

# UNIVERSITY OF CALIFORNIA

## ANNUAL ENDOWMENT REPORT

FISCAL YEAR ENDED JUNE 30, 2018

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UC Regents' General Endowment Pool  
University of California, Berkeley Foundation  
UC Davis Foundation  
University of California, Irvine Foundation  
The UCLA Foundation  
University of California, Merced Foundation  
UC Riverside Foundation  
UC San Diego Foundation  
The University of California, San Francisco Foundation  
UC Santa Barbara Foundation  
UC Santa Cruz Foundation

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# 1 Purpose

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The purpose of this report is to provide the Regents' Committee on Investments with an overview of the investment portfolios of the University of California campus Foundations, as well as the Regents' General Endowment Pool (GEP) in which some of the campuses invest. Each campus Foundation publishes its own detailed investment report; however, this report is intended to provide key information for all the portfolios on a consolidated basis.

The report is prepared by an independent investment consulting firm hired by the Office of the Chief Investment Officer (OCIO) on behalf of the Regents' Committee on Investments. This particular report was prepared by Mercer Investment Consulting, LLC.

The sources of information in this report are:

- Each respective campus Foundation
- The OCIO (for GEP and the campus Foundations which are 100% invested in GEP)
- Mercer Investment Consulting
- State Street Bank (historical performance and assets for GEP and the campus Foundations for periods between 2006 and 2015)

## 2 Consolidated GEP/Campus Foundation Review

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The following section contains a summary of the consolidated endowment review.

Information is provided on the total investment assets, total portfolio performance, asset allocation, and spending policies for each campus Foundation.

All of the information is sourced and reconciled by each respective campus Foundation and the OCIO.

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## 2.1 Total University Assets

This table outlines the University's total assets by designation to the Regents for the benefit of the campus, to investments in the GEP as part of the campus Foundation allocation or to the campus Foundation.

Overall, total endowment assets increased by 16.0% over the last fiscal year. These changes incorporate both new gifts accepted during the fiscal year and the return on total endowed assets.

The Office of the Chief Investment Officer (OCIO) also manages endowment assets of about \$1.6 billion for the benefit of system wide programs and administration, including education and research programs, support services and administration. These assets appear on the table as part of The Regents' endowment assets.

### Total University Endowment Assets by Designation to Regents and Foundation (Excluding Pledges) (Market Value \$000)

Campus	June 30, 2018				June 30, 2017
	Regents <sup>1</sup>	Foundation Investments in GEP	Foundation <sup>2</sup>	Total Endowment Assets	Total
Berkeley	2,693,899	-	1,944,306	4,638,205	4,297,581
Davis	962,531	82,538	359,708	1,404,777	1,135,205
Irvine	507,613	160,518	283,149	951,280	861,321
Los Angeles	2,477,439	11,683	2,510,955	5,000,077	4,349,540
Merced	40,545	11,822	-	52,367	46,697
Riverside	82,568	-	168,561	251,129	224,958
San Diego	873,465	396,651	341,523	1,611,639	1,345,018
San Francisco	1,826,063	-	1,664,810	3,490,873	2,762,395
Santa Barbara	150,192	200,533	6,710	357,435	321,022
Santa Cruz	102,618	104,484	-	207,102	190,122
<b>Total Campus Endowments</b>	<b>9,716,933</b>	<b>968,229</b>	<b>7,279,722</b>	<b>17,964,884</b>	<b>15,533,860</b>
Systemwide Programs and Administration	1,603,953	12,865	-	1,616,818	1,340,719
<b>Total Endowment Assets</b>	<b>11,320,886</b>	<b>981,094</b>	<b>7,279,722</b>	<b>19,581,702</b>	<b>16,874,579</b>

<sup>1</sup> Assets managed by Regents in GEP for the benefit of the Campuses excluding investment allocations to the GEP by the Campus Foundations. Assets managed by Regents include the annual income distributions which have not been paid out of GEP at June 30, 2018.

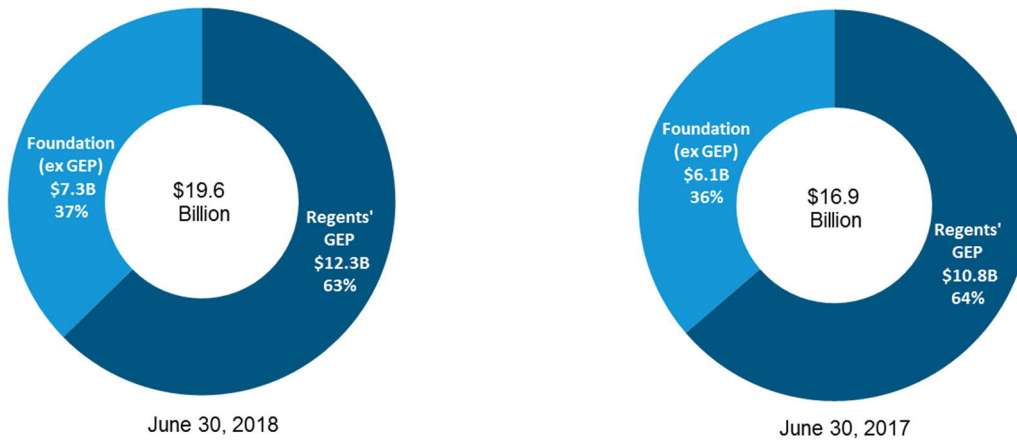
<sup>2</sup> Assets managed by the Campus Foundations excluding investment allocations to the GEP.

## 2.2 GEP and Campus Foundation Assets Under Management

This section of the report focuses on the managed endowment assets held by the Regents' General Endowment Pool (GEP) and the campus Foundations. The assets in the Regents' GEP, which some of the campuses invest in, are managed by the Office of the Chief Investment Officer (OCIO) and the campuses' assets are managed by internal and/or external managers.

The chart below shows the GEP and campus Foundation (excluding GEP) managed endowment assets for fiscal years 2018 and 2017.

