of external managers we use and the number of line items on our books. That makes it easier to understand what we own, especially in a crisis, and gives us fewer decisions to make. The result is a small, agile team laser-focused on areas where we can outperform the market.

“Less is more isn’t just about simplicity. It’s about making the best use of what we have. You have to work hard to get your thinking clean to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”

Steve Jobs

II

Risk Rules

With opportunity, there is always risk. We’ve instilled that truism in our team members, and now we think of ourselves as risk managers, not asset managers. To bridge perspectives among asset classes, we speak the same “risk language.” From our partners, we demand transparency into the assets we hold, which allows us to assess the risks we’re taking across all our portfolios. We don’t just measure risk, we manage it with a forward-looking approach. That’s why we understand that risk is dynamic, human and long-term.

“In investing, what is comfortable is rarely profitable.”

Robert Arnott

III

Concentrate

Know what you own, well. We construct our portfolios from a concentrated set of assets that we understand deeply, as opposed to many assets that we would be hard pressed to describe to our mothers. By limiting the number of investments in our portfolios, we believe we can reduce risk and increase returns.

“Wide diversification is only required when investors do not understand what they are doing.”

Warren Buffet

IV

Creativity Pays

Building a culture of innovation means opening minds and sometimes charting new paths toward performance. We think like entrepreneurs, celebrating the wins and learning from the flops. Our innovation mindset—a rarity among institutional investors—means we incubate and validate ideas and find creative ways to leverage our UC competitive advantages.

“You have to work hard to get your thinking clean to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”

Steve Jobs

“In investing, what is comfortable is rarely profitable.”

Robert Arnott

“Wide diversification is only required when investors do not understand what they are doing.”

Warren Buffet

“The person who goes farthest is generally the one who is willing to do and dare. The sure-thing boat never gets far from shore.”

Dale Carnegie
opportunities that others might not have noticed or simply passed by. That’s why it’s critical to build knowledge — through connections, collaborations and the occasional deep dive into research — that can give us an edge. We’re fortunate to operate within one of the world’s most knowledge-rich university systems and we’re delighted to capitalize on that.

“An investment in knowledge pays the best interest.”
— Benjamin Franklin

“Talent wins games, but teamwork and intelligence win championships.”
— Michael Jordan

“If you don’t have a competitive advantage, don’t compete.”
— Jack Welch

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

“You are cruising along, and then technology changes. You have to adapt.”
— Marc Andreessen

“We should all be concerned about the future because we will have to spend the rest of our lives there.”
— Charles Franklin Kettering

What Makes UC, UC
We are integrated within one of the world’s premier public research universities. We manage its money, while its students, faculty, staff and alumni discover and create. This unparalleled innovation ecosystem is a steady source of high-quality investment opportunities we can mine, while its people — including world-class experts in every discipline and field — offer knowledge and insights that bolster our success.

Perfect Alignment
As long-term investors, we choose our partners with particular care. Without trust and transparency, a long-term relationship won’t work. Costs matter, of course. If external managers won’t provide us with a detailed accounting of how they make their money from our money, we pull our capital and walk. Perfect alignment means win-win — in performance, collaboration, and goals — and the costs tend to take care of themselves. By demanding complete transparency, which gives us understanding of our risks, we avoid a misalignment of interests and relationships cut short.

“Talent wins games, but teamwork and intelligence win championships.”
— Michael Jordan

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

“Talent wins games, but teamwork and intelligence win championships.”
— Michael Jordan

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

Human Meets Machine
With a small team investing large sums of money, we rely on technology to gather data that drives our returns and blends our human intelligence with artificial intelligence and machine learning. The synergy makes us better, faster, and smarter. We’re just a short drive from Silicon Valley and fully recognize the benefits, and near limitless future, of tech. Now, we’re working with innovative companies to better understand and manage our portfolios and gain more access to unique opportunities around the world.

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

“Talent wins games, but teamwork and intelligence win championships.”
— Michael Jordan

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

Centennial Performance
We think of ourselves as an organization that invests for the next 100 years. We’re not in this to make a quick buck. Instead, we are always mindful of our fiduciary duty to help ensure the success of the University of California for generations to come. Our centennial orientation means our decision-making considers the long-term, fundamental challenges and risks facing society such as climate change, diversity, equity and inclusion and corporate governance.

“Talent wins games, but teamwork and intelligence win championships.”
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“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton
Simplicity is about subtracting the obvious and adding the meaningful.

John Maeda
Technologist
OPPORTUNITY KNOCKED (LOUDLY). We answered.

UC & BREIT
The pace of business usually slows at UC Investments in December. As we head toward the close of our fiscal second quarter, virtually all offices at the University of California’s system-wide headquarters shut down. Employees are required to take more than a week of holiday time off, a mandatory winter curtailment with few exceptions made.

Except this year at UC Investments, opportunity called—loudly. For a handful of team members, that meant something far more exciting, and likely far more lucrative for the University of California, than time off.

Within a span of three weeks, UC Investments had signed a deal with real estate behemoth Blackstone to invest $4 billion in its market-leading real estate investment trust known as BREIT. The size of the deal—and more important, its terms—made headlines around the world. It was UC Investments’ single largest transaction ever, and while the deal closed quickly, it took years of steady, quiet preparation to reach that game-changing milestone. With one big move and the likelihood that it won’t be the last, UC Investments was compared to investors such as Berkshire Hathaway and others well-positioned to seize opportunities that require investment acumen, decisiveness, and lots of cash.

The adventure officially began on December 8, 2022 when Chief Investment Officer Jagdeep Singh Bachher happened to catch Blackstone President Jonathan Gray talking about BREIT live on CNBC’s “Squawk on the Street.” Wealthy individual investors, mostly in Asia, were looking to shore up liquidity in volatile markets and sought to redeem BREIT shares. With $9 billion in liquidity, BREIT was well-positioned, but when Blackstone hit its contractual redemption limits and began restricting withdrawals, the media sensed the makings of a juicy story and created a drama not backed by facts.

As Gray spoke on camera, Bachher thought of UC Investments’ own real estate portfolio and the one Gray had built at Blackstone. Bachher had spent three years streamlining assets and changing the portfolio’s strategic direction. Now with cracks in the global order and high inflation and interest rates at home, his efforts to bank liquidity seemed especially well-timed. Recent sales from the real estate portfolio alone had netted more than $4 billion that was just waiting for the right opportunity to knock.

“University of California’s terms on BREIT fund are comparable to Warren Buffett’s 2008 Goldman deal.”
Minutes after Gray left the television screen, Bachher sent him a note:

“Hi Jon. Hope all is well. I just wanted to offer in case we can help with the liquidity needs at all. I know you don’t need us for any of it. But just in case we can help creatively pls don’t hesitate to call me. Happy to do a bespoke solution not widely marketed. Thanks, Jagdeep”

A few seconds later came the response: “Thank you Jagdeep. Good to know. Best, Jon”

At Blackstone’s New York headquarters, this out-of-the-blue offer quickly got mental gears churning. With ample liquidity, BREIT, which is sold through select financial advisors and not publicly traded, really didn’t need more cash. What it needed was a public vote of confidence to calm the nerves of its individual investors. A big infusion from, say, a sovereign wealth fund might work. But the University of California? The idea intrigued. Blackstone and UC Investments have been trusted partners for 16 years.

Three days later, Gray called Bachher on Sunday afternoon to further discuss possibilities and a few days after that, Gray asked his partner, Nadeem Meghji, Blackstone’s head of Real Estate Americas, to fly to San Francisco. Meghji had planned for what he thought would be a two-hour “conceptual” meeting with Bachher, after which he’d fly back to New York for a holiday party he’d promised to attend. But waiting for him in a quiet downtown hotel were Bachher and UC Investments’ co-heads of real estate, Arthur Guimarães and Satish Swamy as well as the youngest UC Investments’ team member, 23-year-old analyst Martin Scott, who was eager to listen, watch, and learn.

