



# UNIVERSITY OF CALIFORNIA

Office of the Chief Investment Officer

## Retirement Savings

Investment Review as of March 31, 2016

May 2, 2016

**Growing Portfolios** Building Partnerships

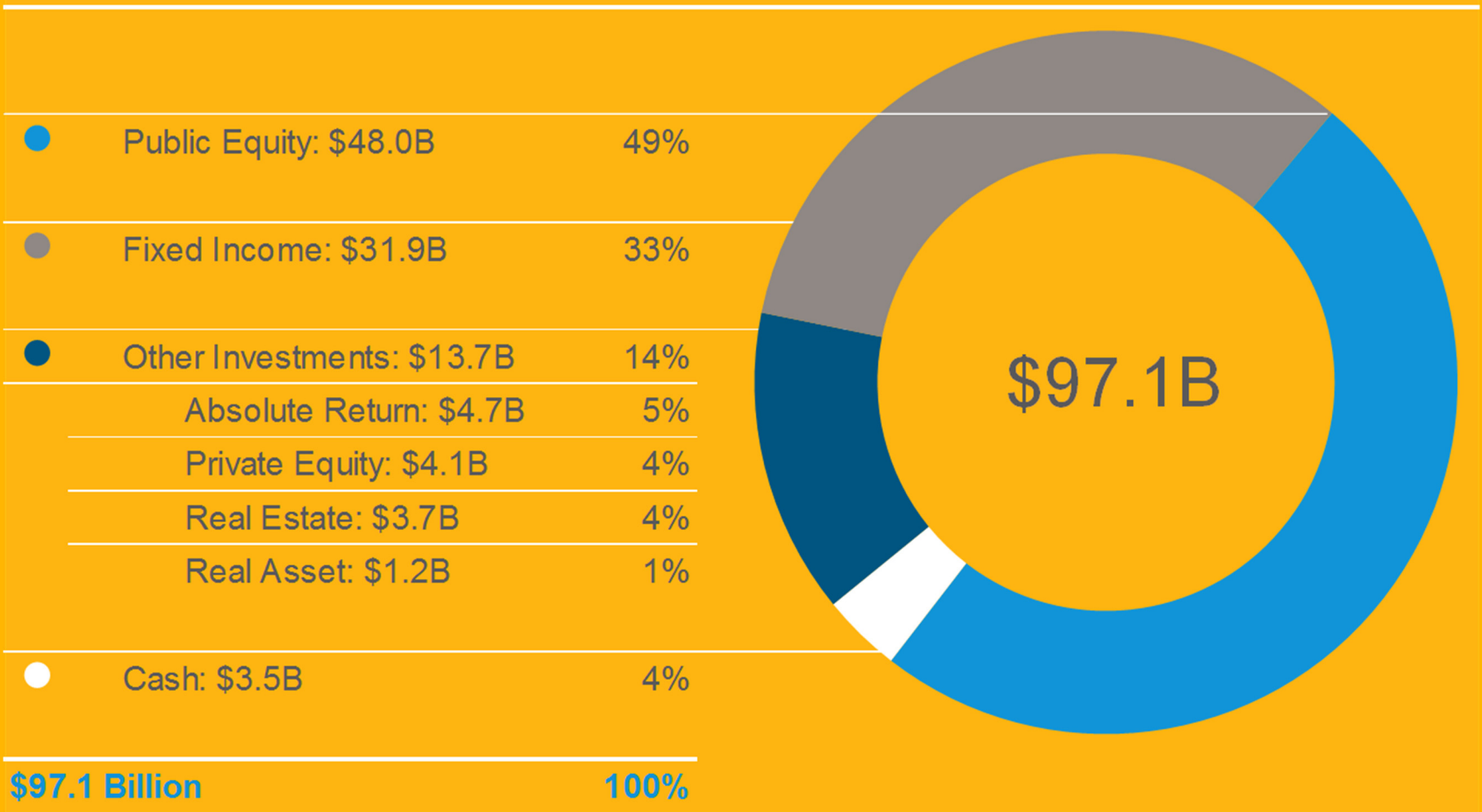
**UC Investments**

**Delivering  
value  
through  
values.**

OUR INVESTMENT BELIEFS

# Our Products

As of March 31, 2016