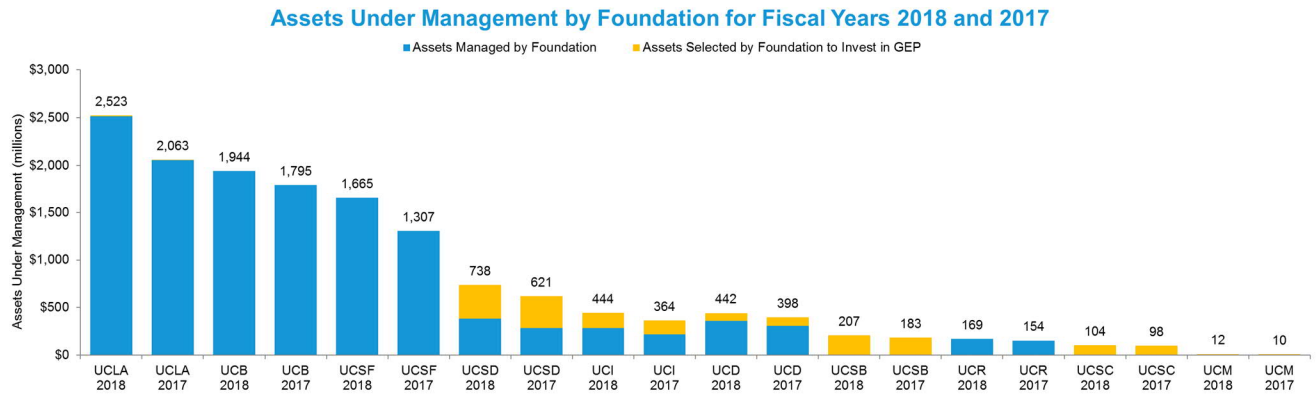
### Total Managed Endowment Assets



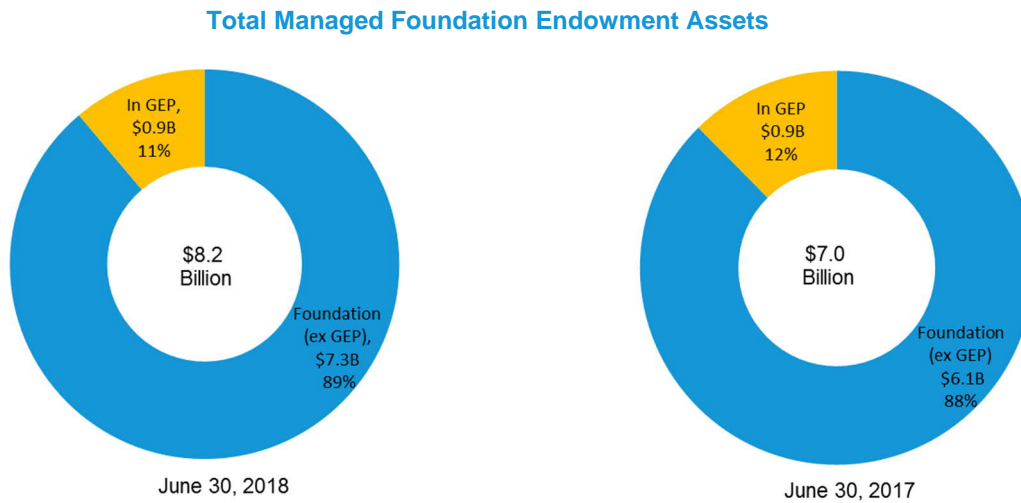
Source: Foundations and the OCIO

GEP and campus Foundation total managed endowment assets were \$19.6 billion as of June 30, 2018. Overall, managed endowment assets increased by 16.3% over the last fiscal year. These changes incorporate cash flows and investment performance.

The two charts below show the total investment portfolio assets under management by campus Foundation and in aggregate for fiscal years 2018 and 2017.



Source: Foundations and the OCIO



Source: Foundations and the OCIO

Total campus Foundation investment assets were \$8.2 billion as of June 30, 2018. Total foundation assets increased by 18.0% over the last fiscal year. These changes incorporate cash flows and investment performance.

## 2.3 Foundation Asset Allocation by Asset Class

Asset allocation is the primary driver of a portfolio's total return over the long run, while sector and individual security selection typically drive short-term performance. Therefore, portfolio performance should be viewed in the context of the underlying asset allocation.

The table below shows the asset allocation for each campus Foundation and GEP as of June 30, 2018. Campus investments in GEP are included in the specific sub asset classes. The table includes the overall weighted average asset allocation of all foundation assets, as well as the net one-year total returns by campus.

**Asset Allocation of Managed Endowment Funds**  
As of June 30, 2018

Campus	U.S. Equity	Non-U.S. Equity	Global Equity	U.S. Fixed Income	Non-U.S. Fixed Income	Absolute Return	Real Assets / Real Estate	Private Equity	Commodities	Other	Cash Equiv.	Total	Fiscal Year 2018 Return
Regents' GEP <sup>1</sup>	8.7%	14.5%	18.6%	13.3%	0.0%	19.7%	6.9%	10.6%	0.0%	0.0%	7.7%	100.0%	8.9%
Berkeley <sup>2</sup>	14.9%	18.1%	13.8%	7.0%	0.0%	16.4%	9.1%	9.4%	0.0%	4.6%	6.7%	100.0%	8.4%
Davis	20.9%	19.5%	3.5%	8.9%	0.4%	17.3%	6.3%	12.9%	8.3%	0.0%	2.2%	100.0%	9.0%
Irvine <sup>3</sup>	20.9%	28.1%	0.0%	14.1%	0.0%	15.8%	6.7%	7.9%	0.0%	0.0%	6.5%	100.0%	8.6%
Los Angeles <sup>4</sup>	16.3%	22.5%	20.7%	5.6%	0.0%	0.0%	11.9%	11.2%	0.0%	11.4%	0.4%	100.0%	10.5%
Merced <sup>5</sup>	8.7%	14.5%	18.6%	13.3%	0.0%	19.7%	6.9%	10.6%	0.0%	0.0%	7.7%	100.0%	9.1%
Riverside	35.6%	41.8%	0.0%	10.0%	0.0%	9.0%	0.0%	2.2%	0.0%	0.0%	1.4%	100.0%	8.6%
San Diego	22.4%	25.0%	0.0%	12.3%	0.0%	20.1%	10.9%	5.6%	0.0%	0.0%	3.6%	100.0%	7.6%
San Francisco <sup>6</sup>	0.0%	0.0%	35.8%	0.0%	0.0%	26.3%	5.0%	11.0%	0.0%	0.0%	21.9%	100.0%	9.6%
Santa Barbara <sup>5</sup>	8.5%	14.0%	18.0%	12.9%	0.0%	19.1%	6.7%	13.0%	0.0%	0.0%	7.9%	100.0%	9.0%
Santa Cruz <sup>5</sup>	8.7%	14.5%	18.6%	13.3%	0.0%	19.7%	6.9%	10.6%	0.0%	0.0%	7.7%	100.0%	9.1%
<b>Weighted Avg.<sup>7</sup></b>	<b>13.8%</b>	<b>17.3%</b>	<b>17.7%</b>	<b>6.4%</b>	<b>0.0%</b>	<b>13.7%</b>	<b>8.7%</b>	<b>10.0%</b>	<b>0.4%</b>	<b>4.6%</b>	<b>7.3%</b>	<b>100.0%</b>	<b>9.0%</b>

<sup>1</sup> GEP Audit Adjustment performance is shown.