The UC team wanted to understand, in detail, the BREIT financials and the companies that make up the trust. They knew that BREIT was primarily invested in high-growth sectors like data centers, warehouses, and apartments across the U.S. Sunbelt. With their understanding of the strong tailwinds in these areas, they recognized the opportunity in the disconnect between BREIT’s strength and the negative media commentary. Meghji answered countless questions backed by the materials he’d brought and when it became clear that “conceptual” was morphing into tangible, he got Gray on the line.
“At the time of the Blackstone take private of QTS, the company was the fastest growing large scale data center REIT and one of the largest U.S. portfolios of mission critical data centers in top-tier data center markets with primarily investment grade global technology, media, and financial services tenants.

After the Blackstone acquisition in 2022, we signed more leases than in the 15 years previously combined.”

Chad Williams
Chairman & Chief Executive Officer, QTS

“It was kind of like haggling in a Turkish bazaar,” Meghji says. “We’d talk, reach an impasse, I’d call Jon from another room, and the UC team would huddle. We did this like four times. I thought, ‘This is never happening.’ We both kept saying, ‘We don’t need to do this.’”

But after some nine hours, with the San Francisco participants snacking and quaffing coffee for fuel and that New York holiday party barely an afterthought, a tentative deal took shape. Bachher scribbled the terms in a note pad, the team shook hands, and Bachher offered a toast.

As part of a strategic venture with Blackstone, UC Investments would invest $4 billion in BREIT (later increased to $4.5 billion) for a five-year hold with unlimited upside. Blackstone contributed $1 billion of its current BREIT holdings to support an 11.25% minimum target annualized net return, should BREIT’s annual returns dip below 11.25%. After five years, the investment would be fully redeemable over 24 months, an effective six-year lock-up. As part of the 11.25% supported return, BREIT would pay UC a yearly dividend of approximately 4.4% distributed monthly in cash and reinvested as additional shares.

“The stars aligned,” says Bachher. “But chance favors the prepared, and we were prepared. My objective is always to do the best I can for our institution. What makes this deal so fundamentally attractive is that our pension needs to earn an annualized return of 6.75%, and the endowment 8%, to ensure their sustainability. This is a return of 11.25% in an uncertain economic environment, which makes it more attractive still.”

The next step was bringing in the lawyers and crucially, UC’s due diligence. Guimarães, who is also UC Investments’ chief operating officer, Jim Castro, director of investment transaction services, Larry Adkison, senior counsel, and analyst Scott headed to New York to meet with the Blackstone team. The rest of the lean UC deal team hopskotched across the country – Chicago, Austin, and New York – to personally learn from the leadership of key companies in which BREIT invests.

By then Bachher had brought in his chief of staff, Dianne Klein, but only after they had walked the streets of Oakland’s Montclair village – better than a café where someone might overhear – and maybe only joking that he’d have to kill her if...
she breathed a word of the potential deal, even to her cat. She joined the cross-country trek, very much alive.

Blackstone’s proposed term sheet arrived during the group’s flight from Austin to New York, but in keeping with the UC Investments pillar, Less is More, Bachher sent it back. Too complicated, he said. Simplify. Make it one page. Blackstone did.

But then a disagreement emerged during negotiations over the deal structure; the two teams had divergent opinions on terms. The stalemate hardened. Neither side moved, for more than a day.

Then Bachher told Swamy to let Meghji know the deal was off, that he was out, and Swamy complied.

Meghji took that call, the first of many – now not from New York but while on his honeymoon in New Zealand, 19 hours ahead of California and 16 hours ahead of New York. Excluding the legal teams, by then Blackstone had 18 people working on the potential transaction literally around-the-clock. That meant Meghji started working at 4 a.m. in New Zealand – tiptoeing out of his hotel room so as not to wake his wife – when it was noon the previous day in New York, and 9 a.m. in California. This latest hiccup looked to derail the deal after two weeks of intense work.

Meghji told Swamy, “You’ve gotta help me out. I’m in New Zealand, man. On my honeymoon!” Then Meghji had an idea. He asked his New York team to model out different earnings scenarios to assuage any concerns Bachher might have. Later Guimarães and Swamy walked their boss through all the what-ifs. The deal was back to a strong maybe, and pretty soon, it was back on.

By now the still highly confidential transaction had acquired a code name: Project Pillar. Given that Blackstone wanted to announce it publicly just before markets opened on January 3, 2023, much remained to be done. Among the must-dos was letting key UC and state government leaders know in confidence about the announcement before it was publicly revealed. First on the list was Regent Richard Sherman, chair of the Board of Regents’ Investments Committee, and Bachher was adamant that only a face-to-face meeting at Sherman’s Los Angeles office would do.

Enter Southwest Airlines, which was in the throes of an operational meltdown that canceled flights and left rival carriers

“Link Logistics is Blackstone’s largest portfolio company, and Blackstone is the world’s largest owner of commercial real estate. Our customers range from global e-commerce companies, retailers and manufacturers to the smaller entrepreneurs driving local ‘main street’ businesses.

In fact, over 5% of the U.S. economy flows through our buildings.

We consider the University of California to be one of the most sophisticated investors in the world, and when they invested in BREIT, it showed us they have confidence in our business, our platform and our real estate. It’s really humbling to us — and we don’t take it for granted.”

Luke Petherbridge
CEO, Link Logistics
in the California market completely sold out. So Bachher drove from Oakland to Los Angeles, leaving his home exactly at 5 a.m. on December 28 and racing to Sherman’s office in five hours flat.

Because UC regents limit their involvement to investment policy, never to decisions or even suggestions on individual transactions, Sherman had no idea that anything was in the works. But when Bachher described the outlines of the BREIT deal, Sherman told him, “This is exactly the type of deal you’ve prepared for, leveraging the size of the portfolio and the skill of your team.” The two called Chief of Staff Klein from the meeting and dictated a quote for the news release.

UC Investments signed the term sheet with Blackstone on the evening of December 29, 2022. Then after the market close on Friday, Dec. 30, 2022, Bachher began the task of calling 22 UC regents to inform them of the transaction and answer any questions they had.

Once the news was out on January 3, 2023, interest in the widely reported transaction surged, with observers outside and within the university lauding the deal. Blackstone CEO Steve Schwarzman had a long call with Dr. Michael Drake during which the UC president enthusiastically backed the unique transaction.

Schwarzman recapped that call to Bachher, “I told him what a remarkable job you and your team did in this situation. Not only did you initiate the transaction, but you found a way to put both the Christmas and New Year holidays aside and work continually over a three-week period – smartly and with great expertise – to get a complex transaction done. Seeing that kind of effort and enthusiasm was incredible.”

Says Bachher, “This deal is transformative for both UC Investments and Blackstone, and it serves as an important lesson to the asset management industry, which is exploring ways to expand private market investing to individual investors. These individuals have different liquidity needs. We’ve just showed them how it can be done.”

So, what’s next for the UC Investments team?

“We’re open for business and willing to take calculated risks,” Bachher says. “That’s what investors do, for the benefit of their shareholders. We’re agile and we work hard. We’re not merely asset allocators. We’re always looking for a way to invest in the next big win-win.”
“Investing in affordable housing can be a win-win — it provides important community impact while delivering steady results throughout all economic cycles.

While we are currently operating in 40 states, California is an important market to us and a state where we can have a great deal of impact. We are based in Los Angeles, where there is a great need for quality affordable housing due to its high cost and population.

We mostly serve residents that earn 60% or less of the area’s median income with an average rent discount of 45%. Our residents include teachers, bus drivers and hospital workers, people who are working hard, earning a living, and serving our state.

The Blackstone and UC Investments strategic venture is a great partnership. I think it’s not just a win for us, but it’s also a win for the UC pension and endowment.”

