



UNIVERSITY OF CALIFORNIA

Office of the Chief Investment Officer

Retirement Savings

Investment Review as of December 31, 2015

February 26, 2016

Growing Portfolios Building Partnerships

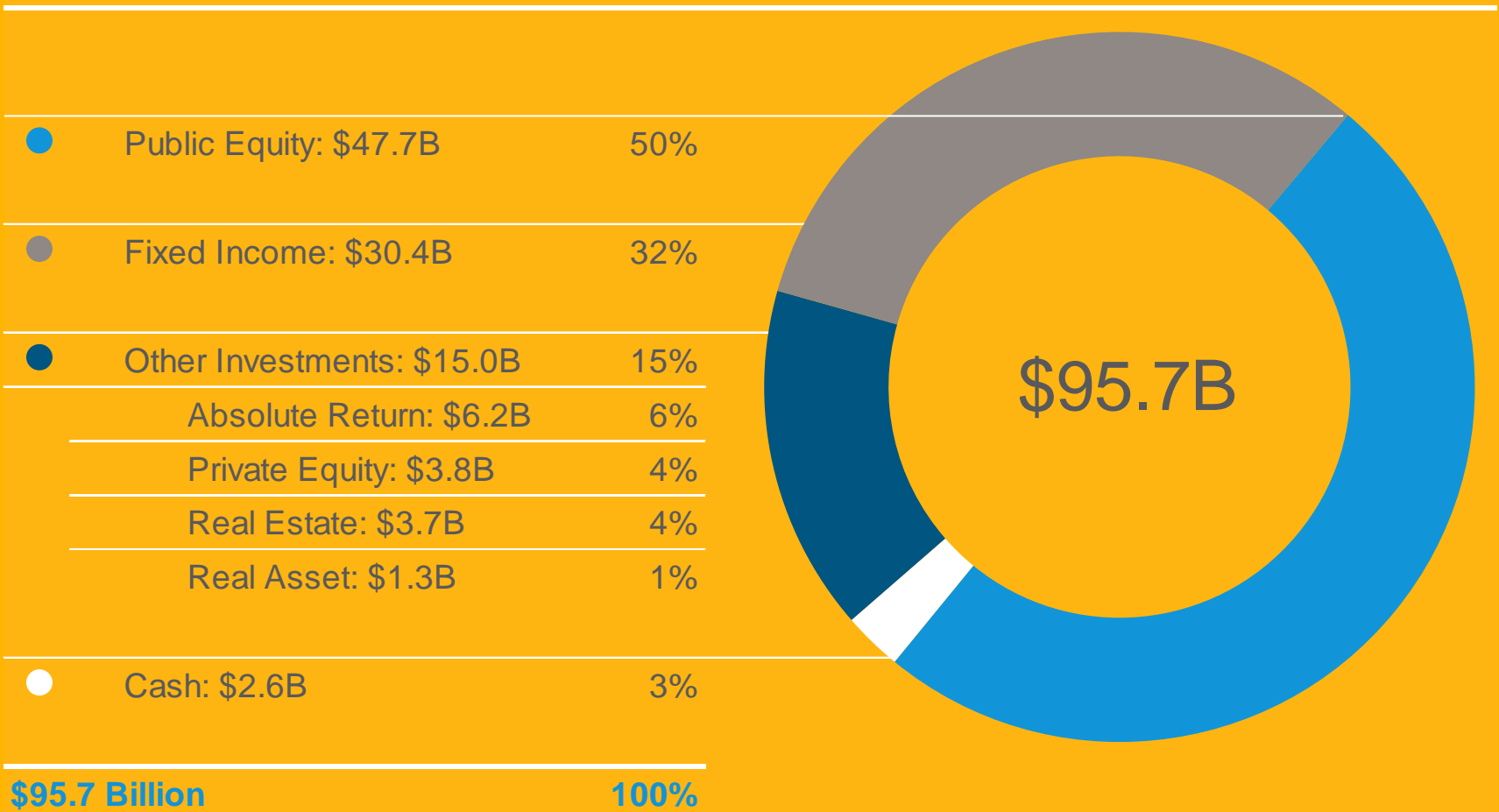
UC Investments

**Delivering
value
through
values.**

OUR INVESTMENT BELIEFS

Our Products

As of December 31, 2015



1

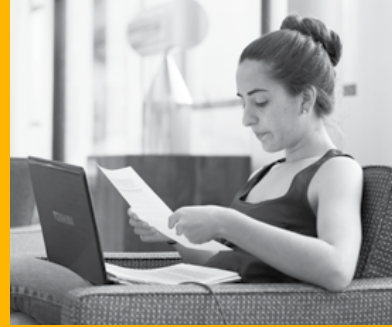
Invest for the long term. Where we can, we focus on investments over 10 years and beyond. This offers many more opportunities than those available to short- and intermediate- term investors. We aim to make the most of our scale and ability to be patient.

2

Invest in people. The contributions of talented people are among the most important drivers of success for any investment organization. So we've made the recruitment and retention of exceptional staff a cornerstone of our strategy.

3

Build a high-performance culture. Every organization needs a clearly defined culture to make sure everyone is working towards the same goals and speaking the same language. Our culture is one of responsibility, accountability and high performance. We are proud of our achievements but try to be humble, as markets sometimes surge and fall without warning or logic.



4

We are all risk managers. Our aim is simple: to earn the best risk-adjusted returns that meets the objectives of our various portfolios. But achieving that aim is complex. An effective risk-management function is critical, enabling the leadership to delegate authority to the investment team. Everyone on the team is in the risk-management business.

5

Allocate wisely. The key to investing, and the most important driver of performance, is asset allocation. To make effective investment decisions and achieve the appropriate combination of risk and return, we have to maintain a clear and balanced understanding of stakeholders' unique objectives, time horizon, risk tolerances, liquidity and other constraints. As a globally significant investor, we also aim to make the most of our scale and patience when we allocate assets.

6

Costs matter. High-quality advice comes at a cost. We get that. But we also believe fees and costs for external managers must be fully transparent and straightforward. Anything else creates potential problems — opaque fees can mask risk. Plus, cost savings can be considered a risk-free return. If we can save money through efficient, well-executed strategies, then we must. We intend to aggressively capture every dollar of this risk-free return that we can.