---

## 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.

---

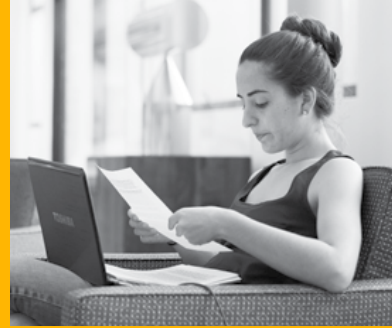
## 2

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.



# Table of Contents

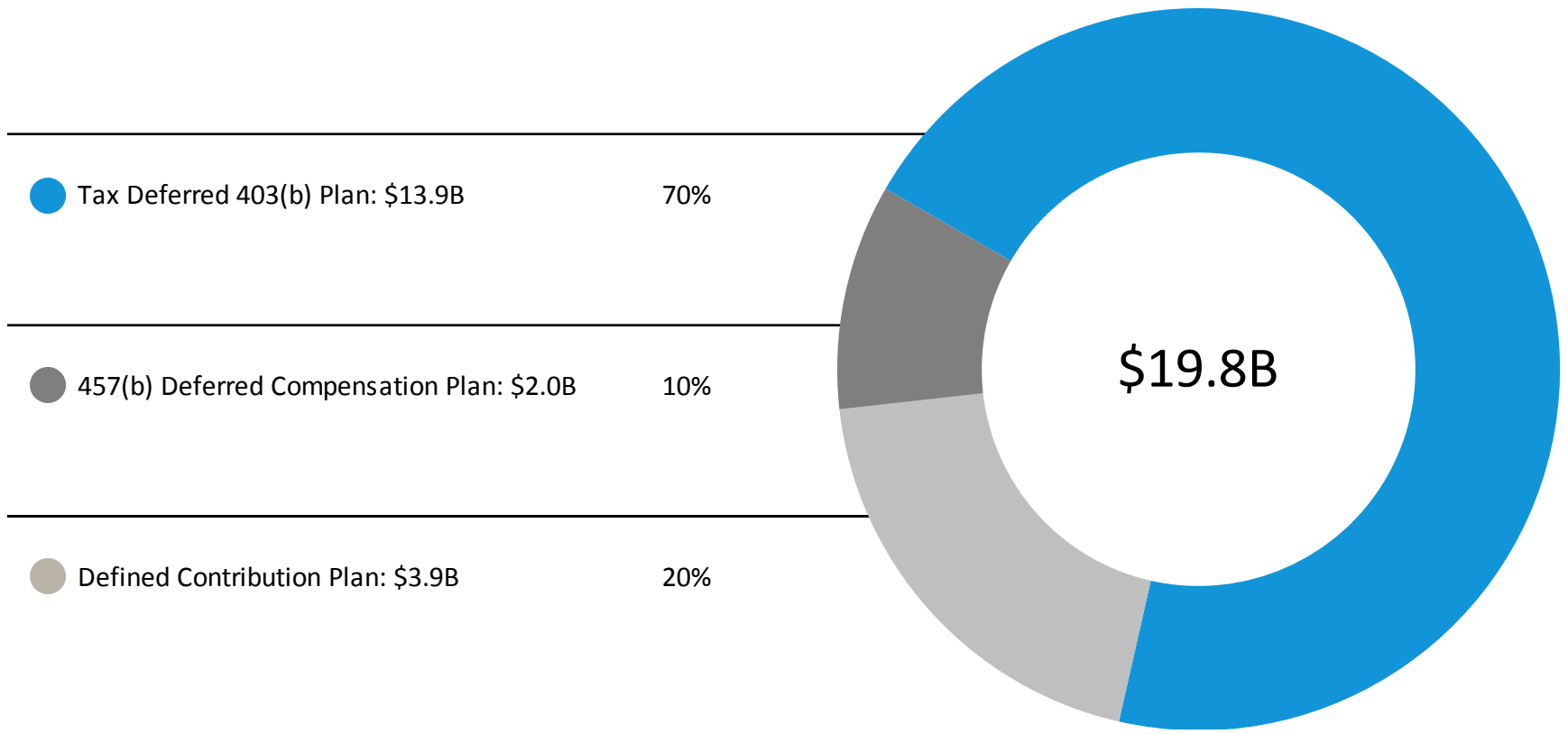
Investment Highlights	7
Plan Allocation	8
Plan Highlights	9
Asset Allocation	10
Investment Options	11
Investment Performance	12



