



University of California Retirement Plan

The largest pool of assets managed by the Office of the Chief Investment Officer is the University of California Retirement Plan (UCRP), created in 1961. UCRP is a defined benefit plan, whereby retirement benefits are a function of the employee's age, average salary, and length of service.

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)

Summary of Investments¹ (\$ in thousands)

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

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

INVESTMENT OBJECTIVE

The overall investment objective for all UCRP assets is to maximize real, long-term total returns (income plus capital appreciation adjusted for inflation), while assuming appropriate levels of risk. UCRP's specific objective is to maximize the probability of meeting the Plan's liabilities, subject to the Regents' funding policy, and to preserve the real (inflation adjusted) purchasing power of assets.

OVERALL INVESTMENT STRATEGY

The benchmarks for the individual UCRP asset classes for the 2012-2013 fiscal year are listed on page 27. The asset allocation benchmarks and portfolio guidelines are designed to manage risk and ensure portfolio diversification and are reviewed monthly. The Regents' Committee on Investments adopts performance benchmarks for each asset class, as advised by the Office of the CIO. In order to continue to achieve the

UCRP investment objectives, the Regents approved the following long-term asset allocation policy in March 2013:

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

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

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

¹ For FY2012 and FY2013, the cash portion of the various portfolios excluded the unrealized market appreciation or depreciation of STIP investments, accounts receivable and accounts payable, and the investments in the security lending collateral pool. Therefore, the balances differ from the UC Annual Financial Report. UCRP's investments include assets associated with the UC PERS Voluntary Early Retirement Incentive Program, totaling \$65.2 million. The UCRP assets were unitized with UCRP and PERS jointly owning all the units. The method of rounding may produce the appearance of minor inconsistencies in various totals and percentages but the differences do not affect the accuracy of the data.

² See Private Equity Performance information on page 13 for comparison of Private Equity to multiple performance metrics.

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



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

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

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

EQUITY INVESTMENTS STRATEGY AND RETURNS

The Office of the CIO has an internal team of experienced investment professionals who implement the Regents' allocation to public equity. Assets are segmented into U.S. Equity, Non-U.S. Developed Equity, and Emerging Markets. The Office team selects multiple equity strategies and the external managers to implement these strategies. After managers are selected, aggregate exposures are compared to the benchmark to ensure that the combination of managers does not result in unintended risk. After managers are hired, considerable time is spent in monitoring them on an ongoing basis. The combined assets in each of the asset classes are monitored under investment guidelines established by the Regents. Each asset class is managed according to a risk budget framework set by the Regents. The allocation between passive and active strategies is determined by both the risk budget and by the opportunities to add value to the benchmark for each asset class.

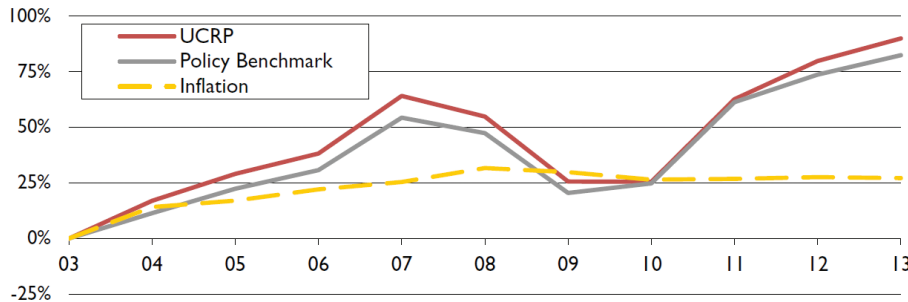
As of June 30, 2013, approximately 40% of Domestic Equity assets and 50% of Non-U.S. Developed Equity assets were managed in active strategies by 32 external managers.

Approximately 70% of the Emerging Market Equity assets were actively managed by 11 firms.

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

FIXED INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed Income investments, the Office of the Chief Investment Officer analyzes relative value among the core benchmark sectors of governments, corporates, and mortgage-backed securities and overweights those sectors and securities offering attractive real returns, while maintaining a risk level commensurate with the benchmark index. At year-end, total Fixed Income investments constituted 23% of the portfolio, with a market value of



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

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

¹ Annual Total Risk is defined as the standard deviation of monthly total return over the 12-month period, ending June 30.