7

Diversify with care. Act with clarity. Diversification is invaluable, but it's not a cure-all. It allows us to spread risk and reduce the impact of any individual loss. But diversifying too broadly has the effect of producing returns that are index like and can draw investors into assets and products they don't fully understand. We prefer a more focused portfolio of assets and risks that we know extremely well. We also need to be keenly aware of our own strengths and weaknesses in the global context in order to act decisively when we believe markets are behaving irrationally or when we have a skill or knowledge advantage. That means keeping a constant, clear-eyed check on our evolving capabilities. It's not always an easy or painless process, but it's an essential one.

8

Sustainability impacts investing. Sustainability is not a "check box," but rather, a fundamental concern that we incorporate into decision making. We focus particularly on how sustainability can improve investment performance. Sustainable businesses are often more rooted in communities and resilient to future crises, which means investing in them makes good business sense. They are bound to affect portfolios in the future, and we need to consider them in our broader lens of investment decision making.



9

Collaborate widely. We are proud to be a part of the University of California, as well as the broader community of institutional investors. Through active collaboration, we aim to leverage the unique resources of the university. We also want to foster collaborative relationships with our peers to leverage our long-term competitive advantages.

10

Innovation counts. The best investors recognize that markets are constantly fluctuating and that no good idea lasts forever. We must always be innovating and identifying new opportunities. Getting in early brings rewards. Just as importantly, some of the best opportunities transcend asset-class silos. There are advantages in thinking differently and partnering with peers that are willing to work with us on innovative projects. Collaboration is one of the most powerful drivers of innovation.

