Treasurer's Annual Report

One hundred and forty-first fiscal year

University of California • 2008-2009

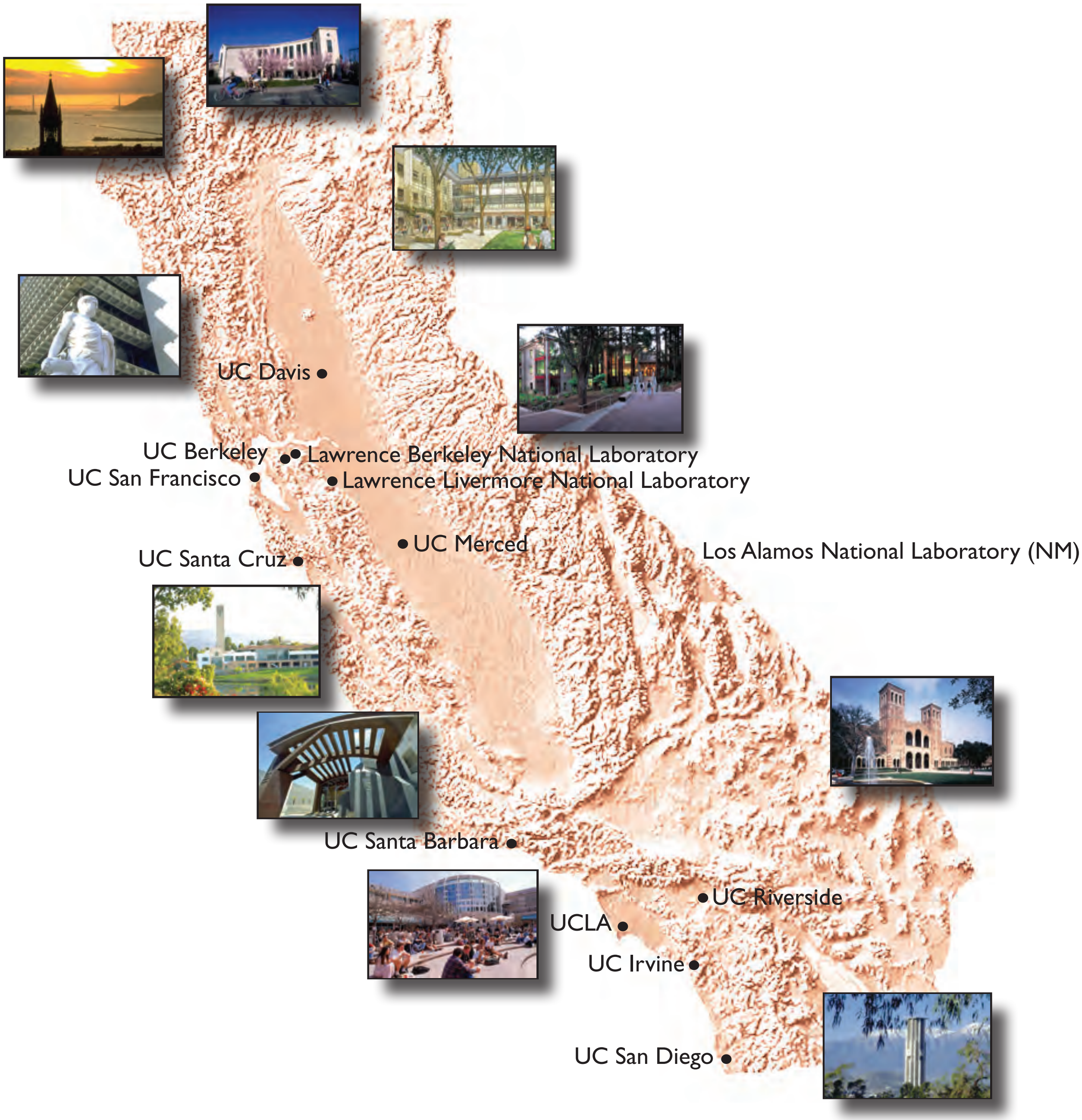
Mission Statement

The Office of the Treasurer of The Regents manages the University of California's retirement, endowment and cash assets under the policies, guidelines, and performance benchmarks established by The Regents. The Office's mission is to implement those policies and guidelines by selecting, executing, and monitoring investment strategies designed to add value over the benchmarks within a risk controlled framework. The Office adheres to high ethical as well as professional standards in serving the investment management needs of its constituency.

The University of California

The University of California is the world's premier public university with a mission of teaching, research, and public service. The UC system—founded in 1868—has 10 campuses and operates five medical centers, 15 health professional schools, four law schools, the nation's largest continuing education program, and a statewide Division of Agriculture and Natural Resources. In addition, the University is involved in the management of three national laboratories for the Department of Energy, performing cutting-edge research in fields ranging from national security to energy efficiency. The UC community includes over 220,000 enrolled students, 180,000 faculty and staff, 45,000 retirees, and 1.6 million alumni, living and working around the world. Its Natural Reserve System manages approximately 135,000 acres of natural habitats for research, teaching, and outreach activities.

Campuses and National Laboratories



Treasurer's Annual Report Fiscal 2008-2009

Table of Contents and Summary

4 Message from the Chief Investment Officer

7 Investment Management Overview

Overview of the Office of the Treasurer including senior management profiles, organizational chart, investment objectives and philosophy.

14 UC Real Estate and Real Asset Investments

An in-depth look at UC Real Estate and Real Asset investments.

16 General Endowment Pool (GEP)

As of June 30, 2009, the General Endowment Pool's market value was approximately $5.2 billion. During the fiscal year 2008-2009 the GEP's total return was -17.74%. Total return payout during this period was $231 million.

21 Charitable Asset Management Pools (CAM)

The Charitable Asset Management Pools are used by The Regents of the University of California and the Campus Foundations for the investment of split-interest gifts, including charitable remainder trusts, pooled income funds and charitable gift annuities. The investment of these pools is directed by the Treasurer of The Regents; the administration of these pools is handled by the Charitable Asset Management group of State Street Global Advisors, Boston. The pools were created in November 2003. As of June 30, 2009, CAM assets totaled $105 million.

22 W. M. Keck Observatory

The W. M. Keck Observatory operates two 10-meter optical/infrared telescopes on the summit of Mauna Kea on the island of Hawai`i. The Educational Fund, managed by the UC Treasurer's Office for The Regents' General Endowment Fund, provides for professional operations and maintenance of the twin telescopes and their suite of advanced instrumentation, including imagers, multi-object spectrographs, high-resolution spectrographs, integral-field spectroscopy and a world-leading laser-guidestar adaptive-optics system.

24 University of California Retirement System - University of California Retirement Plan (UCRP)

As of June 30, 2009, the University of California Retirement Plan's market value exceeded $32.3 billion. During the fiscal year 2008-2009 the UCRP's total return was -18.81%. The Plan paid out benefits of $1.8 billion to UC retirees for the year. The UCRP is a defined benefit plan and utilizes a balanced portfolio of equities and fixed income securities.

28 University of California Retirement System - Defined Contribution Funds

In addition to the defined benefit program (UCRP), the University offers defined contribution plans to provide employees with supplemental retirement benefits—the mandatory Defined Contribution Plan (DC Plan), the Tax-Deferred 403(b) Plan, the 457(b) Deferred Compensation Plan, and the Defined Contribution Plan After-Tax Account. Several investment choices managed by the Treasurer's Office are available for use in these plans.

34 Short Term Investment Pool (STIP)

As of June 30, 2009, the STIP market value exceeded $6.7 billion. During the fiscal year 2008-2009, the STIP income return was 3.67%. The STIP is a cash investment pool available to all University fund groups, including retirement and endowment funds.

36 Total Return Investment Pool (TRIP)

The TRIP, established in August 2008, allows the campuses to maximize return on their long-term working capital, subject to an acceptable level of risk, by taking advantage of the economies of scale of investing in a larger pool, and investing across a broad range of asset classes. As of June 30, 2009, the TRIP market value was approximately $1.5 billion. For the 11-month period of August 2008 through June 2009, TRIP returned -1.55%.

FISCAL YEAR 2009 IN REVIEW

The financial turmoil that began in 2007 didn't come to a head until the first quarter of the 2008-09 fiscal year, with the Lehman Brothers bankruptcy filing in September. This event reverberated throughout global markets, resulting in the worst financial crisis since the Great Depression and finally forcing the governments of most major developed countries to undertake massive and often unprecedented actions to support their largest financial entities. The problems migrated from Wall Street to "Main Street," causing a global recession; however, the direst predictions were forestalled by a combination of aggressive monetary and fiscal policies. The Federal Reserve lowered the federal-funds rate from 2.5% on June 30, 2008, to effectively zero. Real gross-domestic-product in the U.S. fell 3.9% after growing 1.6% last year; headline consumer price inflation (CPI) fell -1.4% after rising 5.0% in FY 2008. Core CPI fell 1.7% vs. rising 2.4% in fiscal 2008.

Investors shunned riskier assets, causing equity markets to fall and spreads on corporate bonds and mortgage-backed securities to reach their widest levels since the 1990s. The Russell 3000 declined 25.0%, the MSCI World ex-U.S. (Net) Index declined 31.7%, and the MSCI Emerging Market (Net) Index fell 28.1%. Conversely, money flowed into the safety of government bonds, and U.S. Treasury yields fell, leading to strong gains in most fixed-income benchmarks. The Citigroup Large Pension Fund Bond Index returned 7.3%; the Barclays Capital Aggregate Bond Index 6.1%; and the JP Morgan EMBI Global Diversified Bond Index 2.4%. The exception was the Merrill Lynch High Yield Cash Pay Index, which fell 3.6%.

As the world continues to dig itself out from this crisis, there are some positive signs of economic stabilization. Cyclical indicators, such as industrial production, have bounced nicely and jobless claims are stabilizing, although unemployment will likely rise further toward 10%. Importantly, in the root cause of the crisis—housing—home prices are stabilizing; home sales are edging up, and even housing starts are showing signs of life. However, the effects of the crisis will continue to be evidenced in many areas, from lower potential economic growth; to increased regulation of the financial industry; to strains on local, state, and federal government finances; to a challenging environment for consumers faced with considerable loss of paper wealth and a large contraction in extended credit.

MESSAGE FROM THE CHIEF INVESTMENT OFFICER

Performance: Amid turbulent markets, the University of California Retirement Plan (UCRP) and the General Endowment Pool (GEP) both experienced declines in performance for the fiscal year ended June 30, 2009, while the Short Term Investment Pool (STIP) increased in value. The UCRP Portfolio return was down 18.81% and the GEP Portfolio return was down 17.74%. The STIP had a positive return of 3.67%. The UCRP and GEP benefited from asset-allocation decisions made throughout the year. We were able to withstand the sharp downturn by maintaining a well-diversified portfolio, maintaining a significant underweight in equities and overweight in fixed income relative to policy for three quarters, and applying disciplined rebalancing practices. The plans benefited in the second half of the fiscal year from the decision to partially rebalance into equities from fixed income even as the markets declined to new lows in March. Through use of the STIP, the University was able to avoid last fall's liquidity issues experienced by many of our peers.

The UCRP market value stood at over $32 billion at fiscal year end and paid out benefits of $1.8 billion to UC retirees for the year. Pension contributions, which have not been required of employees for 19 years, were postponed (again) for the recent fiscal year but are slated to resume in April 2010.

The value of assets within the 25 Core Funds available within the University's Retirement Savings Program (the DC Plan, 403(b) Plan and 457(b) Plan) is over $9.4 billion. Our Office continues to work jointly with Human Resources and Benefits to facilitate enhancements to both the financial education and recordkeeping services of the program. We created additional Pathway (target date) Funds last December allowing participants to choose dates in five-year increments, rather than only 10-year. Performance figures for the individual UC-managed funds are available beginning on page 29 of this report.

Governance: The Regents' responsibilities center on approving policy, asset allocation, benchmarks, and risk budgets and guidelines, while our Office is responsible for all aspects of implementation, including the development of processes and procedures and the selection of investment products. Recognizing that the primary determinant of investment return and investment risk is the overall asset allocation, our Office, under the guidance of The Regents, continues to diversify holdings to provide for the long-term needs of the University, its programs and employees.

At the May 2009 meeting, The Regents approved changes relative to the UCRP Long-Term Policy including a 3% reduction in marketable equity, a 5% increase in hedged/opportunistic strategies, and a 2% increase in TIPS (U.S. inflation-linked bonds). In addition, they approved a reduction in both core fixed income duration and in non-USD sovereign fixed income, that along with the TIPS increase, act as hedges against expected higher inflation. It was also determined that the TIPS allocation would be actively managed. These adjustments were effective June 1, 2009.

At the September 2009 meeting, The Regents approved changes to the investment guidelines for the STIP. The Policy Benchmark was changed from the income return on a constant maturity two-year Treasury note to a weighted average of the income return on a constant maturity two-year Treasury note and the return on U.S. 30-day Treasury Bills. The weights for the two constituents are the actual average weights of the bond and cash equivalent components of the pool. The Benchmark is rebalanced monthly. This change was effective October 1, 2009.

Service: The Total Return Investment Pool (TRIP), with a "total return" mandate, appropriate for longer-term Campus working capital, was opened to Campuses on August 1, 2008. This fund is designed to supplement the STIP, which has a "current income" mandate, appropriate for shorter-term working capital. We built an appropriate overall asset allocation by starting with approved UCRP/GEP asset types and then excluded assets with limited liquidity, emerging market equity and debt, "alternative" assets, and currency risk. The pool allows currency hedged non-U.S. equity and debt (developed markets).

Our Office continues to offer three special programs to UC Foundations desiring to increase their portfolios' allocation to alternative investments: Private Equity Vintage Year Program, Real Estate Vintage Year Program and Absolute Return Unitized Program. The UC Foundations may elect to participate in any or all of the programs. The benefits the UC Foundations receive by partnering with our Office include access to managers who impose high minimum investment amounts; lower fees than those charged by funds of funds; and elimination of time spent on paperwork related to manager searches and monitoring.

We also continue to provide our constituents with educational materials to help them understand the complexities of pensions and investing. "UCRP Peer Comparisons" and "UCRP Performance Measurement and Reporting" (both adapted from presentations to the UC Faculty Welfare Committee) are available on our website.

Personnel: I am very pleased with the team we have built and their productive efforts under very challenging conditions. Our Office looks forward to continue serving The Regents, faculty, staff, and students of the University of California.

Sincerely,

Marie N. Berggren

Marie N. Berggren
Chief Investment Officer and Vice President–Investments, Office of the President and Acting Treasurer of The Regents
University of California, October 2009

LOOKING FORWARD

This past June, the Department of Labor (DOL) and Securities and Exchange Commission (SEC) held a joint agency hearing on target-date funds (TDFs), sparking concerns that these funds will soon be subject to new disclosure regulations or even standards establishing appropriate asset allocations for the funds. There is also the possibility that the review could spur the DOL to enhance its regulations governing the use of TDFs as a qualified default investment alternative (QDIA). At the hearing, plan sponsors, financial firms, and investment firms urged against mandating specific TDF features. The DOL seems to be leaning toward requiring "Truth in Labeling" for participants and giving more detailed guidance to fiduciaries on the factors to consider in selecting and monitoring TDFs. It is expected that this issue will be addressed by year end. Given the increased scrutiny of TDFs, it is important to note that Watson Wyatt reviewed the glidepath construction methodology and asset allocation of the UC Pathways Funds and found them reasonable. We will continue to monitor this issue and will adjust our disclosure, as appropriate.

Our Office plans to merge the High Income Pool (HIP) assets into the General Endowment Pool on December 31, 2009. The HIP was established in May 1987 to meet the needs of deferred gift-giving programs with high contractual payout obligations and also to offer a fund to accommodate endowments with high payout requirements. As such, HIP is a balanced portfolio more heavily weighted in fixed income securities. The HIP was a valuable option because the GEP, with a significant allocation to equities, could pay out only the income being generated by the investments in the pool.

However, in October 1998, The Regents adopted a total return spending policy for the GEP, establishing a long-term target spending rate of 4.75% of a 60-month (five-year) moving average of the GEP's market value. The change greatly reduced the attractiveness of the HIP as an option for endowment investments. Because the Foundations have also adopted a total return spending policy, utilizing HIP as a partial investment choice is no longer serving their long-term investment needs.

SENIOR MANAGEMENT

MARIE N. BERGGREN, MS Chief Investment Officer and Vice President–Investments, Office of the President and Acting Treasurer of The Regents

As chief investment officer, Ms. Berggren is responsible for overseeing the University of California investment portfolio. Before joining the Treasurer's Office in 2002, Ms. Berggren was executive vice president/department head of Venture Capital Investments for Bank One Corporation. While employed at Bank One and its predecessor organization, First Chicago Corporation, she was the senior vice president and department head of the Corporation's mergers and acquisitions activity. Before that she was the managing director of public equities and director of research for First Chicago Investment Advisors (the predecessor to Brinson Partners). Ms. Berggren earned her MS in management from Stanford University Graduate School of Business, and a BA in economics from the College of New Rochelle.

MELVIN L. STANTON, MBA Associate Chief Investment Officer

Mr. Stanton, along with the Treasurer, is responsible for the overall management of the Treasurer's Office. Before joining the Treasurer's Office in 1989, Mr. Stanton had more than 13 years of experience as a financial executive in portfolio management and securities trading, including director of sales for Midland Montagu Securities, Inc., San Francisco; first vice president and manager with Crocker National Bank, San Francisco; and vice president and regional sales manager with Bankers Trust Company, Los Angeles. He received his MBA and BS degrees from California State University, Northridge.

