

Office Of The Chief Investment Officer Of The Regents

Investing for the Long Term

2015/2016

Opportunities in a low growth environment

Collaborate with our stakeholders to set realistic expectations

Manage products differently based on their risk and return objectives

Complete asset and risk allocation for all products

Add value through passive and active management

Aggressively reduce costs in a low-return environment

Benefit from our competitive advantages

Size. Scale. Patience. The UC.

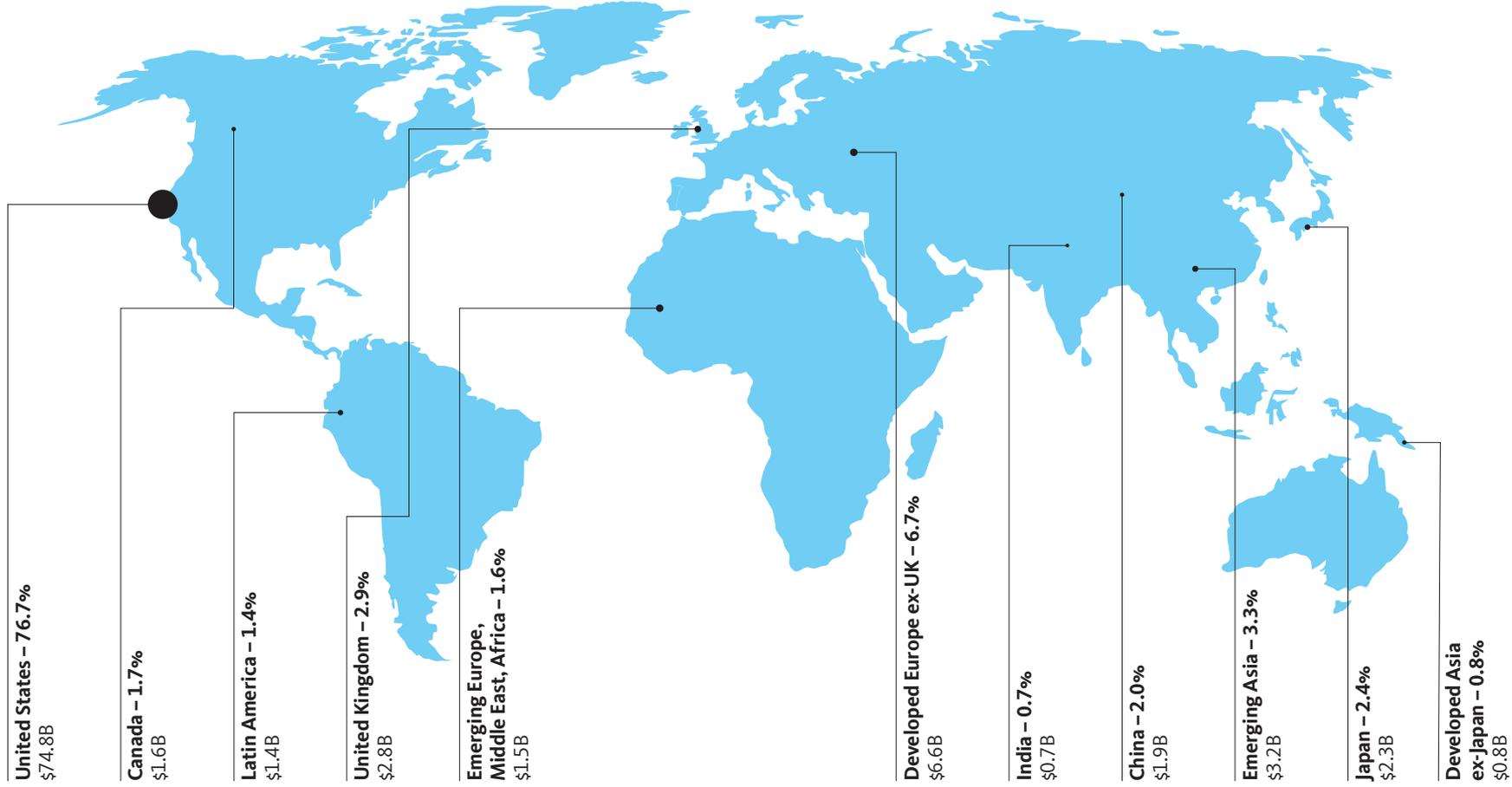
\$97.6 Billion

Market Value in Billions (\$)
as of June 30, 2016

Endowment	\$9.1
Pension	\$54.1
Retirement Savings	\$20.2
Total Return	\$8.9
Short Term	\$5.3
Total	\$97.6B

Our Products

Where We Invest



How We Invest \$97.6 Billion

As of June 30, 2016

	Market Value in Billions (\$)	Percentage (%)	
Public Equity	48.5	49.7	
Fixed Income	31.4	32.2	
Other Investments	14.1	14.4	
Absolute Return	5.3	5.4	
Private Equity	4.0	4.1	
Real Estate	3.6	3.7	
Real Assets	1.2	1.2	
Cash	3.6	3.7	
Total	\$97.6 Billion	100.0%	