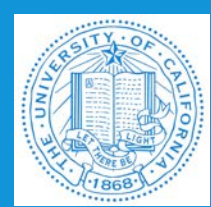


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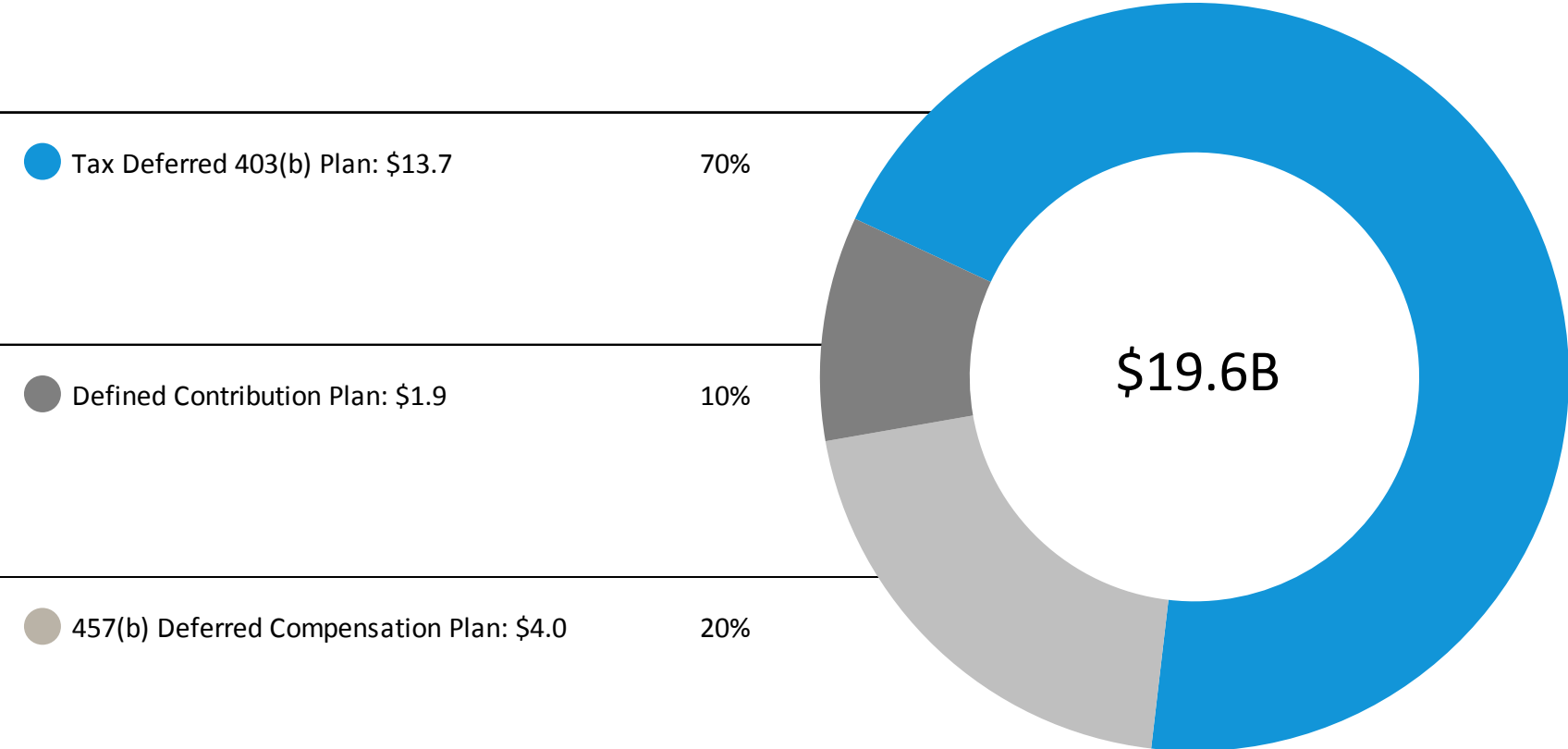
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Investment Highlights