<sup>2</sup> UCB's Opportunistic assets are included in the Other category.

<sup>3</sup> UCI performance is gross of fees.

<sup>4</sup> UCLA's Multi-strategy assets are included in the Other category. The US Equity Exposure is 16.3% after including the notional exposure of the derivatives position. The Cash balance is 0.4% when excluding collateral for the derivatives position.

<sup>5</sup> Foundation endowment assets invested primarily in The Regents' GEP and/or STIP funds.

<sup>6</sup> UCSF's Cash Equivalents include investments in US Treasuries and STIP.

<sup>7</sup> The weighted average Fiscal Year return shown above includes The Regents' GEP return in the calculation.



## 2.4 Investment Performance

Investment performance for campus Foundations and GEP (Audit Adjustment) is presented net of fees<sup>1, 2</sup>. This table displays total returns for each campus Foundation and GEP and the median returns of a broad Endowments & Foundations (E&F) peer group (i.e. the Investor Metrics – All Endowments & Foundations) for comparison. The percentile ranks reflect performance relative to the E&F peer group (1<sup>st</sup> percentile is the best, 100<sup>th</sup> percentile is the worst). The table also includes the simple weighted average returns for GEP and all campus Foundation assets.

### Net Performance Summary for Periods Ending June 30, 2018

Periods over 1 Year are Annualized

% Invested in GEP		10 Years		7 Years		5 Years		3 Years		1 Year	
		Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank	Return (%)	Universe Percentile Rank
100%	<b>Regents' GEP<sup>1</sup></b>	6.4	20	7.9	11	8.8	6	6.5	25	8.9	18
100%	<b>Merced<sup>2</sup></b>	6.4	20	7.9	11	8.8	6	6.5	25	9.1	15
100%	<b>Santa Cruz<sup>2</sup></b>	6.5	18	7.9	11	8.8	6	6.5	25	9.1	15
97%	<b>Santa Barbara<sup>3</sup></b>	5.1	58	6.0	62	7.1	39	6.6	24	9.0	17
48%	<b>San Diego</b>	6.0	31	7.4	18	8.1	14	6.2	35	7.6	46
36%	<b>Irvine</b>	6.1	28	7.8	12	8.6	8	6.9	17	8.6	24
19%	<b>Davis</b>	6.1	28	7.6	15	8.5	9	6.3	31	9.0	17
0%	<b>Los Angeles<sup>4</sup></b>	5.7	39	7.8	12	8.3	12	7.1	13	10.5	5
	<b>Berkeley</b>	5.4	49	6.9	33	7.5	29	6.3	31	8.4	27
	<b>Riverside</b>	5.7	39	6.8	37	7.8	20	7.1	13	8.6	24
	<b>San Francisco</b>	5.7	39	6.4	48	7.0	43	5.8	48	9.6	10
	<b>Weighted Average<sup>5</sup></b>	6.0		7.5		8.4		6.5		9.0	
	<b>E&amp;F Peer Group Median</b>	5.4		6.3		6.7		5.7		7.4	

<sup>1</sup> GEP Audit Adjustment composite performance is shown

<sup>2</sup> GEP's unit value performance is shown

<sup>3</sup> Santa Barbara's total performance includes the GEP Unit Value, Private Equity, Hedged and General Cash Accounts

<sup>4</sup> Los Angeles' allocation to GEP was 0.2%

<sup>5</sup> The weighted average returns include The Regents' GEP returns in the calculation.

**Dark Blue:** Outperformed the Policy Benchmark

**Light Blue:** Underperformed the Policy Benchmark

**Black:** Equaled the Policy Benchmark

Note: Details for the E&F Peer Group can be found on page 58 under "Performance Comparisons"

Performance for the trailing 10-year period is still modest as it includes the effect of the global financial crisis; however, performance for the 7- and 5-year periods is solid. Performance for the 3-year period was modest primarily due to the negative returns posted at the 2015-2016 fiscal year-end. However, performance for the trailing 1-year period was solid for all ten campus Foundations.