RANDOLPH E. WEDDING, MBA Senior Managing Director – Fixed-Income Investments

Mr. Wedding is responsible for the strategic focus and management of the long- and short-term fixed-income portfolios. Before joining the Treasurer's Office in 1998, he was manager of currency options and derivatives trading for Bank of America, NT&SA, New York; managing director, commodities and derivative sales for Bear Stearns & Co., New York; and principal, manager of fixed-income derivative sales for Morgan Stanley & Co., New York. Mr. Wedding began his career with Wells Fargo Bank, responsible for the Bank's Fixed Income Portfolio. He earned his MBA in finance from the University of California, Berkeley, and BA in mathematics from the University of California, San Diego.

JESSE L. PHILLIPS, CFA, MBA, MA Senior Managing Director – Investment Risk Management

Mr. Phillips is responsible for integrating risk monitoring, measurement, and management into all aspects of the investment process. Before joining the Treasurer's Office in 2002, Mr. Phillips worked at Northrop Grumman for 11 years, first as corporate M&A analyst and then as manager, risk analysis and research in the Treasury Department. Mr. Phillips also worked as corporate planning analyst with Florida Power & Light Company and as senior financial analyst with Storer Communications, Inc., both in Miami, Florida. He earned his BA degree in mathematics/economics and MA in applied mathematics from the University of California, Los Angeles, and his MBA in finance from the University of Miami. Mr. Phillips is a CPA (Florida) and holds the CFA designation.

WILLIAM J. COAKER, CFA, MBA Senior Managing Director – Public Equity

Mr. Coaker is responsible for overseeing all externally managed public equity funds and activities with overall responsibility for executing an investment strategy that generates optimal total return relative to risk taken. Before joining the Treasurer's Office in 2008, he was a senior investment officer for San Francisco City-County Employees Retirement System. Mr. Coaker has also served as CIO, controller at Bishop Clinch Endowment and the Diocese of Monterey. He earned his BS degree in accounting from Loyola Marymount University and his MBA from Golden Gate University. Mr. Coaker holds the CFA, CFP, and CIMA designations.

INVESTMENT MANAGEMENT OVERVIEW

The investment funds managed by the Treasurer of The Regents consist of the University's retirement, defined contribution and endowment funds, as well as the system's cash assets. As of June 30, 2009, the Treasurer's Office managed $55.1 billion in total assets, as outlined below.

TOTAL MARKET VALUE OF ALL ASSETS[1]

June 30, 2009
($ in billions)

University of California Retirement Plan (UCRP)	$32.4
Defined Contribution Plan Funds	9.4
General Endowment Pool (GEP) and Other Endowments	5.8
Short Term Investment Pool (STIP)[2]	6.0
Total Return Investment Pool (TRIP)	1.5
Total Funds	$55.1

The Treasurer's Office investment management staff includes 32 investment professionals with an average of 16 years of investment experience.

INVESTMENT OBJECTIVES AND PHILOSOPHY

The investment objective for all funds under management is to maximize long-term total returns while assuming appropriate levels of risk. Because the purpose of each fund is unique, The Regents have established the following specific objectives for each fund, along with the overall goal of exceeding the policy benchmark return and the rate of inflation:

RETIREMENT FUNDS:

For the University of California Retirement Plan: 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.

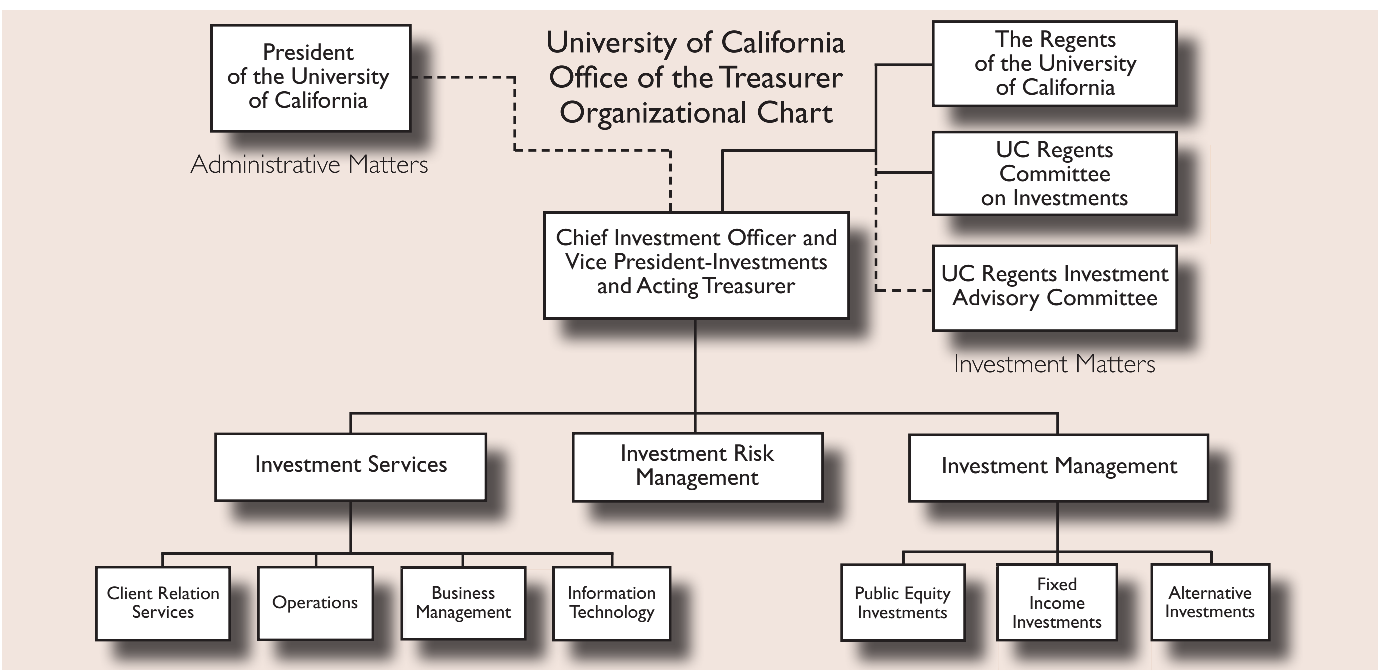
For the University-Managed Defined Contribution Funds: Meet stated investment objectives for each fund.

ENDOWED FUNDS:

Maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets.

ASSET ALLOCATION

Asset allocation is the primary determinant of long-term investment returns. UC funds are diversified among global equities, fixed-income securities, and other non-marketable investments, within The Regents' target allocation (see pages 17, 24 and 30). Historically, portfolio asset allocation has favored equity investments over fixed-income securities due to the expectation that equities will provide higher total returns over the long term, albeit with greater year-to-year volatility.



[1] Market values include Other Endowments, CAM, and HIP assets and is net of the STIP balances in other portfolios.

[2] The Short Term Investment Pool excludes the cash invested for, and reported as part of, the UCRP, Defined Contribution and Endowment Funds.

The asset allocations for the UCRP and GEP are developed as follows: First, expected return and risk for each asset class are estimated using an equilibrium framework and current prices. Second, a set of efficient portfolios is developed, consistent with those assumptions. Third, the assets and liabilities (pension benefits or endowment spending) are modeled under alternative economic scenarios and different efficient portfolio mixes. Fourth, The Regents choose a portfolio allocation consistent with its risk tolerance, one which maximizes the probability of meeting scheduled payments over time.

The Portfolio Management Group meets weekly to review asset allocation, portfolio performance, and market conditions. Asset allocation rebalancing is initiated when asset-class weights move out of the allowable range. The Treasurer decides on the timing and extent of the rebalancing, within The Regents' policy, based on market conditions.

PUBLIC EQUITY INVESTING

The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to Public Equity. Equity assets are segmented into U.S., Non-U.S. Developed, Non-U.S. Emerging Markets, and Global asset classes. The first step in the investment process is to survey the market opportunity set—as circumscribed by the benchmark index—and forecast the risk/return trade-off in each segment of the market. For example, the market may be segmented by style, such as growth or value, capitalization size, industrial sector, or in the case of non-U.S. companies, region or country. Then a portfolio of these market factors is constructed to maximize expected return at the benchmark level of volatility. Next, the team determines which strategies best fit each market segment. Strategies include fundamental research, top-down, and quantitative, and will exhibit various approaches to idea generation and portfolio construction.

The final step is to select investment products (managers) for each strategy, typically looking for several products per strategy to diversify the risk. Managers must have sound organizational structures, experienced people, consistency between philosophy and implementation, an investment process that makes sense as a source of earning excess returns, effective operational controls, and strong risk management. 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, which includes on-site visits, quarterly calls, and analysis of holdings, performance, and risk.

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 the opportunities to add value to the benchmark for each asset class. As of June 30, 2009, approximately 23% of Domestic Equity assets and 30% of Non-U.S. Equity assets were managed in active strategies by 25 external managers. Emerging markets are all actively managed by 10 firms.

FIXED INCOME INVESTING

Within the primary goal of maximizing total return over a long-term horizon, the members of the Treasurer's Office Fixed Income Team take an active approach to managing the portfolios, focusing on safety of principal, credit quality, liquidity and efficient use of risk. They start with a "top-down" approach to evaluate the global macroeconomic environment, including analysis of business cycles, monetary and fiscal policies, and political backdrops, in order to assign appropriate sector weights and duration exposure among the three core sectors of government, credit and collateralized bonds. This is coupled with a "bottom-up" approach to individual security selection. Each portfolio manager utilizes a variety of proprietary and industry-developed analytical tools best suited for the particular sector, emphasizing rigorous analysis of such factors as yield curve exposures, portfolio duration and convexity, credit fundamentals, relative value and position weights.

The portfolio managers closely monitor current and prospective investments on a daily basis. New opportunities are identified, and existing positions are adjusted as appropriate. The team, along with representatives from the Risk Management Group, meet monthly to review performance, portfolio exposures and current economic assumptions. Potential new products and strategies are also presented at these sessions before seeking the Treasurer's approval. This combination of rigorous fundamental and quantitative analysis within an active risk management framework has produced a history of successful returns for The Regents' fixed income funds.

Inflation-indexed bonds (TIPS) are included in the overall asset allocation to achieve the objective

of maximizing long-term total real returns. The low correlation of TIPS returns with other asset classes also increases portfolio diversification. The Treasurer's Office inflation-indexed bond investment strategy utilizes passive management techniques. The objective of this strategy is to replicate the performance of the U.S. TIPS market.

The Fixed Income investments also include allocations to Emerging Markets, U.S. Domestic High-Yield and Foreign-Government bonds. The allocations are intended to improve the risk/reward profile of Fixed Income and the overall asset allocation. These funds are managed both internally and externally.

The Treasurer's Office also manages the Short Term Investment Pool (STIP) for the benefit of numerous University groups. The STIP portfolio managers participate in the fixed-income process with the Fixed Income Team, as outlined above; however, they place a greater emphasis on generating current income in the execution of two major mandates.

The first is to insure that the daily liquidity needs of the University are met by investing an appropriate portion of total assets in short-term money-market instruments at attractive yields relative to the desired quality. The second is to maximize the interest income paid to participants by investing the remaining funds not required for immediate expenditure in a variety of government and corporate bonds with maturities up to 5½ years. The maturity restrictions and emphasis on quality assets help minimize the price volatility of the overall portfolio. The STIP has achieved an impressive long-term record of above-market interest-income returns.

As of June 30, 2009, the allocation to Fixed Income securities was 19% of the GEP and 23% of the UCRP.

ALTERNATIVE INVESTING

Absolute Return

For Absolute Return (AR) investments, the Treasurer's 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 Treasurer's 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, merger arbitrage and other "hedge fund" strategies. Currently, the AR portfolio is roughly comprised of 50% absolute-return, low market exposure strategies and 50% directional, higher market exposure strategies.

In addition to focusing on strategy diversification, much emphasis is placed on manager selection. After an extensive due diligence process, managers are selected based on a variety of criteria, including their contributions to the overall risk and return of the overall portfolio. The AR portfolio currently is invested with 33 funds across a broad mix of managers and styles. This number of managers may vary from time to time but is expected to remain between 30 and 40 to maintain adequate diversification of strategies and managers without diluting returns. The Treasurer's Office has been able to invest with established and accomplished managers, including some that are no longer open to new investors.

Another critical element of the AR program is the ongoing monitoring of the investments. The Treasurer's Office has regular contact with the investment managers to review adherence to the expected investment style, personnel turnover, performance and other issues to ensure the appropriate investments and allocations for the program. Quantitative and qualitative measures are an integral part of the investment process. In addition, the Absolute Return team works with a consultant that specializes in AR strategies to supplement the capabilities of the team.

As of June 30, 2009, the allocation to AR strategies was approximately 23% of the GEP and 6% of the UCRP.

Private Equity

The Regents of the University of California recognize the benefits of including Private Equity investments as an integral part of the diversified asset pool of the Treasurer's investment program. The long-term strategic objective of the Private Equity program is to develop and maintain adequate exposure to a select group of buyout and venture capital investments in order to reduce the overall risk of The Regents' portfolio through added diversification and to generate attractive long-term rates of return. Indeed, long-term return expectations for Private Equity as an asset class stand several hundred basis points above public market indices.

The UC Regents have been long-standing investors in the asset class. The Regents began the Private Equity program in the 1970s, initially investing directly in a number of private companies and, starting in 1979, emphasizing investments in established West Coast venture-capital funds, which primarily focused on early-stage investments in technology. The Regents' participation in venture capital was based on an early insight into the importance of technology industries to the State of California, the unique position the University holds within the state, and the University's unique contributions to and benefits derived from these industries. As one of the first investors in Silicon Valley, The Regents have formed long-standing relationships with some of the premier venture capital groups and have built a reputation as an active and sophisticated partner. Since 2002, the Private Equity program has also been diversifying its Private Equity investment strategy to include buyout funds and select new relationships.

The process of successfully investing in private equity is resource intensive and requires a high degree of specialized expertise. Consequently, The Regents' Private Equity program continuously strives to incorporate "best practices" from across the investment world and to attract professionals who contribute a positive impact on both decisions and processes used by the team. In addition, because it is extremely difficult to "time" the private equity market, the Private Equity team is focused on building a strategically consistent portfolio of select partnerships to generate superior investment performance over long cycles. The team dedicates careful attention to identifying managers with a superior track record in selecting technologies, companies, and industries with the highest potential for value creation. In addition to active portfolio management and oversight, the team works with its private equity consultant to review potential investment opportunities on a periodic basis.

As of June 30, 2009, the allocation to Private Equity was 9% of the GEP and 5% of the UCRP.

Real Estate

The Real Estate program is now on its fourth year of portfolio building. As of June 30, 2009, the UCRP Real Estate was valued at $894.8 million and represented a 2.8% allocation. The GEP Real Estate was valued at $209.1 million and was 4.0% of the GEP. Long-term target allocations are 7% and 7.5%, respectively. Eighty-nine percent of the total plan investments is in the U.S. and 11% is invested in Asia, Europe, and Mexico.

For both plans, the program invests through open-end, closed-end commingled funds, and REITS, while direct real estate in separate accounts (via title-holding corporations for each asset) invests for UCRP only.

Open-end funds and separate accounts provide tactical flexibility (by manager, strategy, property type, location) and control in the portfolio while maintaining reasonable liquidity. The open-end funds have large pools of existing properties that serve as a good foundation for the building-up stage of the portfolio because they have broad exposure to the market and provide immediate diversification. Closed-end funds are the least liquid structure; however, they offer the widest variety of investment strategies and diversification of assets.

To date, the staff has committed $3.1 billion in 40 funds and five separate account managers have invested $1.1 billion. The Real Estate managers are projecting to invest the remainder of the allocation ($1.3 billion) within the next two to three years.

Real Estate requires a strategic long-term program implementation and fund managers are focused on fundamental supply-demand drivers and asset specific submarket dynamics. The recession has resulted in high unemployment which translates to decreased demand of spaces in all asset types. Managers assumed higher vacancy rates, lower rents and more concessions offered to sign leases. These factors contributed to unprecedented write-downs in market values of the fund's existing portfolio. The lower values have triggered some loan-to-value covenants with existing debt that are being negotiated by fund managers with their existing lenders. Loan restructuring with principal pay downs and loan extensions will allow the managers time to weather the storm and hopefully see growth in demand and rent in the next few years. Real estate typically lags the capital markets by six to nine months. Economists reported the recession ended in the fall of 2009. Real estate should see some recovery by mid- to late-2010.

RISK MANAGEMENT

Investors perceive risk as the possibility of a loss, which they accept in order to achieve their investment goals. Thus, investors accept risk to earn returns. In modern investment theory and practice, risk refers to the inherent uncertainty of outcomes and is often proxied by the volatility of asset returns. Because risk is an essential aspect of investing, Risk Management does not aim to eliminate or necessarily reduce risk but to balance risk and expected return. As Benjamin Graham said, "The essence of investment management is the management of risks, not the management of returns."

The primary objective of the Risk Management team is to ensure that the Treasurer's Office investment and operational activities do not expose the University to potential


or unexpected losses beyond The Regents' risk-tolerance levels. This process involves three steps: 1) to identify risks and the range of possible losses; 2) to implement policies, guidelines and controls on the investment process to maintain the probability of loss within acceptable limits; and 3) to integrate risk monitoring, measurement, and analysis into all aspects of the investment process.