Alice Carr
Chief Executive Officer, April Housing
Richard Sherman is the chief executive officer of The David Geffen Company, an investment management firm. From 1977 until 1992, Mr. Sherman was a partner with Breslauer, Jacobson, Rutman, and Sherman, which provided business management services. Mr. Sherman was a staff accountant with Peat, Marwick, and Mitchell from 1973 until 1977. Mr. Sherman is a certified public accountant. Mr. Sherman serves on the boards of directors of the Geffen Playhouse and The David Geffen Foundation. Mr. Sherman also previously served as an adjunct professor of finance with the Graduate School of Architecture and Engineering of the University of Southern California. He has a Master of Business Taxation degree from the University of Southern California. Governor Brown appointed Mr. Sherman in 2014 to a term ending in 2025.
The playbook of Joe Maddon and the world champion 2016 Chicago Cubs, we striving to “Do Simple Better.”

Besides the bottom-line effectiveness of that less-is-more approach, how do you think a more “minimalist” approach in the office can reveal opportunities that might have otherwise been missed? R When you eliminate distractions and keep your focus streamlined, you have more space and freedom to think creatively and see new ways of doing things. And most importantly, you have far more bandwidth to be proactive in moving the needle on our

most significant opportunities. The Blackstone deal this year is a perfect example. Using this pillar of “Less is More,” we worked with one partner, deploying a sizable amount of capital in an off-market deal structure that, barring major macroeconomic events, will bring us an above-average return given the risk involved.

That’s the perfect segue into the big story of the year: the BREIT deal. What did you think when Jagdeep brought it to you?

R Though the regents don’t have implementation responsibility, I appreciated that Jagdeep came to us before the deal to get my support, as well as other Investments Committee members and key decision makers. We had no policy objections as it was within our allocation for real estate, and it was also within our asset allocation when you consider that a part of it is a private equity investment in a sense. At the end of the day, we’re relying on the strength of Blackstone itself as they’re putting in a chunk of their capital to backstop the return. Overall, the deal is emblematic of the entrepreneurial spirit we try to infuse into the organization.

After the BREIT deal closed, there was a lot of press, much of which focused on the UC Investments profile being raised in the investment world. What’s your take on this?

R Within that first week, my Bloomberg machine blew up with articles on the deal. I thought it was excellent because it announced to the world that we were open for business to do things other than stocks and bonds, 60/40 allocations, and the more traditional way of investing. It told the world, “We’re a phone call you should make in addition to Berkshire Hathaway or the other usual suspects that can act quickly with a significant amount of capital.” It opens the door to new and exciting opportunities.

We should also point out that there was some negative press, too. R BREIT is a private investment, not a public one, so some people were unaware of the holdings’ details. To Blackstone’s deep credit, they’re very transparent. They’ve met with different constituents to review their holdings, specifically in the multi-family housing area. They’ve had several meetings where they laid out the facts as to what they’re doing regarding complying with rent regulations, etc., coming out of the pandemic.

It seems our world has been in a bit of limbo this past year—not quite post-pandemic, with recession fears, and ongoing war in Ukraine. What do you think this past year has shown us about UC Investments’ long-term investment strategy?

R All these forces, especially the recession that hasn’t happened yet, mean you must be very cautious. You hold a bit more cash than you might otherwise, so you have dry powder, if you will, for opportunities, whether it’s a BREIT deal or something else. Because you’re now getting paid for holding cash today, there’s an opportunity cost if you put it to work in something. That means we have to look at things through a long-term lens and be patient while waiting for the right opportunity.

Was there anything else that particularly stood out to you with respect to the office this year?

R Beyond what we’ve discussed, nothing stands out—and that means something, in a good way. Everybody is back in the office and wants to be back because of the camaraderie and interchange of ideas. There hasn’t been any significant turnover in this pivotal time, which I think says a lot about the excellent management of Jagdeep, Arthur Guimarães, and the rest of the senior team.

Heading into the new fiscal year, what do you think are some of the most significant opportunities for UC Investments?

R The most significant ongoing opportunity is being a central capital source for the 10 campuses. I think that will continue both on the real estate side and providing capitalization for entrepreneurship and innovation from the campuses. Based on everything we’ve discussed, who knows what the markets will do in the next year or so. But the one thing we do know is that the University of California continues to innovate and generate patents and intellectual property. A lot is coming out of our system that can be propelled with the support of our investment office. I’m particularly excited about the artificial intelligence innovation happening at UC. We’re in the first inning of the technology, and from an investment standpoint with
Priorities

Living Our Priorities

Statement from President
Michael V. Drake, M.D.
Since becoming the 21st president of the University of California nearly three years ago, I’ve met with hundreds of UC stakeholders, from students and faculty to elected officials and community leaders – all of them committed to making the nation’s best public research university even better. These insightful conversations, buttressed by the research and thoughtful input of my system-wide leadership team, have led me to formulate presidential priorities to focus our collective efforts as we head into the new academic year and beyond. Each of these four institutional priorities includes specific, measurable goals grounded in our tripartite mission of teaching, research and public service.

Priority 1: Expanding Opportunity and Excellence
UC’s current population does not mirror the rich diversity of the state we serve. By becoming a system that better serves students from underrepresented racial, ethnic, and geographic groups and offering debt-free pathways to undergraduates—among other initiatives—we will promote inclusive excellence and expand opportunities for students while strengthening existing programs and research. UC Investments is helping with its new UC Investments Academy, offering free professional training, mentoring and other opportunities to students throughout our system with a focus on increasing the pipeline of women and diverse investment professionals.

Priority 2: Leading on Climate Change
The urgency and ever-increasing impacts of the climate crisis threaten many of the University’s other long-term goals. At all levels of the University, we will build upon ongoing climate science, decarbonization strategies, policy recommendations, health impacts, adaptation and communications research. Our goal is to be at the forefront of understanding the climate crisis and implementing practical solutions that help build a more equitable, resilient and healthy world. UC Investments has been a key player in this priority, eliminating fossil fuel investments from our pension, endowment, working capital and retirement saving programs while investing in green technologies to fuel the future.

Priority 3: Strengthening an Inclusive, Respectful and Safe Community
Members of historically marginalized and underrepresented groups continue to be more likely to experience exclusionary behavior. Addressing the dynamics of our institution’s climate around bias, discrimination, and exclusion is critical for faculty recruitment and retention, student completion, diversity of senior leadership, patient care, and the University’s reputation. Our goal is for all University of California locations to be environments where those who study, teach, conduct research, work, and receive patient care feel included, safe and valued. UC Investments is focused on ensuring that the management firms they work with reflect our commitment to diversity. Approximately one-third of our actively managed investments are with diverse managers, and they recently met with more than 300 firms led by women and people of color to create more opportunities to raise that figure.

Priority 4: Promoting Health in California’s Vulnerable Communities
As California and UC transition to the next phase of the post-pandemic world, there is a need to “catch up” on the health status of Californians and ensure health equity advances. We therefore seek to improve the health of Californians, including the most vulnerable communities, in three key areas: cancer screening, chronic illness management (hypertension and diabetes control), and long COVID. Our additional goal is to improve the health of Californians now and in the future by promoting health equity across the state and expanding access to UC care. Recently, UC Investments joined with UCI Health to launch a $50 million fund to invest in healthcare innovation and digital health aimed at revolutionizing patient care and public health. This is the first such partnership between UC Investments and our UC healthcare enterprise.

These priorities are intended to help the University focus time, resources, and effort, providing the direction needed to effectively organize across a large and complex organization. By bringing special attention to these priorities and working with valuable partners like Jagdeep Singh Bachher and the UC Investments team, we will build on our tradition of excellence and advance our ability to have a meaningful impact on the world.

Fiat Lux,
Michael V. Drake, M.D.
President, University of California

“UC Investments has been a key player in our priority to lead on climate change.”

Words:
Michael V. Drake, M.D.
President,
University of California

Priority 1
Priority 2
Priority 3
Priority 4
Less, but better.