# Investment Highlights



# Plan Allocation

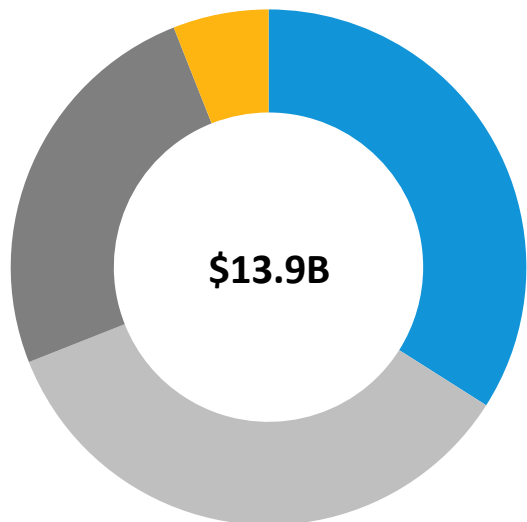


As of March 31, 2016



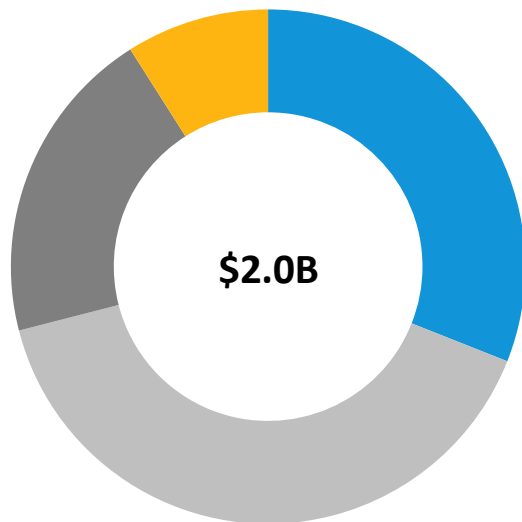


# Asset Allocation



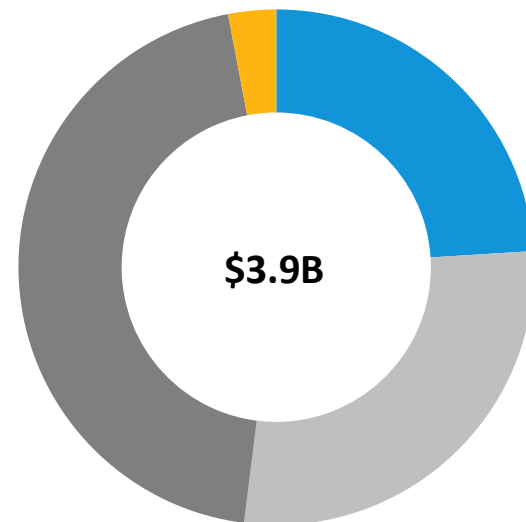
403(b)

Public Equity: \$4.7B	34%
Asset Allocation: \$4.9B	35%
Fixed Income: \$3.4B	25%
Brokerage Link: \$0.9B	6%



457(b)