At the portfolio level, both quantitative and qualitative aspects of risk are monitored or measured to ensure that risk levels are proportional to return expectations, and that risk is taken intentionally and diversified optimally. At the plan level, Risk Management focuses on the adequacy of assets to pay promised benefits or to support spending policies. Other key components of the risk management process include scenario analysis, stress testing key assumptions, and optimization of risk and expected return. A key element of modern and traditional risk management is diversification across asset classes, strategies, and securities.

Risk exposures are continually monitored, compared to targets, and altered when appropriate. Pension plan risk factors include asset volatility, inflation and interest rates. Equity risk factors include economic activity, market risk preferences, style factors (e.g., relative value, capitalization size) and industry membership. Fixed-income risk factors include interest-rate volatility, term structure, credit quality, mortgage prepayments, currency, and liquidity. Private-equity and real-estate risk factors include local economic activity, industry fundamentals, and business risk. Absolute-return risk factors include the equity and fixed-income factors defined above, and the degree to which they are offsetting, hedged, or diversified.

Risk measurement is the first step in a process known as risk budgeting. Risk budgeting involves two additional steps: 1) determining the overall amount of risk required to meet a given investment objective and 2) budgeting or allocating it in an optimal manner. Optimal use of risk means constructing a fund so that, at the margin, the contribution to expected return of each sector, portfolio, or asset class is proportional to its estimated contribution to risk. This process is being implemented in the Treasurer's Office and integrated into the asset allocation and rebalancing process.

INVESTMENT SERVICES

Operations

Supporting the management of the portfolios is an experienced Operations staff consisting of a director, assistant director, and supervisor with an average of 21 years experience in banking and/or investment operations and six analysts with an average of 14 years of experience in investment accounting and operations. This unit is responsible for investment accounting and reporting, as well as the central management of all cash services for the University.

In addition to tracking and monitoring all investment security transactions and holdings, the Investment Operations staff verifies and analyzes the returns prepared by the custodian bank (State Street Corporation), prepares performance and holdings reports, and provides investment accounting entries for input into the UCOP Endowment and Investment Accounting general ledger.

A well-established custodial relationship with State Street Corporation, a leading industry provider, ensures sound safekeeping and recording of assets. In addition, State Street Corporation has been the official book of record for the investment portfolios since June 2002. Among other functions, State Street provides independent calculations of the monthly performance data that is reported for the various portfolios and for all of the UC Campus Foundations.

Information Systems

The management of the portfolios is also supported by state-of-the-art information systems. Support of these systems is performed by a financial and systems analyst who is responsible for all information technology functions within the Treasurer's Office, including system integration with third-party applications such as Bloomberg L.P., Barra One, and State Street. The financial and systems analyst also develops and integrates in-house applications and databases to further support the mission of the Treasurer's Office. Custom workflow software allows the financial and systems analyst to manage and run reports or perform calculations for the Treasurer's Office using Microsoft Visual C# .NET, Microsoft SQL Server, and Crystal Reports for Visual Studio .NET.

Client Relation Services

The Client Relation Services group serves as an information agent for the Treasurer's Office. Among the group's many roles is collecting, organizing, and presenting information related to the selection, execution, performance, and monitoring of the University's investment portfolios in communication materials for the Board of Regents, Campus Foundations, and other stakeholder groups.

In addition to producing communication materials, the group serves as strategic counsel to the investment management team for best practices in presenting strategies, objectives, and performance for the investment portfolios. The group also oversees the Treasurer's Office website.

Business Management

Supporting the management of the portfolios is a Business Management staff. This unit is responsible for administrative and non-investment operational matters in the Office of the Treasurer, which includes internal and external audit issues, business accounting, contract negotiations, human resources, budget, accounts payable, supply and equipment inventory, control and maintenance, space planning, and security.

A WORD ABOUT BENCHMARKS

The primary objective of a performance report is to answer the question: what happened to our investments during the last quarter or year? But investors, fiduciaries, and other interested parties should immediately ask two more questions: what happened to our investments relative to our investment goals and objectives, and how much risk was taken to achieve those returns? Finding meaningful answers to these questions requires the selection of, and comparison of performance to, a diversified basket of similar securities of similar risk known as a ***benchmark***.

While an investor may state that his or her long-term goal is to preserve purchasing power and increase assets by 5% in real terms, an investment program is best articulated in terms of an ***asset allocation***. An asset allocation is the formal policy describing investments in terms of broad asset classes. A policy could be as simple as stating the percentage of assets to be invested in equities, fixed income, and cash equivalents, or it could be more detailed, e.g., further segmentation of equity into U.S. stocks, non-U.S. stocks, and private equity.

Once a policy allocation is set, the natural (and best) benchmark is the market index that most closely represents the asset class, such as the Russell 3000 Index for U.S. stocks or the Barclays Capital Aggregate Bond Index for U.S. bonds. Market indices are also good benchmarks in that they represent the investor's "opportunity cost," i.e., an institutional investor usually can earn the index return via a low-cost passively managed portfolio.

A policy benchmark for a fund can be a blend of indices, each weighted by the percentage it represents in the asset allocation, e.g., 65% Russell 3000 + 35% Barclays Capital Aggregate. Additionally, although targets may be set for the percentages of assets in each category, it is customary to allow for a range around each target, to avoid frequent and costly rebalancing, and to allow for tactical deviations from policy when market conditions warrant (see range example on page 17).

When compared to its policy benchmark, a fund's investment performance reveals at least two things. First, whether the fund added value by allocating assets differently than the policy percentages. And second, whether the investments chosen within each asset class added value over their class benchmarks. This information is referred to as ***performance attribution***, and it can be derived for each component of the total fund to understand further where and how value was added.

It is also natural to ask, how did the fund perform relative to those funds of peer institutions? The answer is not so straightforward. This is because other institutions may have different investment objectives and risk tolerance, and may utilize asset allocations that differ from their peers' and thus are expected to perform differently. This is especially true in the case of endowments and foundations. Before comparing performance, compare the asset allocation policies and designated benchmarks.

An in-depth look at UC Real Estate and Real Asset Investments

The real estate sector is the frequent subject of prominent headlines in the present market environment and is often cited as the root of the economic crisis. Though this is not necessarily the case, the sector is materially impacted by the unprecedented events of recent history.

The real asset sector is also experiencing similar volatility during these difficult times, as prices for many natural resources succumb to declining global demand.

SIGNIFICANT EVENTS IN 2008

Even as economic growth slowed somewhat and credit markets tightened after the summer of 2007, occupancy and rent growth in most property types remained relatively strong through September 2008, as had expectations for future growth in each of these variables. At the time, this rosy outlook was tempered by the cautionary note that, in the event the economic slowdown worsened and became a sharp recession, the outlook would be significantly more negative. In the wake of financial market events in September 2008, the outlook did worsen and, by year-end 2008, the impact of the crisis had begun to become evident in property-market fundamentals.

IMPACT ON REAL ESTATE

The chart below illustrates the sharp and rapid impact that the unprecedented events of the economic downturn had on the commercial real-estate sector using data from the National Council of Real Estate Investment Fiduciaries ("NCREIF") Open End Diversified Core Equity Index ("ODCE"). The ODCE index is comprised of open-end, commingled funds with stable properties and low debt levels.

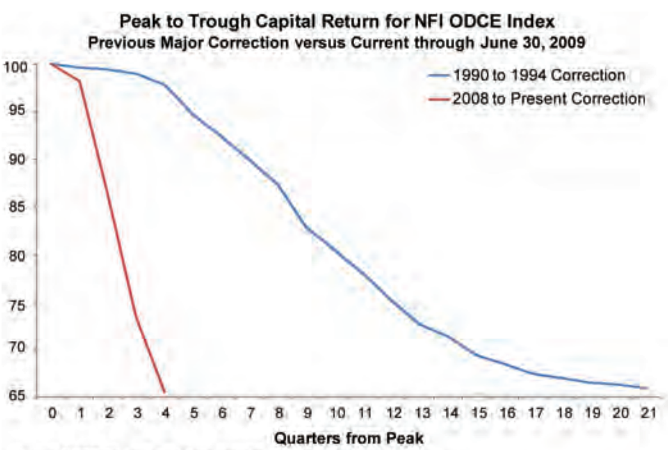
The red line indicates the cumulative decline the ODCE experienced from the peak of the commercial real-estate market in June 2008 through the fiscal year-end in June 2009. The blue line indicates the total peak-to-trough decline of the ODCE index during the last major downturn, in the early 1990s.

As shown, the downturn in the early 1990s occurred over the course of more than five years; whereas, the current decline to date has already reached about the same magnitude over the course of just one year.

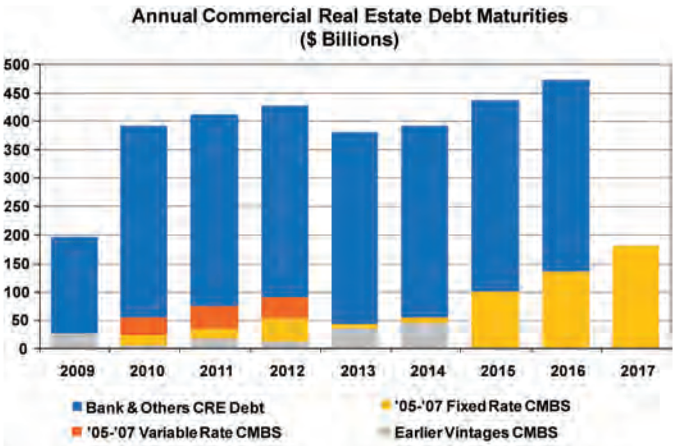
REAL ESTATE CAPITAL MARKETS

Commercial property markets are forced to deleverage as a result of the economic crisis, with lenders' balance sheets squeezed for liquidity, and the valuation and performance of properties underlying loans both declining.

As illustrated in the accompanying chart, there is a large volume of commercial real-estate debt maturing in the next few years, particularly in 2010 through 2012.



Source: NCREIF data; calculations and chart from The Townsend Group



Source: Green Street Advisors, Mortgage Bankers Association, Wells Fargo, Trepp, Bank of America

Many of these loans were issued during the peak of the commercial real-estate market in 2005 through 2007, when both valuations and the volume of transactions reached unprecedented levels. There remains a high degree of uncertainty as to how this large volume of maturities will be accommodated.

LOOKING FORWARD

Real estate decisions are sticky and the impact of an economic downturn on real estate, in general, lags the timing of the downturn itself. Likewise, a real estate recovery generally lags the overall economic recovery. Thus, the outlook for the sector remains negative, with expectations for falling rents, occupancy, and prices. Apart from projects already underway, little new supply is expected to come to market.

Private real estate returns are expected to be weak at least through 2009 as advisors continue to "mark to market" their investments. In some cases, part or all of these "temporary impairments" will become permanent as borrowers opt to infuse more equity or give assets back to the lenders.

A positive aspect of this process of deleveraging is that it is expected to create attractive investment opportunities as assets are shaken loose from the current stalemate between debt and equity holders.

The UC separate account program is well positioned to take advantage of these opportunities as they come to market. There are also an increasing number of commingled funds on offer that are targeted at particular niches of opportunity.

With the overall outlook for commercial real estate still negative, some volatility is expected in the public real estate portfolio in the near- to mid-term future. Nonetheless, this dislocation is also expected to result in attractive investment opportunities, and UC plans to deploy additional capital to public real-estate strategies.

Additionally, two new staff members have been added to evaluate real assets. Like real estate, the current environment is creating a number of attractive opportunities within various segments of the natural resources and infrastructure sectors. UC will be well positioned to take advantage of these opportunities and protect itself from the threat of future inflation and a weak dollar that may be created by recent fiscal stimulus activity.

UC TREASURER'S OFFICE
REAL ESTATE AND REAL ASSETS STAFF

Front row: Rebecca Stafford, Investment Officer; Gloria Gil, Managing Director; Milkah Cunningham, Administrative Specialist

Back row: Cay Sison, Senior Investment Analyst; Brian Johnson, Investment Officer; Aaron Houlihan, Senior Investment Analyst

As of June 30, 2009, the Real Estate portfolio allocation was 4.0% of the General Endowment Pool and 2.8% of the University of California Retirement Plan. *Refer to pages 18 and 26 for more details.*

General Endowment Pool (GEP)

Established in 1933, and unitized in 1958, the General Endowment Pool (GEP) is The Regents' primary investment vehicle for endowed gift funds. The GEP is comprised of over 5,250 individual endowments that support the University's mission. The GEP is a balanced portfolio of equities, fixed-income securities, and alternative investments in which all endowment funds participate, unless payout needs require otherwise.

GENERAL ENDOWMENT POOL (GEP)
Summary of Investments[1] ($ in thousands)

	June 30, 2009		June 30, 2008	
GENERAL ENDOWMENT POOL	Market Value	% of Pool	Market Value	% of Pool
EQUITIES				
U.S. Equity	$976,999	18.8%	$1,203,347	18.7%
Non-U.S. Equity-Developed	959,742	18.5	1,213,443	18.8
Non-U.S. Equity-Emerging Market	257,606	5.0	360,149	5.6
Global Equity	88,484	1.7	–	–
TOTAL EQUITIES	$2,282,831	44.0%	2,776,939	43.1%
FIXED-INCOME SECURITIES				
Core Fixed Income	$408,927	7.9%	$635,676	9.9%
High-Yield Bond	143,239	2.8	170,568	2.6
Non-U.S. Fixed Income	126,096	2.4	189,068	2.9
Emerging Market Debt	122,085	2.4	162,001	2.5
TIPS	197,049	3.8	428,171	6.7
TOTAL FIXED-INCOME SECURITIES	$997,396	19.3%	$1,585,484	24.6%
ALTERNATIVE ASSETS				
Absolute Return	$1,211,671	23.4%	$1,316,709	20.5%
Private Equity	441,759	8.5	486,455	7.6
Real Estate	209,060	4.0	265,619	4.1
TOTAL ALTERNATIVES	$1,862,490	35.9%	$2,068,783	32.2%
LIQUIDITY PORTFOLIO	43,077	0.8	6,683	0.1
TOTAL GENERAL ENDOWMENT POOL	$5,185,795	100.0%	$6,437,889	100.0%
OTHER ENDOWMENT FUNDS	625,064		657,718	
TOTAL GEP AND OTHER ENDOWMENT FUNDS	$5,810,859		$7,095,607	

The market value of the GEP, as of June 30, 2009, was approximately $5.2 billion, or $18.60 per share, versus $6.4 billion, or $23.35 per share, at the end of fiscal 2008. The total GEP net investment income for the year was $144.0 million, or $0.52 per share, versus $161.2 million, or $0.59 per share, at the end of fiscal 2008. In addition, $109.7 million was withdrawn to fund the Total Return Payout.

SPENDING POLICY

The Regents adopted a total-return investment philosophy aimed at achieving real-asset growth in order to generate growing annual payouts to support donors' designated programs. In October 1998, The Regents adopted a long-term spending rate range of 4.35% to 4.75% of a 60-month (five-year) moving average of the GEP market value. The Regents review the payout rate each year in the context of the GEP's investment returns, inflation, and the University's programmatic needs, in conjunction with prudent preservation of principal and prudent increases in the payout amount. On May 6, 2008, The Regents approved the continuance of a rate of 4.75% for expenditure in the 2008-2009 fiscal year.

INVESTMENT OBJECTIVE

The overall investment objective for all the GEP assets is to maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets.

The primary goal for the GEP is to preserve the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments, and to the extent this is achieved, cause the principal to grow in value over time.

[1] For fiscal years 2008 and 2009, the cash portion of the various portfolios excludes 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 University's Annual Financial Report..



GENERAL ENDOWMENT POOL (GEP) POLICY ASSET ALLOCATION

as of June 30

	2005	2006	2007	2008	2009
MARKET VALUE (in millions)	$5,210	$5,747	$6,728	$6,438	$5,186
ANNUAL TOTAL RETURN	10.31%	11.57%	20.01%	-1.93%	-17.74%
ANNUAL TOTAL RISK[1]	6.20%	6.50%	3.68%	7.37%	17.63
ASSET ALLOCATION:					
PUBLIC EQUITY	64.01%	63.52%	55.59%	43.13%	44.02%
PUBLIC FIXED INCOME	24.76	22.11	20.56	24.63	19.23
ALL ALTERNATIVES	11.05	14.20	23.67	32.13	35.92
LIQUIDITY	0.18	0.17	0.18	0.11	0.83

OVERALL INVESTMENT STRATEGY AND RETURNS

In order to continue to achieve these investment objectives, The Regents adopted the following asset allocation policy in September 2008:[2]

Asset Class	Current Policy	Min.	Max.
Public Equity	44.0%	37%	51%
Public Fixed Income	20.5	15	25
All Alternatives*	35.5	30	40
Liquidity	0.0	0	10

*Including, but not limited to: Real Estate, Private Equity, and Absolute Return Strategies

The asset allocation benchmarks and portfolio guidelines are designed to manage risk and ensure portfolio diversification. The benchmarks for the individual asset classes are: Russell 3000 Tobacco Free (TF) Index for U.S. Equity; MSCI World Index ex-U.S. TF (Net) Index for Non-U.S. Equity-Developed Markets; MSCI Emerging Markets (Net) Index for Non-U.S. Equity-Emerging Markets; MSCI All Country World Index Net Investable Market Index (IMI) TF for Global Equity; Barclays Capital Aggregate Bond Index for U.S. Core Fixed Income; Merrill Lynch High-Yield Cash Pay Index for High Yield Debt; Citigroup World Government Bond Index ex-U.S. for Non-U.S. Fixed Income; JP Morgan Emerging Market Bond Index Global Diversified for Emerging Market Debt; Barclays Capital TIPS Index for TIPS; HFRX Absolute Return Index and HFRX Market Directional Index for Absolute Return; Real Estate Public: Public: FTSE EPRA NAREIT U.S. Index and FTSE EPRA NAREIT Global ex-U.S. Index and Private: NCREIF Funds Index-Open-End Diversified Core Equity. The total fund benchmark is a policy-weighted average of the individual asset-class benchmarks.