Dieter Rams
Designer
How we invest:

We keep it simple.
Simplicity means:

lower costs

focus more
Reducing the number of key partnerships adds up to better returns.

Key partnerships in 2023
We reduced the number of key partnerships from 280 in 2014 to 33 today. These 33 partnerships help manage 92% of our total assets, with three of them accounting for $124 billion. And as our assets have grown, our active investments have declined. That’s meant higher returns, fewer external managers and far less money spent on fees. In 2014, our portfolios had $30 billion in passive investments. Today, that number is $117 billion. Out of our total portfolio of $164 billion, we have $47 billion actively invested today, as compared to the $65 billion we actively invested in 2014. The bottom line: Where we believe we can do better than the market, we actively invest. Otherwise, we earn returns while paying only minimal fees.

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Investments</th>
<th>Passive Investments</th>
<th>Key Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$65B</td>
<td>$30B</td>
<td>280</td>
</tr>
<tr>
<td>2023</td>
<td>$47B</td>
<td>$117B</td>
<td>33</td>
</tr>
</tbody>
</table>

We reduced the number of key partnerships from 280 in 2014 to 33 today. These 33 partnerships help manage 92% of our total assets, with three of them accounting for $124 billion. And as our assets have grown, our active investments have declined. That’s meant higher returns, fewer external managers and far less money spent on fees. In 2014, our portfolios had $30 billion in passive investments. Today, that number is $117 billion. Out of our total portfolio of $164 billion, we have $47 billion actively invested today, as compared to the $65 billion we actively invested in 2014. The bottom line: Where we believe we can do better than the market, we actively invest. Otherwise, we earn returns while paying only minimal fees.
Sometimes what you don’t do is just as important as what you do.

Greg McKeown
Author
At UC Investments, we do more for less. We manage $6.8 billion per person. The industry standard is $1.1 billion. To do this work, our peers charge an average of 0.3%. That’s more than 10 times what our clients pay at 0.028%. In other words, instead of $492 million a year, our clients pay $46 million.

There are far fewer of us as well. We manage $164 billion. Most portfolios of that size have teams at least five times larger.
Risk rules

The past few years have thrown us—and the markets—an unprecedented number of curve balls. This core pillar keeps us grounded and able to manage risk with a forward-looking approach.
What keeps us up at night?

- Inflation
- Interest Rates / Fed
- Economic Slowdown / Recession
- US Politics
- China / US Geopolitics
- Russia / Ukraine War
- Middle East War

- Artificial Intelligence
- Climate Change
- Demographics
- Deglobalization
$10 Billion in campus deposits since 2014
Over 9 years
2014—2023

Value added: $3.5B

Fees saved: $3B
Investing for the next 100 years

Where we invest
As of June 30, 2023

Endowment — 91 years
Pension — 63 years
Retirement Savings — 56 years
Short-Term Investment Pool — 48 years
Total Return — 14 years
Blue & Gold — 4 years

North America 74%
Europe 12%
Japan 3.1%
China 2.6%
India 2.2%
Rest of Asia 3.1%
Rest of World 3%

North America
Europe
Japan
China
India
Rest of Asia
Rest of World

UC Investments
Less is More
Asset allocation drives returns  
*As of June 30, 2023*

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Market Value ($M)</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>86,038</td>
<td>52.4</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>35,691</td>
<td>21.8</td>
</tr>
<tr>
<td>Private Markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>14,468</td>
<td>8.8</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>2,751</td>
<td>1.7</td>
</tr>
<tr>
<td>Private Credit</td>
<td>4,484</td>
<td>2.7</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10,874</td>
<td>6.6</td>
</tr>
<tr>
<td>Real Assets</td>
<td>4,668</td>
<td>2.9</td>
</tr>
<tr>
<td>Cash</td>
<td>5,068</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>164,062</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

This Year: June 30, 2023

1 Yr Ago: June 30, 2022

5 Yrs Ago: June 30, 2018

9 Yrs Ago: June 30, 2014

10 Yrs Ago: June 30, 2013

20 Yrs Ago: June 30, 2003
Our strong relationships with the Board of Regents allowed us to be nimble and shift our asset allocations to take advantage of market conditions.

Public Equity: Stocks
Putting another 10% in stocks before post-pandemic run-up added

$2.6B

Switching $10.5B to the S&P 500 added

$1B

Fixed Income: Bonds
Shifting from long-term to short-term bonds saved

$825M
We have been investing the endowment for 91 years.

The endowment is $21 billion in assets, divided among 6,741 funds.

It supports 294,309 UC students.

The 2023 payout to campuses is $625 million.

Gross return: 8.9%
Net return: 8.2%
30-year annualized net return: 8.8%

Since 2014, this amounts to $1.7 billion in value added (over the benchmark) with asset growth of $13 billion, $7.2 billion in deposits from campuses, and $808 million in fees saved.
Investing for the long-term
UC Endowment 1993—2023

$ Billions

We have been investing the pension for 63 years.

The pension stands at $88 billion.

Supporting 258,485 members, 52.2% of them active.

Employer contribution: 14%

Employee contributions: 7% to 9%

Gross return: 10.5%

Net return: 10.1%

30-year annualized net return: 8%

Funded ratio (actuarial): 83%

Discount Rate: 6.75%

Since 2014, we added $0.84 billion in value (over the benchmark) and grew assets by $36 billion while saving $1.9 billion in fees.
Investing for the long-term
UC Pension 1993—2023

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>17.4</td>
</tr>
<tr>
<td>1993</td>
<td>35.4</td>
</tr>
<tr>
<td>1994</td>
<td></td>
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<td>2021</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>88.3</td>
</tr>
</tbody>
</table>
The Retirement Savings plan serves 335,000+ members, making it the second largest U.S. public defined contribution plan, behind the federal government.

The plan offers participants the best choices at the lowest cost of any plan in the nation.

Total assets: $33.7 billion across three plans.

We make investing for retirement simple. Since 2014, we’ve streamlined investment choices from 75 to 14.

We are always innovating. We have launched a low-cost way to guarantee an uninterrupted income stream for participants 78 and older.

We made the investment fund lineup fossil free, with an industry leading management fee of 0.05%.

Since 2014, we’ve added $521 million in value (over the benchmark) for our participants, saved them $96 million in fees, and grown assets by $13.9 billion.
Investing for the long-term
UC Retirement Savings Program 1993—2023

$ Billions

2.3
6.9
18.6
33.7

We have been investing working capital for 48 years.

Working capital is $18.7 billion: $5.2 billion in short-term and $13.5 billion in total return.

Our 10 campuses and five medical centers rely on working capital to pay for the mission-critical projects and programs that make UC the gold standard of U.S. public universities.

2022/2023 Fiscal Year

<table>
<thead>
<tr>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross return: 8.6%</td>
</tr>
<tr>
<td>Net return: 8.6%</td>
</tr>
<tr>
<td>10-year annualized net return: 5.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross return: 3.9%</td>
</tr>
<tr>
<td>Net return: 3.9%</td>
</tr>
<tr>
<td>30-year annualized net return: 3.6%</td>
</tr>
</tbody>
</table>
The short answer: Less chaos than expected.

Fixed Income Markets
The world has changed dramatically since the long years of easy money and low inflation, and it’s unlikely we will see those days again soon. So far, the Federal Reserve Bank has, rather remarkably, avoided steering the economy into recession as it tries to beat back inflation by pushing interest rates to a 16-year high. The Fed is focused on a 2% target inflation rate and says we may get there in 2025.

That’s the best case scenario. But cost inflation, which is the Consumer Price Index minus volatile energy and food prices, is still high at 4.1%. And while the price of goods and services fell back into inflation by pushing interest rates on a 2% target inflation rate and says we may get there in 2025.

The current economic landscape includes cyclical and structural reasons that indicate that high interest rates and stubborn inflation will be with us for a while. We will remain vigilant and responsive to navigate what comes next.