Public Equity: \$0.6B	31%
Asset Allocation: \$0.8B	40%
Fixed Income: \$0.4B	20%
Brokerage Link: \$0.2B	9%



Defined Contribution

Public Equity: \$0.9B	24%
Asset Allocation: \$1.1B	28%
Fixed Income: \$1.8B	45%
Brokerage Link: \$0.1B	3%

As of March 31, 2016

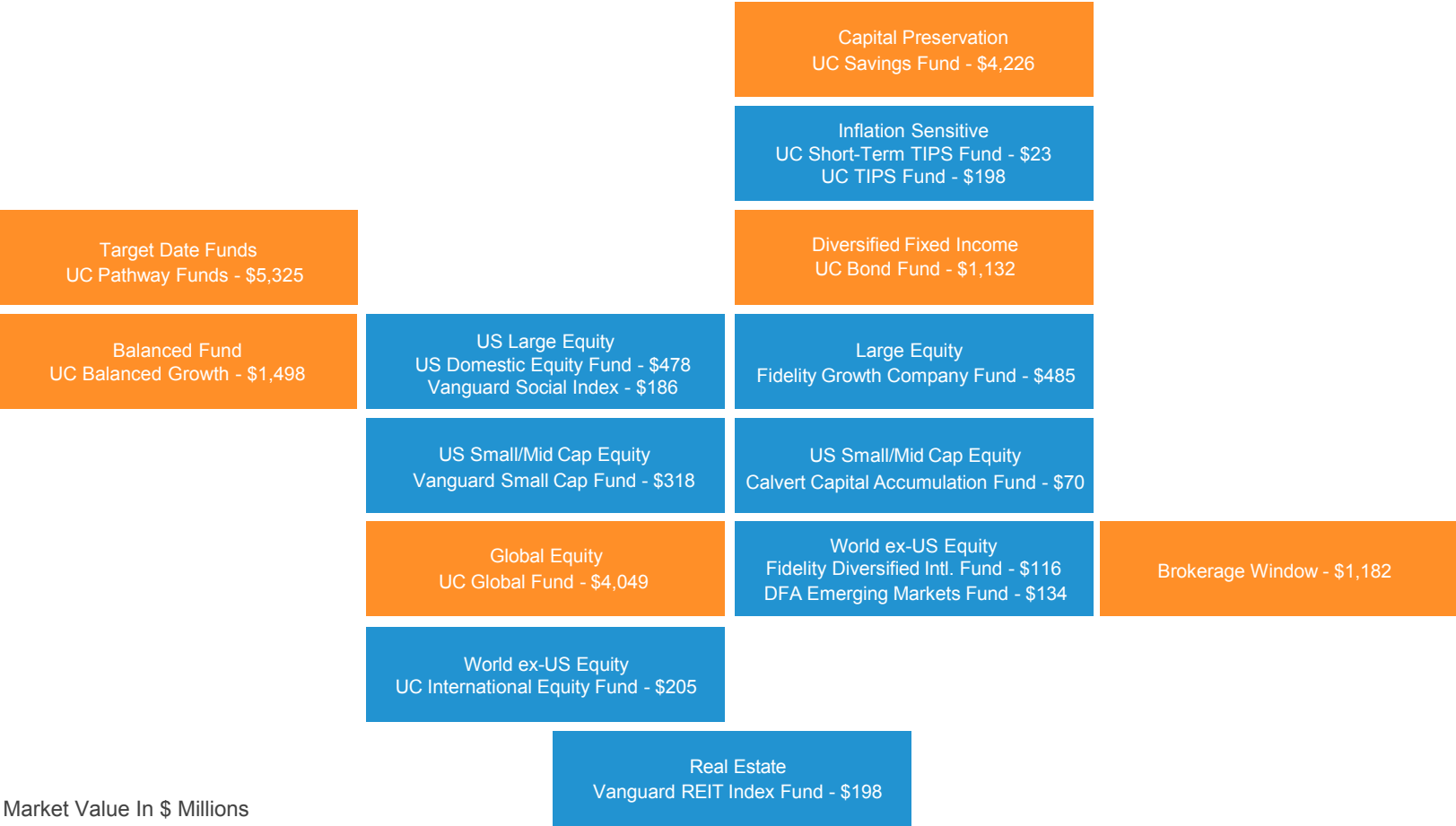


# Investment Options

## Pre-Defined Asset Allocation

## Asset Allocation Building Blocks

## Build My Own Portfolio



Market Value In \$ Millions

Signifies funds with over \$1 Billion



# 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	\$576	2.90%	0.15	0.28	2.37	4.88	3.70
Policy Benchmark			-0.18	-0.05	1.90	4.19	3.11
<i>Value Added</i>			<i>0.33</i>	<i>0.33</i>	<i>0.47</i>	<i>0.69</i>	<i>0.59</i>
UC Pathway Fund 2015	\$511	2.58%	0.14	0.85	3.19	7.42	-
Policy Benchmark			-0.19	0.55	2.85	6.92	-
<i>Value Added</i>			<i>0.33</i>	<i>0.30</i>	<i>0.34</i>	<i>0.50</i>	<i>-</i>
UC Pathway Fund 2020	\$994	5.01%	-0.45	1.97	4.01	8.45	3.92
Policy Benchmark			-0.85	1.72	3.75	8.11	3.53
<i>Value Added</i>			<i>0.40</i>	<i>0.25</i>	<i>0.26</i>	<i>0.34</i>	<i>0.39</i>
UC Pathway Fund 2025	\$804	4.06%	-1.41	2.32	4.19	9.07	-
Policy Benchmark			-1.87	2.08	3.94	8.71	-
<i>Value Added</i>			<i>0.46</i>	<i>0.24</i>	<i>0.25</i>	<i>0.36</i>	<i>-</i>
UC Pathway Fund 2030	\$839	4.23%	-2.11	2.69	4.35	9.60	3.79
Policy Benchmark			-2.62	2.44	4.12	9.29	3.40
<i>Value Added</i>			<i>0.51</i>	<i>0.25</i>	<i>0.23</i>	<i>0.31</i>	<i>0.39</i>
UC Pathway Fund 2035	\$542	2.73%	-2.79	3.07	4.53	10.11	-
Policy Benchmark			-3.34	2.81	4.29	9.77	-
<i>Value Added</i>			<i>0.55</i>	<i>0.26</i>	<i>0.24</i>	<i>0.34</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	\$474	2.39%	-3.47	3.43	4.67	10.35	3.93