Plan Allocation



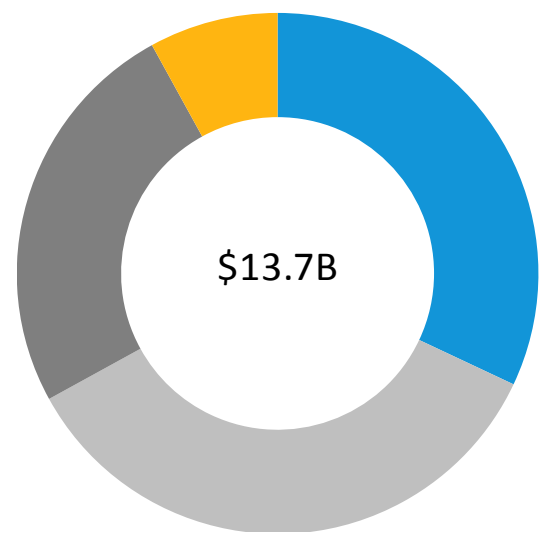


Plan Highlights

- \$19.6 billion across three plans
- 298,862 unique participants
- Increased Equity exposure across Target Date Funds
- Ongoing review of investment structure, lineup, and cost
- Working closely with key vendors to optimize plan

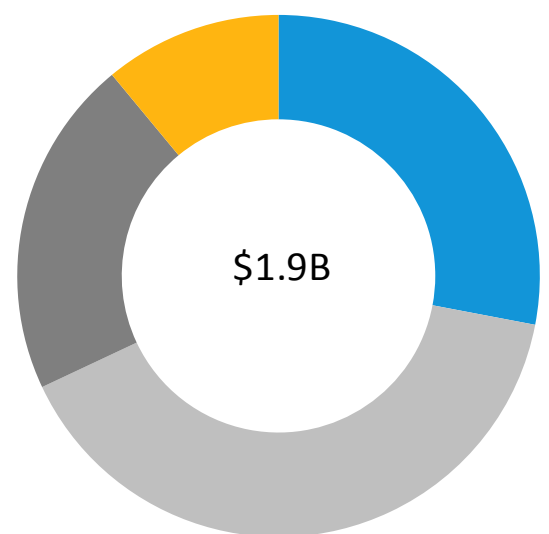


Asset Allocation



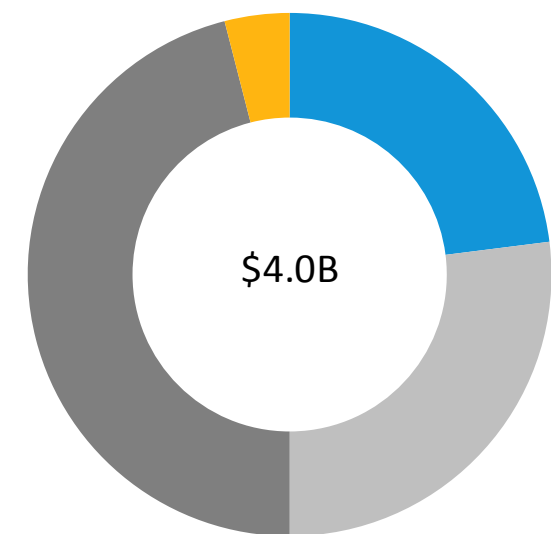
403(b)

Public Equity: \$4.7B	34%
Asset Allocation: \$4.8B	35%
Fixed Income: \$3.3B	24%
Brokerage Link: \$0.9B	7%



457(b)

Public Equity: \$0.6B	31%
Asset Allocation: \$0.7B	40%
Fixed Income: \$0.4B	20%
Brokerage Link: \$0.2B	9%



Defined Contribution

Public Equity: \$1.0B	24%
Asset Allocation: \$1.1B	28%
Fixed Income: \$1.8B	45%
Brokerage Link: \$0.1B	3%