We’re up for the challenge.

Public Equities Markets
As of June 30, 2023, UC Investments held some $86 billion in global public equities, 74% of which is invested in passive indices and 26% through active stock-pickers. A year earlier, that total was $69 billion, split 64% in passive and 36% in active.

We continue to believe that U.S. stocks stand to benefit the most from economic growth and innovation, including a new wave of artificial intelligence. U.S. corporate balance sheets also remain in good shape.

We could see inflation remaining high for longer.

At UC Investments, we prepared for higher interest rates and rising inflation as early as March 2022. With interest rates near zero, fixed income wasn’t producing much income. That’s why we made sense to look elsewhere to generate returns. Instead, we bought more equities and benefited from a rally partly spurred by those same low interest rates. And as an organization that, for 60 years, had actively managed fixed income, we figured it was time for a change. We switched to passive management of our fixed income portfolio – with a management fee of just .01% – and didn’t look back. Finally, we knew that nothing lasts forever, including low interest rates. That’s why we reduced the duration of our fixed income holdings and embraced a shorter duration benchmark, safeguarding the principal against potential (probable) interest rate flux.

All of these moves added up to a gain of some $1.4 billion for UC’s portfolios.

The current economic landscape includes cyclical and structural reasons that indicate that high interest rates and stubborn inflation will be with us for a while. We will remain vigilant and responsive to navigate what comes next.

We’re up for the challenge.

What happened in the markets?

The long answer:
<table>
<thead>
<tr>
<th>Interest rates:</th>
<th>Higher for longer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation:</td>
<td>Sticky.</td>
</tr>
</tbody>
</table>
Where Will Equities Go: 30 years

- US Equities (S&P 500)
- Global Equities (MSCI ACWI IMI)

Fed Funds Rate is 5.25% – 5.5%

- 10 Year Treasury
- 2 Year Treasury

Source: Bloomberg
Source: Board of Governors of the Federal Reserve System (US)
Global Equity Returns: 10 years

As of June 30, 2023

<table>
<thead>
<tr>
<th>Index</th>
<th>10 years Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Tobacco Free</td>
<td>12.9%</td>
</tr>
<tr>
<td>S&amp;P 500 Fossil Fuel Free</td>
<td>13.4%</td>
</tr>
<tr>
<td>GLOBAL EQUITIES MSCI ACWI IMI Tobacco Free</td>
<td>8.7%</td>
</tr>
<tr>
<td>GLOBAL EQUITIES MSCI ACWI IMI Fossil Fuel Free, Tobacco Free</td>
<td>9.1%</td>
</tr>
<tr>
<td>MSCI USA</td>
<td>12.8%</td>
</tr>
<tr>
<td>MSCI EUROPE</td>
<td>6.3%</td>
</tr>
<tr>
<td>MSCI JAPAN</td>
<td>5.6%</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>3.3%</td>
</tr>
<tr>
<td>MSCI CHINA</td>
<td>3.3%</td>
</tr>
<tr>
<td>MSCI INDIA</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

MSCI: MSCI ACWI IMI Tobacco Free, Fossil Fuel Free
Falling Inflation
Endowment
Critical financial support for the programs and initiatives that make our public research university system the best in the world.

General Endowment Pool

Blue & Gold Pool

Highlights
As of June 30, 2023

Gross Return 8.9%

Net Return 8.2%

Assets $20.7B

Fiscal Year To Date

Beginning Market Value $18.1B

Market Gains $2.3B

Value Added ($0.7B)

Net Cash Flow $0.9B

Ending Market Value $20.7B

Performance
As of June 30, 2023

Endowment

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>8.2</td>
<td>10.2</td>
</tr>
<tr>
<td>3 Yr</td>
<td>8.7</td>
<td>7.5</td>
</tr>
<tr>
<td>5 Yr</td>
<td>8.8</td>
<td>6.6</td>
</tr>
<tr>
<td>10 Yr</td>
<td>8.8</td>
<td>6.2</td>
</tr>
<tr>
<td>20 Yr</td>
<td>8.0</td>
<td>6.2</td>
</tr>
<tr>
<td>25 Yr</td>
<td>8.1</td>
<td>6.2</td>
</tr>
<tr>
<td>30 Yr</td>
<td>8.1</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Policy Benchmark

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>12.0</td>
<td>10.2</td>
</tr>
<tr>
<td>3 Yr</td>
<td>10.2</td>
<td>8.7</td>
</tr>
<tr>
<td>5 Yr</td>
<td>9.7</td>
<td>7.5</td>
</tr>
<tr>
<td>10 Yr</td>
<td>8.8</td>
<td>6.6</td>
</tr>
<tr>
<td>20 Yr</td>
<td>8.8</td>
<td>6.2</td>
</tr>
<tr>
<td>25 Yr</td>
<td>8.1</td>
<td>6.2</td>
</tr>
<tr>
<td>30 Yr</td>
<td>8.1</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Public Equity

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>8.1</td>
<td>16.3</td>
</tr>
<tr>
<td>3 Yr</td>
<td>8.2</td>
<td>10.2</td>
</tr>
<tr>
<td>5 Yr</td>
<td>8.2</td>
<td>7.5</td>
</tr>
<tr>
<td>10 Yr</td>
<td>9.0</td>
<td>21.5</td>
</tr>
<tr>
<td>20 Yr</td>
<td>8.3</td>
<td>21.5</td>
</tr>
</tbody>
</table>

Fixed Income

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>1.4</td>
<td>0.6</td>
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<tr>
<td>3 Yr</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>5 Yr</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>10 Yr</td>
<td>3.8</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Private Markets

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>4.7</td>
<td>4.4</td>
</tr>
<tr>
<td>3 Yr</td>
<td>17.9</td>
<td>20.5</td>
</tr>
<tr>
<td>5 Yr</td>
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<td>21.5</td>
</tr>
<tr>
<td>10 Yr</td>
<td>16.1</td>
<td>16.1</td>
</tr>
<tr>
<td>20 Yr</td>
<td>18.0</td>
<td>18.0</td>
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</tbody>
</table>

Cash

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Value in Billions ($)</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>1.0</td>
<td>2.6</td>
</tr>
<tr>
<td>5 Yr</td>
<td>1.6</td>
<td>--</td>
</tr>
</tbody>
</table>

Net Returns
As of June 30, 2023

<table>
<thead>
<tr>
<th>Period</th>
<th>Value Added (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>14%</td>
<td>8.2%</td>
</tr>
<tr>
<td>3 Yr</td>
<td>10.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td>5 Yr</td>
<td>8.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>10 Yr</td>
<td>8.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td>20 Yr</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>25 Yr</td>
<td>8.1%</td>
<td>8.1%</td>
</tr>
<tr>
<td>30 Yr</td>
<td>8.8%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Asset Allocation
As of June 30, 2023

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Market Value in Billions ($)</th>
<th>Portfolio Weight (%)</th>
<th>Over/Underweight (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>8.1</td>
<td>39.2</td>
<td>(0.8)</td>
<td>40</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>1.4</td>
<td>7.0</td>
<td>(1.0)</td>
<td>8</td>
</tr>
<tr>
<td>Private Markets</td>
<td>10.2</td>
<td>49.3</td>
<td>(0.7)</td>
<td>50</td>
</tr>
<tr>
<td>Private Equity</td>
<td>4.7</td>
<td>22.8</td>
<td>(1.2)</td>
<td>24</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>1.0</td>
<td>4.7</td>
<td>(5.3)</td>
<td>10</td>
</tr>
<tr>
<td>Private Credit</td>
<td>1.1</td>
<td>5.3</td>
<td>1.3</td>
<td>4</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2.7</td>
<td>13.0</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Real Assets</td>
<td>0.7</td>
<td>3.5</td>
<td>(0.5)</td>
<td>4</td>
</tr>
<tr>
<td>Cash</td>
<td>1</td>
<td>4.5</td>
<td>2.5</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>20.7</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
### Asset Allocation Over Time