² Total Contributions and Investment Activity include employer and member contributions, investment income, and realized and unrealized gains and losses.

³ Total Payments and Expenses include retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments, member withdrawals, and administrative and other expenses.

⁴ Surplus assets are as of the beginning of the fiscal year and calculated as the difference of actuarial (or smoothed) assets and actuarial liabilities, neither of which are shown in the table above.

⁵ The Funded Ratio is the ratio of actuarial assets and actuarial liabilities, as of the beginning of the fiscal year.



University of California Retirement Plan

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

For TIPS, the Office seeks to maximize long-term total returns and increase portfolio diversification, given TIPS' low correlation with other asset classes. UCRP's TIPS represented 6% of total assets with a market value of approximately \$2.8 billion on June 30, 2013. TIPS fell to -4.39% for the fiscal year, gained 4.81% for the five-year period, and 5.46% for the 10-year period.

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

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event driven and other "hedge fund" strategies. Currently, the AR portfolio is benchmarked to an index comprised of 50% absolute-return, low-market-exposure strategies and 50% directional, higher-market-exposure strategies. As of June 30, 2013, the AR portfolio represented 6% of the UCRP, with a market value of \$2.5 billion. It had a one-year return of 8.79% and five-year annualized return of 2.61%.

The Cross-Asset Class Strategy investment portfolio was approved by the Regents on March 22, 2011. The key objective is to identify and invest in assets that provide attractive risk-adjusted returns beneficial to the UCRP through investments that cut across the various asset-class silos. This strategy is also expected to bring a strategic partnership approach with a limited number of managers in an effort to enhance total portfolio returns. CAC made up 3% of the UCRP portfolio, had a fiscal-year return of 7.34% and market value of \$1.5 billion.

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

For Private Equity, the Office seeks opportunities through high-caliber, top-tier buyout funds and select venture-capital partnerships. Private Equity represented 8%

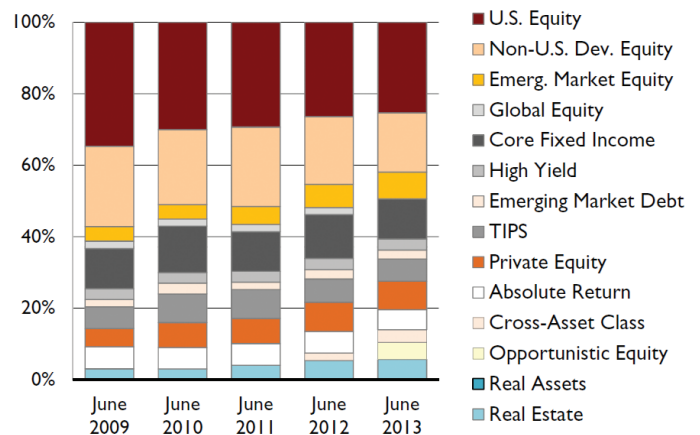
of UCRP at year-end with a market value of \$3.5 billion. UCRP returns for this asset class in the fiscal year were 8.96% and 13.04% for the 10-year period.

Real Assets was added to UCRP on April 1, 2010, and is now 2% of the portfolio. Real Assets is primarily composed of energy assets, timberland, infrastructure, and commodities. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets. The market value of the Real Assets investments as of June 30, 2013, was approximately \$874 million and the return for the fiscal year was 4.15%.

For Real Estate, the Office seeks investments that provide long-term risk-adjusted total returns between U.S. equities and bonds; diversification benefits given Real Estate's low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income. Real Estate represented 6% of UCRP at year end, with a market value of \$2.5 billion. Private Real Estate, with a market value of \$2.3 billion, returned 10.47% in the fiscal year. Public Real Estate, which began in September 2008, had a market value of \$218 million and returned 12.74%.