Products

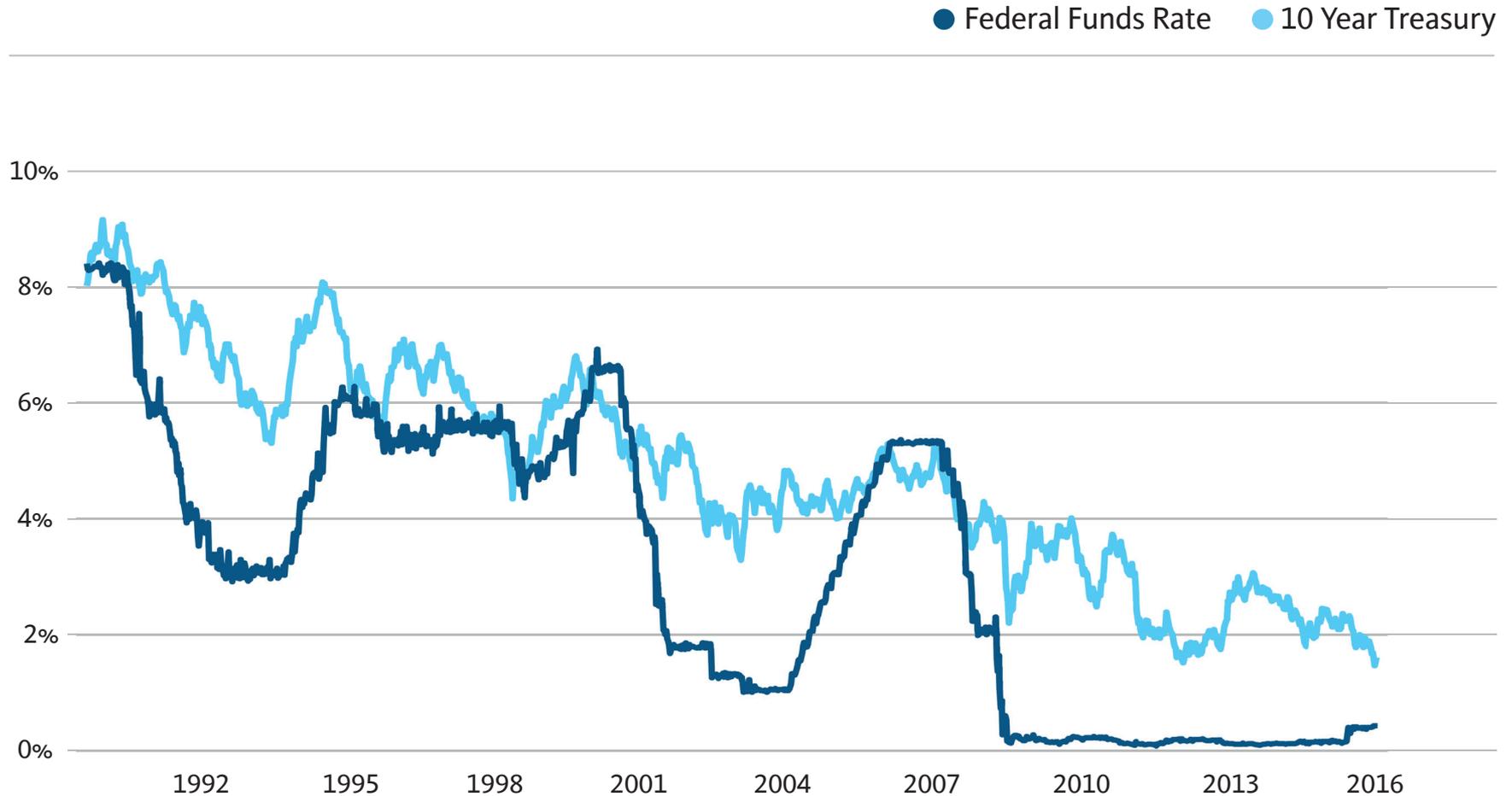
UC Endowment

UC Pension

UC Retirement Savings

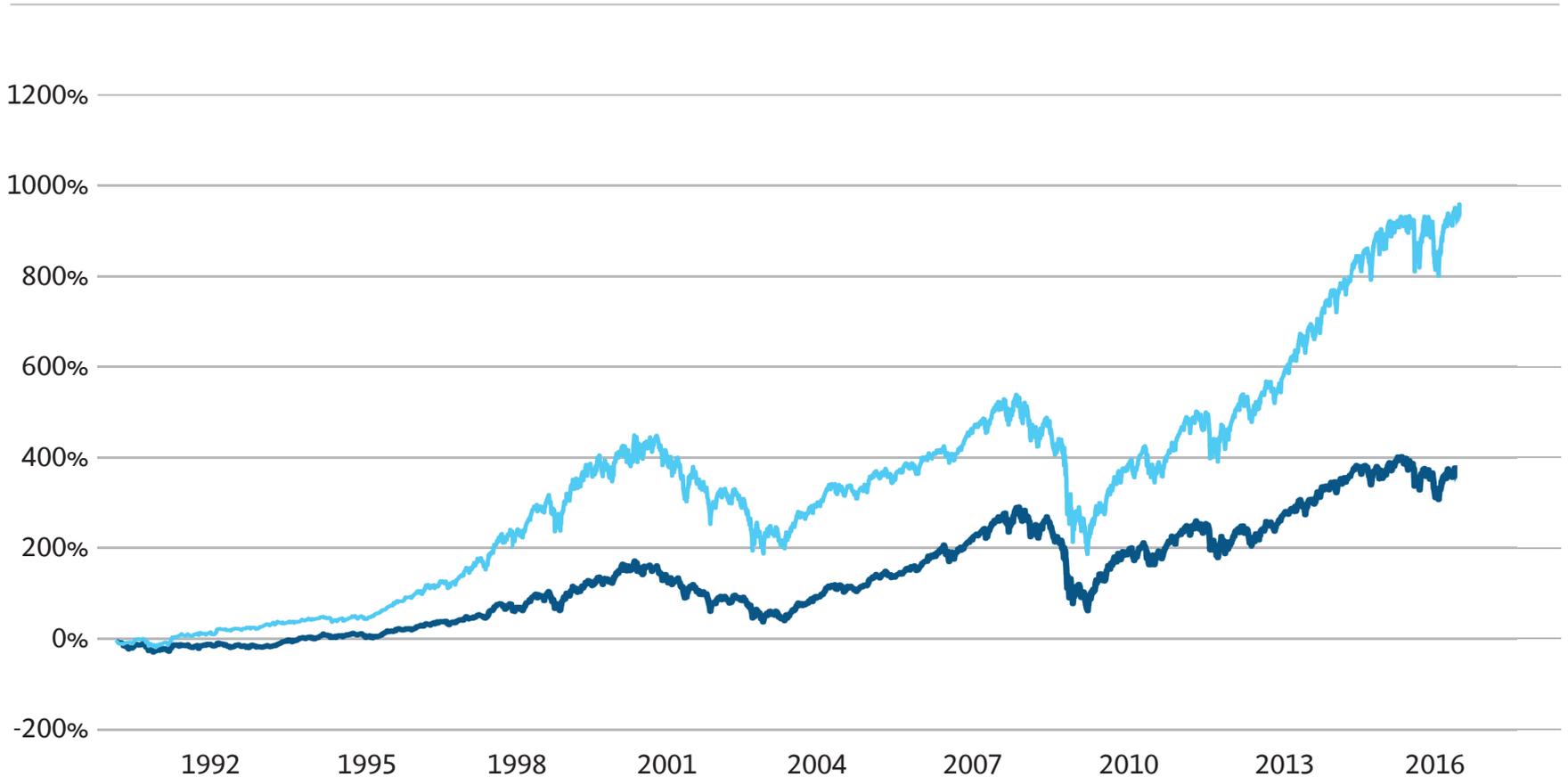
UC Working Capital

Will U.S. Rates Fall Below Zero?



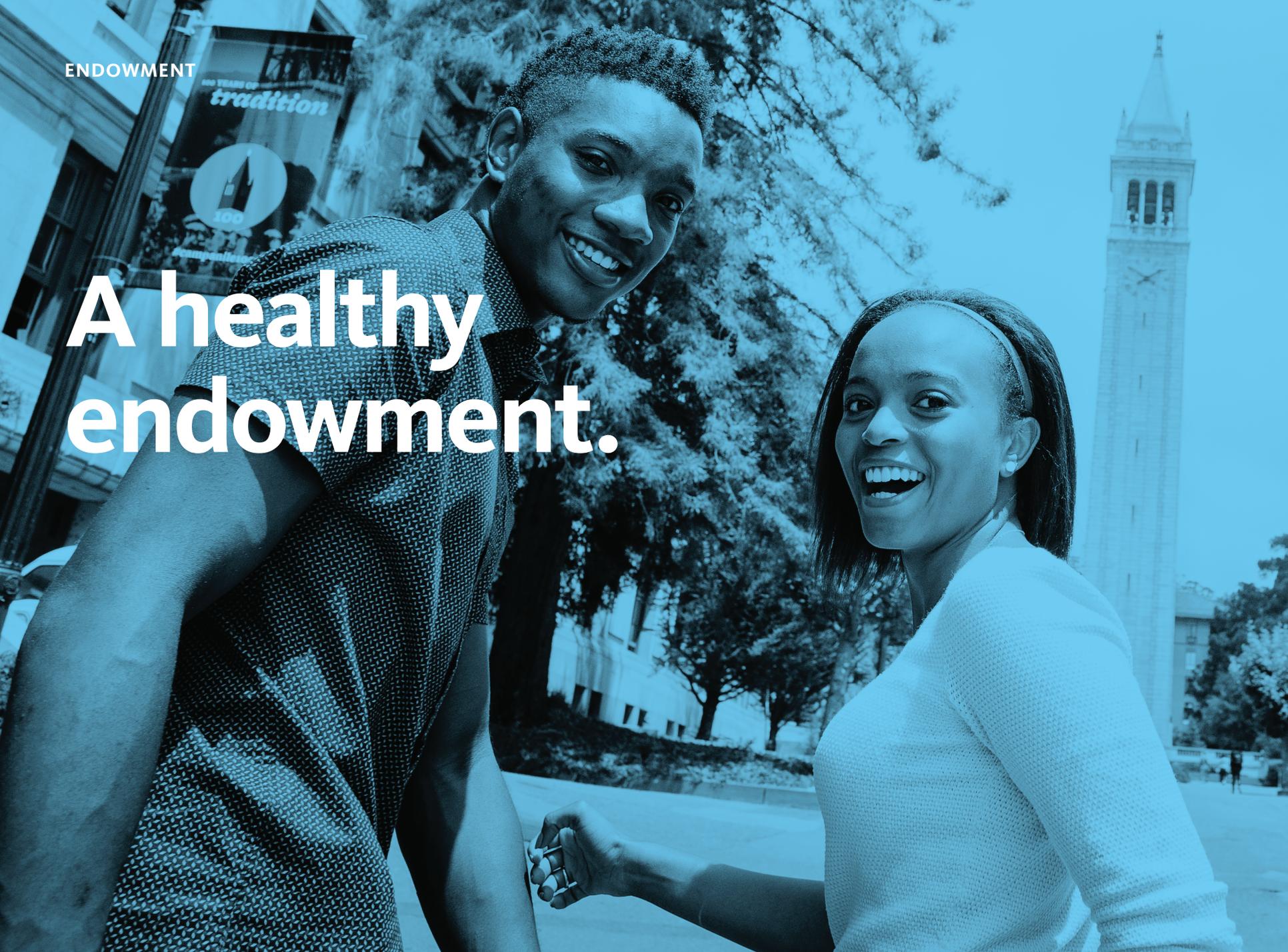
How Much Further Can Equities Go?

● Global Equities (MSCI ACWI) ● U.S. Equities (S&P 500)