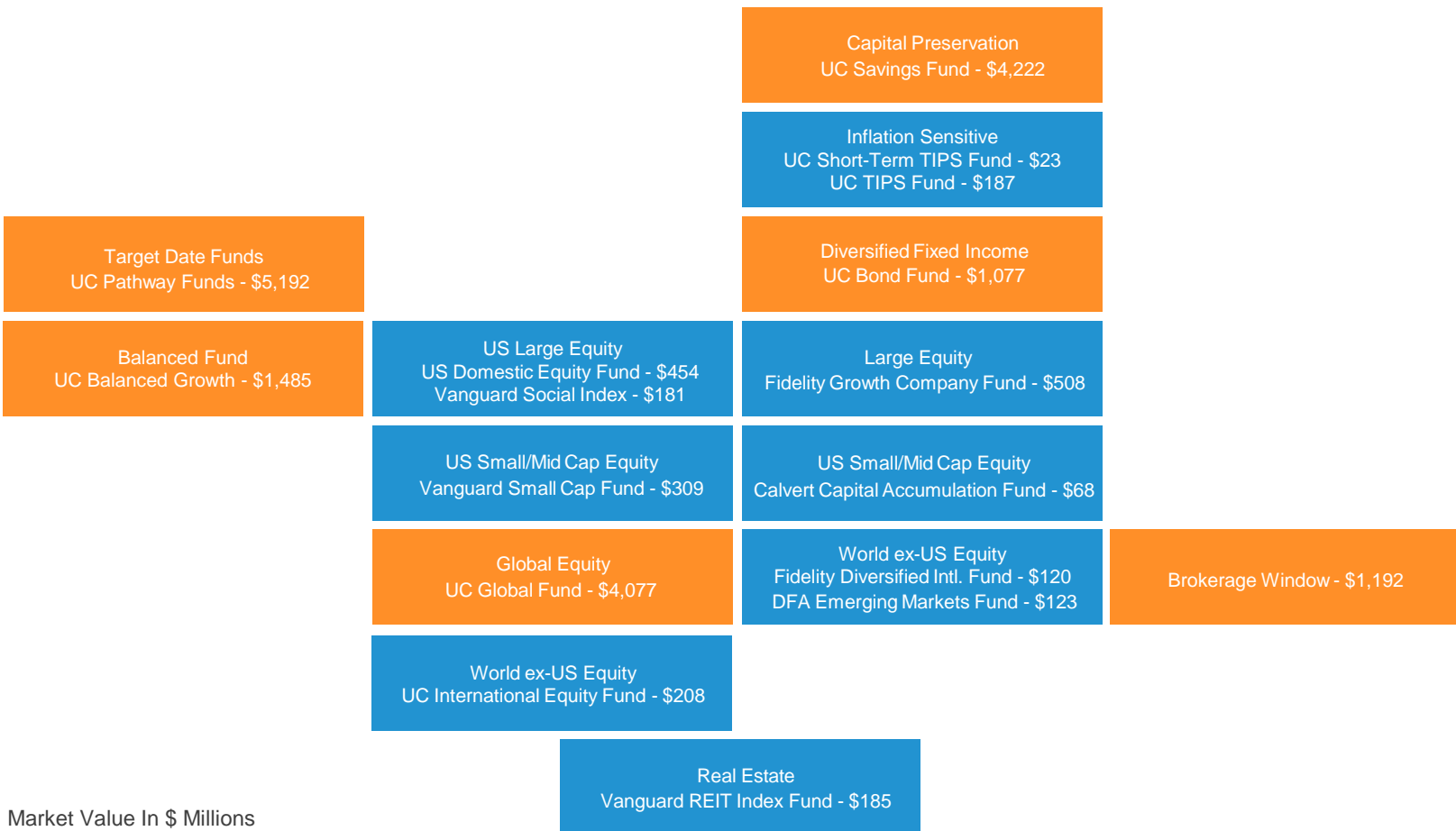


Investment Options

Pre-Defined Asset Allocation

Asset Allocation Building Blocks

Build My Own Portfolio



Market Value In \$ Millions

Signifies funds with over \$1 Billion

As of December 31, 2015

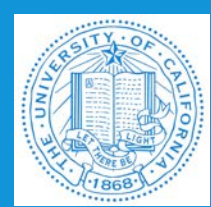


Investment Performance



Performance

Target Date Funds	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
UC Pathway Income Fund	\$575	2.93%	-0.45	-0.27	2.24	4.31	3.70
Policy Benchmark			-0.74	-0.60	1.77	3.44	3.12
<i>Value Added</i>			<i>0.29</i>	<i>0.33</i>	<i>0.47</i>	<i>0.87</i>	<i>0.58</i>
UC Pathway Fund 2015	\$515	2.62%	-0.45	0.52	3.19	6.12	-
Policy Benchmark			-0.73	0.22	2.87	5.59	-
<i>Value Added</i>			<i>0.28</i>	<i>0.30</i>	<i>0.32</i>	<i>0.53</i>	<i>-</i>
UC Pathway Fund 2020	\$976	4.98%	-1.15	1.70	3.93	6.95	4.12
Policy Benchmark			-1.35	1.47	3.71	6.53	3.75
<i>Value Added</i>			<i>0.20</i>	<i>0.23</i>	<i>0.22</i>	<i>0.42</i>	<i>0.37</i>
UC Pathway Fund 2025	\$784	4.00%	-1.73	2.28	4.20	7.40	-
Policy Benchmark			-1.94	2.08	3.99	7.01	-
<i>Value Added</i>			<i>0.21</i>	<i>0.20</i>	<i>0.21</i>	<i>0.39</i>	<i>-</i>
UC Pathway Fund 2030	\$818	4.17%	-2.16	2.86	4.44	7.83	4.15
Policy Benchmark			-2.36	2.67	4.26	7.47	3.79