Policy Benchmark			-4.06	3.15	4.43	10.03	3.54
<i>Value Added</i>			<i>0.59</i>	<i>0.28</i>	<i>0.24</i>	<i>0.32</i>	<i>0.39</i>
UC Pathway Fund 2045	\$240	1.21%	-4.17	3.77	4.81	10.69	-
Policy Benchmark			-4.79	3.47	4.55	10.36	-
<i>Value Added</i>			<i>0.62</i>	<i>0.30</i>	<i>0.26</i>	<i>0.33</i>	<i>-</i>
UC Pathway Fund 2050	\$175	0.89%	-4.72	4.05	4.93	11.27	3.95
Policy Benchmark			-5.36	3.74	4.67	10.97	3.59
<i>Value Added</i>			<i>0.64</i>	<i>0.31</i>	<i>0.26</i>	<i>0.30</i>	<i>0.36</i>
UC Pathway Fund 2055	\$65	0.33%	-4.69	4.42	5.14	11.91	-
Policy Benchmark			-5.35	4.11	4.86	11.60	-
<i>Value Added</i>			<i>0.66</i>	<i>0.31</i>	<i>0.28</i>	<i>0.31</i>	<i>-</i>
UC Pathway Fund 2060	\$106	0.53%	-4.71	4.79	5.32	12.43	-
Policy Benchmark			-5.37	4.47	5.03	12.11	-
<i>Value Added</i>			<i>0.66</i>	<i>0.32</i>	<i>0.29</i>	<i>0.32</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	\$1,498	7.55%	-2.70	4.74	5.82	10.62	5.39
Policy Benchmark			-3.11	4.58	5.57	10.36	4.92
<i>Value Added</i>			<i>0.41</i>	<i>0.16</i>	<i>0.25</i>	<i>0.26</i>	<i>0.47</i>
<b>US Large Equity</b>							
UC Domestic Equity Index Fund	\$478	2.41%	-0.55	11.16	11.01	17.11	6.88
Russell 3000 TF Index			-0.74	11.07	10.90	16.99	6.76
<i>Value Added</i>			<i>0.19</i>	<i>0.09</i>	<i>0.11</i>	<i>0.12</i>	<i>0.12</i>
Vanguard FTSE Social Index Fund	\$186	0.94%	-1.23	12.53	12.32	18.18	5.95
Spliced Social Index			-1.07	12.62	12.45	18.30	6.09
<i>Value Added</i>			<i>-0.16</i>	<i>-0.09</i>	<i>-0.13</i>	<i>-0.12</i>	<i>-0.14</i>
<b>US Small/Mid Cap Equity</b>							
Vanguard Small Cap Index Fund	\$318	1.60%	-7.11	8.54	8.82	-	-