ENDOWMENT

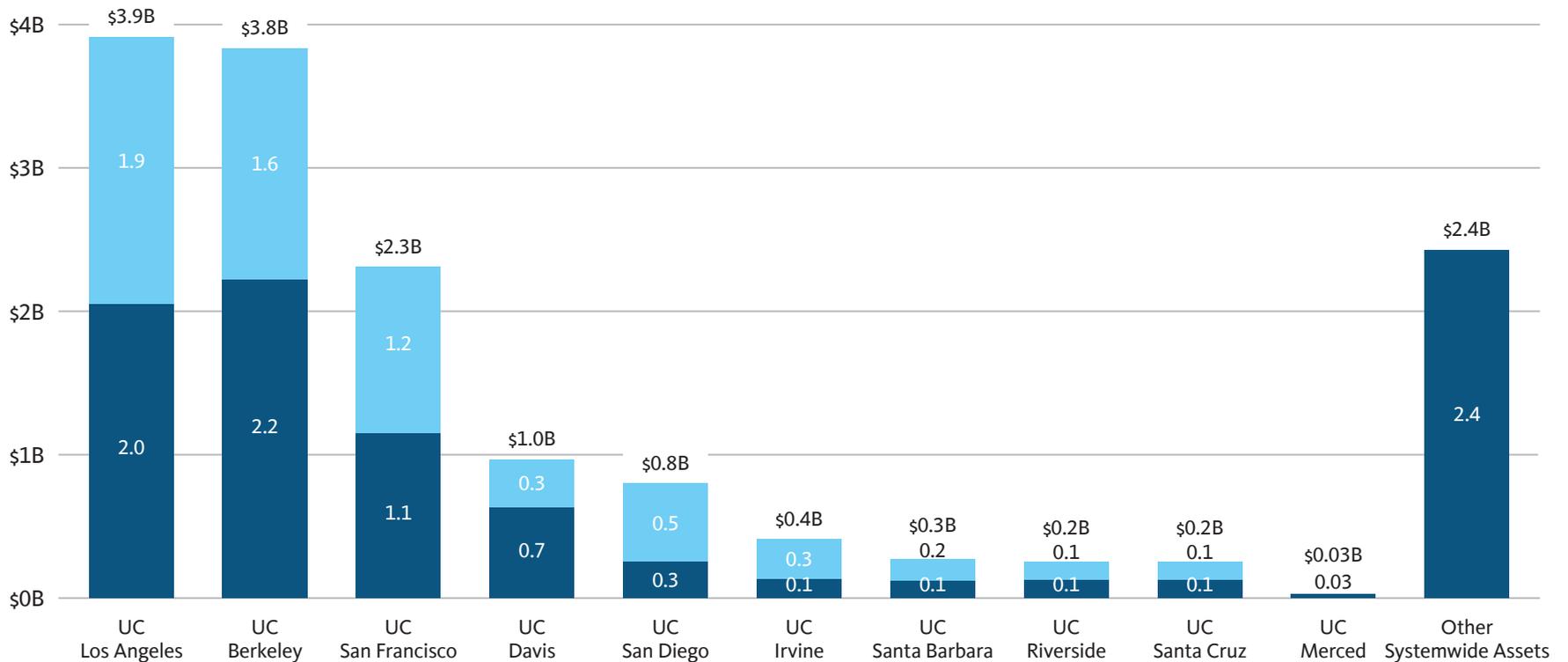
A healthy endowment.



UC Endowment and Campus Foundations

\$15.4 Billion

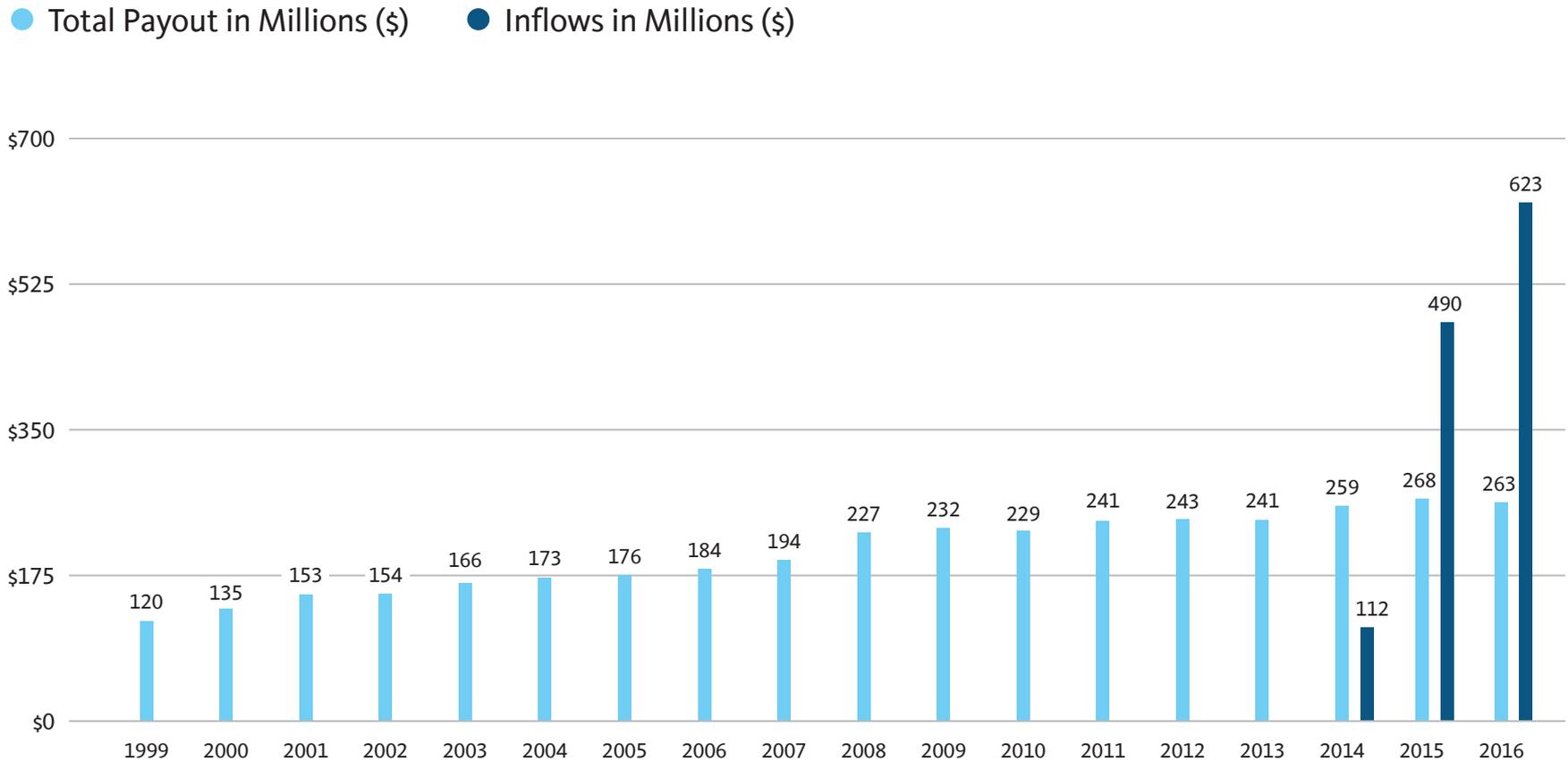
● Regents Endowment Assets ● Foundation Assets



UC Endowment

\$1.2 Billion of New Inflows

As of June 30, 2016



Endowment

2015/2016

	Market Value in Billions (\$)
June 30, 2015	\$8.9B
Market Gains	(\$0.2B)
Value Added	(\$0.1B)
Net Cash Flow	\$0.5B
June 30, 2016	\$9.1B