<i>Value Added</i>			<i>0.20</i>	<i>0.19</i>	<i>0.18</i>	<i>0.36</i>	<i>0.36</i>
UC Pathway Fund 2035	\$520	2.65%	-2.55	3.47	4.71	8.26	-
Policy Benchmark			-2.76	3.27	4.52	7.90	-
<i>Value Added</i>			<i>0.21</i>	<i>0.20</i>	<i>0.19</i>	<i>0.36</i>	<i>-</i>



Performance

Target Date Funds	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
UC Pathway Fund 2040	\$457	2.33%	-2.94	4.06	4.94	8.60	4.33
Policy Benchmark			-3.16	3.85	4.75	8.25	3.96
<i>Value Added</i>			<i>0.22</i>	<i>0.21</i>	<i>0.19</i>	<i>0.35</i>	<i>0.37</i>
UC Pathway Fund 2045	\$223	1.14%	-3.35	4.62	5.17	8.89	-
Policy Benchmark			-3.57	4.41	4.95	8.59	-
<i>Value Added</i>			<i>0.22</i>	<i>0.21</i>	<i>0.22</i>	<i>0.30</i>	<i>-</i>
UC Pathway Fund 2050	\$163	0.83%	-3.65	5.12	5.39	9.42	4.48
Policy Benchmark			-3.88	4.90	5.18	9.09	4.15
<i>Value Added</i>			<i>0.23</i>	<i>0.22</i>	<i>0.21</i>	<i>0.33</i>	<i>0.33</i>
UC Pathway Fund 2055	\$61	0.31%	-3.57	5.67	5.66	9.90	-
Policy Benchmark			-3.81	5.45	5.44	9.60	-
<i>Value Added</i>			<i>0.24</i>	<i>0.22</i>	<i>0.22</i>	<i>0.30</i>	<i>-</i>
UC Pathway Fund 2060	\$101	0.52%	-3.57	6.20	5.91	10.33	-
Policy Benchmark			-3.81	6.00	5.70	10.04	-
<i>Value Added</i>			<i>0.24</i>	<i>0.20</i>	<i>0.21</i>	<i>0.29</i>	<i>-</i>