GEP declined by 17.74% for the fiscal year, as illustrated in the table on page 19. For the past 10 years, GEP's average annual total return was 3.36% vs. 3.21% for its benchmark. During that time, payout distributions grew at an average annual rate of 7.6% — well above annualized inflation of 2.64%.

EQUITY INVESTMENTS STRATEGY AND RETURNS

The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to Equity. Equity assets are segmented into U.S., Non-U.S. Developed, Non-U.S. Emerging Markets, and Global Equity asset classes. The Treasurer's Office 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 over the benchmark return for each asset class. During the 2008-2009 fiscal year, a new global equity asset—MSCI ACWI IMI Fund—was added to the GEP portfolio.

As of June 30, 2009, approximately 32% of Domestic Equity assets and 43% of Non-U.S. Equity-Developed assets were managed in active strategies by 25 external managers. Emerging Markets are all actively managed by five firms. The Equity portion of GEP represented 44% of the portfolio at year-end, with a market value of $2.3 billion. U.S. Equity represented 19% of the fund at year-end, with a market value of $977 million. The U.S. Equity assets had returns of -26.45% for the fiscal year and -2.38% for the five-year period.

Total Non-U.S. Equity represented 25% of GEP at year-end with a market value of $1.3 billion. Non-U.S. Equity-Developed markets represented 19% with a market value of $960 million and Non-U.S. Equity Emerging Markets represented 5% with a market value of $258 million. The new asset class, Global Equity, represented 2% of the GEP, with a market value of $88 million. GEP's Non-U.S. Equities-Developed Markets declined by 30.41% for the fiscal year but had a five-year return of 3.25%. Non-U.S. Equity-Emerging Markets declined by 30.42% but had a five-year return of 13.66%. The new Global Equity asset class declined by 26.85% for the fiscal year.

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

[2] Revised policy ranges, targets and allocations were approved by The Regents on September 17, 2008, and were effective October 1, 2008.

FIXED-INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed-Income investments, the Treasurer's Office 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, Fixed Income constituted 19% of the portfolio, with a market value of $997 million. Within total Fixed Income, the GEP U.S. Core Fixed-Income investments returned 4.54% during the year and 5.22% and 6.47% for the five- and 10-year periods. The GEP High Yield, Non-U.S. Fixed Income, and Emerging Market Debt investments returned -4.75%, 3.25%, and 2.75%, respectively.

For GEP TIPS, the Treasurer's Office seeks to maximize long-term total real returns and increase portfolio diversification, given TIPS' low correlation with other asset classes. TIPS represented 3.8% of total assets, with a market value of $197 million on June 30, 2009. The TIPS rate of return was -0.12% for the fiscal year and 6.33% for a three-year period.

The weighted average maturity of the Bond portfolio at year-end was approximately 14.6 years, the average duration 4.2 years, and the average credit quality was AA-, with more than 66.5% of Fixed-Income securities rated A or higher.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the Treasurer's 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 Treasurer's 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, merger arbitrage and other "hedge fund" strategies. Currently, the AR portfolio is roughly comprised of 50% absolute-return, low market exposure strategies and 50% directional, higher market exposure strategies. AR represented 23% of the GEP at year-end and declined by 12.96%; the market value was $1.2 billion.

For Private Equity, the Treasurer's Office seeks opportunities through recognized top-tier venture capital partnerships and select buyout funds. Private Equity represented 8.5% of the GEP at year-end with a market value of $442 million. GEP returns for this asset class in the fiscal year were -19.12%.

For Real Estate, the Treasurer's Office seeks investments which provide long-term, risk-adjusted total returns between those of 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.

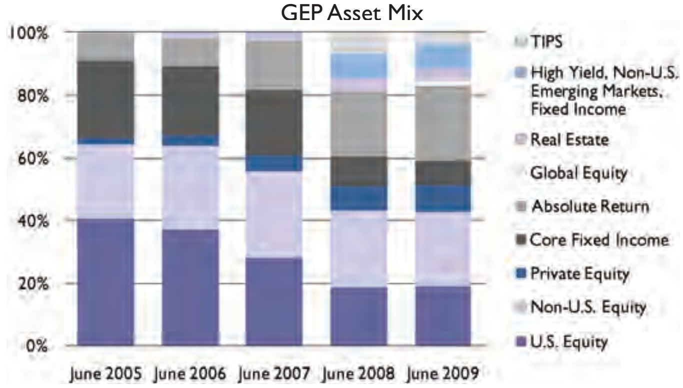
Real Estate represented 4% ($209 million invested) of the GEP at year-end. Private Real Estate ($202 million) returned -38.56% net in the fiscal year, underperforming the benchmark return of -33.06% by 550 bps. The three-year return of -4.38% outperformed the benchmark return of -5.02% by 64 bps. Public Real Estate ($7 million), with an inception date of September 1, 2008, returned -19.37% for the 10-month period, outperforming the weighted policy benchmark by 1,721 bps. The calendar year-to-date return of 15.24% outperformed the benchmark by 1,272 bps.

The GEP Cumulative Total Returns chart below illustrates the returns for the GEP for the past 10 years relative to the policy benchmark and inflation.

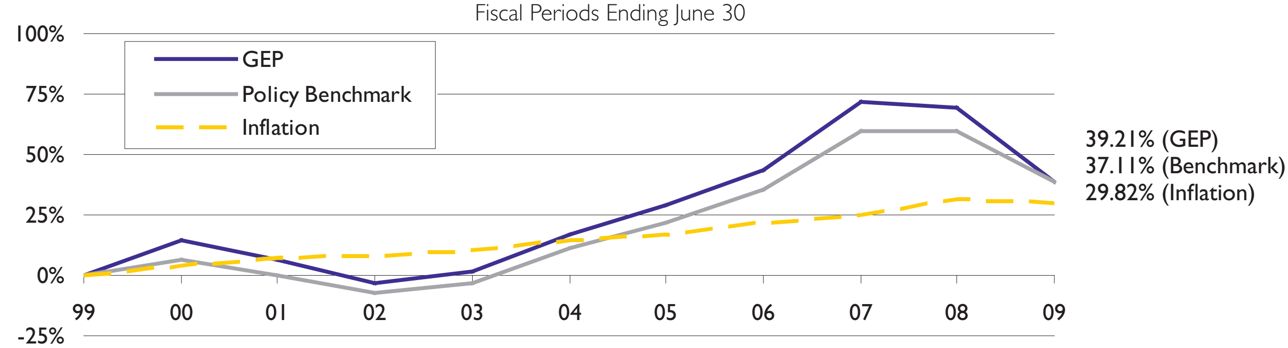
ASSET MIX

The following represents the GEP asset mix as of each of the past five fiscal year-ends.

GEP Asset Mix



GEP Cumulative Total Returns: Fiscal 1999-2009
Fiscal Periods Ending June 30



GEP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2009

	1-Year	5-Year	10-Year	10-Year Cumulative	Benchmark Description[2]
TOTAL FUND					
GEP	-17.74%	3.59%	3.36%	39.21%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation, except that the policy of Private Equity, Real Estate, and Absolute Return are set equal to the actual weights each month. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	-13.99	4.26	3.21	37.11	
Inflation	-1.42	2.60	2.64	29.82	
U.S. EQUITY					
GEP	-26.45%	-2.38%	-2.27%	-20.51%	Policy Benchmark: Russell 3000 TF Index; Historical: S&P 500 Index.
Policy Benchmark	-26.82	-2.03	-1.80	-16.65	
NON-U.S. EQUITY-DEVELOPED					
GEP	-30.41%	3.25%	N/A	N/A	Policy Benchmark: MSCI World ex-U.S. (Net) Index TF.
Policy Benchmark	-31.69	2.78	N/A	N/A	
NON-U.S. EQUITY-EMERGING MARKET					
GEP	-30.42%	13.66%	8.02%	116.29%	Policy Benchmark: MSCI Emerging Markets (Net) Index.
Policy Benchmark	-28.07	14.72	8.81	132.73	
GLOBAL EQUITY[3]					
GEP	-26.85%	N/A	N/A	N/A	Policy Benchmark: MSCI All Country World Index (Net), Investable Market index (IMI) TF.
Policy Benchmark	-27.08	N/A	N/A	N/A	
CORE FIXED INCOME					
GEP	4.54%	5.22%	6.47%	87.21%	Policy Benchmark: Barclays Capital Aggregate.
Policy Benchmark	6.05	5.74	6.74	92.04	
HIGH-YIELD BOND					
GEP	-4.75%	N/A	N/A	N/A	Policy Benchmark: Merrill Lynch High Yield Cash Pay Index.
Policy Benchmark	-3.63	N/A	N/A	N/A	
NON-U.S. FIXED INCOME					
GEP	3.25%	N/A	N/A	N/A	Policy Benchmark: Citigroup World Government Bond Index ex-U.S.
Policy Benchmark	3.53	N/A	N/A	N/A	
EMERGING MARKET DEBT					
GEP	2.75%	N/A	N/A	N/A	Policy Benchmark: JP Morgan Emerging Market Bond Index Global Diversified (as of 02/01/09).
Policy Benchmark	3.95	N/A	N/A	N/A	
TIPS					
GEP	-0.12%	N/A	N/A	N/A	Policy Benchmark: Barclays Capital TIPS Index.
Policy Benchmark	-1.11	N/A	N/A	N/A	
PRIVATE EQUITY	-19.12%	12.14%	13.81%	264.64%	Actual PE Returns.
ABSOLUTE RETURN[4]					
GEP	-12.96%	4.05	N/A	N/A	Policy Benchmark: 50% HFRX Absolute Return Index + 50% HFRX Market Directional Index.
Policy Benchmark	N/A	7.58	N/A	N/A	
PUBLIC REAL ESTATE[5]	-19.37%	N/A	N/A	N/A	
Policy Benchmark	-36.58	N/A	N/A	N/A	50% times the FTSE EPRA NAREIT US Index plus 50% times the FTSE EPRA NAREIT Global ex-US Index.
PRIVATE REAL ESTATE[6]	-38.56	N/A	N/A	N/A	
Policy Benchmark	-33.06	N/A	N/A	N/A	Open End = NCREIF Funds Index-Open-End Diversified Core Equity (lagged 3 months); Closed End = Actual Closed-End Return.

[1] 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. These calculations comply with the CFA Institute's standards, which require time-weighted rates of return using realized and unrealized gains plus income. GEP's Total Fund total return based on unit value calculated by UCOP Endowment and Investment Accounting and net of (after) UC's investment management expenses and administrative expenses of (currently) 0.09% of average annual market value, which are automatically deducted from income, is -18.18%, 3.51%, and 3.32% for the one-, five-, and 10-year periods, respectively.

[2] Historical benchmark information is available online at http://www.ucop.edu/treasurer/invinfo/Benchmarks.html.

[3] Inception date for Global Equity was July 16, 2008. Fiscal YTD results reflect 11 months for both portfolio and benchmark.

[4] Benchmark for Absolute Return (AR) class was changed effective March 1, 2009 from TBills + 450 bp to 50% HFRX-AR Index + 50% HFRX-MD Index. Performance benchmarks for periods less than three years are not relevant for the AR asset class. AR includes a small allocation to Real Assets.

[5] The Public Real Estate inception date was September 1, 2008. The Public Real Estate benchmark is not lagged.

[6]. The Private Real Estate portion of the UCRP is shown lagged one quarter, in order to fully reflect both the income return and capital gains of the Real Estate investment as of March 31, 2009. The (time weighted) return shown is a weighted sum of the Open End and Closed End actual time weighted returns, and the benchmark is a weighted sum of the NCREIF Funds Index - Open End Diversified Core Equity and the actual time weighted return of the UC Closed End funds. This is consistent with investment guidelines and also the reporting of Private Equity performance. Before Q4 2007, the benchmark was strictly NCREIF Property Index.

ASSET DESIGNATION BY CAMPUS AND PURPOSE

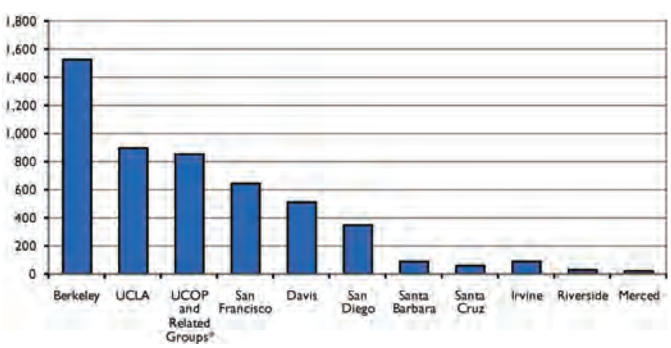
A donor has two avenues for making a gift to or establishing an endowment at the University: directly to The Regents for a specific campus and/or purpose or directly to a campus through its Foundation. The campus foundation trustees have discretion in their choice of investment managers and may use the Treasurer's Office or external investment managers.

The Regents' endowment pools include assets that were gifted directly to The Regents, as well as foundation assets where the Treasurer was retained as the investment manager. The chart below illustrates the breakdown of GEP's assets among the campuses. Not surprisingly, a higher proportion of the assets is dedicated to the older campuses, which have a more established alumni and donor bases.

Fund-raising efforts provide critically needed monies to support the goals of the University. As illustrated by the chart at the right, more than half of GEP's assets support financial aid (23%), research (16%), and departmental use (17%).

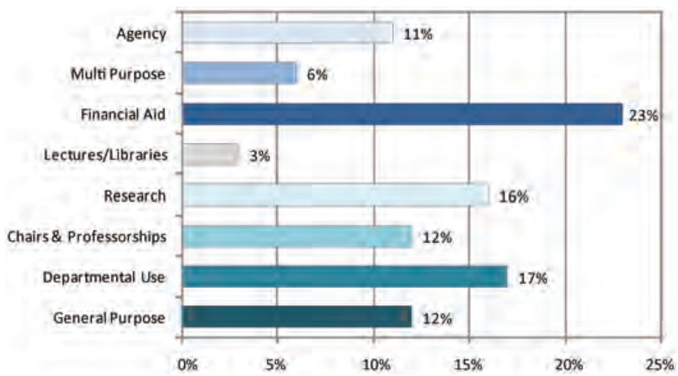
More detailed information on fund-raising results may be found in the University's *Annual Report on University Private Support,* prepared by the UC Office of Institutional Advancement.

GEP Assets Designated by Campus
(in millions)
June 30, 2009



*UCOP = UCOP-administered programs and multi-campus gifts.

GEP Assets Designated by Purpose
June 30, 2009



HIGH-INCOME POOL

The High-Income Pool (HIP) was established in May 1987 to accommodate endowments and deferred gift giving programs with high contractual payout obligations. Although The Regents adopted a total return spending policy for GEP in 1998, the income only spending policy was maintained for HIP. As the campus foundations have adopted a total return spending policy, they have moved most of their assets out of HIP into GEP. The GEP is The Regents' primary investment vehicle for endowed gift funds. As of June 30, 2009, $40.5 million was invested in HIP. The HIP assets are reported as part of "Other Endowment Funds" market value (see GEP Summary of Investments table on page 16).

WAYS OF GIVING TO THE UNIVERSITY

CHARITABLE REMAINDER UNITRUST

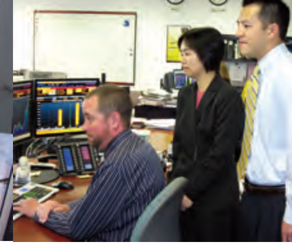
This trust pays the income beneficiary a percentage (at least 5%) of its net asset value each year. The trust is revalued annually. A charitable contribution deduction is allowed for the value of the trust's remainder interest. A variation is the "net income" unitrust, which distributes the trust's net income, up to the set percentage of the annual market value of the trust assets. Minimum gift is $100,000. Additional contributions are accepted anytime.

CHARITABLE REMAINDER ANNUITY TRUST

This trust pays a fixed dollar amount (at least 5% of initial value of transferred property) to the donor or designated beneficiary for life. A charitable contribution deduction is allowed for the value of the trust's remainder interest. Minimum gift is $100,000. Additional contributions are not accepted.

CHARITABLE GIFT ANNUITY

This pays a fixed annuity for the life of the income beneficiary. The rate is based on the age of the income beneficiary on the date of gift, and part of each payment is



CHARITABLE ASSET MANAGEMENT POOLS

The Charitable Asset Management (CAM) Pools are used by The Regents and the Campus Foundations for the investment of split-interest gifts, including charitable remainder trusts, pooled income funds and charitable gift annuities. The investment of these funds is directed by the Treasurer of The Regents; the administration of these funds is handled by the Charitable Asset Management group of State Street Global Advisors, Boston and San Francisco. The pools were created in November 2003.