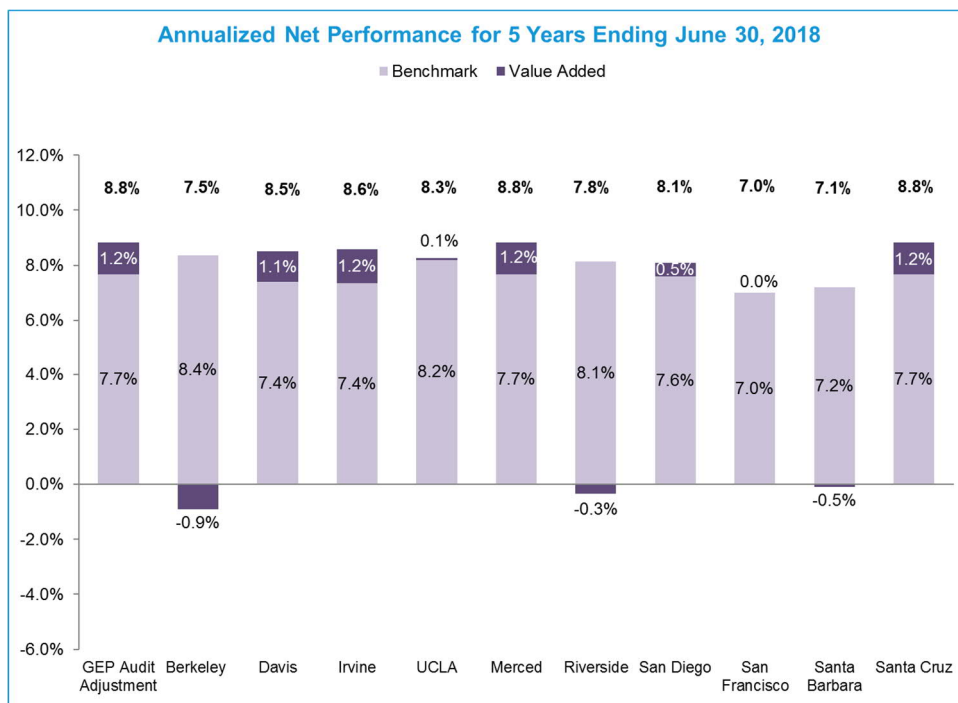
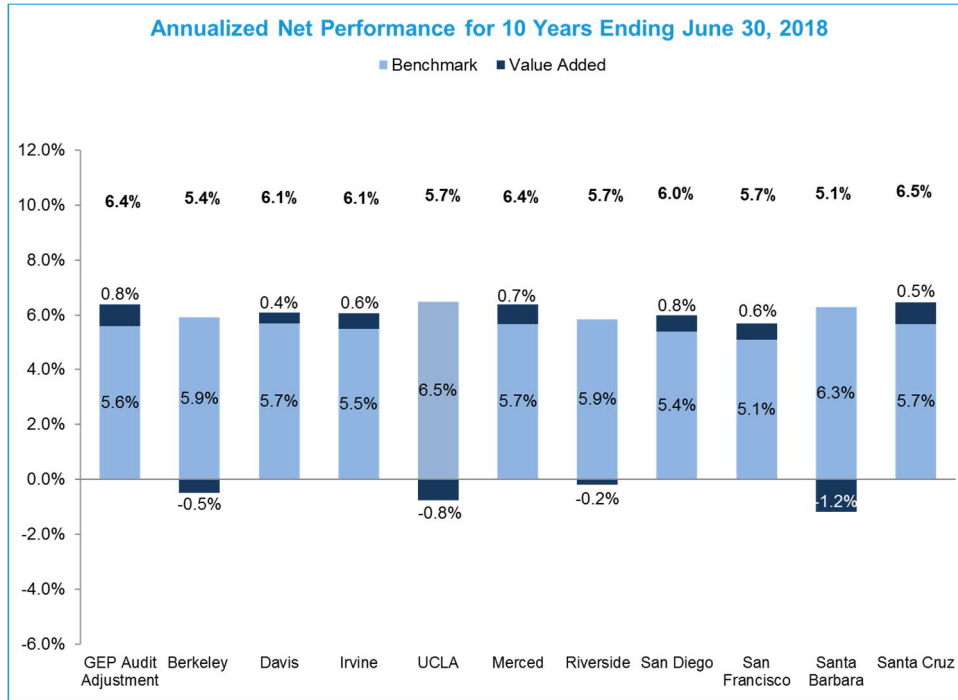
For the 10-, and 7- periods, most of the campus Foundations exceeded or closely tracked the universe median return while all of the campus outperformed the universe median over the 5-, 3- and 1- year periods.

<sup>1</sup> Excluding UC Berkeley, UCLA and UCSF Investment Management Company fees.

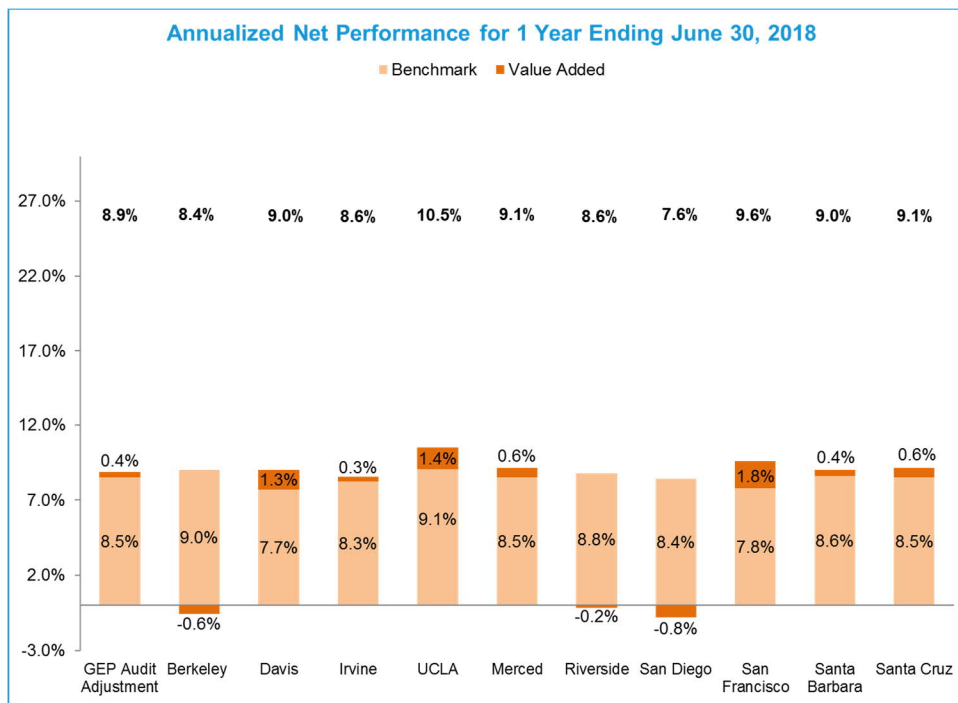
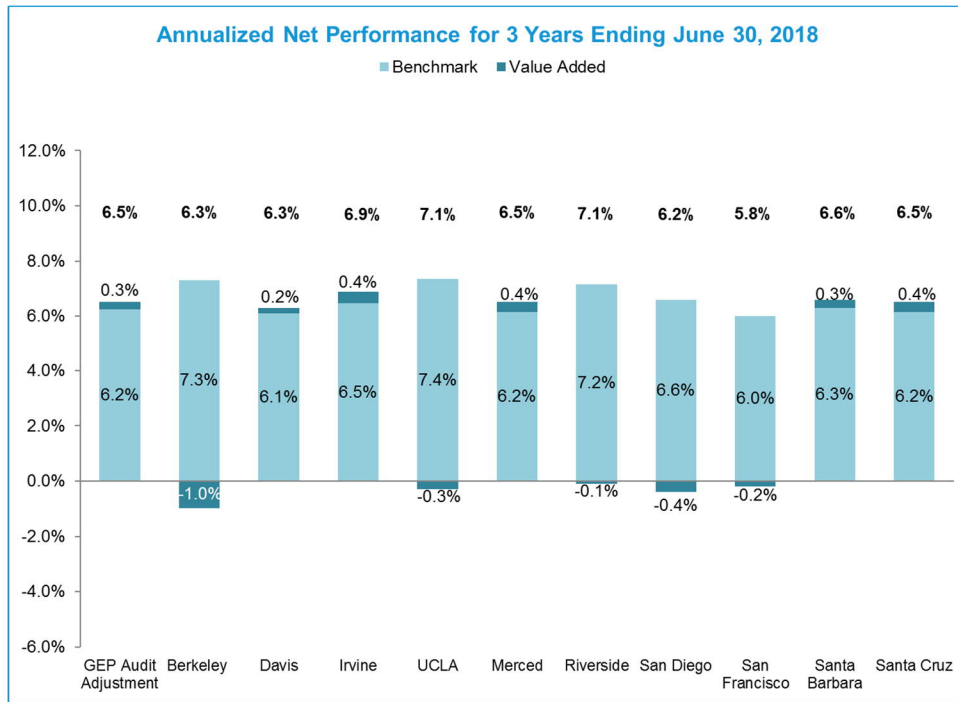
<sup>2</sup> UCI reported gross of fees.