Endowment Asset Allocation

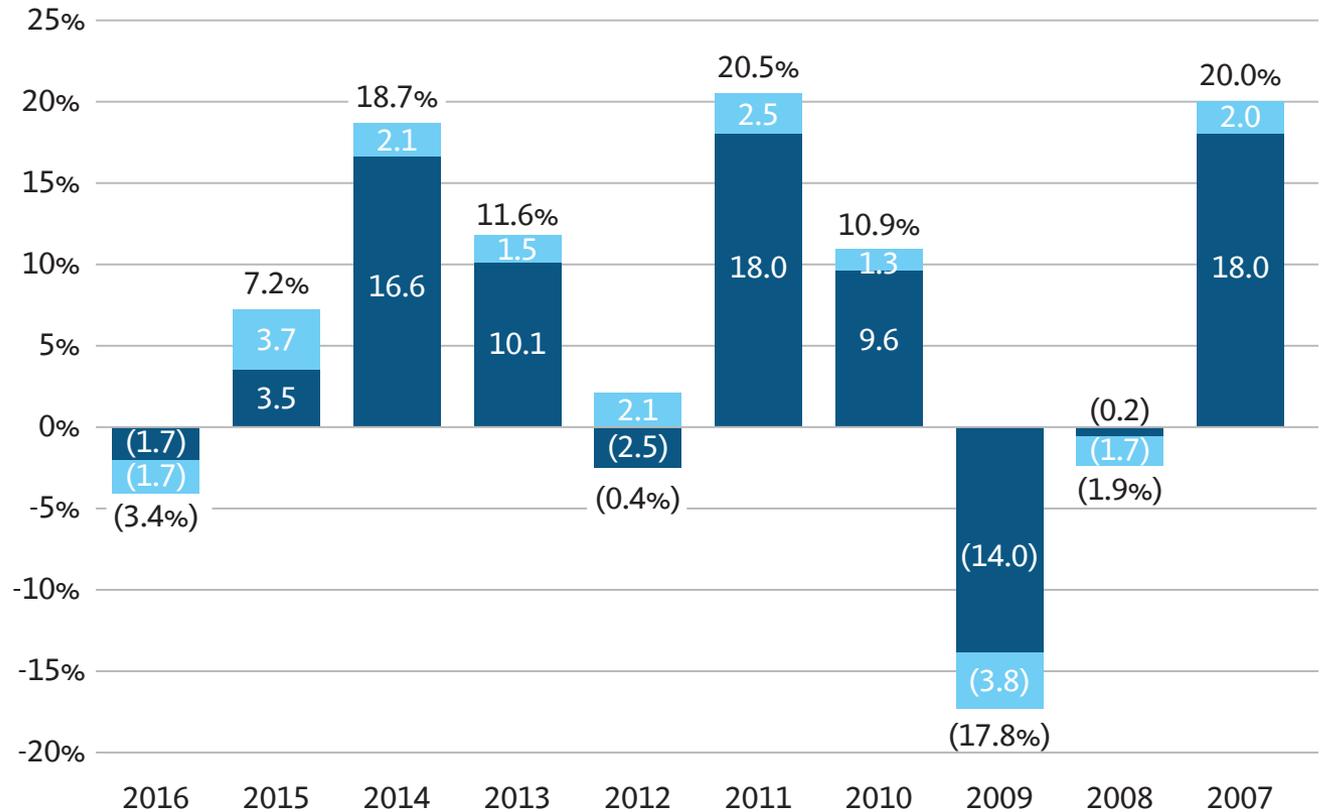
As of June 30, 2016

	Market Value in Billions (\$)	Portfolio Weight (%)	Policy Weight (%)	Overweight / (Underweight)	
Public Equity	4.2	46.3	43.2	3.1	
Fixed Income	0.8	9.0	13.0	(4.0)	
Other Investments	3.5	37.8	43.8	(6.0)	
Absolute Return	1.7	18.2	24.5	(6.3)	
Private Equity	1.1	11.7	9.4	2.3	
Real Estate	0.5	5.9	7.0	(1.1)	
Real Assets	0.2	2.0	2.9	(0.9)	
Cash	0.6	6.9	0.0	6.9	
Endowment	\$9.1 Billion	100.0%	100.0%		

Endowment

Net Returns

- Value Added
- Benchmark



As of June 30

Endowment

Investing for the Long Term

Total Dollar Value Added

\$1.6B

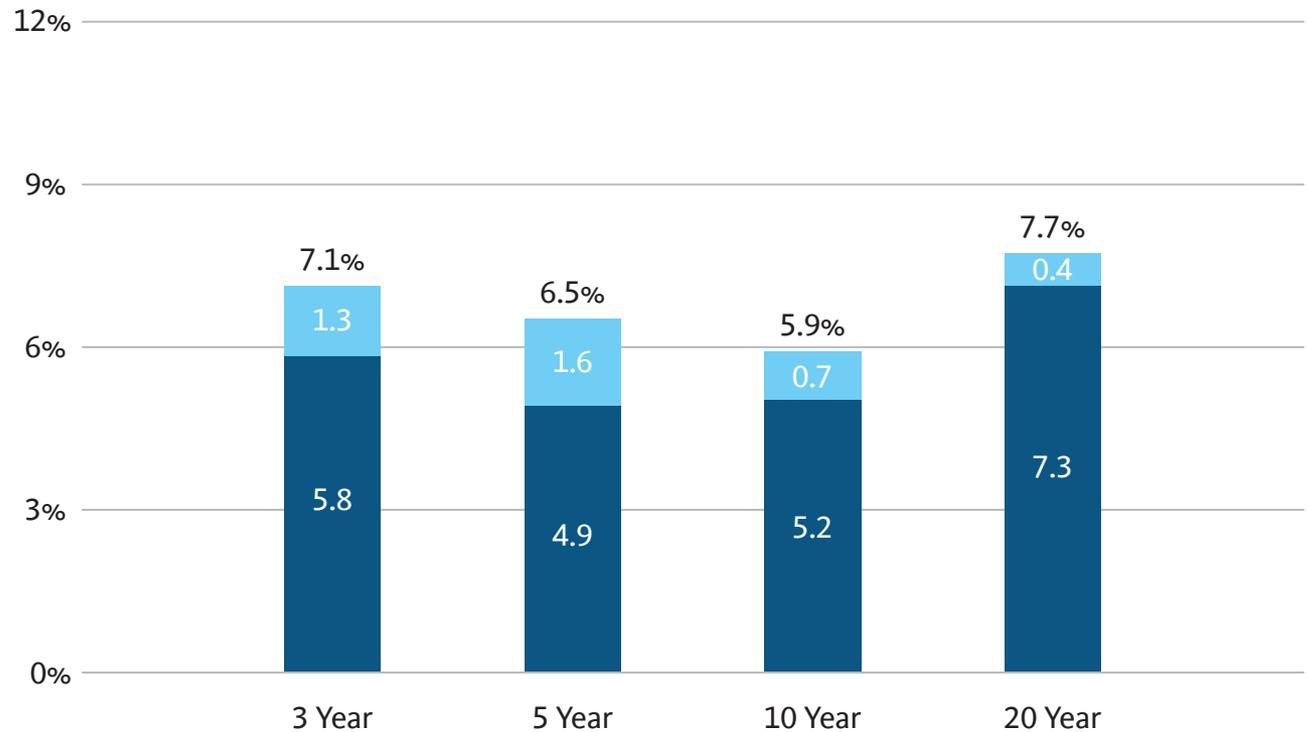
\$2.3B

\$3.9B

Net Returns

● Value Added

● Benchmark



As of June 30, 2016

PENSION

**Pension,
planned.**



Pension Retirees

\$54.1 Billion in Assets

Average Monthly Benefit **\$3,388**

Average Service Credit at Retirement **21 yrs**

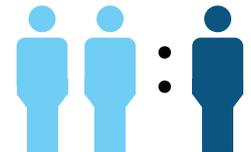
Average Age **71 yrs**

Average Age at Retirement **60 yrs**

Active Members **123,768**

Retired Members **67,321**

Active to Retiree Ratio **2 Active : 1 Retiree**



Pension

2015/2016

	Market Value in Billions (\$)
June 30, 2015	\$55.0B
Market Gains	(\$0.5B)
Value Added	(\$0.6B)
Net Cash Flow	\$0.2B
June 30, 2016	\$54.1B

Pension

Asset Allocation

As of June 30, 2016

	Market Value in Billions (\$)	Portfolio Weight (%)	Policy Weight (%)	Overweight / (Underweight)	
Public Equity	29.5	54.5	54.9	(0.4)	
Fixed Income	12.6	23.3	22.3	1.0	
Other Investments	9.4	17.4	22.8	(5.4)	
Absolute Return	2.6	4.8	6.2	(1.4)	
Private Equity	2.7	5.0	8.0	(3.0)	
Real Estate	3.1	5.7	5.5	0.2	
Real Assets	1.0	1.8	3.1	(1.3)	
Cash	2.6	4.8	0.0	4.8	
Pension	\$54.1 Billion	100.0%	100.0%		

Pension

Asset Allocation

Where we are as of June 30, 2016

	Market Value in Billions (\$)	Portfolio Weight (%)
Public Equity	29.5	54.5
Fixed Income	12.6	23.3
Other Investments	9.4	17.4
Absolute Return	2.6	4.8
Private Equity	2.7	5.0
Real Estate	3.1	5.7
Real Assets	1.0	1.8
Cash	2.6	4.8
Pension	\$54.1 Billion	100.0%