INVESTMENT OBJECTIVES

The CAM Russell 3000 TF Index Pool seeks to provide investment results that correspond to the total return (i.e., the combination of price changes and income) performance of a broad base of stocks publicly traded in the United States. The CAM EAFE International TF Index Pool seeks to provide investment results that correspond to the total return performance of non-U.S.-developed country stocks. The CAM Fixed Income Pool seeks to outperform the Barclays Capital Aggregate Index and consistently have higher current income. The Funds' policy benchmarks are the Russell 3000 TF Index, MSCI EAFE + Canada TF Index, and the Barclays Capital Aggregate Index, respectively.

RETURNS

Performance ending June 30, 2009, was as follows:

Fund/Policy Benchmark	1-Year Return	Annualized 3-Year Return
CAM Russell 3000 TF Index Pool	-26.61%	-8.39%
Russell 3000 TF Index	-26.82	-8.54
CAM EAFE International TF Index Pool	-31.30	-7.11
MSCI EAFE + Canada TF Index	-31.69	-7.56
CAM Fixed Income Pool	5.08	6.08
Barclays Capital Aggregate Index	6.05	6.43

At fiscal year-end, CAM assets totaled $105 million, with CAM Russell 3000 Tobacco Free (TF) Index Pool's market value at $46 million, The CAM EAFE International TF Index Pool's market value at $14 million, and the CAM Fixed Income Pool's market value at $45 million.

Total CAM Assets by Pool
June 30, 2009

usually tax exempt. The amount of the charitable contribution deduction is the difference between the amount of the gift and actuarial value of the annuity. Minimum gift is $10,000.

DEFERRED PAYMENT GIFT ANNUITY

UC Davis Cancer Center

This pays a fixed annuity; however, the first payment is deferred for a year or more from the date of the gift, usually timed to coincide with retirement or other plans. The donor is able to make a gift now and use the income tax charitable deduction while in a higher tax bracket, deferring annuity payments until the income will be needed. The donor may claim a charitable contribution deduction for the difference between the value of the gift and the actuarial value of the deferred annuity. Minimum donation is $10,000.

http://www.universityofcalifornia.edu/giving/ways.html

POOLED INCOME FUNDS

This is a trust funded with gifts from many donors. There are two pooled income funds operated by The Regents and open to donors to any campus or university program. These funds pay the donor or designated beneficiary a pro-rata share of the particular pooled-income fund's net income each year for life. Income is taxed as ordinary income, and a charitable deduction is allowed for the value of the remainder interest. Minimum gift is $20,000. Additional contributions of $5,000 or more are accepted.

LIFE INCOME OPTIONS WITH APPRECIATED SECURITIES

Donors to gift annuities, charitable remainder trusts, and pooled income funds may make a gift using appreciated property and defer or avoid paying taxes on their capital gains. When appreciated stock is donated to a charitable remainder trust, the trust can sell those assets on a tax-free basis and purchase other higher yielding assets, and the income beneficiary only pays tax on the capital gains as the gains are paid out to them in annual unitrust or annuity payments. Capital gains on the donation of appreciated securities for a gift annuity are usually distributed over the annuitant's actuarial life expectancy. When appreciated assets are donated to a pooled income fund, the donor does not pay taxes on any of the capital gains.

W. M. KECK OBSERVATORY

On the summit of the Hawai`i Island’s dormant volcano Mauna Kea are two 10-meter telescopes known as the W. M. Keck Observatory. These advanced discovery machines are currently the largest operating optical and infrared telescopes in the world and are used nightly by astronomers, including those from the University of California, to unravel the mysteries of the Universe.

Recognized as the most scientifically productive observatory in history, Keck Observatory has contributed to all areas of astronomy and astrophysics. Keck’s legacy of discovery includes the study of extrasolar planets, the formation of stars and planets, the merger history of nearby galaxies, the chemical composition of the Universe, and the first generation of stars to form in the Universe. One example of Keck’s contributions is that over half of all planets known outside our Solar System have been discovered using observations from Keck Observatory. Keck also played a crucial role in discovering that our Universe is not only expanding but that the expansion is accelerating, attributed to an emerging phenomenon dubbed Dark Energy.

Photo by Laurie Hatch, courtesy of WMKO

The W. M. Keck Foundation funded the construction of the first Keck telescope, and six years later, its twin. The project was managed by the University of California and the California Institute of Technology (Caltech). Keck I began science observations in May 1993 and Keck II saw first light in October 1996. Each Keck telescope features a 10-meter primary mirror that is comprised of 36 hexagonal segments. The segments work in concert as a single piece of reflective glass and send incoming light to observational instruments—including imagers, multi-object spectrographs, high-resolution spectrographs, integral-field spectroscopy, and a laser-guide-star adaptive-optics system.

The astounding discoveries made by the Keck Observatory are possible because of the telescopes’ large mirror size and advanced instrumentation and by their location on Mauna Kea. At nearly 14,000 feet above sea level, the Keck telescopes, and their neighboring observatories, are above 40 percent of the atmosphere and enjoy clear skies almost every night of the year. Even on the best observing nights, however, turbulence in the atmosphere can still distort incoming starlight. To correct for that turbulence, both Keck telescopes are equipped with state-of-the-art adaptive optics systems to cancel the effects of the atmosphere and provide image clarity of cosmic targets that rivals those of the Hubble Space Telescope.

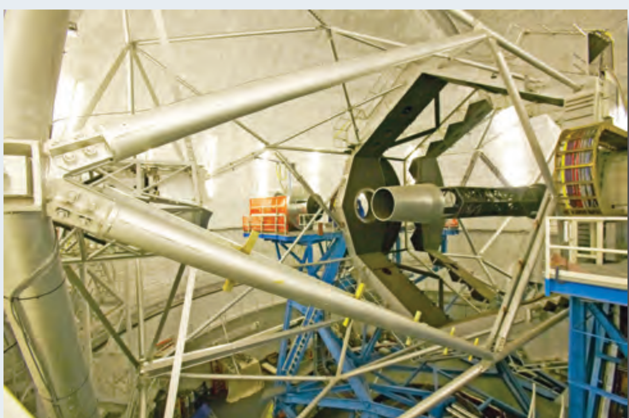


Photo by Ric Peterson, courtesy of WMKO

Aside from advancing the human understanding of the cosmos, the Keck Observatory has also transformed the way scientists and engineers design, build, operate, fund, and manage telescopes. An agreement between the UC and Caltech ensures 5/6ths of the operating costs for the Keck Observatory through 2018. The National Aeronautics and Space Administration (NASA), which joined the Observatory as a partner in 1996, provides the remaining one sixth. The UC Treasurer’s Office manages the General Endowment Pool for The Regents, which includes the Keck Observatory Ten-Meter Telescope Educational Fund. As of June 30, 2009, the Fund has a market value of $92 million and provides for professional operations and maintenance of the twin telescopes.

Because of its suite of highly sensitive instrumentation, Keck Observatory’s telescope time is one of the most sought-after resources in astronomical and planetary science research. During 2008, scientists completed 420 Keck science investigations and published 268 refereed articles. And in November, 2008, astronomers released the first direct image of a planetary system orbiting a nearby star. During the last 13 years, NASA and its astrophysics and planetary science communities have benefited greatly from access to the Keck Observatory. Studies using NASA allocated time on the Keck telescopes have ranged from observations of the closest solar system bodies to galaxies and dying stars at the far reaches of the cosmos.

Observations taken with the Keck telescopes have also supported NASA spacecraft missions to the Moon, Jupiter, and comets. Operations of the telescopes have also led to technology developments for the James Webb Space Telescope.

Despite the location of the telescopes on Mauna Kea, astronomers observe at lower elevation, at 2,500 feet, in a town called Waimea. From this large complex of buildings, which are 20 miles north of the summit, observers operate the telescopes remotely by night, while professional staff during the day ensures the finely-tuned, coordinated efforts between headquarters and the telescopes and instruments at the summit. The W. M. Keck Observatory's headquarters includes living quarters for visiting scientists as well as offices and conference rooms for its 122 full-time employees. In addition to being the main "command-and-control center" for the telescopes, the headquarters welcomes visitors with an exhibit area in its business lobby featuring models of the telescopes, cosmic images, and an interactive kiosk discussing the Observatory's discoveries, technology, and operations.

The vision of the Keck Observatory is a world in which all humankind is inspired and united by the pursuit of knowledge of the infinite variety and richness of the Universe.

Although the W. M. Keck Observatory does not provide summit tours to Mauna Kea, island guests with four-wheel drive vehicles are permitted to drive to the summit, weather permitting, to visit the telescopes. These adventure-seekers will find a visitor's gallery with exhibits describing the Observatory, and a viewing area with partial views of the Keck I telescope and dome. Along the way, visitors can stop at the Onizuka Center for International Astronomy, located at the 9,200-foot base camp of Mauna Kea. The center provides safety tips for traveling to 14,000 feet, free stargazing programs, and invites the public to view the stars through their own portable telescopes. It also has information about the environmental, cultural, and geological features of the mountain.

Mauna Kea, which means "White Mountain" in Hawaiian because of its frequent snow cover, last erupted about 4,500 years ago. It holds significant spiritual significance for native Hawaiians, and embodies their divine ancestral origins and connection to creation. The mountain is also considered to be one of the world's premier sites for astronomy and has just been selected as the location of a new extremely large telescope called the Thirty-Meter Telescope (TMT).

The TMT will be one of the most capable and advanced telescopes ever constructed. It is proposed as a private-public partnership of UC and Caltech, the Association of Universities for Research in Astronomy, and the Association of Canadian Universities for Research in Astronomy consortium. When completed in 2018, the TMT will enable astronomers to detect and study light from the earliest stars and galaxies, analyze the formation of planets around nearby stars, and test many of the fundamental laws of physics. Dr. Henry Yang, TMT board chair and chancellor of the University of California at Santa Barbara, said, "Our scientists and engineers have been designing and building the key components that will go into the telescope."

In 2005, the Observatory established an Advancement Office to acquire sufficient resources for Keck to reach its full potential. To date over six million dollars in private philanthropy has been secured to support new instrumentation and capabilities. Many of these innovations are essential for the next generation of large telescopes, including the TMT.

The Observatory believes that the process of discovery is not complete until the results are shared with others. In 2009, Keck Observatory was actively involved in International Year of Astronomy, or IYA2009, celebrations, hosting a special lecture series as well as a Solar System Walk. It was also part of a live 24-hour webcast called "Around the World in 80 Telescopes." The event was part of a cornerstone project of IYA2009 called "100 Hours of Astronomy," which took place over four days and nights, from April 2-5. During this period, individuals and observatories from around the globe shared the experience and wonders of observing the night sky.

Students, of all ages, who visit the Keck Observatory are "inspired to excel at science, a varsity sport for the mind."

Photos by Sarah Anderson, courtesy of WMKO

Each year, the Keck Observatory outreach committee plans and sponsors field trips, stargazing programs, family science nights, classroom visits, and science fairs help inspire thousands of students in grades K-12 each year with science-rich and fun activities. In addition, the Observatory's student employment, internship, and mentorship programs help build career pathways for future scientists and engineers. The ultimate goal is the Observatory's vision: "A world in which all humankind is inspired and united by the pursuit of knowledge of the infinite variety and richness of the Universe."

We wish to acknowledge the help of Debbie Goodwin, Ashley Yeager, and Joan Campbell, of the W. M. Keck Observatory Advancement Office, in the preparation of this article. For information about donating to the Observatory, please visit: http://keckobservatory.org/support/ways/

University of California Retirement Plan

The largest pool of assets managed by the Treasurer's Office 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. With the plan in surplus, The Regents suspended both employee and employer contributions to UCRP in 1990, but redirected the mandatory employee contributions to the newly established Defined Contribution Plan.

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)
Summary of Investments[1]
($ in thousands)

	June 30, 2009		June 30, 2008	
UC RETIREMENT PLAN (UCRP)	Market Value	% of UCRP	Market Value	% of UCRP
EQUITIES				
U.S. Equity	$11,069,628	34.3%	$16,935,500	40.3%
Non-U.S. Equity-Developed	7,091,695	22.0	7,788,998	18.5
Non-U.S. Equity-Emerging Markets	1,316,678	4.0	1,695,066	4.0
Global Equity	593,618	1.8	–	–
TOTAL EQUITIES	$20,071,619	62.1%	$26,419,564	62.8%
FIXED-INCOME SECURITIES				
Core Fixed Income	$3,680,678	11.4%	$6,292,534	15.0%
High-Yield Bond	1,029,373	3.2	1,311,322	3.1
Non-U.S. Fixed Income	-	-	1,125,748	2.7
Emerging Market Debt	748,685	2.3	967,964	2.3
TIPS	2,073,285	6.4	2,485,151	5.9
TOTAL FIXED INCOME	$7,532,021	23.3%	$12,182,719	29.0%
ALTERNATIVE ASSETS				
Private Equity	$1,730,742	5.4%	$1,720,925	4.1%
Real Estate	894,751	2.8	1,051,845	2.5
Absolute Return	1,906,905	5.9	645,143	1.5
TOTAL ALTERNATIVE ASSETS	$4,532,398	14.1%	$3,417,913	8.1%
LIQUIDITY PORTFOLIO	$172,753	.5	$10,494	0.1
TOTAL UCRP	$32,308,791	100.0%	$42,030,691	100.0%

UCRP is a balanced portfolio of equities and fixed-income securities, which at June 30, 2009, totaled $32.3 billion, versus $42.0 billion at the end of fiscal 2008.

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 AND RETURNS

In order to continue to achieve these investment objectives, The Regents adopted the following asset allocation policy in May 2009:[2]

Asset Class	Current Policy	Policy Range
Combined Public Equity	60%	50-70%
Combined Fixed Income	25	20-30
Combined Alternatives	15	8-22

The benchmarks for the individual asset classes are: Russell 3000 Tobacco Free (TF) Index for U.S. Equity; MSCI World ex-U.S. (Net) Index (TF) for Non-U.S. Equity, Developed; MSCI Emerging Markets (Net) Index for Non-U.S. Equity, Emerging Markets; MSCI All Country World Index Net-IMI-TF for Global Equity; Citigroup Large Pension Fund (LPF) Index for U.S. Core Fixed Income; Merrill Lynch High Yield Cash Pay Index for High Yield Bond; JP Morgan Emerging Market Bond Index Global Diversified for Emerging Market Debt; Barclays Capital TIPS for TIPS; HFRX Absolute Return Index and HFRX Market Directional Index for Absolute Return; Public

[1] For fiscal years 2008 and 2009, the cash portion of the various portfolios excludes 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 University's Annual Financial Report. UCRP's STIP investments include assets associated with the UC PERS Voluntary Early Retirement Incentive Program totaling $58.0 million. For 2009, the UCRP assets were unitized with UCRP and PERS jointly owning all the units.

[2] Revised policy ranges, targets, and allocations were approved by The Regents on May 6, 2009, and were effective June 1, 2009.

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

	2005	2006	2007	2008	2009
MARKET VALUE (in millions)	$41,970	$43,387	$47,954	$42,031	$32,308
TOTAL RETURN	10.30%	7.10%	18.83%	-5.74%	-18.81%
ANNUAL TOTAL RISK[1]	6.28%	5.59%	4.22%	9.82%	22.14%
TOTAL CONTRIBUTIONS[2] (in millions) AND INVESTMENT ACTIVITY	$3,985	$2,979	$7,941	($2,590)	($7,903)
TOTAL PAYMENTS (in millions) & EXPENSES[3]	(1,315)	(1,474)	(3,198)	(3,492)	(1,861)
SURPLUS ASSETS[4] (in millions)	$6,300	$3,800	$1,700	$2,000	$1,300
FUNDED RATIO[5]	117.90%	110.30%	104.10%	104.80%	103.00%

Real Estate: FTSE EPRA NAREIT U.S. Index and FTSE EPRA NAREIT Global ex-U.S. Index; Private Real Estate: NCREIF Funds Index, Open-End Diversified Core Equity. The total fund benchmark is a policy-weighted average of the individual asset-class benchmarks.

For the fiscal year, UCRP returned -18.81% versus -18.86% 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, 2009, was 2.30% versus its benchmark at 1.77%.

EQUITY INVESTMENTS STRATEGY AND RETURNS

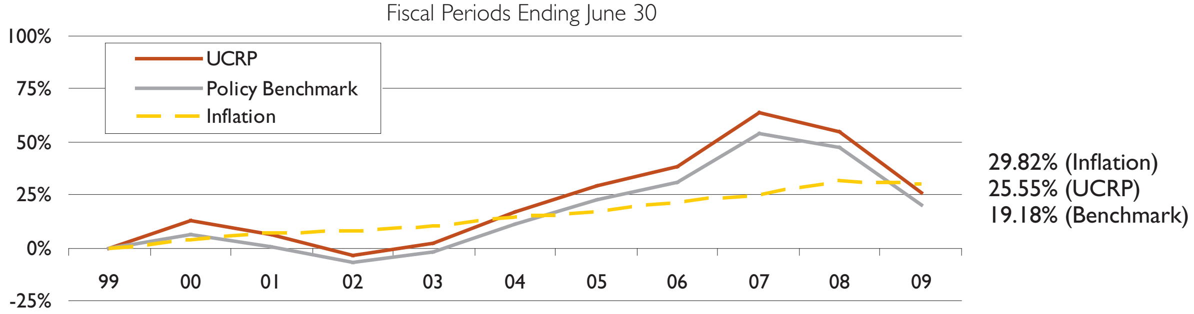
The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to public equity. Assets are segmented into U.S. Equity, Non-U.S. Developed and Non-U.S. Emerging Markets, and Global Equity. The Treasurer's Office team selects multiple equity strategies 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. A new Global Equity asset, MSCI ACWI IMI Fund, was added to the UCRP portfolio during the 2008-2009 fiscal year.