#### June 30, 2023
- **Public Equity**: 26%, $20.7B
- **Fixed Income**: 39%, $20.7B
- **Private Equity**: 7%, 43%
- **Other Investments**: 6%, 23%
- **Cash**: 5%, $20.7B

#### 1 Year Ago (June 30, 2022)
- **Public Equity**: 23%, $18.2B
- **Fixed Income**: 43%, $18.2B
- **Private Equity**: 6%, 24%
- **Other Investments**: 5%, 24%
- **Cash**: 4%, $18.2B

#### 5 Years Ago (June 30, 2018)
- **Public Equity**: 27%, $12.3B
- **Fixed Income**: 42%, $12.3B
- **Private Equity**: 11%, 35%
- **Other Investments**: 20%, 35%
- **Cash**: 9%, $12.3B

#### 10 Years Ago (June 30, 2013)
- **Public Equity**: 37%, $7.1B
- **Fixed Income**: 42%, $7.1B
- **Private Equity**: 9%, 33%
- **Other Investments**: 12%, 33%
- **Cash**: 12%, $7.1B

#### 20 Years Ago (June 30, 2003)
- **Public Equity**: 2%, $4.4B
- **Fixed Income**: 63%, $4.4B
- **Private Equity**: 1%, 7%
- **Other Investments**: 7%, 7%
- **Cash**: 6%, $4.4B

### Assets Over 9 Years

- **June 30, 2014**: $8B
- **June 30, 2023**: $21B
  - **Increase**: $13B (↑163%)

### Passive Investments Increased by 34%

- **2014**: $8.3B (6% Active, 94% Passive)
- **2023**: $20.7B (4% Active, 96% Passive)
$7.2 Billion In Campus Deposits Since 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Payout</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-2004</td>
<td>$7B</td>
<td>$6B</td>
</tr>
<tr>
<td>2004-2014</td>
<td>$6B</td>
<td>$5B</td>
</tr>
<tr>
<td>2014-2023</td>
<td>$5B</td>
<td>$4B</td>
</tr>
<tr>
<td>2014-2023</td>
<td>$4B</td>
<td>$3B</td>
</tr>
<tr>
<td>2014-2023</td>
<td>$3B</td>
<td>$2B</td>
</tr>
<tr>
<td>2014-2023</td>
<td>$2B</td>
<td>$1B</td>
</tr>
<tr>
<td>2014-2023</td>
<td>$1B</td>
<td>$0B</td>
</tr>
</tbody>
</table>

Policy Benchmarks

**June 30, 2023**

<table>
<thead>
<tr>
<th>Category</th>
<th>Target (%)</th>
<th>Minimum (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>40</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>8</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Private Equity</td>
<td>24</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>10</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Private Credit</td>
<td>4</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Real Estate</td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Real Assets</td>
<td>4</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Cash</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Risk Allocation

As of June 30, 2023

- Economic Growth: 86.7%
- Residual: 12.6%
- FX: 0.5%
- Emerging Markets: 0.1%
- Other: 0.2%

Risk Volatility

- Jun 30 2017: 72%
- Jun 30 2018: 6.5%
- Jun 30 2019: 8.8%
- Jun 30 2020: 26.6%
- Jun 30 2021: 17.9%
- Jun 30 2022: 18.4%
- Jun 30 2023: 14.6%
**Blue & Gold**

An investment vehicle created in March 2019 that helps our campuses increase their revenues while reducing reliance on state funds.

### Highlights

**As of June 30, 2023**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Return</td>
<td>13.3%</td>
</tr>
<tr>
<td>Net Return</td>
<td>13.3%</td>
</tr>
<tr>
<td>Assets</td>
<td>$2,718M</td>
</tr>
<tr>
<td>Gross Return Net Return</td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal Year To Date**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
<td>$2,244M</td>
</tr>
<tr>
<td>Market Gains</td>
<td>$318M</td>
</tr>
<tr>
<td>Value Added</td>
<td>$6M</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$150M</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$2,718M</td>
</tr>
</tbody>
</table>

### Performance

**As of June 30, 2023**

<table>
<thead>
<tr>
<th>Market Value in Millions ($)</th>
<th>Weight (%)</th>
<th>1 Yr (%)</th>
<th>3 Yr (%)</th>
<th>A E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue &amp; Gold Pool</td>
<td>2,718</td>
<td>100</td>
<td>13.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Equity</td>
<td>2,213</td>
<td>81</td>
<td>16.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>505</td>
<td>19</td>
<td>0.2</td>
<td>(2.1)</td>
</tr>
</tbody>
</table>

### Asset Allocation

**As of June 30, 2023**

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Value in Millions ($)</th>
<th>Portfolio Weight (%)</th>
<th>Over/Underweight (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>2,213</td>
<td>81.4</td>
<td>1.4</td>
<td>80</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>505</td>
<td>18.6</td>
<td>(1.4)</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>2,718</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

### Policy Benchmarks

**June 30, 2023**

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Value in Millions ($)</th>
<th>Weight (%)</th>
<th>1 Yr (%)</th>
<th>3 Yr (%)</th>
<th>Target (%)</th>
<th>Maximum (%)</th>
<th>Minimum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free – Net Dividends</td>
<td>80</td>
<td>60</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>20</td>
<td>10</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
UC Investments

Assets As of June 30, 2023

- Provided liquidity for campuses during pandemic

UC Campuses Have Choices

Net Returns

- Blue & Gold Endowment
- Total Return
- Short-Term

2022
- 40%
- 30%
- 20%
- 10%
- 0%
- (10%)

2023
- 0.2%
- 3.9%
- 8.6%
- 13.3%
- (11.3%)
- (15.2%)
- (16%)

Less is More
Pension
A plan that invests across a broad range of asset types to provide retirement income security for all our members.
Asset Allocation Over Time

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>June 30, 2023</th>
<th>1 Yr Ago</th>
<th>5 Yrs Ago</th>
<th>10 Yrs Ago</th>
<th>20 Yrs Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2023</td>
<td>$88.3B</td>
<td>$80.9B</td>
<td>$66.7B</td>
<td>$52.1B</td>
<td>$45.1B</td>
</tr>
<tr>
<td>Market Value</td>
<td>52%</td>
<td>56%</td>
<td>54%</td>
<td>54%</td>
<td>53%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>11%</td>
<td>11%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Public Equity</td>
<td>18%</td>
<td>16%</td>
<td>12%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>14%</td>
<td>15%</td>
<td>20%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Other Investments</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Cash</td>
<td>5%</td>
<td>9%</td>
<td>9%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Pension Funded Ratio

Pension is 83% funded on an actuarial basis in 2023.

Assets Over 9 Years

- June 30, 2014: $52B
- June 30, 2023: $88B

+$36B (↑69%)
Passive Investments Increased by 40%

2014
23%
$52.1B
77%

2023
37%
$88.3B
63%

Policy Benchmarks

<table>
<thead>
<tr>
<th>June 30, 2023</th>
<th>Public Equity</th>
<th>Fixed Income</th>
<th>High Yield</th>
<th>Emerging Market Debt</th>
<th>Private Equity</th>
<th>Absolute Return</th>
<th>Private Credit</th>
<th>Real Estate</th>
<th>Real Assets</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy (%)</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free – Net Dividends</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>Merrill Lynch High Yield Cash Pay Index Fossil Free</td>
<td>JP Morgan Emerging Markets Bond Index Global Diversified Fossil Free</td>
<td>Russell 3000 Index + 3%</td>
<td>HFRI Fund of Funds Composite</td>
<td>75% Credit Suisse Leveraged Loan Fossil Free Index / 25% Merrill Lynch U.S. High Yield BB-B Constrained Fossil Free Index + 1.5%</td>
<td>NCREIF Fund Index – Open End Diversified Core Equity (ODCE) non lagged</td>
<td>Actual Real Assets Portfolio Return</td>
<td>Bank of America 3-Month US Treasury Bill Index</td>
</tr>
<tr>
<td>Minimum (%)</td>
<td>53</td>
<td>10</td>
<td>2.5</td>
<td>1.5</td>
<td>7</td>
<td>3.5</td>
<td>3.5</td>
<td>7</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Maximum (%)</td>
<td>43</td>
<td>16</td>
<td>0</td>
<td>3</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>6</td>
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</table>