The graphs below show the absolute net returns of the campus Foundations<sup>3</sup> and GEP, and the value added (excess returns) versus their respective policy benchmarks for the 10-, 5-, 3- and 1-year periods ending June 30, 2018.

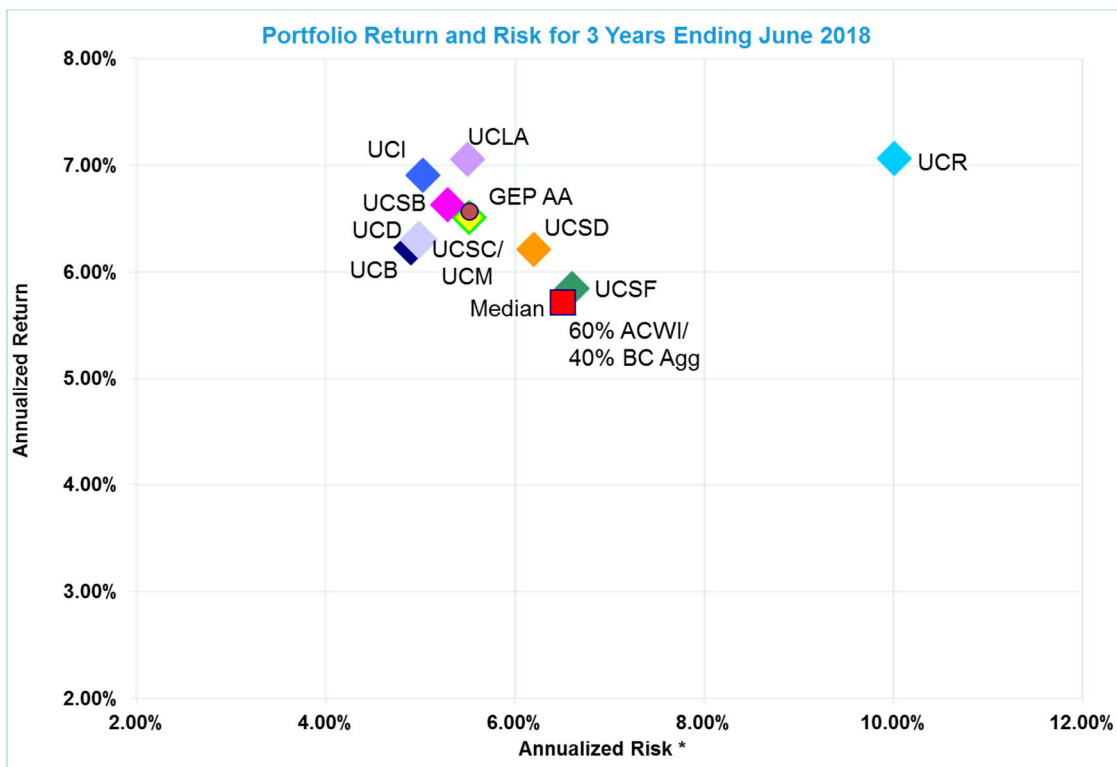
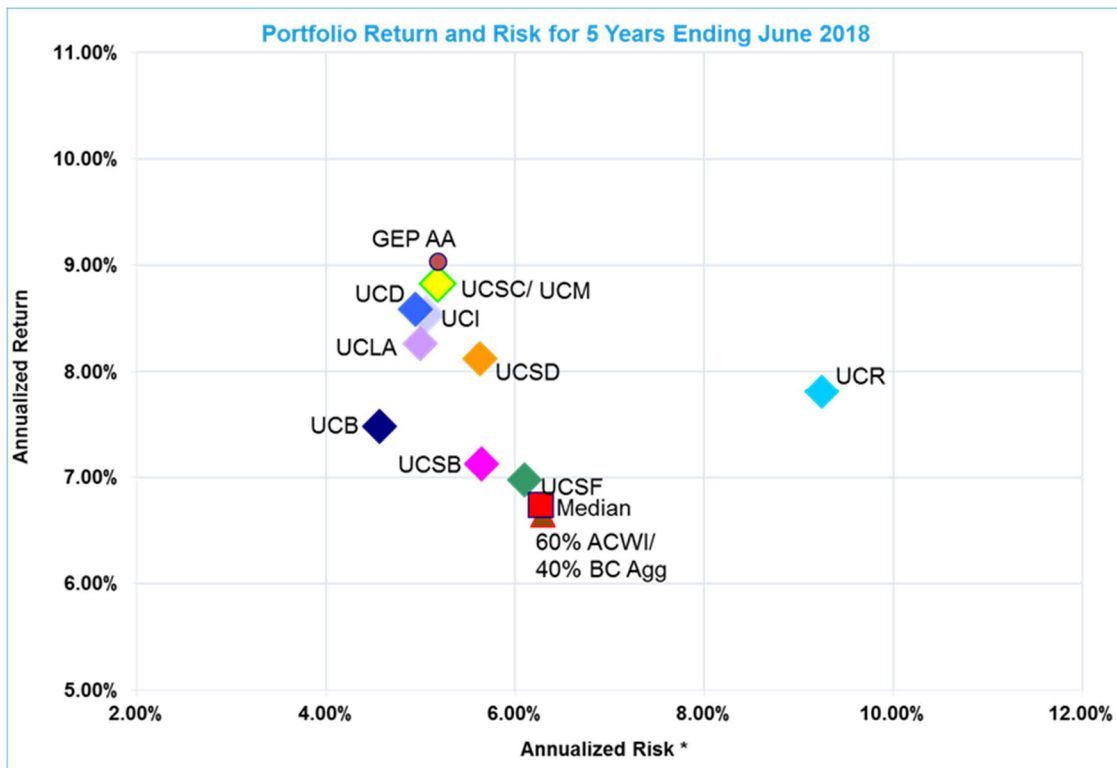
Relative returns for the 10- and 5- periods were mostly positive, as seven of the 10 Foundations outperformed or matched their respective benchmarks. For the 3- year period, six of the 10 Foundations added value with respect to the benchmark. One-year performance was very positive; almost all of the campus Foundations posted positive excess returns.