As of June 30, 2009, approximately 22% of Domestic Equity assets and 28% of Non-U.S. Equity-Developed assets are managed in active strategies by 25 external managers. Emerging Markets are all actively managed by nine firms. The equity portion of UCRP represented 67.5% of the portfolio at year-end, with a market value of $21.8 billion. U.S. Equity represented 34.3% of the fund at year-end, with a market value of $11.1 billion. UCRP's U.S. Equity assets returned -26.82% for the fiscal year and -2.36% for the five-year period.

The cumulative Total Returns Chart below illustrates the returns for UCRP for the past 10 years relative to the policy benchmark and inflation.

UCRP Cumulative Total Returns: Fiscal 1999-2009
Fiscal Periods Ending June 30



[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 (which have been negligible over this period), investment income and realized and unrealized gains and losses, as of the beginning of the fiscal year.

[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 are 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.

Total Non-U.S. Equity represented 28% of UCRP at year-end, with a market value exceeding $9 billion. Non-U.S. Equity-Developed Markets represented 22% with a market value of approximately $7.1 billion and Non-U.S. Equity-Emerging Markets represented 4% with a market value exceeding $1.3 billion. The new asset class, Global Equity, represented 2% of the UCRP, with a market value of $594 million. UCRP's Non-U.S. Equity-Developed declined -30.87% during the fiscal year and returned 3.05% for the five-year period. Non-U.S. Equity Emerging Markets declined -29.45% in the fiscal year and returned 13.82% for the five-year period, and Global Equity, which had an inception date of July 16, 2008, declined by -26.86% during its first 11 months.

FIXED-INCOME INVESTMENTS STRATEGY AND RETURNS

For Fixed-Income investments, the Treasurer's Office 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, Fixed-Income investments constituted 23.3% of the portfolio, with a market value of approximately $7.5 billion. Within total Fixed Income, UCRP's Core Fixed-Income investments returned 7.14% during the year. Over the long-term, UCRP's Fixed Income returned 5.49% and 6.64% for the five-year and 10-year periods. UCRP's High Yield and Emerging Markets Debt investments returned -4.35% and 3.15% respectively, for the fiscal year.

For TIPS, the Treasurer's Office seeks to maximize long-term total real returns and increase portfolio diversification, given TIPS' low correlation with other asset classes. UCRP's TIPS represented 6.4% of total assets with a market value of almost $2.1 billion on June 30, 2009. TIPS returned -0.24% in the fiscal year. The weighted average maturity of the Fixed-Income portfolio at the end of the year was approximately 17.2 years, the weighted average duration 7.3 years, and the average credit rating was AA, with 72.3% rated A or better.

ALTERNATIVE INVESTMENTS STRATEGY AND RETURNS

For Absolute Return (AR) investments, the Treasurer's 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 Treasurer's 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, merger arbitrage and other "hedge fund" strategies. Currently, the AR portfolio is roughly comprised of 50% absolute-return, low market exposure strategies and 50% directional, higher market exposure strategies. As of June 30, 2009, the AR portfolio represented 5.9% of the UCRP, had a market value of $1.9 billion and a one-year return of -13.0%. Since inception in July 2007, the UCRP AR allocation has returned -4.6% annualized. Performance benchmarks for periods less than three years are not relevant for the AR asset class.

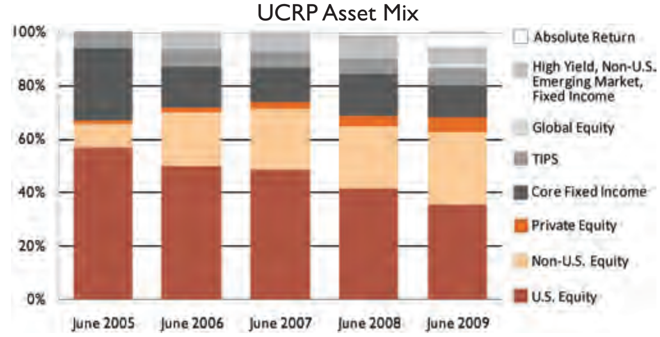
For Private Equity, the Treasurer's Office seeks opportunities through recognized top-tier venture capital partnerships and select buyout funds. Private Equity represented 5.4% of UCRP at year-end with a market value of $1.7 billion. UCRP returns for this asset class in the fiscal year declined by -20.75%. Over the long term, UCRP's Private Equity returns have been an important contributor to total fund return. For example, the 10-year annualized return was 12.78% as of June 30, 2009.

For Real Estate, the Treasurer's Office seeks investments which provide long-term risk-adjusted total returns between those of 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 2.8% ($895 million) of UCRP at year-end. Private Real Estate ($832 million) returned -40.36% net in the fiscal year, underperforming the weighted policy benchmark by 284 bps. Over the past three years, the net return of -8.54% underperformed the benchmark by 18 bps. Public Real Estate ($63 million), with an inception date of September 1, 2008, returned -19.41% for the 10-month period, outperforming the weighted policy benchmark by 1,717 bps. The calendar year-to-date return of 15.19% outperformed the benchmark by 1,267 bps.

ASSET MIX

The following illustrates UCRP's asset mix.

UCRP Asset Mix



UCRP FUNDED STATUS

The UCRP costs are funded by a combination of investment earnings, employee member, and employer contributions. Since 1990, the University's contribution rate to the UCRP has been zero. In addition, since 1990, most of the required employee member contributions to the UCRP have been redirected to the separate defined contribution plan maintained by the University. In 2006, The Regents updated the funding policy for UCRP to provide for a targeted funding level of 100 percent over the long term, and for University and UCRP member contributions at rates necessary to maintain that level within a range of 95–110%. The University will implement a multi-year contribution strategy under which shared employer and employee contribution rates will increase gradually over time to 16% of covered compensation, based upon UCRP's current normal cost. During FY 2008-2009, the restarting of contributions to the Retirement Plan, from both UC and its employees, was postponed.


UCRP ANNUALIZED TOTAL RETURNS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2009

	1-Year	5-Years	10-Years	10-Year Cumulative	Benchmark Description[2]
TOTAL FUND					
UCRP	-18.81%	1.43%	2.30%	25.55%	Total Fund Policy Benchmark: A blend of the indices described in detail below, each weighted by the percentage it represents in the asset allocation, except that the policy of Private Equity, Real Estate, and Absolute Return are set equal to the actual weights each month. Annual index returns assume monthly rebalancing. Inflation: Consumer Price Index.
Policy Benchmark	-18.86	1.39	1.77	19.18	
Inflation	-1.42	2.60	2.64	29.82	
U.S. EQUITY[2]					
UCRP	-26.82%	-2.36%	-1.96%	-17.97%	U.S. Equity Policy Benchmark: Russell 3000 TF Index; Historical: S&P 500 Index.
Policy Benchmark	-26.82	-2.03	-1.80	-16.65	
NON-U.S. EQUITY-DEVELOPED[2]					
UCRP	-30.87%	3.05%	N/A	N/A	Non-U.S. Equity-Developed Policy Benchmark: MSCI World ex U.S. (Net) Index TF.
Policy Benchmark	-31.69	2.78	N/A	N/A	
NON-U.S. EQUITY-EMERGING MARKETS[2]					
UCRP	-29.45%	13.82%	8.89%	134.35%	Non-U.S. Equity-Emerging Markets Policy Benchmark: MSCI Emerging Market Free (Net) Index.
Policy Benchmark	-28.07	14.72	8.81	132.73	
GLOBAL EQUITY[3]					
UCRP	-26.86%	N/A	N/A	N/A	
Policy Benchmark	-27.08	N/A	N/A	N/A	MSCI Emerging Market Free (Net Dividends).
U.S. CORE FIXED INCOME					
UCRP	7.14%	5.49%	6.64%	90.22%	U.S. Fixed Income Policy Benchmark: Citigroup Large Pension Fund Index; Historical: LB LTG/C Index.
Policy Benchmark	7.34	5.90	6.82	93.43	
HIGH-YIELD BOND					
UCRP	-4.35%	N/A	N/A	N/A	High Yield Bond Policy Benchmark: Merrill Lynch High Yield Cash Pay Index.
Policy Benchmark	-3.63	N/A	N/A	N/A	
EMERGING MARKET DEBT					
UCRP	3.15%	N/A	N/A	N/A	Emerging Market Debt Policy Benchmark: JP Morgan Emerging Market Bond Plus Index.
Policy Benchmark	3.95	N/A	N/A	N/A	
TIPS					
UCRP	-0.24%	5.26%	N/A	N/A	
Policy Benchmark	-1.11	4.94	N/A	N/A	TIPS Policy Benchmark: Barclays Capital TIPS.
PRIVATE EQUITY[4]	-20.75%	11.54%	12.78%	232.82%	Actual PE Returns.
ABSOLUTE RETURN[5]					
UCRP	-13.00%	N/A	N/A	N/A	50% HFRX Absolute Return Index + 50% HRFX Market Directional Index.
Policy Benchmark	N/A	N/A	N/A	N/A	
PUBLIC REAL ESTATE[6]					
UCRP	-19.41%	N/A	N/A	N/A	50% times the FTSE EPRA NAREIT U.S. Index plus 50% times the FTSE EPRA NAREIT Global ex-U.S. Index.
Policy Benchmark	-36.58	N/A	N/A	N/A	
PRIVATE REAL ESTATE[7]					
UCRP	-40.36%	N/A	N/A	N/A	Open End = NCREIF Funds Index-Open-End Diversified Core Equity (lagged three months); Closed End = Actual Closed-End Return.
Policy Benchmark	-37.52	N/A	N/A	N/A	

1 UCRP's total returns are net of (after) the Treasurer's Office 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. These calculations comply with the CFA Institute's standards, which require time-weighted rates of return using realized and unrealized gains plus income. For FY 2008-2009, the cost of managing the UCRP was 61 basis points. This is comprised of 52 basis points attributable to external money managers and 9 basis points to UC's internal costs. These 9 basis points consist of 5 basis points related to administrative costs and 4 basis points related to investment management and custodial expenses.

2 Returns for five- and 10-year periods were reclassified to match current asset classes.

3 Inception date for Global Equity was July 16, 2008. One-year return reflects 11 months for both portfolio and benchmark.

4 Industry standard metrics (Net Internal Rate of Return, or Net IRRs) are used to evaluate performance of individual PE funds. Long-term (10 years) time weighted returns of the PE program are compared to relevant market indexes. The use of Net IRRs is mandated by the CFA Institute for calculating and reporting PE performance. Meaningful performance can only be evaluated at the end of a fund's life. Net IRRs cannot be compared to time weighted returns (e.g., market index).

5 Absolute Return (AR) class was changed effective March 1, 2009, from Treasury Bills + 450 bp to 50% HFRX-AR Index + 50% HFRX-MD Index. Performance benchmarks for periods less than three years are not relevant for the AR asset class. AR includes a small allocation to Real Assets.

6 Inception date for Public Real Estate was September 1, 2008. Fiscal YTD results reflect 10 months for both portfolio and benchmark. The benchmark is not lagged.

7 Private Real Estate return is lagged one quarter, to fully reflect income return and capital gains as of March 31, 2009. The (time weighted) return shown is a weighted sum of the Open End and Closed End actual time weighted returns, and the benchmark is a weighted sum of the NCREIF Funds Index - Open End Diversified Core Equity and the actual time weighted return of the UC Closed End funds. Before Q4 2007, the benchmark was strictly NCREIF Property Index.

UC-Managed Defined Contribution Funds

In addition to the defined benefit program (UCRP), the University offers defined contribution plans to provide employees with supplemental retirement benefits—the mandatory Defined Contribution Plan (DC Plan), the Tax-Deferred 403(b) Plan, the 457(b) Deferred Compensation Plan and the Defined Contribution Plan After-Tax Account. These programs differ from UCRP in that the benefits received by participants are based on the employee's contributions to the plans and the returns earned on those contributions over time and that each participant chooses a mix of asset classes (funds) consistent with his or her own investment objectives and risk tolerance.

UNIVERSITY-MANAGED DEFINED CONTRIBUTION (DC) FUNDS[1]

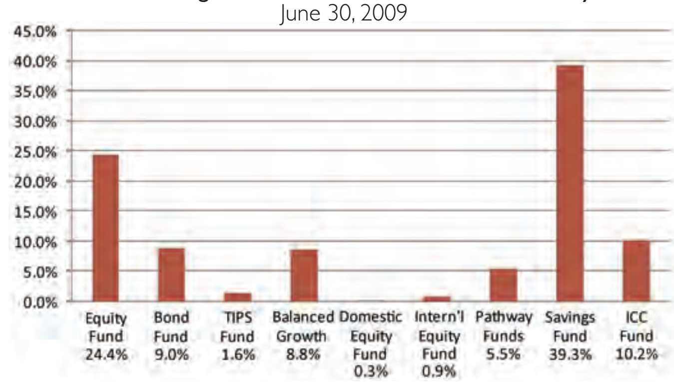
Summary of Investments
($ in thousands)

	June 30, 2009		June 30, 2008	
DEFINED CONTRIBUTION (DC) FUNDS	Market Value	% of DC	Market Value	% of DC
TOTAL RETURN FUNDS				
EQUITY FUND	$2,301,788	24.4%	$3,327,860	32.5%
BOND FUND	852,152	9.0	826,564	8.1
TIPS FUND	155,235	1.6	120,468	1.2
BALANCED GROWTH FUND	835,641	8.8	1,060,065	10.4
DOMESTIC EQUITY INDEX FUND	23,649	0.3	21,383	0.2
INTERNATIONAL EQUITY INDEX FUND	85,003	0.9	124,403	1.2
PATHWAY INCOME FUND[3]	42,568	0.5	38,875	0.4
PATHWAY FUND 2010[3]	115,809	1.2	139,913	1.4
PATHWAY FUND 2015[2, 3]	8,320	0.1	-	-
PATHWAY FUND 2020[3]	151,677	1.6	157,870	1.5
PATHWAY FUND 2025[2, 3]	2,703	0.0	-	-
PATHWAY FUND 2030[3]	105,920	1.1	109,048	1.1
PATHWAY FUND 2035[2, 3]	1,920	0.0	-	-
PATHWAY FUND 2040[3]	58,731	0.6	52,425	0.5
PATHWAY FUND 2045[2, 3]	640	0.0	-	-
PATHWAY FUND 2050[3]	28,618	0.3	28,457	0.3
PATHWAY FUND 2055[2, 3]	239	0.0	-	-
PATHWAY FUND 2060[2, 3]	387	0.0	-	-
INTEREST INCOME FUNDS				
SAVINGS FUND	$3,713,476	39.3%	$3,330,169	32.5%
ICC FUND	968,273	10.2	886,157	8.7
TOTAL UC MANAGED DC FUNDS	$9,452,749	100.0%[4]	$10,223,657	100.0%

As of June 30, 2009, total assets in the UC-managed defined contribution plans were $9.4 billion versus $10.2 billion on June 30, 2008.

When investing their defined contribution funds, employees may choose among 25 UC Core Funds.[5] UC Core Funds are under the direction of the Office of the Treasurer. The UC Treasurer manages each fund, or selects the fund's investment manager.

Total UC-Managed Defined Contribution Plan Assets by Fund
June 30, 2009



[1] For fiscal years 2008 and 2009, the cash portion of the various portfolios excludes 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 University's Annual Financial Report.

[2] New funds inception December 1, 2008.

[3] The Pathway Funds are funds of funds and include some assets managed by Vanguard.

[4] 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.

[5] The UC Core Funds also include two mutual funds managed by Vanguard, one managed by Dreyfus, and one by Dimensional. Information on the specific investment objectives, strategies, returns and risks associated with the UC Core Funds is available to plan participants on Fidelity NetBenefits website.