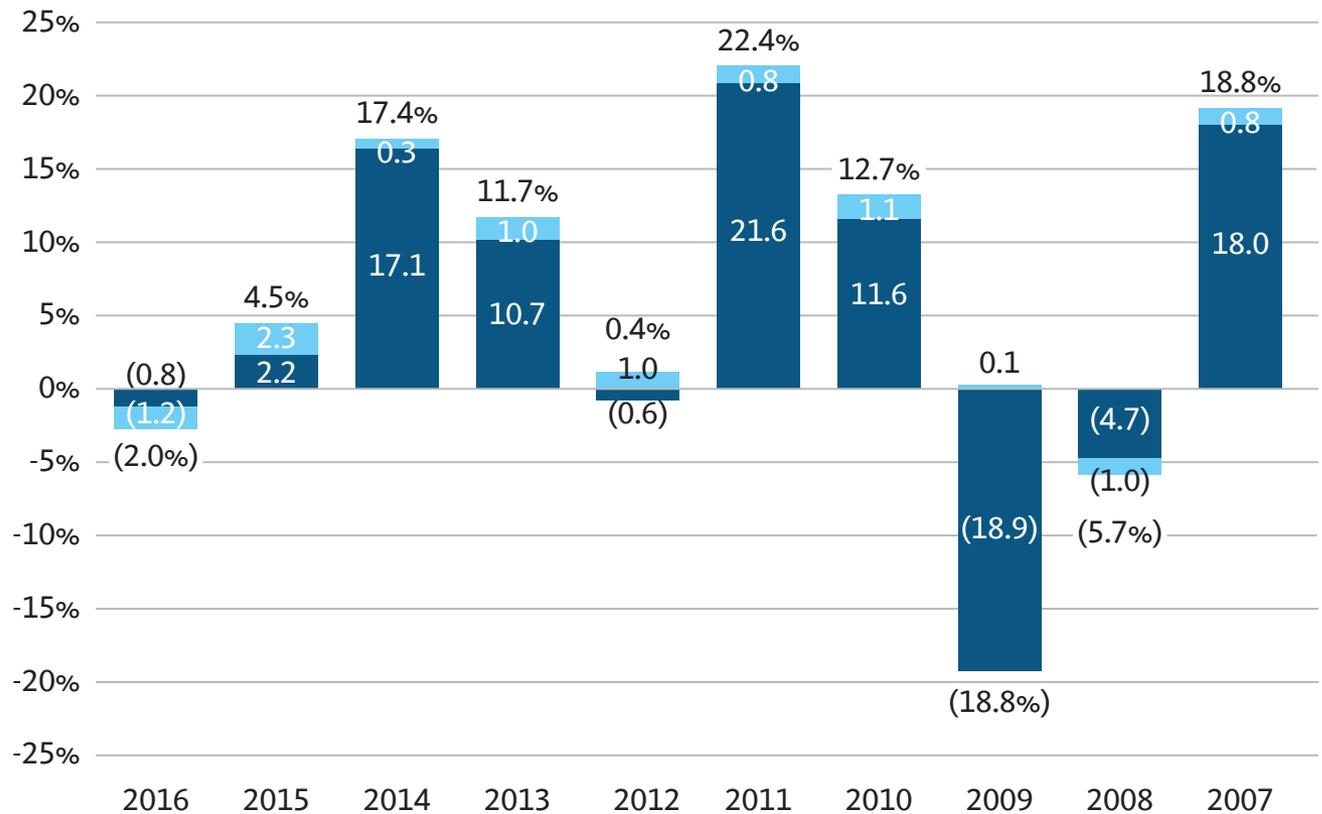
Where we are headed

Policy Weight (%)
50.0
20.0
30.0
10.0
10.0
7.0
3.0
0.0
100.0%

Pension

Net Returns

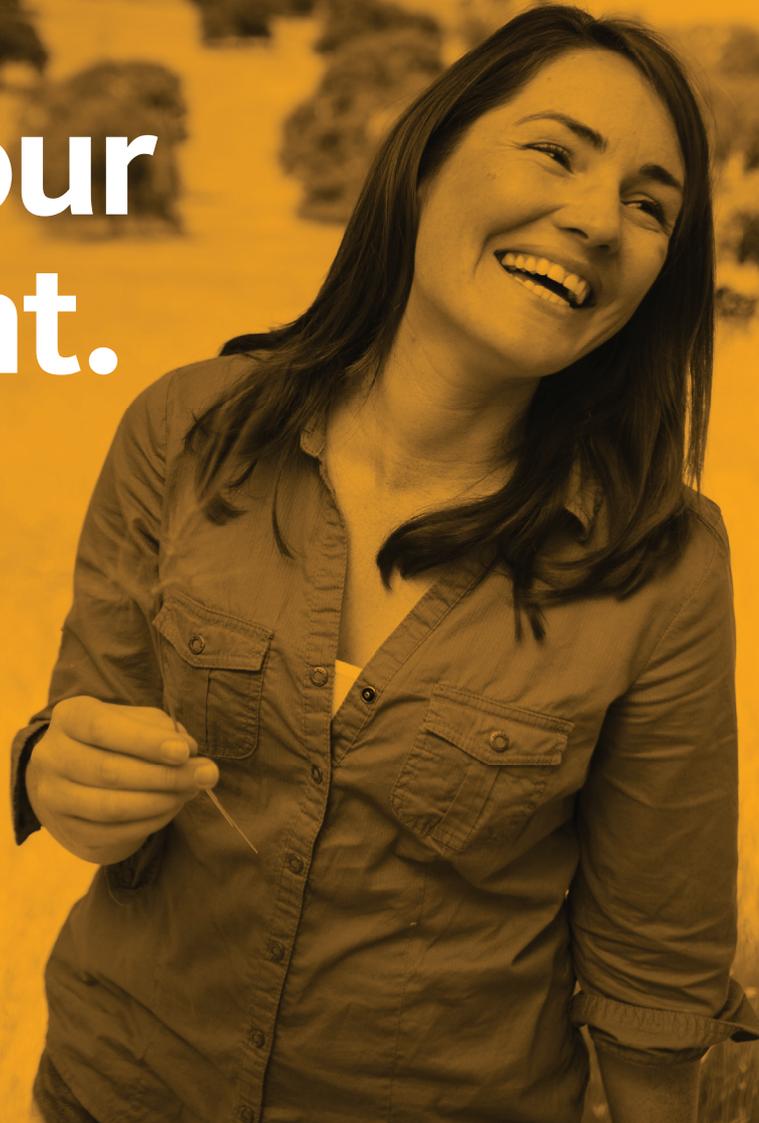
- Value Added
- Benchmark



As of June 30

RETIREMENT SAVINGS

**Design your
retirement.**



UC Retirement Savings Program

2nd largest public DC plan

Plan

Largest 403(b) plan in the U.S.

2nd largest public DC plan

Target Date Fund: \$5.5B

15 Core Options: \$13.5B

Brokerage Window: \$1.2B

Participants

~300,000 participants

Average Age: 41

Savings Rate: 9.3%

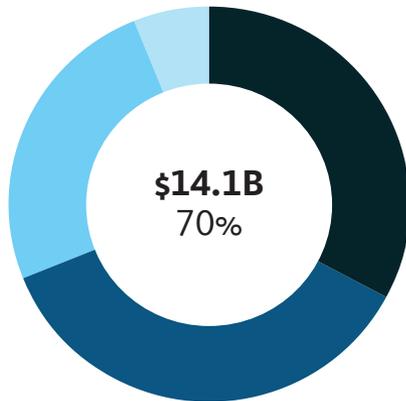
Median Account Balance: \$28,841

80% income replacement ratio: 60%

UC Retirement Savings Program

Largest 403(b) plan in the U.S.

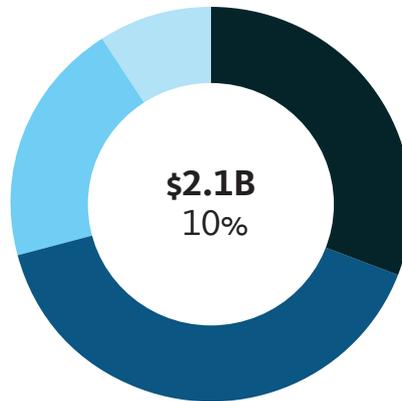
Market Value in Billions (\$)



403(b)

● Public Equity: \$4.7B	33%
● Asset Allocation: \$5.0B	36%
● Fixed Income: \$3.5B	25%
● Brokerage Link: \$0.9B	6%

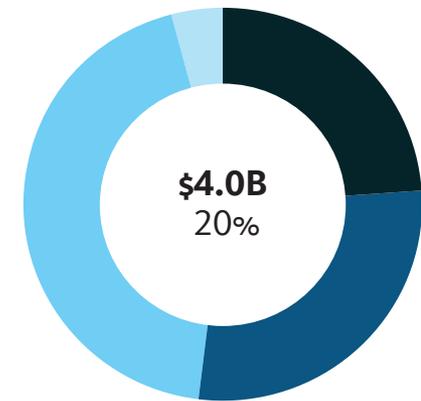
Participants: 130,897



457(b)

● Public Equity: \$0.7B	31%
● Asset Allocation: \$0.8B	40%
● Fixed Income: \$0.4B	20%
● Brokerage Link: \$0.2B	9%

Participants: 30,557



Defined Contribution

● Public Equity: \$1.0B	24%
● Asset Allocation: \$1.1B	28%
● Fixed Income: \$1.8B	44%
● Brokerage Link: \$0.1B	4%

Participants: 272,720

\$20.2 Billion Saved by 300,000 UC Participants

87% of assets in 6 investment choices

As of June 30, 2016

Target Date Fund Series

11 funds ranging from Pathway Income to Pathway 2060

\$5.5B

UC Savings Fund

A short duration bond portfolio

\$4.2B

UC Global Fund

A 100% equity fund of 85% U.S. and 15% International stocks

\$4.1B

UC Balanced Growth Fund

A fund with an equity and fixed income blend

\$1.5B

UC Bond Fund

A diversified core fixed income fund

\$1.2B

Brokerage Window

A platform allowing participants to choose their own funds

\$1.2B

UC Retirement Savings Program Evolution

2012 **Reduced costs**

Implemented institutional share class mutual funds

2013 **Streamlined investment fund choices**

Moved from 215 to 85 funds

2014 **Target Date Fund becomes default**

Replaced Savings Fund as default

2015 **Further streamlined investment choices and changed Glidepath**

Moved from 85 to 16 funds and changed risk approach of Target Date Fund

2016 **Strategic review of Program**

Strategic Review of Program

As of June 30, 2016

Target Date Fund Series

11 funds ranging from Pathway Income to Pathway 2060

\$5.5B

UC Savings Fund

A short duration bond portfolio

\$4.2B

UC Global Fund

A 100% equity fund of 85% U.S. and 15% International stocks

\$4.1B

UC Balanced Growth Fund

A fund with an equity and fixed income blend

\$1.5B

UC Bond Fund

A diversified core fixed income fund

\$1.2B

Brokerage Window

A platform allowing participants to choose their own funds

\$1.2B

WORKING CAPITAL

Capital, working.