Risk Volatility

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum (%)</td>
<td>24.7%</td>
<td>15.9%</td>
<td>16.6%</td>
<td>75%</td>
<td>6.8%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Minimum (%)</td>
<td>63%</td>
<td>16%</td>
<td>5.5%</td>
<td>7</td>
<td>12</td>
<td>0</td>
</tr>
</tbody>
</table>

Risk Allocation

As of June 30, 2023

<table>
<thead>
<tr>
<th>Economic Growth</th>
<th>Residual</th>
<th>FX</th>
<th>Real Rates</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>89.5%</td>
<td>8.8%</td>
<td>13%</td>
<td>0.2%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Retirement Savings
The Retirement Savings Program serves 335,000+ members, making it the second largest U.S. public defined contribution plan behind the federal government.

Highlights

<table>
<thead>
<tr>
<th>As of June 30, 2023</th>
<th>2014</th>
<th>2023</th>
<th>9 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>335,000</td>
<td>+ 34,000</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>$33.7B</td>
<td>+$13.9B</td>
<td></td>
</tr>
<tr>
<td>Default UC Pathway</td>
<td>UC Pathway</td>
<td>UC Pathway</td>
<td></td>
</tr>
<tr>
<td>Target Date Assets</td>
<td>$14.2B</td>
<td>$11.1B</td>
<td></td>
</tr>
<tr>
<td>Investment Choices</td>
<td>75</td>
<td>14</td>
<td>↓ 61</td>
</tr>
<tr>
<td>Management Fee</td>
<td>0.14%</td>
<td>0.05%</td>
<td>↓ 64%</td>
</tr>
<tr>
<td>Management Fee</td>
<td>$26M</td>
<td>$15M</td>
<td>↓ $11M</td>
</tr>
</tbody>
</table>

Passive Investments Increased by 40%

Assets Over 9 Years

- June 30, 2014: $20B
- June 30, 2023: $34B
- Increase: $14B (↑70%)

Investment Structure

- Tier I: Target Date Fund
  - $14.2B
- Tier II: 13 Core Options
  - $17.1B
- Tier III: Brokerage Window
  - $2.4B

Investment Management Fee

- 0.05%

403(b) 457(b) Defined Contribution

3 Plans

$33.7B

$4.7B $5.9B
Performance
Target Date Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Value Added</th>
<th>Policy Benchmark</th>
<th>Value Added</th>
<th>Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Pathway Income Fund 2065</td>
<td>$1,641</td>
<td>4.9%</td>
<td>6.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.6)</td>
<td>(0.3)</td>
<td>(0.2)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2050 2060</td>
<td>$1,523</td>
<td>4.5%</td>
<td>7.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.6)</td>
<td>(0.3)</td>
<td>(0.2)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2045 2050</td>
<td>$1,953</td>
<td>5.8%</td>
<td>9.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2040 2045</td>
<td>$2,148</td>
<td>6.4%</td>
<td>11.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2035 2030</td>
<td>$1,645</td>
<td>4.9%</td>
<td>12.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2025 2020</td>
<td>$1,530</td>
<td>4.6%</td>
<td>12.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2015 2010</td>
<td>$1,309</td>
<td>3.9%</td>
<td>13.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2005 2000</td>
<td>$1,737</td>
<td>3.5%</td>
<td>13.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 2000 2000</td>
<td>$689</td>
<td>2%</td>
<td>13.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 1995 1990</td>
<td>$475</td>
<td>1.4%</td>
<td>13.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>UC Pathway Fund 1990 1985</td>
<td>$38</td>
<td>0.1%</td>
<td>13.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Value Added</td>
<td>0</td>
<td>0</td>
<td>(0.1)</td>
<td>0</td>
</tr>
</tbody>
</table>

Performance
Equities Core Lineup

<table>
<thead>
<tr>
<th>Index/Name</th>
<th>Value Added</th>
<th>Policy Benchmark</th>
<th>Value Added</th>
<th>Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large Equity</td>
<td>$6,841</td>
<td>20.3%</td>
<td>19.2</td>
<td>14</td>
</tr>
<tr>
<td>UC Domestic Equity Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 TF Index</td>
<td>$723</td>
<td>2.1%</td>
<td>20.4</td>
<td>13.3</td>
</tr>
<tr>
<td>UC Social Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$1,031</td>
<td>3.1%</td>
<td>19.3</td>
<td>13.3</td>
</tr>
<tr>
<td>UC Intl. Equity Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$2,249</td>
<td>6.7%</td>
<td>23.3</td>
<td>13.2</td>
</tr>
<tr>
<td>UC Global Equity Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$1,031</td>
<td>3.1%</td>
<td>16.4</td>
<td>14.4</td>
</tr>
<tr>
<td>UC Intl. Equity Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$2,249</td>
<td>6.7%</td>
<td>26.6</td>
<td>14.1</td>
</tr>
<tr>
<td>UC Domestic Small Cap Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$1,031</td>
<td>3.1%</td>
<td>23.3</td>
<td>13.2</td>
</tr>
<tr>
<td>UC Small/Mid Cap Equity</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$2,249</td>
<td>6.7%</td>
<td>26.6</td>
<td>14.1</td>
</tr>
<tr>
<td>UC Growth Company Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$1,031</td>
<td>3.1%</td>
<td>16.4</td>
<td>14.4</td>
</tr>
<tr>
<td>UC Global Equity Fund</td>
<td>Value Added</td>
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<td>Russell 3000 Growth Fund</td>
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</tr>
<tr>
<td>UC Domestic Equity Index Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$1,031</td>
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</tr>
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<td>UC Global Equity Fund</td>
<td>Value Added</td>
<td>(0.1)</td>
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<td>0</td>
</tr>
<tr>
<td>Russell 3000 Growth Fund</td>
<td>$2,249</td>
<td>6.7%</td>
<td>26.6</td>
<td>14.1</td>
</tr>
</tbody>
</table>
# Fixed Income Core Lineup

**Performance As of June 30, 2023**

<table>
<thead>
<tr>
<th>Capital Preservation</th>
<th>Market Value ($M)</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>9 Yr</th>
<th>10 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Savings Fund</td>
<td>$3,463</td>
<td>10.3%</td>
<td>0.7</td>
<td>1.7</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Notes Income Return</td>
<td></td>
<td>0.6</td>
<td>1.1</td>
<td>1.8</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td></td>
<td>(3.3)</td>
<td>(1.1)</td>
<td>(0.7)</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inflation Sensitive</th>
<th>Market Value ($M)</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>9 Yr</th>
<th>10 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Short-Term TIPS Fund</td>
<td>$141</td>
<td>0.4%</td>
<td>0.1</td>
<td>2.7</td>
<td>2.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Barclays 1-3 Year U.S. TIPS Index</td>
<td></td>
<td>0.7</td>
<td>2.6</td>
<td>2.6</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td></td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diversified Fixed Income</th>
<th>Market Value ($M)</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>9 Yr</th>
<th>10 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Bond Fund</td>
<td>$1,122</td>
<td>3.3%</td>
<td>(1.2)</td>
<td>(3.9)</td>
<td>0.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Barclays Aggregate Fixed Income Benchmark</td>
<td></td>
<td>(1.0)</td>
<td>(4.0)</td>
<td>0.8</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td></td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>
Working Capital
Capital, working.