UNIVERSITY-MANAGED DEFINED CONTRIBUTION FUNDS[1] VERSUS BENCHMARKS AND INFLATION

June 30, 2009

	1-Year	5-Year	10-Year	Benchmark Description
TOTAL RETURN FUNDS				
Equity Fund	-27.07%	-0.66%	-0.57%	Equity Fund Policy Benchmark: 85% less the actual Private Equity weight from the prior month end times the Russell 3000 TF Index, 15% MSCI ACWI ex-U.S. (Net) Index and the actual Private Equity weight of the previous month end times the actual PE return; Historical: S&P 500 Index.
Policy Benchmark	-27.43	-1.09	-1.31	
Morningstar Domestic Equity Funds Median[2]	-25.89	-1.30	0.69	
Bond Fund	6.89%	4.86%	6.05%	Bond Fund Policy Benchmark: Barclays Capital Aggregate Index; Historical: LB LTG/C Index.
Policy Benchmark	6.05	5.01	5.98	
Morningstar Taxable Bond Funds Median[2]	0.68	3.56	4.55	
TIPS Fund (started 4/1/04)	-0.13%	5.19	N/A	
Policy Benchmark	-1.11	4.94	N/A	TIPS Fund Policy Benchmark: Barclays Capital TIPS Index.
Balanced Growth Fund (started 4/1/04)	-14.28%	2.10	N/A	Balanced Growth Fund Policy Benchmark: 65% policy benchmark for Equity Fund, 30% policy benchmark for Bond Fund and 5% policy benchmark for TIPS Fund.
Policy Benchmark	-16.68	1.30	N/A	
Domestic Equity Index Fund (started 7/1/05)	-26.54%	N/A	N/A	Domestic Equity Index Fund Policy Benchmark: Russell 3000 Tobacco Free Index.
Policy Benchmark	-26.82	N/A	N/A	
International Equity Index Fund (started 7/1/05)	-31.32%	N/A	N/A	International Equity Index Fund Policy Benchmark: MSCI EAFE + Canada Tobacco Free Index.
Policy Benchmark	-31.69	N/A	N/A	
UC Pathway 2010 (started 7/1/05)[3]	-8.87%	N/A	N/A	UC Pathway 2010 Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-11.75	N/A	N/A	
UC Pathway 2020 (started 7/1/05)[3]	-14.55%	N/A	N/A	UC Pathway 2020 Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-17.06	N/A	N/A	
UC Pathway 2030 (started 7/1/05)[3]	-19.21%	N/A	N/A	UC Pathway 2030 Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-21.25	N/A	N/A	
UC Pathway 2040 (started 7/1/05)[3]	-20.98%	N/A	N/A	UC Pathway 2040 Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-22.50	N/A	N/A	
UC Pathway 2050 (started 7/1/05)[3]	-23.28%	N/A	N/A	UC Pathway 2050 Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-24.37	N/A	N/A	
UC Pathway Income (started 7/1/05)[3]	-2.49%	N/A	N/A	UC Pathway Income Fund Policy Benchmark: Blend of benchmarks of underlying UC Core Funds based on holdings percentages.
Policy Benchmark	-5.65	N/A	N/A	
INTEREST INCOME FUNDS				
Savings Fund	3.52%	4.07%	4.66%	Savings Fund Policy Benchmark: 2-Year U.S. Treasury Note Income Return.
Policy Benchmark	1.55	3.41	3.55	
ICC Fund	5.08%	5.17%	5.85%	ICC Fund Policy Benchmark: 5-Year U.S. Treasury Note Income Return.
Policy Benchmark	2.45	3.82	4.16	

1 All returns for the University-managed funds are net of (after) investment expenses, which are limited to 0.15% and are based on unit values for the Total Return Funds and on yields and interest factors for the Interest Income Funds. State Street Bank calculates returns and yields by dividing the new unit value or interest factor by the previous unit value or interest factor. The Treasurer's Office compares these results to the gross investment returns calculated by State Street Bank. State Street Bank's calculations comply with the Association for Investment Management and Research (AIMR) standards, which require time-weighted rates of return using realized and unrealized gains plus income.

2 Source: Morningstar, Inc. Although gathered from reliable sources, data completeness and accuracy cannot be guaranteed.

3 UC Pathway Funds 2015, 2025, 2035, 2045, 2055, and 2060 became available on December 1, 2008; therefore, long-term performance information is not yet available.

INTERNALLY MANAGED UC FUNDS

The 25 University-managed investment choices include total return funds—the Equity Fund, Bond Fund, TIPS Fund, Balanced Growth Fund, Domestic Equity Index Fund, International Index Fund, and the 12 UC Pathway Funds—and interest-income funds—the Savings Fund and Insurance Company Contract (ICC) Fund. University-managed funds offer employees the opportunity to achieve attractive, long-term investment performance by investing in one or more funds of their choice. These funds represent diversified portfolios of high-quality, growth-oriented global stocks and bonds, as well as more conservative interest-income funds with attractive above-market yields. The table on page 29 illustrates that these DC funds performed extremely well versus their benchmarks and over the long term, as well. The University-managed funds have an extremely low cost relative to external fund options: Annual expenses are limited to 0.15%[1] of average annual market value, compared to the industry average of 1.4%.[2]

TOTAL RETURN FUNDS

EQUITY FUND

The second largest of the University-managed DC funds is the Equity Fund, established in August 1967. The Equity Fund is a total return fund with the primary objective of maximizing long-term capital appreciation with a moderate level of risk. The following asset allocation policy for the Equity Fund has been in effect since March 2000:

Asset Class	Policy	Minimum	Maximum
U.S. Equity	80%	75%	85%
Non-U.S. Equity	15	10	20
Private Equity	5	3	7

At June 30, 2009, the total market value of the Equity Fund was $2.3 billion. The portfolio consisted of 80.8% U.S. Equity, 15.1% Non-U.S. Equity, and 4.1% Private Equity.

During the fiscal year, the U.S. equity was invested in a Russell 3000 Tobacco Free (TF) Index fund managed by State Street Global Advisors. Non-U.S. Equity is invested in a MSCI EAFE + Canada Tobacco Free Index fund (also managed by State Street Global Advisors). The private equity is invested in venture capital partnerships and buyout funds and is managed by the Treasurer's Office.

For the fiscal year, the return for Equity Fund was -27.07%, compared to -27.43% for the benchmark. The Equity Fund has outperformed its benchmark over the long term, with returns of -0.57% for the last five years and -0.66% for the last 10 years.

BOND FUND

The Bond Fund is a total return fund established by The Regents in January 1978. The primary objective of the Bond Fund is to maximize real long-term total return through a combination of interest income and price appreciation, subject to maturity and quality constraints. The Treasurer's Office invests the Bond Fund in a diversified portfolio of primarily high-quality debt securities.

At June 30, 2009, the total market value of the Bond Fund was $852 million. Mortgage-backed passthrough securities made up 22.3% of the fund, U.S. agency securities 18.8%, industrials 13.7%, U.S. Treasury securities constituted 9.3%, financial bonds 6.3%, utilities 5.3%, foreign sovereigns 1.2%, and other mortgages made up 23.1% of the Fund. The weighted average maturity of the portfolio at year-end was approximately 14.75 years, the weighted average duration 4.67 years, and 79% of the portfolio was rated A or better.

In fiscal 2009, the Bond Fund returned 6.89%. As shown on page 29, the Bond Fund returned 4.86% and 6.05% for the five- and 10-year periods, respectively.

TIPS FUND

The TIPS (Treasury Inflation-Protected Securities) Fund, started April 1, 2004, seeks to provide long-term total return and inflation protection consistent with an investment in U.S. Government inflation-indexed securities.

The Fund invests in inflation-protected securities issued by the U.S. Government. Inflation-indexed securities are designed to protect future purchasing power. The principal value is adjusted for changes in inflation, and interest is paid on the inflation-adjusted principal.

The market value of the TIPS Fund at June 30, 2009, exceeded $155 million and returned -0.13% for the fiscal year.

BALANCED GROWTH FUND

The Balanced Growth Fund seeks to provide long-term growth and income through a balanced portfolio of equity and fixed income securities held within UC-managed funds. The market value of the Balanced Growth Fund at June 30, 2009, was $836 million and returned -14.28% for the fiscal year.

Contributions are invested according to a fixed ratio: 65% Equity Fund, 30% Bond Fund and 5% TIPS Fund (see above). The Balanced Growth Fund's returns are a function of the performance of its component funds.

1 Total expenses are comprised of approximately 0.03% for investment management, 0.02% for investor education and 0.10% for accounting, audit, legal and record-keeping services.

2 Source: Morningstar, Inc. Although gathered from reliable sources, data completeness and accuracy cannot be guaranteed.

The Fund is rebalanced periodically. This will prevent the three component funds from growing outside their allocation percentages. The Treasurer's Office manages the component funds according to the investment objectives and strategies of those funds.

DOMESTIC EQUITY INDEX FUND

The Domestic Equity Index Fund, started July 1, 2005, seeks to provide investment results approximating the total return performance of securities included in the Russell 3000 Index. The Fund is invested in a Russell 3000 Tobacco Free (TF) Index Fund, composed of shares of 3,000 U.S. companies as determined by market capitalization. The portfolio of securities represents approximately 98% of the investable U.S. equity market. The TF version excludes tobacco companies.

At June 30, 2009, the market value of the Domestic Equity Index Fund was $24 million and the Fund had a negative return of 26.54%.

INTERNATIONAL EQUITY INDEX FUND

The International Equity Index Fund is invested in a MSCI EAFE + Canada Tobacco Free (TF) Index Fund. Started on July 1, 2005, the International Equity Index Fund seeks to provide investment results approximating the total return performance of the securities included in the MSCI + Canada Index. The Morgan Stanley Capital International Europe, Australasia, and Far East Index is designed to measure the performance of stock markets in those regions. The TF version excludes tobacco companies.

The market value of the International Equity Index Fund at June 30, 2009, was $85 million and the Fund had a negative return of 31.32%.

UC PATHWAY FUNDS

The UC Pathway Funds are a simple yet diversified, one-stop-shopping approach to saving for retirement. The UC Pathway Funds, which initially became available on July 1, 2005, and were expanded on December 1, 2008, are lifecycle funds that seek to provide capital appreciation and current income consistent with its asset allocation, which will increasingly emphasize income as the target dates approach.

The Pathway Funds invest in a combination of core funds[1] and allocate their assets among these funds according to an asset-allocation strategy. As each Pathway Fund moves toward its defined target dates, the asset allocations becomes more conservative. Over time, the amount invested in stock funds is gradually reduced, while the amount invested in bond and short-term funds is increased.

Once the target date is met for a particular Pathway Fund, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. Investor guidance is provided for each Pathway Fund, e.g., the UC Pathway Fund 2010 may be appropriate for those investors planning to begin drawing income from their 403(b), 457(b), or DC accounts between 2008 and 2012.

At June 30, 2009, the market values and fiscal year returns for the UC Pathway Funds were as follows: 2010, $116 million and returned -8.87%; 2020, $152 million and had a return of -14.55%; 2030, $106 million and had a return of -19.21%; 2040, $59 million and had a return of -20.98%; 2050, $29 million and had a return of -23.28%; and UC Pathway Income, $43 million and returned -2.49%.

The following Pathway Funds were established during the second half of the fiscal year; therefore, the six-month market values and returns are provided: 2015, $8 million and returned 4.49%; 2025, $3 million and returned 5.15%; 2035, $2 million and returned 6.04%; 2045, $640 thousand and returned 6.78%; 2055, $239 thousand and returned 6.91%; and 2060, $387 thousand and returned 6.97%.

INTEREST-INCOME FUNDS

SAVINGS FUND

The Savings Fund, the largest DC Fund, is an interest income fund created in July 1967. The Fund seeks to maximize interest-income returns, while protecting principal, in order to provide a stable, low-risk investment, with attractive returns. The Fund invests in fixed-income securities issued by the U.S. Treasury and U.S. government agencies, most of which are backed by the full faith and credit of the U.S. government. The Fund also invests in fixed income securities issued by U.S. government-sponsored enterprises (GSEs) such as Fannie Mae, Freddie Mac and the Federal Home Loan Banks. The principal and interest payments of GSE obligations are guaranteed solely by the issuer. The maturity of all investments must be five years or less.

At June 30, 2009, the Savings Fund totaled $3.7 billion and was composed of 58% U.S. Treasuries and 42% government-sponsored enterprises (GSEs). The weighted average maturity of the Savings Fund was 2.03 years at June 30, 2009.

The Savings Fund has historically provided an income return greater than that of two-year U.S. Treasury Note income. In fiscal 2009, the Savings Fund generated an income return of 3.52%. During the past 10 years, the Savings Fund generated an average income return of 4.66% versus 3.55% on Two-Year U.S. Treasury Note income.

[1] The Core Funds are under the direction of the UC Office of the Treasurer. The UC Treasurer manages each fund, or selects the fund's investment manager. Information on the specific investment objectives, strategies, returns and risks associated with the UC Core Funds is available to plan participants on Fidelity NetBenefits website.

INSURANCE COMPANY CONTRACT FUND

The Regents approved the Insurance Company Contract (ICC) Fund as an investment option in September 1985. The investment objective of the ICC Fund is to maximize interest income return while protecting principal. The Treasurer's Office invests contributions to the ICC Fund in insurance company contracts offered by select, highly rated, financially sound insurance companies. Under such contracts, the insurance companies guarantee a fixed annual rate of interest for a specified time period and the repayment of principal at the end of that time period. The Fund may also invest in government and government agency securities and cash during periods in which maturing contracts expire and available contracts are not deemed attractive by the portfolio manager. ICC Fund participants receive the blended interest rate of all contracts in the fund. The Fund strives to exceed the returns of five-year U.S. Treasury Notes and to outpace inflation.

At June 30, 2009, the ICC Fund totaled $968 million, with a weighted average maturity of 2.88 years. Since its inception, the ICC Fund has generated income returns that have exceeded those of five-year U.S. Treasury Note income by a comfortable margin. In fiscal 2009, the ICC Fund generated an income return of 5.08%. During the past 10 years, the ICC Fund generated an income return of 5.85% compared to 4.16% on five-year U.S. Treasury Note income.

UC-managed Funds' investor expenses are limited to 0.15% (or $1.50 per $1,000 invested) of the Fund's average market value per year, assessed on a daily basis (1/365th per day invested). These expenses are not billed to participants but are netted against the investment experience of the fund. These expenses are comprised of approximately 0.03% for investment management, 0.02% for investor education and 0.10% for administration (including accounting, audit, legal, custodial and record-keeping services). The total administrative expenses are estimated and could actually be lower in some periods. If actual administrative expenses are less than estimated, any accumulation will be returned to the Fund each quarter, on a prorated basis, thereby lowering the effective expense ratio for participants. There are no front-end or deferred sales loads or other marketing expenses.

Looking back over his career at the University, Dick Walters wouldn't change a thing. "Life has been, and still is, very good to me, and I believe I made right decisions along the way to help me feel content with my retirement and the projects with which I am involved."

Photo courtesy of UC Davis

Richard F. Walters

RETIREE PROFILE

Professor Richard ("Dick") Walters arrived at the University of California Davis School of Medicine via a winding route. While getting a master of science degree in geology to become a petroleum geologist, he served as a teaching assistant and discovered he loved teaching. That revelation led to a doctorate degree in geology at Stanford and eventually to work with an oil company.

While working in Louisiana, he read a book called "The Analytical Engine," describing the history of computers at that time (1963). He realized that information was what he really should have studied, not geology, and proceeded to change directions and work with computers in geology for the next four years.

And, in a third twist, he took a job tip from a neighbor and landed in yet another new field. His neighbor in New Orleans was a hospital administrator and had written a thesis in Public Health Administration at Berkeley entitled "The Feasibility of a School of Medicine at UC Davis." When the dean of the new School of Medicine at UCD arrived in February 1966 and hired Walters' neighbor soon after, the neighbor suggested Walters consider a job teaching computers and medicine. A year later, Walters arrived at Davis and became one of the first 10 faculty in the new medical school. He was placed in Medical Education, with responsibility for the use of all forms of technology in instruction. He spent the next 38 years delving deeper into teaching and learning, and seeking ways to be more effective in facilitating learning.

Professor Walters' greatest joys of working at UC included helping students to learn, learning about the ways technology can improve learning, if used properly, and getting feedback from students long after they graduated from college. His proudest accomplishment was seeing changes happening in the UC system to promote alternative forms of instruction beyond the straight lecture class. He is also pleased to have helped found the Medical Informatics Graduate Program.

When asked about his retirement planning, he said he started even before going to UC Davis by taking advantage of retirement plans available from the company where he worked 11 years prior. Having spent very little time focusing on retirement planning, he admitted, "I received a great deal of excellent advice from my broker."

Upon retirement in 2000 ("right on schedule, according to plan"), he had hoped to continue to help UC faculty become more familiar with pedagogy and effective use of technology in learning. He achieved those dreams, except that the scope extended beyond the UC system. He has held a new appointment for the past two years: "Special Assistant to the Vice Provost, International Relations," which gives him the responsibility of attempting to develop collaborative projects between UC Davis and institutions in the Middle East, especially Egypt. His focuses are on telemedicine, medical informatics, and distance learning.

"It just fits my life," Walters explains. "I am internationally oriented. My background is international. My commitment to promoting international cooperation and promoting ties between UC Davis and the Middle East is very strong."

His advice for current UC employees is to plan ahead. "It is important to listen to advice from Human Resources, but also from your own financial consultant. As advised by professionals, I adjusted my portfolio to suit changing economic factors."

Richard F. Walters

Retired

33 years
with the
University
of
California, Davis

Professor of
Computer Science
and Medical
Informatics

We wish to acknowledge the help of the UCOP Human Resources staff and the *My Personal Compass* project at UCD in preparing this information.

Short Term Investment Pool (STIP)

The Short Term Investment Pool (STIP) is a cash investment pool established in fiscal 1976 by The Regents, in which all University fund groups participate, including retirement and endowment funds as well as campus endowment funds. Cash to meet payrolls, operating expenses, and construction funds of all the campuses and teaching hospitals of the University are the major funds invested in the STIP until expended. Pension, endowment, and defined contribution funds awaiting permanent investment are also invested in the STIP until transferred. The STIP participants are able to maximize returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large cash pool.

STIP Annualized Income Return[1]
June 30, 2009

	1-Year	5-Year	10-Year	10-Year Cumulative
STIP	3.67%	4.19%	4.57%	56.30%
2-Yr U.S. Treasury Income	1.55	3.41	3.55	41.81
Inflation[2]	-1.42	2.60	2.64	29.82

[1] STIP returns are net of (after) investment management costs which are automatically deducted from income. The distribution return (net of all expenses) was 3.61%, 4.15%, and 4.52% for the one-, five-, and 10-Year periods respectively.

[2] Inflation as measured by the Consumer Price Index.

INVESTMENT OBJECTIVE

The basic investment objective of the STIP is to maximize returns consistent with safety of principal, liquidity and cash-flow requirements. The STIP's investments include a broad spectrum of high-quality money-market and fixed-income instruments with a maximum maturity of five-and-a-half years. Investment maturities are structured to ensure an adequate flow of funds to meet the University's cash needs as well as to provide the liquidity needed to facilitate asset class rebalancing and other major liquidity events.