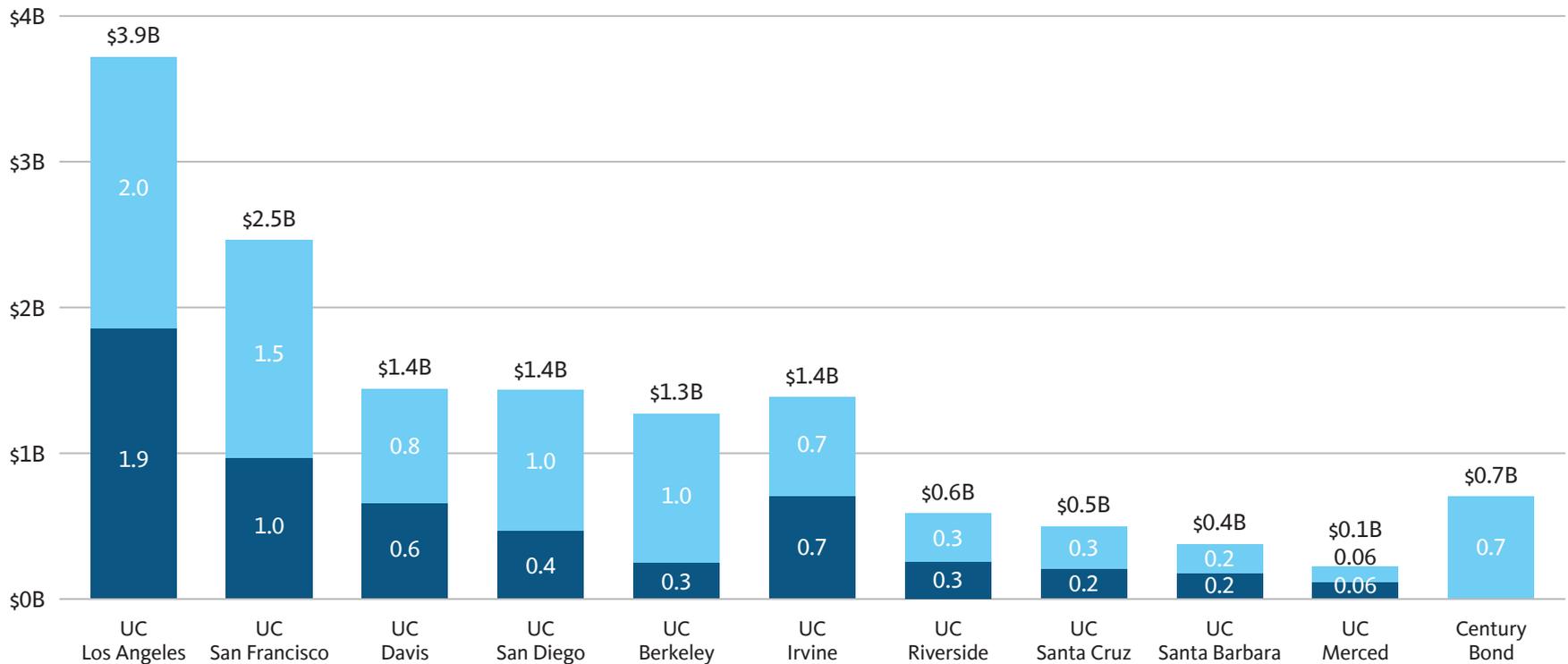


UC Working Capital

\$14.2 Billion

As of June 30, 2016

● Short Term ● Total Return



Working Capital

2015/2016

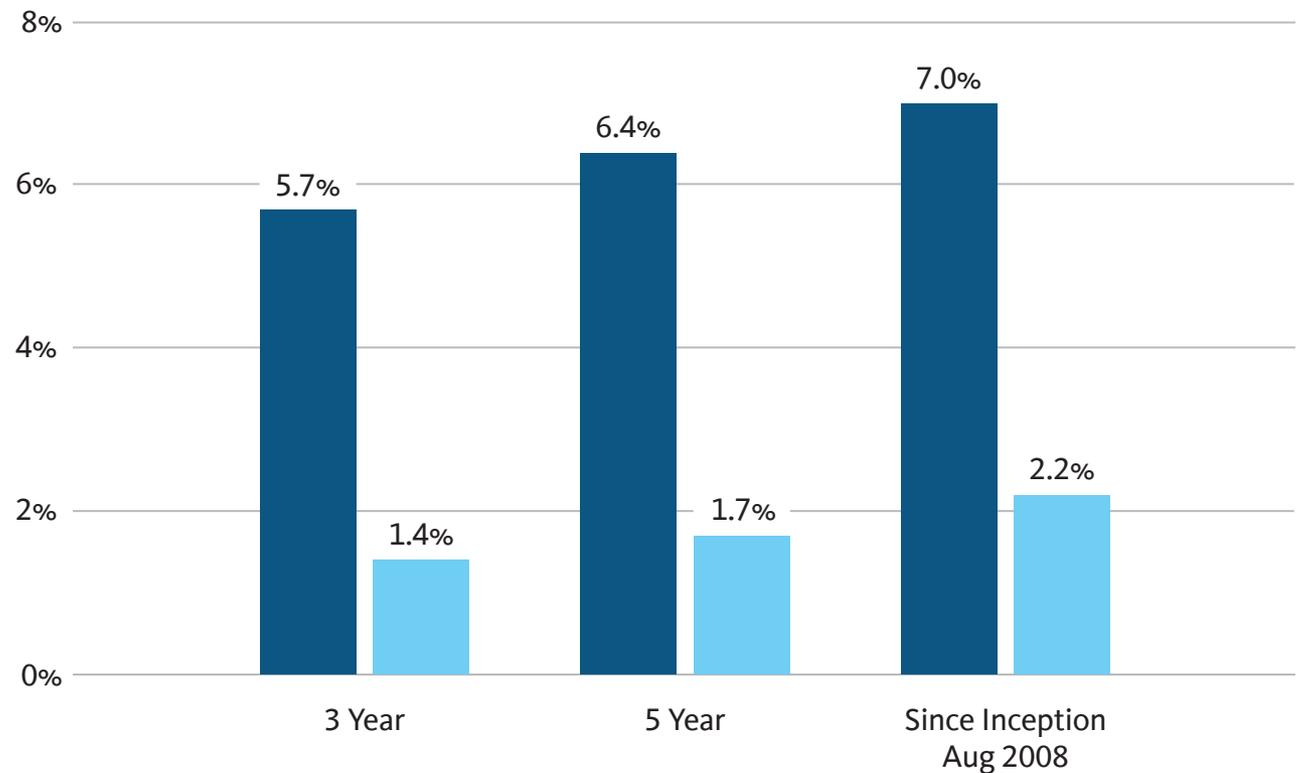
	Market Value in Billions (\$)		
	Total Return	Short Term	Total Working Capital
June 30, 2015	\$7.4B	\$6.8B	\$14.2B
Market Gains	\$0.2B	\$0.0B	\$0.2B
Value Added	(\$0.1B)	\$0.1B	\$0.0B
Net Cash Flow	\$1.4B	(\$1.6B)	(\$0.2B)
June 30, 2016	\$8.9B	\$5.3B	\$14.2B

Total Return versus Short Term

Investing for the Long Term

Net Returns

- Total Return
- Short Term



As of June 30, 2016

Total Return

2015/2016

	Market Value in Billions (\$)
June 30, 2015	\$7.4B
Market Gains	\$0.2B
Value Added	(\$0.1B)
Net Cash Flow	\$1.4B
June 30, 2016	\$8.9B