Operating Liquidity
- Short-Term: $5.2B
- Total Return: $13.6B

Operating Expenses
- Medical Centers
- Payroll
- Programs
- Construction
- Fiat Lux

10 Campuses

Assets Over 9 Years
- Short-Term: $14.7B
- Total Return: $18.7B
- Increase: $4B (↑27%)

June 30, 2014 - June 30, 2023

1 Year Net Returns
June 30, 2023
- Short-Term: 3.9%
- Total Return: 8.6%
- Increase: +4.7%

14 Year Net Returns
June 30, 2023
- Short-Term: 1.9%
- Total Return: 6.6%
- Increase: +4.7%
Highlights As of June 30, 2023

Gross Return 8.6%

Net Return 8.6%

Total Return Investment Pool
A working capital portfolio created in August 2008 with an asset and risk allocation geared to an intermediate-term horizon.

Fiscal Year To Date

<table>
<thead>
<tr>
<th>Beginning Market Value</th>
<th>$11.7B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Gains</td>
<td>$1.5B</td>
</tr>
<tr>
<td>Value Added</td>
<td>$0.03B</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$0.7B</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$13.5B</td>
</tr>
</tbody>
</table>

Net Returns As of June 30, 2023

- Value Added
- Policy

Performance As of June 30, 2023

<table>
<thead>
<tr>
<th>Total Return Investment Pool</th>
<th>Annualized Net Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Benchmark</td>
<td>8.3</td>
</tr>
<tr>
<td>Value Added</td>
<td>0.3</td>
</tr>
<tr>
<td>Public Equity</td>
<td>7</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6.4</td>
</tr>
<tr>
<td>Cash</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Asset Allocation As of June 30, 2023

<table>
<thead>
<tr>
<th>Public Equity</th>
<th>Portfolio Weight (%)</th>
<th>Over/Underweight (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>51.9</td>
<td>1.9</td>
<td>50</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6.4</td>
<td>47.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Private Markets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>0.1</td>
<td>0.6</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>13.5</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Asset Allocation Over Time

June 30, 2023
- Public Equity: 1%
- Fixed Income: 47%
- Other Investments: 52%
- Cash: 47%

1 Yr Ago June 30, 2022
- Public Equity: 3%
- Fixed Income: 53%
- Other Investments: 47%
- Cash: 47%

5 Yrs Ago June 30, 2018
- Public Equity: 12%
- Fixed Income: 36%
- Other Investments: 48%
- Cash: 48%

9 Yrs Ago June 30, 2014
- Public Equity: 30%
- Fixed Income: 40%
- Other Investments: 30%
- Cash: 30%

10 Yrs Ago June 30, 2013
- Public Equity: 5%
- Fixed Income: 31%
- Other Investments: 64%
- Cash: 78%

14 Yrs Ago June 30, 2009
- Public Equity: 22%
- Fixed Income: 22%
- Other Investments: 78%
- Cash: 78%

Assets Over 9 Years

June 30, 2014
- $7.6B

June 30, 2023
- $13.5B

+ $5.9B
(↑78%)

Passive Investments Increased by 72%
### Policy Benchmarks

**June 30, 2023**

<table>
<thead>
<tr>
<th>Policy</th>
<th>Minimum (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free – Net Dividends</td>
<td>50</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>50</td>
</tr>
<tr>
<td>Private Assets</td>
<td>Total TRIP Portfolio Benchmark</td>
<td>0</td>
</tr>
</tbody>
</table>

### Risk Volatility

Jun 30 2017: 4.1%
Jun 30 2018: 4.2%
Jun 30 2019: 5.2%
Jun 30 2020: 18.8%
Jun 30 2021: 9.5%
Jun 30 2022: 9.7%
Jun 30 2023: 9%

### Risk Allocation

As of June 30, 2023

- **Economic Growth**: 85.2%
- **Residual**: 9.2%
- **Real Rates**: 2.2%
- **Inflation**: 1.9%
- **Other**: 1.5%
### Highlights

**As of June 30, 2023**

<table>
<thead>
<tr>
<th>Gross Return</th>
<th>3.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Return</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

### Short-Term Investment Pool

*A working capital portfolio managed to ensure adequate liquidity to meet our system’s cash needs.*

### Performance

**As of June 30, 2023**

<table>
<thead>
<tr>
<th>Market Value in Billions ($)</th>
<th>1 Yr</th>
<th>4 Yr</th>
<th>8 Yr</th>
<th>12 Yr</th>
<th>16 Yr</th>
<th>20 Yr</th>
<th>24 Yr</th>
<th>28 Yr</th>
<th>32 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term</td>
<td>5.2</td>
<td>3.9</td>
<td>1.5</td>
<td>1.8</td>
<td>1.6</td>
<td>2.0</td>
<td>2.5</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td>3.5</td>
<td>1.3</td>
<td>1.6</td>
<td>1.6</td>
<td>1.1</td>
<td>1.0</td>
<td>1.6</td>
<td>2.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Value Added</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
</tr>
</tbody>
</table>

### Net Returns

**As of June 30, 2023**

- **Gross Return:** 3.9%
- **Net Return:** 3.9%

### Asset Allocation

**As of June 30, 2023**

- **Governments:** 2.3, 44, 0.21, AAA
- **Commercial Paper:** 2.9, 56, 0.11, A+
- **Total:** 5.2, 100, 0.32, AA
### Portfolio Over 9 Years

- **Assets:**
  - June 30, 2014: $7.1B
  - June 30, 2023: $5.2B
  - Decrease: $1.9B (−27%)

### Duration

- **0 to 3 Mo:**
  - 2022: 51.2%
  - 2023: 42.3%
- **3 Mo to 1Y:**
  - 2022: 9%
  - 2023: 0%
- **1-2 Yrs:**
  - 2022: 6.7%
  - 2023: 6.7%

### Credit Quality

- **2022:**
  - A-1: 82%
  - AAA: 44%
  - A+: 56%
  - Agency: 10%
- **2023:**
  - A-1: 82%
  - AAA: 44%
  - A+: 56%
  - Agency: 10%

### Policy Benchmarks

**Short-Term:**
- Target (%): 50/50 Weighted Average of the Yield on a Constant Maturity One Year US Treasury Note and US 30 Day Treasury Bills

**June 30, 2023:**
- Target: 100%
Beauty means the elimination of excess.

Michelangelo
*Sculptor*
Less is More, the first of the 10 pillars that underpin our UC Investments Way culture, helped us navigate yet another challenging year with calm and confidence.

We recognize the beauty, and opportunity, in simplicity.

Our ongoing commitment to removing complexity helps us to reveal greater potential. That’s what we believe will lead us toward at least another 100 years of excellence for the University of California.
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Carmen Chu
Michael Cohen
Gareth Elliott
Howard "Peter" Guber
Jose M. Hernandez
Nancy Lee
Richard Leib
Hadi Makarechian
Ana Matosantos
Lark Park
John A. Pérez
Janet Reilly
Mark Robinson
Gregoryarris
Richard Sherman
Jonathan "Jay" Sures
Merhawi Tesfai

Regents-Designate
Geoffrey Pack
Alumni Regent-Designate
Alfonso Salazar
Alumni Regent-Designate
Josiah Beharry
Student Regent-Designate

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Chief Compliance & Audit Officer
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General Counsel & Vice President,
Legal Affairs

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Chair, Academic Senate
Sumit Jaimini
Chair, Academic Senate
James Steintrager
Vice Chair, Academic Senate

Office of the President
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Chief Investment Officer
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Senior Vice President,
Chief Compliance & Audit Officer
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Vice President of Agriculture &
Natural Resources
Nathan Brostrom
Chief Financial Officer
Craig S. Leasure
Vice President, Laboratory Management
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Gary S. May
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Henry T. Y. Yang
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Keith Ellis
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University of California
Robert Rivas
Speaker of the Assembly
Tony Thurmond
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Keith Ellis
Hadi Makarechian
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Pradeep K. Khosla,
Gary S. May, and Kim Wilcox