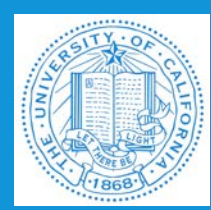
Performance

Balanced Fund	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
UC Balanced Growth Fund	\$1,485	7.57%	-2.39	5.89	6.20	9.22	5.55
Policy Benchmark			-2.42	5.78	5.99	8.91	5.09
<i>Value Added</i>			<i>0.03</i>	<i>0.11</i>	<i>0.21</i>	<i>0.31</i>	<i>0.46</i>
US Large Equity							
UC Domestic Equity Index Fund	\$454	2.31%	0.36	14.78	12.19	15.10	7.35
Russell 3000 TF Index			0.24	14.71	12.08	14.95	7.23
<i>Value Added</i>			<i>0.12</i>	<i>0.07</i>	<i>0.11</i>	<i>0.15</i>	<i>0.12</i>
Vanguard FTSE Social Index Fund	\$181	0.92%	1.27	17.16	13.52	16.54	6.39
Spliced Social Index			1.38	17.23	13.61	16.66	6.52
<i>Value Added</i>			<i>-0.11</i>	<i>-0.07</i>	<i>-0.09</i>	<i>-0.12</i>	<i>-0.13</i>
US Small/Mid Cap Equity							
Vanguard Small Cap Index Fund	\$309	1.57%	-3.62	12.62	10.46	-	-
MSCI US Small Cap 1750 Index			-4.06	12.29	10.23	-	-
<i>Value Added</i>			<i>0.44</i>	<i>0.33</i>	<i>0.23</i>	<i>-</i>	<i>-</i>
Global/World ex-US Equity							
UC Global Equity Fund	\$4,077	20.79%	0.13	13.03	10.85	13.82	6.87
Policy Benchmark			0.00	12.96	10.70	13.61	6.62
<i>Value Added</i>			<i>0.13</i>	<i>0.07</i>	<i>0.15</i>	<i>0.21</i>	<i>0.25</i>
UC International Equity Index Fund	\$208	1.06%	-2.99	4.18	2.99	7.86	3.18
MSCI World ex-US TF Index			-3.04	3.93	2.79	7.61	2.92
<i>Value Added</i>			<i>0.05</i>	<i>0.25</i>	<i>0.20</i>	<i>0.25</i>	<i>0.26</i>



Performance

Capital Preservation	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
UC Savings Fund	\$4,222	21.53%	1.08	1.02	1.21	1.58	2.41
Two-Year U.S. Treasury Notes Income Return			0.61	0.41	0.38	0.51	1.51
<i>Value Added</i>			<i>0.47</i>	<i>0.61</i>	<i>0.83</i>	<i>1.07</i>	<i>0.90</i>
Inflation Sensitive							
UC Short Term TIPS Fund	\$23	0.12%	0.30	-	-	-	-
Barclays 1-3 Year U.S. TIPS Index			-0.43	-0.92	-	-	-
<i>Value Added</i>			<i>0.73</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
UC TIPS Fund	\$187	0.95%	-1.03	-1.97	2.79	4.62	4.25
Barclays US TIPS Index			-1.44	-2.27	2.55	4.31	3.93
<i>Value Added</i>			<i>0.41</i>	<i>0.30</i>	<i>0.24</i>	<i>0.31</i>	<i>0.32</i>
Diversified Fixed Income							
UC Bond Fund	\$1,077	5.49%	0.80	1.63	3.59	4.77	4.73
Barclays Aggregate Fixed Income Benchmark			0.55	1.44	3.25	4.09	4.51
<i>Variance</i>			<i>0.25</i>	<i>0.19</i>	<i>0.34</i>	<i>0.68</i>	<i>0.22</i>
New Large Equity							
Fidelity Growth Company Fund	\$508	2.59%	7.83	19.30	15.17	15.09	10.34
S&P 500 TF Index			1.10	15.10	12.46	14.71	7.15
<i>Variance</i>			<i>6.73</i>	<i>4.20</i>	<i>2.71</i>	<i>0.38</i>	<i>3.19</i>