Total Return

Asset Allocation

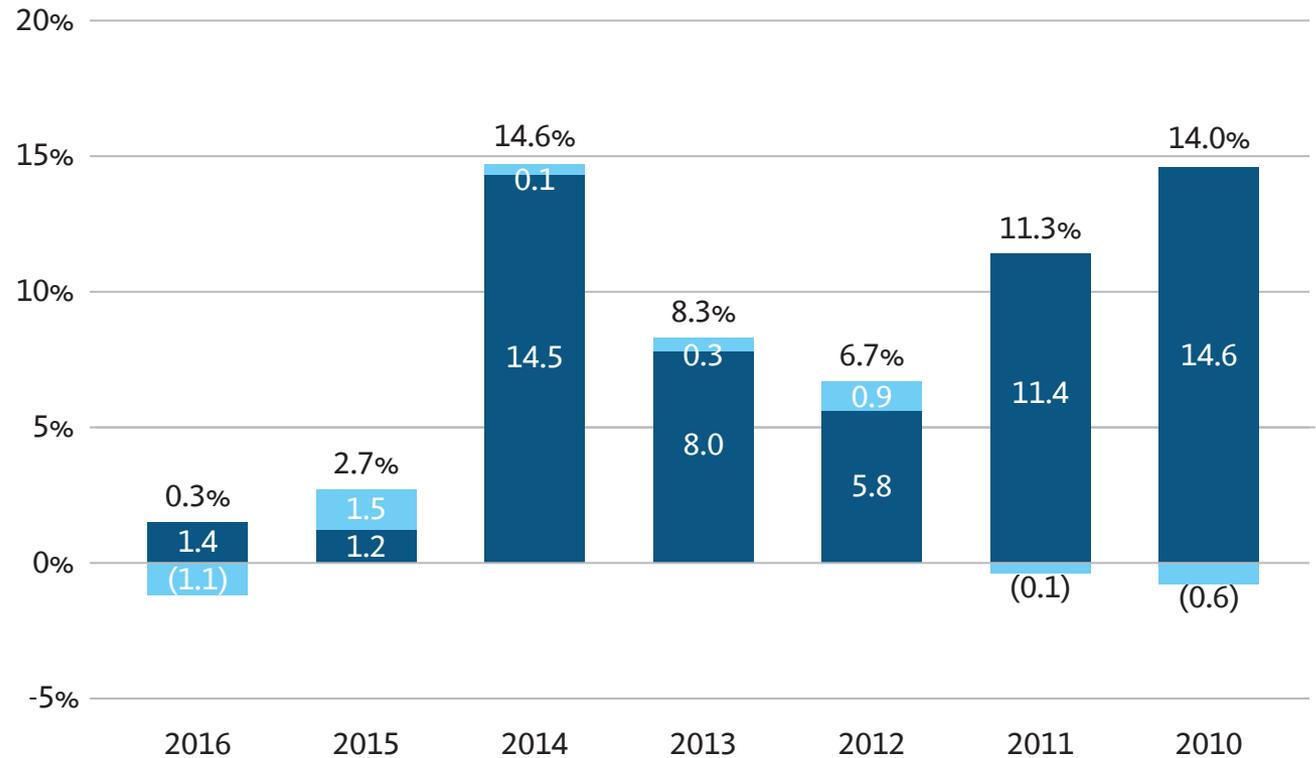
As of June 30, 2016

	Market Value in Billions (\$)	Portfolio Weight (%)	Policy Weight (%)	Overweight / (Underweight)
Public Equity	3.1	35.2	35.0	0.2
Fixed Income	4.5	50.9	50.0	0.9
Absolute Return	1.0	11.8	15.0	(3.2)
Cash	0.2	2.1	0.0	2.1
Total Return	\$8.9 Billion	100.0%	100.0%	

Total Return

Net Returns

- Value Added
- Benchmark



As of June 30

Total Return

Investing for the Long Term

Total Dollar Value Added

\$1.2B

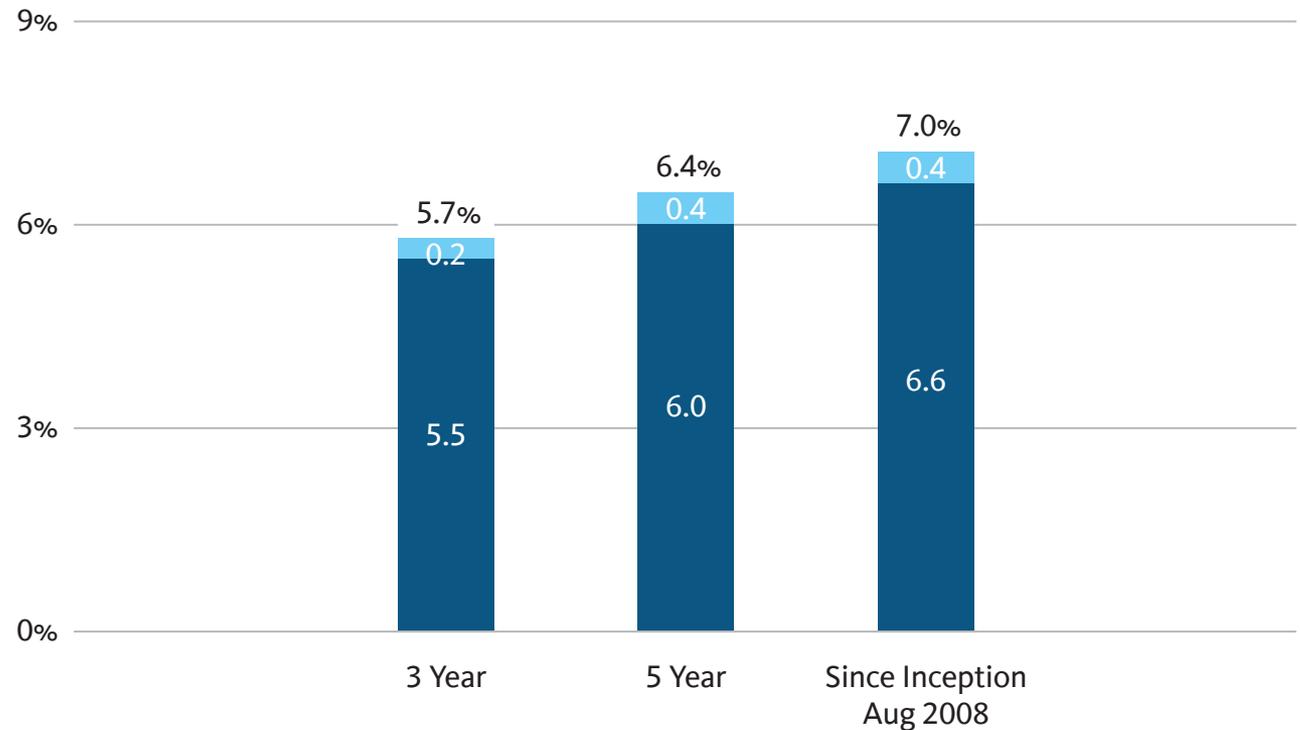
\$1.8B

\$2.2B

Net Returns

● Value Added

● Benchmark



As of June 30, 2016

Short Term Investment Policy

Preservation of capital

Three year duration limit

Streamline policy

Short Term

2015/2016

	Market Value in Billions (\$)
June 30, 2015	\$6.8B
Market Gains	\$0.0B
Value Added	\$0.1B
Net Cash Flow	(\$1.6B)
June 30, 2016	\$5.3B

Short Term Asset Allocation

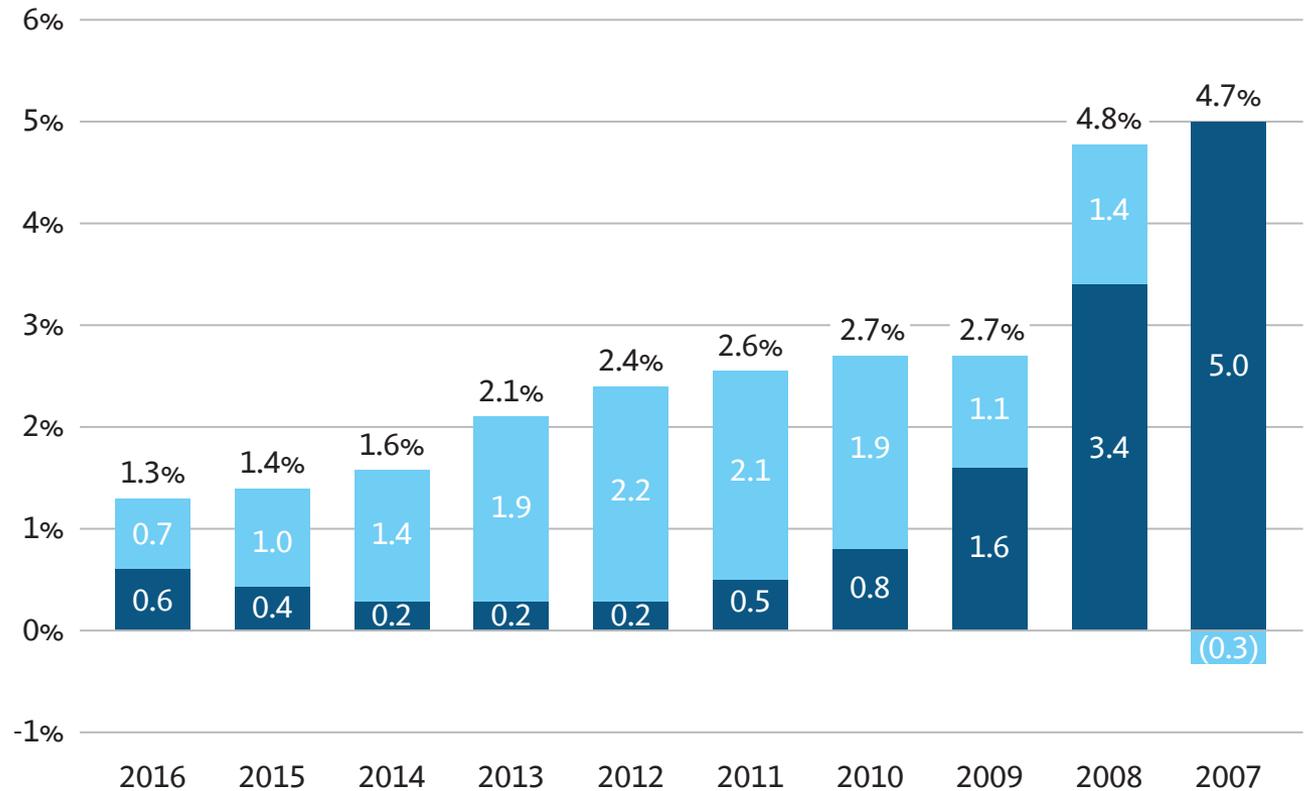
As of June 30, 2016

	Market Value in Billions (\$)	Portfolio Weight (%)	
Corporates	2.3	42.7	
Commercial Paper	1.7	32.9	
Governments	1.2	23.2	
Cash	0.1	1.2	
Short Term	\$5.3 Billion	100.0%	