<sup>3</sup> UCI reported gross of fees.



The scatter plot charts below show the annualized returns versus standard deviation (calculated with monthly returns) for the three- and five-year periods ending June 30, 2018. Relative to the E&F peer group median (red square) most of the campus Foundations exhibited higher returns with lower volatility.



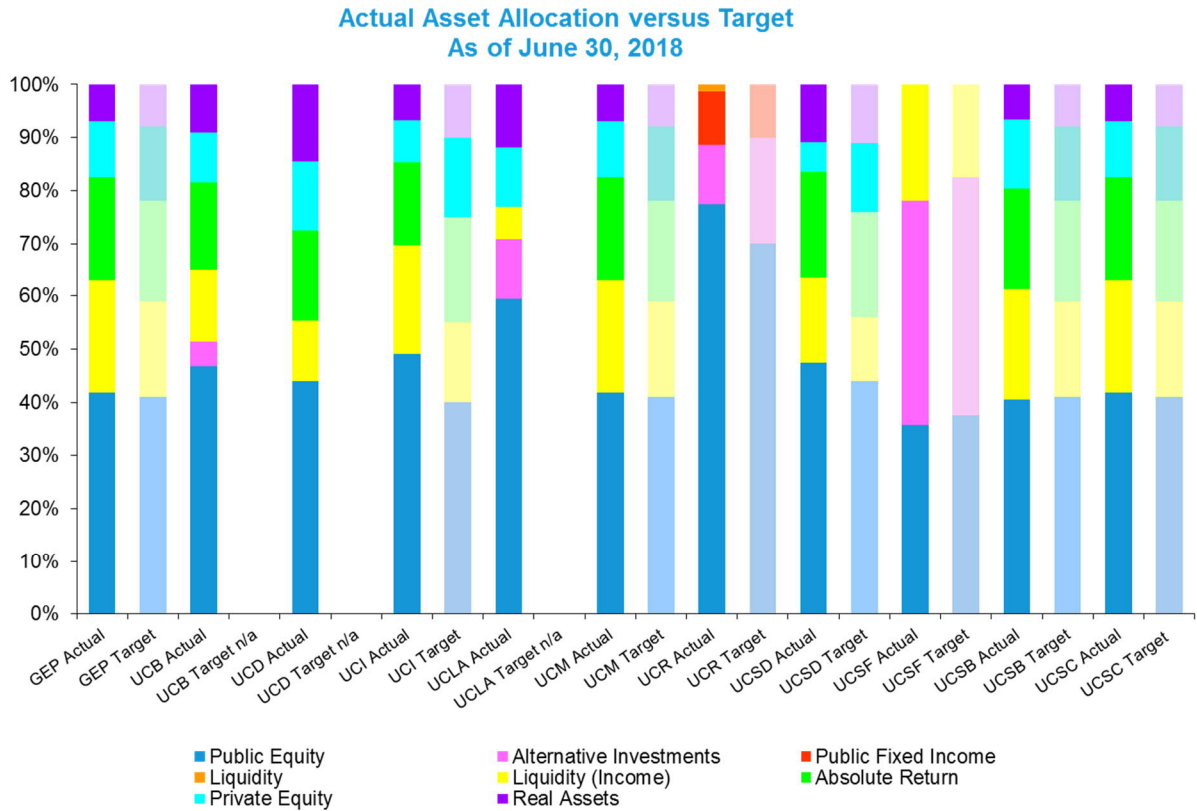
\* (Annualized) Risk is defined as the annualized standard deviation calculated using monthly observations. This evaluation may understate the risk measures for non-public assets such as private equity and absolute return strategies for the following reasons: 1.) The assets are not priced daily; 2.) Returns are reported on a lagged basis. 3.) Most of the campus Foundations have significant portions of their endowments invested in non-public assets.

In addition, we evaluated the portfolios' active risk, which measures how closely the portfolios follow their specified benchmarks. The graphs below reflect excess returns versus the tracking error for the individual portfolios when compared to their respective benchmarks over 5- and 3-years ending June 30, 2018. For both periods, more than half of the campus Foundations outperformed or matched their respective benchmarks. All campus Foundations, except Berkeley, exhibited low to moderate active risk. Berkeley's asset class benchmarks do not roll up into the policy benchmark; therefore, it exhibited a high tracking error for both periods.