MSCI US Small Cap 1750 Index			-7.57	8.11	8.54	-	-
<i>Value Added</i>			<i>0.46</i>	<i>0.43</i>	<i>0.28</i>	<i>-</i>	<i>-</i>
<b>Global/World ex-US Equity</b>							
UC Global Equity Fund	\$4,049	20.43%	-1.49	9.77	9.69	15.83	6.30
Policy Benchmark			-1.69	9.68	9.53	15.65	6.04
<i>Value Added</i>			<i>0.20</i>	<i>0.09</i>	<i>0.16</i>	<i>0.18</i>	<i>0.26</i>
UC International Equity Index Fund	\$205	1.03%	-8.66	1.83	1.78	9.72	2.05
MSCI World ex-US TF Index			-8.44	1.69	1.62	9.49	1.80
<i>Value Added</i>			<i>-0.22</i>	<i>0.14</i>	<i>0.16</i>	<i>0.23</i>	<i>0.25</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	\$4,226	21.32%	1.10	1.03	1.18	1.53	2.35
Two-Year U.S. Treasury Notes Income Return			0.69	0.47	0.40	0.51	1.42
<i>Value Added</i>			<i>0.41</i>	<i>0.56</i>	<i>0.78</i>	<i>1.02</i>	<i>0.93</i>
<b>Inflation Sensitive</b>							
UC Short Term TIPS Fund	\$23	0.12%	1.13	-	-	-	-
Barclays 1-3 Year U.S. TIPS Index			1.04	-	-	-	-
<i>Value Added</i>			<i>0.09</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
UC TIPS Fund	\$198	1.00%	1.64	-0.52	3.20	4.40	4.91
Barclays US TIPS Index			1.51	-0.71	3.02	4.16	4.62
<i>Value Added</i>			<i>0.13</i>	<i>0.19</i>	<i>0.18</i>	<i>0.24</i>	<i>0.29</i>
<b>Diversified Fixed Income</b>							
UC Bond Fund	\$1,132	5.71%	2.13	2.60	4.14	5.13	5.09
Barclays Aggregate Fixed Income Benchmark			1.96	2.50	3.78	4.52	4.90
<i>Value Added</i>			<i>0.17</i>	<i>0.10</i>	<i>0.36</i>	<i>0.61</i>	<i>0.19</i>
<b>New Large Equity</b>							
Fidelity Growth Company Fund	\$485	2.45%	-3.06	13.85	12.02	13.06	8.97
S&P 500 TF Index			1.32	11.74	11.45	16.84	6.83
<i>Value Added</i>			<i>-4.38</i>	<i>2.11</i>	<i>0.57</i>	<i>-3.78</i>	<i>2.14</i>