Short Term

Net Returns

- Value Added
- Benchmark



As of June 30

Short Term Investing for the Long Term

Total Dollar Value Added

\$0.3B

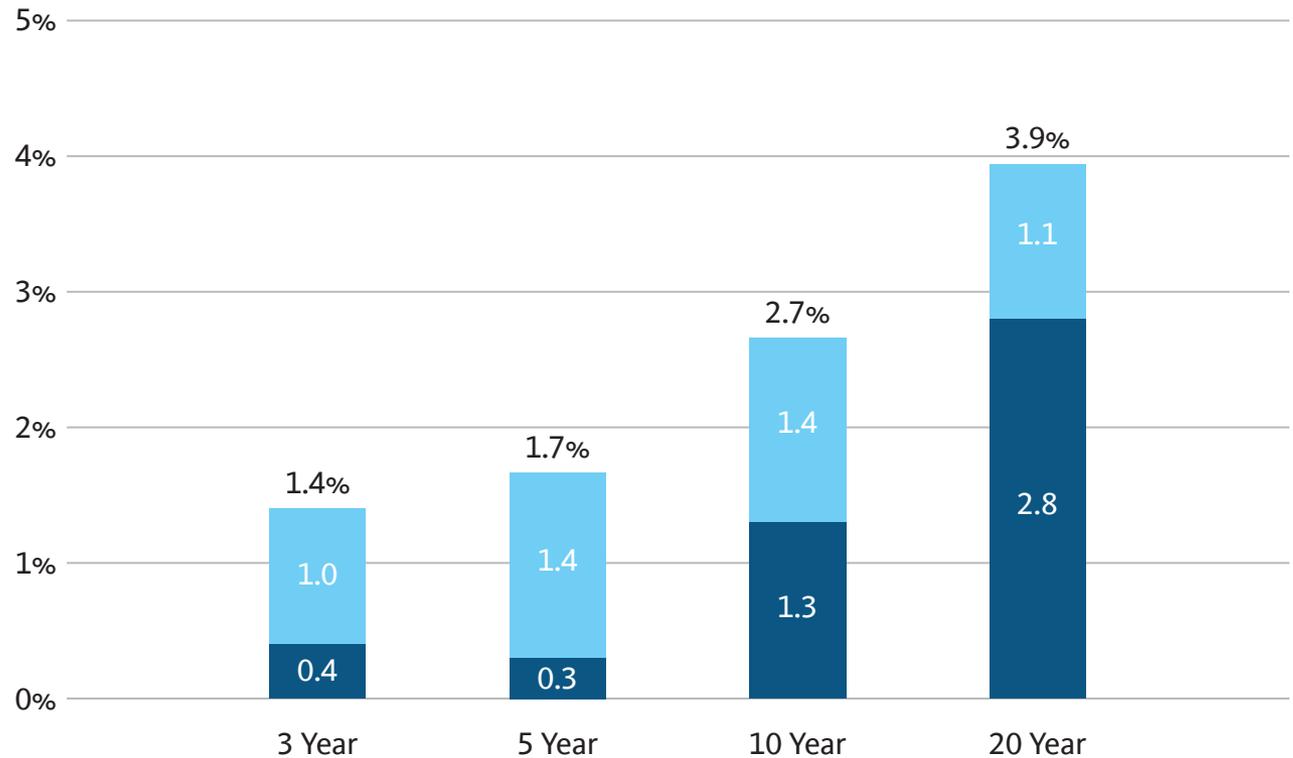
\$0.6B

\$2.1B

Net Returns

● Value Added

● Benchmark



As of June 30, 2016

Opportunities in a low growth environment

Collaborate with our stakeholders to set realistic expectations

Manage products differently based on their risk and return objectives

Complete asset and risk allocation for all products

Add value through passive and active management

Aggressively reduce costs in a low-return environment

Benefit from our competitive advantages

Size. Scale. Patience. The UC.

University of California

Sustainable Investing

Breakthrough Energy Coalition

Cash and Liquidity Management

Fiat Lux

UC Ventures Program

A photograph of two young girls sitting on rocks in a stream. They are holding thin sticks with small paper flags attached. The scene is bathed in a warm, golden light, suggesting late afternoon or early morning. The background is a rocky stream bed with some water visible.

**Investing in a
better world.**

Appendix



Endowment Policy

Asset Class	Benchmark	June 30, 2016 Target	July 1, 2016 Target
Total Public Equity		43.2%	42.5%
U.S. Equity	Russell 3000 Tobacco Free Index	16.1%	21.0%
Developed Equity	MSCI World ex-U.S. (net dividends) Tobacco Free	10.4%	14.0%
Emerging Market Equity	MSCI Emerging Market (net dividends)	6.3%	7.5%
Global Equity	MSCI All Country World Index (net dividends)	10.4%	0.0%
Total Fixed Income		13.0%	12.5%
U.S. Core Fixed Income	Barclays U.S. Aggregate Bond Index	5.2%	5.0%
High Yield Debt	Merrill Lynch High Yield Cash Pay Index	2.6%	2.5%
Emerging Market Debt	JP Morgan Emerging Markets Bond Index Global Diversified	2.6%	2.5%
TIPS	Barclays U.S. TIPS	2.6%	2.5%
Total Other Investments		43.8%	45.0%
Absolute Return	HFRX Absolute Return Index (Prior to February 2016 blended weighted composite)	24.5%	23.0%
Private Equity	Actual Private Equity Returns	9.4%	11.5%
Real Estate	NCREIF Funds Index-Open End Diversified Core Equity Index	7.0%	7.5%
Real Assets	Actual Real Assets Portfolio Returns	2.9%	3.0%
Total		100.0%	100.0%

Pension Policy

Asset Class	Benchmark	June 30, 2016 Target	July 1, 2016 Target	Policy Weight (%)
Total Public Equity	MSCI All Country World Index IMI Tobacco Free (net dividends)	54.9%	52.3%	50.0%
U.S. Equity	Russell 3000 Tobacco Free Index	24.1%	27.9%	25.0%
Developed Equity	MSCI World ex-U.S. (net dividends) Tobacco Free	15.0%	18.9%	20.0%
Emerging Market Equity	MSCI Emerging Market (net dividends)	7.0%	5.5%	5.0%
Opportunistic Equity	MSCI All Country World Index (net dividends)	8.8%	—	—
Total Fixed Income		22.3%	21.5%	20.0%
U.S. Core Fixed Income	Barclays U.S. Aggregate Bond Index	12.4%	13.4%	13.0%
High Yield Debt	Merrill Lynch High Yield Cash Pay Index	2.6%	2.9%	2.5%
Emerging Market Debt	JP Morgan Emerging Markets Bond Index Global Diversified	2.6%	2.4%	2.5%
TIPS	Barclays U.S. TIPS	4.7%	2.8%	2.0%
Total Other Investments		22.8%	23.5%	30.0%
Private Equity	Actual Private Equity Returns	8.0%	7.5%	10.0%
Absolute Return	HFRI Fund of Funds Index effective July 2016. Prior was a combination of weighting of HFRX Absolute Return and HFRX Absolute Return Market Directional since 2009	6.2%	7.3%	10.0%
Real Estate	NCREIF Funds Index-Open End Diversified Core Equity Index	5.5%	6.3%	7.0%
Real Assets	Actual Real Assets Returns	3.1%	2.4%	3.0%
Cash		0.0%	2.7%	0.0%
Total		100.0%	100.0%	100.0%

Total Return Policy

Asset Class	Benchmark	June 30, 2015 Target	July 1, 2015 Target	June 30, 2016 Target
Total Equity	MSCI All Country World Index IMI Tobacco Free	50.0%	40.0%	35.0%
U.S. Equity		15.0%		
Non-U.S. Equity		7.5%		
Emerging Market Equity		7.5%		
Global Equity		10.0%		
Real Estate – Public		10.0%		
Total Income	Barclays U.S. Aggregate Bond Index	29.5%	47.5%	50.0%
Core		19.5%		
High Yield		5.0%		
Emerging Market Debt		5.0%		
Absolute Return	HFRX Market Directional Index	10.0%	12.5%	15.0%
Cross Asset Class		10.5%		
Total		100.0%	100.0%	100.0%

Short Term Policy

Asset Class	Benchmark	June 30, 2016 Target
Cash	U.S. 30-Day Treasury Bills	34.0%
Short Term Fixed income	Income Return on a Constant Maturity Two-Year U.S. Treasury Note	66.0%
Total		100.0%

A photograph of two young girls sitting on rocks in a stream. They are holding thin sticks with small paper flags attached. The scene is bathed in a warm, golden light, suggesting late afternoon or early morning. The background is a rocky, wooded area. The text 'Investing in a better world.' is overlaid on the left side of the image in a white, sans-serif font.

**Investing in a
better world.**