Performance

US Small/Mid Cap Equity	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
Calvert Cap. Accum. Fund	\$68	0.35%	-3.18	10.70	10.23	11.28	7.77
Russell 2500 TF Index			-2.90	12.46	10.32	15.74	7.56
<i>Variance</i>			<i>-0.28</i>	<i>-1.76</i>	<i>-0.09</i>	<i>-4.46</i>	<i>0.21</i>
World ex-US Equity							
Fidelity Diversified Intl. Fund	\$120	0.61%	3.12	7.71	5.17	5.43	3.77
MSCI World ex-US TF Index			-3.04	3.93	2.79	7.61	2.92
<i>Variance</i>			<i>6.16</i>	<i>3.78</i>	<i>2.38</i>	<i>-2.18</i>	<i>0.85</i>
DFA Emerging Markets Portfolio	\$123	0.63%	-15.81	-7.10	-4.63	-	-
MSCI Emerging Markets Index			-14.92	-6.76	-4.81	-	-
<i>Variance</i>			<i>-0.89</i>	<i>-0.34</i>	<i>0.18</i>	<i>-</i>	<i>-</i>
Real Estate							
Vanguard REITS Index Fund	\$185	0.94%	2.45	11.00	11.83	-	-
REIT Spliced Index			2.52	11.06	11.88	-	-
<i>Variance</i>			<i>-0.07</i>	<i>-0.06</i>	<i>-0.05</i>	<i>-</i>	<i>-</i>



Retirement Savings Program Demographics

	Asset Class	403b	DCP	457b	Industry Peers	Same-size Peers	Unique Total
Number of Participants							
Total Participants	N/A	129,117	283,204	29,986	N/A	N/A	305,155
Active Participants*	N/A	78,980	135,622	22,067	N/A	N/A	147,345
Inactive Participants**	N/A	50,137	147,582	7,919	N/A	N/A	157,810
Total Plan Assets	N/A	\$13,385,757,611	\$1,853,651,383	\$3,904,270,435	N/A	N/A	\$19,143,679,429
Number of Funds Held by Participants							
How many participants hold:							
1 Fund (Lifecycle Fund)	N/A	23.6%	20.8%	20.0%	52.1%	33.1%	N/A
1 Fund (Non-Lifecycle Fund)	N/A	19.8%	49.7%	20.0%	8.8%	9.5%	N/A
2 Funds	N/A	20.4%	22.0%	20.0%	12.1%	14.6%	N/A
3 Funds	N/A	13.2%	3.8%	11.8%	6.2%	8.2%	N/A
4 Funds	N/A	8.8%	1.7%	9.6%	5.6%	6.7%	N/A
5 or more Funds	N/A	14.2%	2.0%	18.6%	15.2%	27.9%	N/A
Average # of Funds Held	N/A	2.6 funds	1.5 funds	2.9 funds	1.8 funds	3.2 funds	N/A
Funds held as a single investment							
UC SAVINGS FUND	Money Market / Short-Term	13,309	121,613	1,974	N/A	N/A	136,896
UC GLOBAL EQUITY FD	Domestic Equity	5,321	6,101	857	N/A	N/A	12,279
UC BALANCED GROWTH	Balanced/Hybrid	3,132	2,288	909	N/A	N/A	6,329
FID GROWTH CO K	Domestic Equity	475	1,121	186	N/A	N/A	1,782
UC BOND FUND	Bond	690	710	253	N/A	N/A	1,653
Plus 10 other funds	-	1,411	3,022	1,150	N/A	N/A	5,583
Lifecycle Funds	-	30,638	57,077	6,052	N/A	N/A	93,767
BrokerageLink	-	1,412	1,781	719	N/A	N/A	3,912
Total		56,388	193,713	12,100	N/A	N/A	262,201

As of December 31, 2015

For plans that offer Fidelity BrokerageLink, it will appear as a fund (rather than a product offering) for purposes of providing plan data.