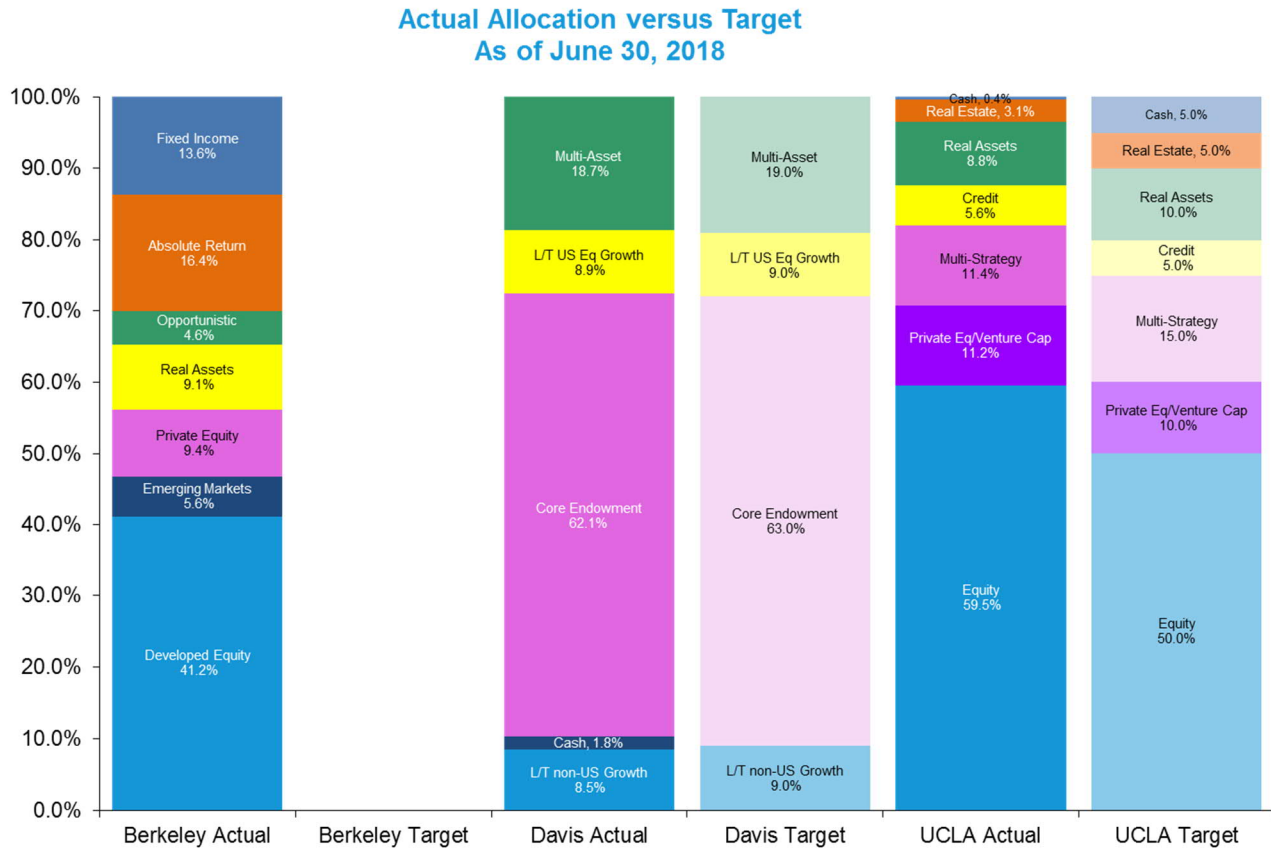
## 2.5 Asset Allocation Policy Compliance

Santa Barbara (effective July 1, 2015), Merced and Santa Cruz adopted the GEP investment policies. The other seven campus Foundations have implemented their own individual investment policies. As of June 30, 2018, Santa Barbara, San Diego, Irvine and Davis allocated 97%, 48%, 36% and 19% respectively to GEP. An overview of the campus Foundations’ actual asset allocation versus the individual targets is presented below.



During the fiscal year 2018, the Regents updated the target asset classes by separating the alternative investments category into absolute return, private equity and real assets. The public fixed income and liquidity categories were combined to form Liquidity (Income). Most of the Campuses elected to report with the alternative investments separated by category and combine the public fixed income and liquidity categories as well. San Francisco elected to continue to report with the alternative investments consolidated and the public fixed income and liquidity categories combined which are listed under Liquidity (Income) in the chart above. Riverside elected to continue to report the alternative assets combined and the public fixed income and cash categories separate. Berkeley’s Opportunistic assets and UCLA’s Multi-Strategy asset are listed under Alternative Investments.

Berkeley, Davis and UCLA use a strategy-based investment structure and have implemented multi-asset class portfolios. Their actual allocation versus the different investment types or strategies is presented in the chart below.



Berkeley is in the process of a new Asset Allocation recommendation, which will be approved by the BEMCO Board and implemented over the coming fiscal year.

The following benchmarks are implemented on total fund level:

- Berkeley
  - 82.5% MSCI ACWI with USA Gross (Net) Index
  - 17.5% Bloomberg Barclays Treasury Index
- Davis
  - 63% GEM Policy Portfolio\*
  - 19% GEP Policy Benchmark\*
  - 9% Russell 3000 Tobacco-Free Index
  - 9% MSCI EAFE Tobacco-Free + Canada Index
- UCLA
  - 30% Russell 3000 Index
  - 15% Citigroup 3-month Treasury Bill Index X 2
  - 10% Cambridge Associates LLC U.S. Private Equity Index
  - 20% MSCI All Country World Ex-US Index
  - 5% Citigroup 3-month Treasury Bill Index (Cash)
  - 5% Merrill Lynch High Yield Master II Index
  - 5% NCREIF Property Index
  - 10% Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%

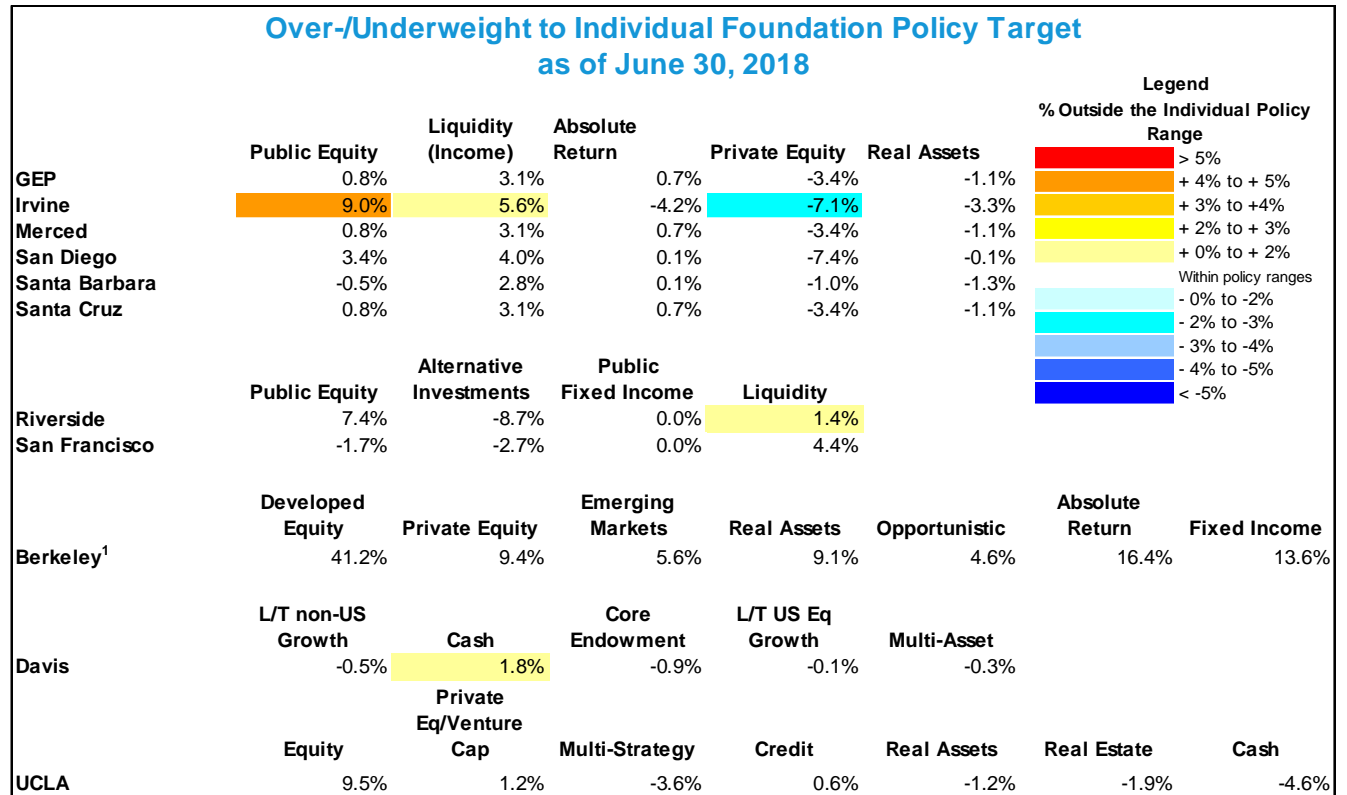
\* Index composition details shown in Section 4.3 on page 55