# Performance

	Market Value (\$M)	% of Plan	Annualized Total Return				
			One Year	Three Year	Five Year	Seven Year	Ten Year
<b>US Small/Mid Cap Equity</b>							
Calvert Cap. Accum. Fund	\$70	0.35%	-8.42	8.35	8.59	10.25	7.07
Russell 2500 TF Index			-7.31	8.16	8.58	17.84	6.47
<i>Value Added</i>			<i>-1.11</i>	<i>0.19</i>	<i>0.01</i>	<i>-7.59</i>	<i>0.60</i>
<b>World ex-US Equity</b>							
Fidelity Diversified Intl. Fund	\$116	0.59%	-5.89	5.13	3.89	3.62	2.52
MSCI World ex-US TF Index			-8.44	1.69	1.62	9.49	1.80
<i>Value Added</i>			<i>2.55</i>	<i>3.44</i>	<i>2.27</i>	<i>-5.87</i>	<i>0.72</i>
DFA Emerging Markets Portfolio	\$134	0.68%	-10.63	-4.09	-3.59	-	-
MSCI Emerging Markets Index			-12.03	-4.50	-4.13	-	-
<i>Value Added</i>			<i>1.40</i>	<i>0.41</i>	<i>0.54</i>	<i>-</i>	<i>-</i>
<b>Real Estate</b>							
Vanguard REITS Index Fund	\$198	1.00%	3.94	10.37	11.77	-	-
REIT Spliced Index			4.05	10.45	11.85	-	-
<i>Value Added</i>			<i>-0.11</i>	<i>-0.08</i>	<i>-0.08</i>	<i>-</i>	<i>-</i>





# Retirement Savings Program Demographics

	Asset Class	403b	DCP	457b	Same-size Peers	Unique Total
<b>Number of Participants</b>						
Total Participants	N/A	130,897	272,720	30,557	N/A	297,109
Active Participants*	N/A	81,186	134,546	22,705	N/A	149,114
Inactive Participants**	N/A	49,711	138,174	7,852	N/A	147,995
Total Plan Assets	N/A	\$13,876,654,095	\$3,948,938,801	\$1,997,703,430	N/A	\$19,823,296,326
<b>Number of Funds Held by Participants</b>						
<b>How many participants hold:</b>						
1 Fund (Lifecycle Fund)	N/A	24.1%	21.5%	19.9%	34.0%	N/A
1 Fund (Non-Lifecycle Fund)	N/A	19.6%	49.2%	20.1%	9.3%	N/A
2 Funds	N/A	20.2%	21.6%	19.9%	14.6%	N/A
3 Funds	N/A	13.0%	3.9%	11.8%	8.1%	N/A
4 Funds	N/A	8.8%	1.7%	9.6%	6.6%	N/A
5 or more Funds	N/A	14.3%	2.1%	18.7%	27.4%	N/A
Average # of Funds Held	N/A	2.6 funds	1.5 funds	2.9 funds	3.1 funds	N/A
<b>Funds held as a single investment</b>						
UC SAVINGS FUND	Money Market / Short-Term	13,278	118,979	2,008	N/A	134,265
UC GLOBAL EQUITY FD	Domestic Equity	5,260	6,018	847	N/A	12,125
UC BALANCED GROWTH	Balanced/Hybrid	3,075	2,263	896	N/A	6,234
FID GROWTH CO K	Domestic Equity	473	1,194	194	N/A	1,861
UC BOND FUND	Bond	740	786	276	N/A	1,802
Plus 10 other funds	-	1,445	3,073	1,169	N/A	5,687
Lifecycle Funds	-	31,525	58,690	6,091	N/A	96,306
BrokerageLink	-	1,431	1,804	737	N/A	3,972
Total		57,227	192,807	12,218	N/A	262,252

As of March 31, 2016

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