INVESTMENT STRATEGY AND RETURNS

The Treasurer's Office manages the STIP as a highly liquid portfolio, using maturity distribution strategies to maximize returns in different yield-curve environments. Select swapping strategies are employed to take advantage of disparities in the market to improve quality and yield, while maintaining liquidity.

The STIP has achieved attractive returns over the long term. Over the last 10 years, the average annual income return on the STIP was 4.57%, compared to the Two-Year U.S. Treasury Note income return of 3.55%.

For the fiscal year ended June 30, 2009, the STIP exceeded $6.7 billion. The STIP's income return was 3.67% versus the Two-Year U.S. Treasury Note income return of 1.55%. The weighted average maturity of the fund was 2.1 years.

The credit crunch and liquidity contraction that began in mid-August 2007 with the ongoing stress in the housing markets became the worst financial crisis since the Great Depression, following the Lehman bankruptcy in September 2008. Markets were dysfunctional as the extension of credit effectively froze. The corporate bond market was virtually shut down even to the highest quality borrowers.

The commercial paper market suffered huge disruptions. Several money market funds "broke the buck" (net asset values [NAVs] falling below one dollar) while others elected to halt redemptions in the face of unusually heavy requests for withdrawals. The flight to quality demand for "safe" assets was so great that the yield on one- and three-month U.S. Treasury Bills was negative for several days in December.

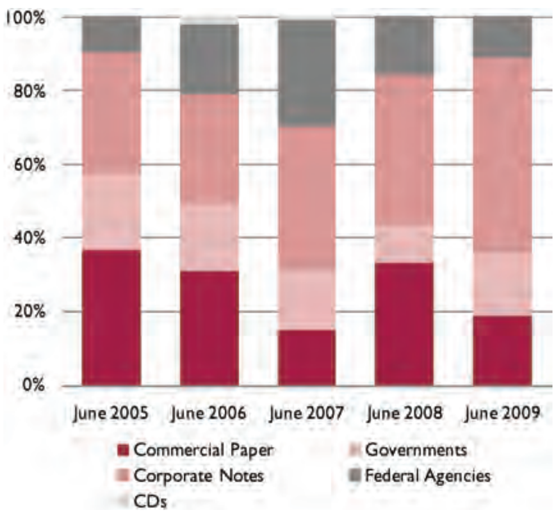
The scope and size of unprecedented government intervention has since stabilized the markets. The Federal Reserve responded aggressively to the crisis, expanding existing liquidity facilities and implementing new liquidity provision programs, as well as acting as the liquidity backstop to risky banks. The FDIC introduced the Temporary Liquidity Guarantee Program (TLGP) to guarantee bank obligations and facilitate medium-term funding. The Treasury injected capital into banks through the Troubled Asset Relief Program (TARP). The Fed's Term Asset-Backed Securities Lending Facility (TALF) and its program to purchase agency and mortgage-backed securities were targeted to help the consumer credit crunch. In December 2008, the federal funds rate was cut to near zero (0–0.25%), where it is now expected to remain for an extended period. Liquidity has slowly returned to the markets.

During the year, the front end of the yield curve continued to steepen and corporate bond yields spiked as credit spreads widened substantially. As the STIP was not exposed to any of the toxic assets in the market, we were able to take advantage of the huge disruptions in the market to purchase very high quality credit spread products at very wide spreads to lock in higher yields. These included attractive callable structures in senior GSE securities. At all times, the STIP's primary investment

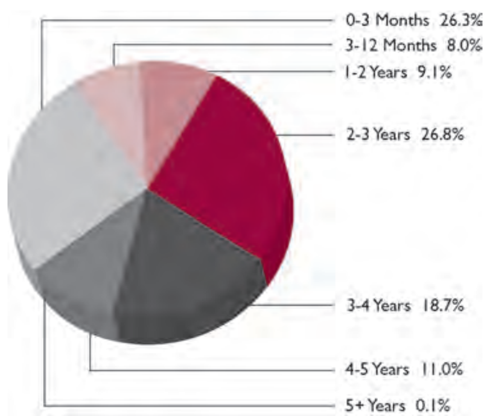
objective remained the safety of principal with the focus on maintaining liquidity and managing the risk in the portfolio. As the University faced a huge budget shortfall for the fiscal year, the high quality of the STIP portfolio, with its highly liquid investments, provided the needed liquidity to meet the University's cash needs.

In the fourth quarter of the FY 2007-2008, The Regents approved the establishment of a new Total Return Investment Pool (TRIP), an investment alternative to the STIP with a different investment objective and risk profile that increases the expected return of longer-term working capital. The TRIP was funded on August 1, 2008, with approximately $1.5 billion from the STIP.

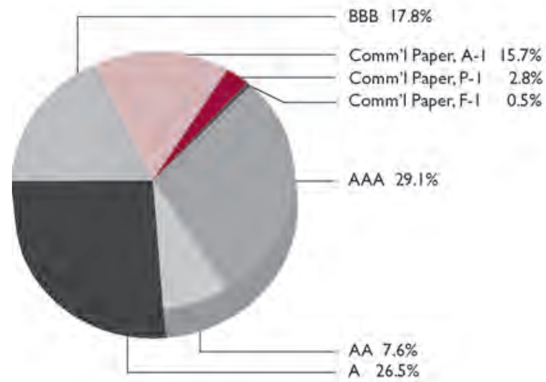
STIP Asset Mix



STIP Maturity Distribution
June 30, 2009 Average Maturity = 2.1 years



STIP Quality Mix
June 30, 2009 Average Long-Term Credit Rating = AA
(BBB and higher = investment grade)



Commercial paper must have a rating of at least A-1, P-1, D-1, or F-1.

UNIVERSITY PROGRAMS UTILIZING STIP

In fiscal 1985, The Regents authorized the University of California Mortgage Origination Program (MOP), which was funded by the legally available cash balances in the unrestricted portion of STIP. The MOP provides first deed of trust variable-rate mortgage loans with up to 40-year terms to eligible members of the University's faculty and staff. In November 2001, The Regents approved interest-only mortgage loans under the MOP. Graduated payment mortgages, which offer a reduced interest rate during the initial years of the loan, were approved for the MOP by The Regents in May 2007. These loans totaled $754.3 million at June 30, 2009.

In March 1999, The Regents authorized the use of the legally available cash balances in the unrestricted portion of STIP to provide liquidity support for the University's Commercial Paper Program. At the July 2008 meeting, The Regents authorized the President to increase the program from $550 million to $2 billion. The STIP also provides working capital advances to the medical centers.

Subsequent to the creation of the TRIP portfolio, in November 2008, The Regents authorized the President to utilize up to 40% of the combined outstanding balances from the combined STIP and TRIP investment portfolios as liquidity support for the Commercial Paper Program, for the medical centers' working capital borrowings, and for the MOP loans.

The Total Return Investment Pool (TRIP) is a newly established investment pool, approved by The Regents during FY 2008-2009. It became available in August 2008 to the UC campuses and Office of the President.

The TRIP allows the campuses to maximize return on their long-term working capital, subject to an acceptable level of risk, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

The fund—which has a total-return mandate responsive to campus needs—supplements the STIP, which has a current income mandate and is appropriate for short-term working capital needs.

The Regents' Committee on Investments has responsibility for governance and oversight of the TRIP. The benchmark for the fund is the weighted average of the same asset-class benchmarks used in the GEP and UCRP. The asset class guidelines and rebalancing policy are identical to those governing the GEP and UCRP.

The asset allocation was developed to produce limited downside risk combined with some current income. The approved UCRP and GEP asset classes were used as a starting point. The initial allocation excludes all assets with limited liquidity, emerging market equity and debt, and "alternative" assets. It also excludes currency risk. The portfolio contains currency-hedged non-U.S. equity in developed markets.

The TRIP is expected to have a higher total return and a higher volatility level compared to STIP, as well as a lower downside risk than other total return funds.

INVESTMENT OBJECTIVE

The objective of the TRIP program is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget. As its name implies, TRIP is managed according to a total return objective, and will be subject to interest rate risk, credit risk, and equity risk. It is appropriate for longer-term investors who can accept this volatility in exchange for higher expected return.

INVESTMENT STRATEGY AND RETURNS

The Treasurer's Office uses a combination of internal and external management ("managers"), employing actively managed strategies where appropriate. Active strategies will include both sector allocation and security selection. The Treasurer's Office will monitor the program's adherence to these guidelines.

Listed below are the strategic asset allocations for the TRIP:

Asset Class	Target Allocation
U.S. Fixed Income - Government	10%
U.S. Fixed Income - Credit	45
U.S. Fixed Income - Securitized	10
High Yield Debt	10
U.S. Equity - Large Cap	10
U.S. Equity - Small Cap	5
Non-U.S. Equity (Hedged)	10
Liquidity	0

The TRIP portfolio is invested primarily in marketable, publicly traded equity, and fixed-income securities denominated in (or hedged back to) U.S. dollars. According to the "Investment Guidelines" dated May 7, 2008, the following asset-class allocations have been established for the TRIP:

Asset Class	Current Policy	Policy Range
Public Equity	25%	15-35%
U.S. Fixed Income	75	65-85
Liquidity	0	0-10

The benchmarks for the individual asset classes are: Barclays Aggregate Government Index for U.S. Fixed Income, Government; Barclays Aggregate Credit Index for U.S. Fixed Income, Credit; Barclays Aggregate Securitized Index for U.S. Fixed Income, Securitized; Merrill Lynch High Yield Cash Pay Index for High Yield Debt; Russell 1000 Index (TF) for U.S. Equity, Large Cap; Russell 2000 Index (TF) for U.S. Equity, Small Cap; MSCI World ex-U.S. Net Index (hedged) (TF) for Non-U.S. Equity (hedged).

For the fiscal year ended June 30, 2009, the TRIP total market value was approximately $1.5 billion. For the 11-month period of August 2008 through June 2009, TRIP returned -1.55%, significantly ahead of the benchmark return of -3.02%.

WEB RESOURCES

UC Treasurer's Office: http://www.ucop.edu/treasurer/

UC-Managed Funds

UC "At Your Service" — Retirement and Savings Plans:
http://atyourservice.ucop.edu/employees/retirement_savings/

UC Retirement Savings Program, including 403(b), 457(b), and DC Plan Information:
http://www.netbenefits.com

UC Retirement Savings Program Policy Statement:
http://www.ucop.edu/treasurer/invpol/Retirement_Sav_investment_policy.html

UC Retirement Plan Investment Policy Statement:
http://www.ucop.edu/treasurer/invpol/UCRP_investment_policy.html

UC General Endowment Policy (GEP) Investment Policy Statement:
http://www.ucop.edu/treasurer/invpol/GEP_investment_policy.html

UC Investment Guidelines for STIP:
http://www.ucop.edu/treasurer/stip/STIP_investment_guidelines.html

UC Investment Guidelines for TRIP:
http://www.ucop.edu/treasurer/trip/TRIP_investment_guidelines.html

Conflict of Interest Policy: http://www.universityofcalifornia.edu/regents/policies/6042.html

Regents' Committee on Investments/Investment Advisory Group
Schedule and Agendas: http://www.universityofcalifornia.edu/regents/meetings.html

UC News

UC Newsroom: http://www.universityofcalifornia.edu/news/

UC Human Resources and Benefits News: http://atyourservice.ucop.edu/

UC Office of the Treasurer News: http://www.ucop.edu/treasurer/updates/

This *Treasurer's Annual Report 2008-2009* is unaudited; however, these investments are included in the following audited financial statements of the University of California: *The University of California Annual Financial Report 2008-2009* (available at http://www.universityofcalifornia.edu/finreports/), *The University of California Defined Contribution Plan and Tax-Deferred 403(b) Plan 2008-2009*, and *The University of California Retirement Plan 2008-2009* (both available at http://atyourservice.ucop.edu/forms_pubs/categorical/annual_reports.html).

Office of the Treasurer

June 2009

Marie N. Berggren, MS – **Chief Investment Officer and Vice President–Investments, Office of the President and Acting Treasurer of The Regents**
Elizabeth Agbayani – **Executive Secretary**

Melvin L. Stanton, MBA – **Associate Chief Investment Officer**
Randolph E. Wedding, MBA – **Senior Managing Director – Fixed Income Investments**
Jesse L. Phillips, CFA, MBA, MA – **Senior Managing Director – Investment Risk Management**
William J. Coaker, CFA, MBA – **Senior Managing Director – Public Equity**

ALTERNATIVE INVESTMENTS

Absolute Return

Lynda Choi, MBA	Managing Director
Jonathan Mandle, CFA, MBA	Investment Officer
Scott Nystrom, AB	Senior Investment Analyst
Feleciana Feller, BA	Administrative Assistant (50/50 with Private Equity)

Private Equity

Timothy Recker, CFA, MBA	Managing Director
Thomas Lurquin, Ph.D.	Director
Michelle Cucullu, MS	Investment Officer
Julia Winterson, MBA	Investment Officer
Leslie Watson, BA	Investment Officer

Real Assets

Gloria Gil, BS, CRE	Managing Director
Rebecca Stafford, MA	Investment Officer
Brian J. Johnson, CFA, MBA	Investment Officer
Cay Sison, BA	Senior Investment Analyst
Aaron Houlihan, MBA	Senior Investment Analyst
Milkah Cunningham, AA	Administrative Specialist (50/50 with Fixed Income)

PUBLIC EQUITY INVESTMENTS

David Hughes, CFA, MBA	Investment Officer
Alyssa Rieder, CFA, CIPM, MBA	Investment Officer
Victoria Owens, CFA, MBA	Senior Investment Analyst
Kristina Chow, MBA	Public Equity Analyst

FIXED INCOME INVESTMENTS

Kim Evans, MBA	Senior Portfolio Manager, Credit Analysis
Linda Fried, BA	Senior Portfolio Manager, Credit Sector
David Schroeder, BA	Senior Portfolio Manager, Governments Sector
Satish Swamy, CFA, MBA	Senior Portfolio Manager, Collateralized Sector
Alice Yee, MBA	Senior Portfolio Manager, Short-Term Securities
Sharon Zhang, CFA, MBA	Investment Officer
Byron Ong, CFA, MBA	Senior Investment Analyst
Aaron Staines, BA	Junior Portfolio Manager

INVESTMENT RISK MANAGEMENT

Aileen Liu, MS	Associate Director
Duane Gilyot, MS	Senior Analyst
Farhan Zamil, CFA, BA	Analyst
Joanne Birdsall	Executive Assistant

OPERATIONS

Robert Yastishak, Director	Floyd Gazaway, Jr.	Marjan Shomali
Jan Kehoe, Assistant Director	Brian Hagland	Pu Wang-Fackler
Paula Ferreira, Supervisor	Khaleelah Muhammad	James Han

INFORMATION SYSTEMS

Richard Thomas	Financial and Systems Analyst

CLIENT RELATION SERVICES

Susan Rossi, Director	Sharon Murphy

BUSINESS MANAGEMENT

Nelson Chiu, Director	Claudia Green	Joyce Lewis
William Byrd	Barbaretta Morris	Pamala Williams-Perkins

The Regents of the University of California

2008-2009

The University of California is governed by The Regents, a 26-member board, as established under Article IX, Section 9 of the California Constitution. The Treasurer of The Regents is responsible for managing the investments and cash for the University of California System. The Treasurer's Office carries out these activities under the policies established by the Investment Committee of The Regents of the University of California.

Officers of The Regents

The Honorable Arnold Schwarzenegger, **President**
Richard C. Blum, **Chairman**
Russell S. Gould, **Vice Chairman**
Charles F. Robinson, **General Counsel and Vice President for Legal Affairs**
Diane M. Griffiths, **Secretary and Chief of Staff to The Regents**
Marie N. Berggren, **Chief Investment Officer and Vice President–Investments, Office of the President and Acting Treasurer of The Regents**
Sheryl Vacca, **Senior Vice President/Chief Compliance and Audit Officer**

Ex Officio Regents

The Honorable Arnold Schwarzenegger, **Governor of California**
Mark G. Yudof, **President of the University of California**
John Garamendi, **Lieutenant Governor of California**
Karen Bass, **Speaker of the Assembly**
Jack O'Connell, **State Superintendent of Public Instruction**
David Shewmake, **President of the Alumni Associations of the University of California**
Debbie Cole, **Vice President of the Alumni Associations of the University of California**

Appointed Regents

Richard C. Blum
William De La Peña
Russell Gould
Eddie R. Island
Odessa P. Johnson
George Kieffer
Joanne C. Kozberg
Sherry L. Lansing
Monica C. Lozano
George M. Marcus
Norman J. Pattiz
Bonnie Reiss
Frederick Ruiz
Leslie Tang Schilling
D'Artaganan Scorza, **Student**
Bruce Varner
Charlene Zettle

Faculty Representatives

Mary Croughan
Harry Powell

Regents-Designate

Jesse Bernal, **Student**
Yolanda Nunn Gorman
Ronald Stovitz

Staff Advisors to the Regents

Bill Johansen
Ed Abeyta (Designate)

Committee on Investments

William De La Peña
Hadi Makarechian
George M. Marcus, **Vice Chair**
Norman J. Pattiz
Leslie Tang Schilling
Paul Wachter, **Chair**

Ex Officio Members:

The Honorable Arnold Schwarzenegger
Richard C. Blum
Mark G. Yudof

Advisory Members:

Jesse Bernal
Nunn Gorman
Harry Powell
Ronald Stovitz

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