ASSET MIX

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



UCRP FUNDING

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



UCRP ANNUALIZED TOTAL RETURNS¹ VERSUS BENCHMARKS AND INFLATION
June 30, 2013

	1-Year	5-Years	10-Years	10-Year Cumulative	Benchmark Description
TOTAL FUND					
UCRP	11.71%	4.67%	6.62%	89.91%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	10.68	3.91	6.20	82.43	
Inflation	1.75	1.31	2.43	27.14	
U.S. EQUITY					
UCRP	22.11%	7.21%	7.54%	106.88%	Russell 3000 Tobacco Free (TF) Index.
Policy Benchmark	21.75	7.10	7.67	109.32	
NON-U.S. DEVELOPED EQUITY²					
UCRP	17.79%	-0.15%	8.22%	120.34%	MSCI World ex-U.S. (net dividends) TF.
Policy Benchmark	17.27	-0.98	7.74	107.77	
EMERGING MARKET EQUITY³					
UCRP	4.04%	0.46%	13.92%	268.28%	MSCI Emerging Market (net dividends)
Policy Benchmark	2.87	-0.43	13.66	259.92	
U.S. CORE FIXED INCOME					
UCRP	0.97%	6.05%	4.96%	62.21%	Barclays U.S. Aggregate Bond Index.
Policy Benchmark	-0.69	5.44	4.84	60.43	
HIGH-YIELD BOND					
UCRP	10.20%	10.50%	N/A	N/A	Merrill Lynch High Yield Cash Pay Index.
Policy Benchmark	9.44	10.49	N/A	N/A	
EMERGING MARKET DEBT					
UCRP	1.23%	7.98%	N/A	N/A	JPMorgan Emerging Market Bond Index Global Diversified
Policy Benchmark	0.97	8.17	N/A	N/A	
TIPS					
UCRP	-4.39%	4.81%	5.46%	N/A	Barclays U.S. TIPS.
Policy Benchmark	-4.78	4.41	5.19	N/A	
PRIVATE EQUITY³					
UCRP	8.96%	5.72%	13.04%	240.69%	Actual PE Returns.
ABSOLUTE RETURN STRATEGIES⁴					
UCRP	8.79%	2.61%	N/A	N/A	50% HFRX Absolute Return Index + 50% HFRX Market Directional Index.
Policy Benchmark	5.54	2.15	N/A	N/A	
CROSS-ASSET CLASS STRATEGY⁵					
UCRP	7.34%	N/A	N/A	N/A	Aggregate UCRP Policy Benchmark.
Policy Benchmark	10.68	N/A	N/A	N/A	
OPPORTUNISTIC EQUITY⁶					
UCRP	N/A	N/A	N/A	N/A	MSCI All Country World Index (net dividends)
Policy Benchmark	N/A	N/A	N/A	N/A	
REAL ASSETS					
UCRP	4.15%	N/A	N/A	N/A	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return.
Policy Benchmark	2.33	N/A	N/A	N/A	
PUBLIC REAL ESTATE					
UCRP	12.74%	N/A	N/A	N/A	FTSE EPRA NAREIT Global Index.
Policy Benchmark	14.19	N/A	N/A	N/A	
PRIVATE REAL ESTATE					
UCRP	10.47%	-8.29%	N/A	N/A	NCREIF Funds Index-Open-End Diversified Core Equity (lagged three months).
Policy Benchmark	9.68	-7.54	N/A	N/A	

¹ UCRP's total returns are net of (after) the investment management, administrative expenses, and external management fees. The asset class returns reflect investment returns. The performance of the Regents' total return investment portfolio is calculated by State Street Bank, according to the standard recommended by the Bank Administration Institute (BAI), which uses a time-weighted methodology that essentially neutralizes the effect of contributions and withdrawals so as to measure only the return on assets. For FY 2012-2013, the cost of managing the UCRP was 75 basis points, comprised of 67 basis points attributable to external money managers and 8 basis points to UC's internal costs (5 basis points related to administrative costs and 3 basis points related to investment management and custodial expenses).

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

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

⁴ Benchmark for Absolute Return (AR) class was changed effective March 1, 2009, from TBills + 450 bp to 50% HFRX-AR Index + 50% HFRX-MID Index.

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

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