During the fiscal year, the following campus Foundations made changes to their investment policy statements:

- UC Regents' GEP (including UC Merced, UC Santa Barbara and UC Santa Cruz)
  - July 1, 2017 – Policy Benchmark Changes
  - January 1, 2018 – Target Allocation Changes
- UC Davis
  - May 4, 2018 – Appendix C was approved, keeping the endowment cost recovery rate at 0.25%.
  - May 16, 2018 – Appendices B and D were approved. Appendix B is the spending policy and Appendix D changed the name of a mutual fund to comply with a change made by UCOP.
- UC Irvine
  - May 16, 2018 – Revised to consolidate US Equity and Non-US Equity in to Global Equity and added an allocation for Opportunistic investments.
- UC San Diego
  - September 8, 2017 – Minor changes were made to targets and ranges.
  - June 8, 2018– Minor changes were made to targets and ranges.



The following table reflects the difference between the actual asset allocation as of June 30, 2018, and the target policy allocation defined in the investment policy statement for each campus Foundation. Any exposure outside the individual policy ranges is shaded, and the heat map on the right side shows by how much.



<sup>1</sup> Berkeley is in the process of a new Asset Allocation recommendation, which will be approved by the BEMCO Board and implemented over the coming fiscal year.

The exposures outside of the policy ranges shown on the chart above are minor, with the exception of UC Irvine.

UC Irvine underwent an asset allocation study and made changes to the portfolio during 2016 fiscal year. The overweight allocation to public equity will continue as the alternative program is built out. UC Irvine continues to evaluate additional alternatives investment opportunities. UC Irvine's policy has a target of 15% Liquidity (Income) with 0% cash and no definitive range. The overweight allocation to Liquidity (Income) includes a 6.5% allocation to cash which was due to investments in the GEP cash and STIP.

UC Riverside's policy has a target of 0% cash and no definitive range, the 1.4% allocation in cash was mainly due to investments in the Regents' STIP.

UC Davis' policy has a target of 0% cash and no definitive range, the 1.8% allocation in cash was due to investments in the Regents' STIP.

## 2.6 Spending Policies

The table below shows a summary of the endowment spending policies for each campus Foundation.

Endowment Spending Policies by Foundation	
Regents' GEP	The total return expenditure (spending) policy for eligible assets in the General Endowment Pool is 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.
Berkeley	The Foundation's payout policy is 4.0% of a twenty-quarter (five year) moving average market value of the endowment pool. The Finance and Administration Committee, at its discretion, may recommend to the Executive Committee an alternative payout percentage, within a range of 3.5% to 4.5% for a specific payout year.
Davis	The primary objective of the UC Davis Foundation's endowment spending policy is to achieve a proper balance between present and future needs of endowed units at UC Davis. The approved spending rate for the September 2017 payout was 4.25% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31, 2017. The approved spending rate for the September 2018 payout is 4.50% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31, 2018. Payouts are pro-rated for new endowments and may be reduced on endowments that are more than 5% underwater for the period ending March 31.
Irvine	The endowment fund spending policy allows for allocation of income equivalent to 4.5% of the moving average market value of the endowment portfolio. This average market value is computed using the previous 36 months of portfolio activity. Income earned in excess of the spending rate may be reinvested in endowment principal. Income available for expenditure is calculated according to a predetermined formula.
Los Angeles	In 2018, The UCLA Foundation endowment spending rate was 4.30% of a 12 quarter rolling average market value, calculated quarterly. The UCLA Foundation approved endowment spending policy for fiscal 2019 is 4.30% of a 12 quarter rolling average.
Merced	The spending policy of the UC Merced Foundation is to provide 100% of the endowment earnings up to a maximum spending payout rate of 4.75% of the 60-month average unit market value for the period ending December 31st.
Riverside	The endowment spending policy applicable to FYE 2018 was to withdraw per unit 4% of the average unit market value of the endowment fund calculated using the closing unit market value on the last day of each of the 84 contiguous months the last of which ended on May 31, 2018.
San Diego	Endowment spending during fiscal year 2017-18 was calculated using a predetermined formula at an amount equal to 4.75% of the 60-month average unit market value of the endowment portfolio. Spending is allocated to fund holders monthly.
San Francisco	The Foundation payout policy guideline is to distribute 4.75% of the 36 month rolling average unitized market value of the Endowment Pool. The payout will not exceed 6% nor be less than 3.5% of the ending market value on the last day of the fiscal year for which it is being calculated. The payout will be reviewed annually, which may result in modification. In determining the annual payout, the Foundation will consider factors such as stability of fund flows to operations and preservation of endowment principal, in addition to the guideline formula.
Santa Barbara	Endowment spending during fiscal year 2017-2018 was calculated using a predetermined formula at an amount equal to 4.25% of the 60-month average unit market value of the endowment portfolio as of December 31, 2016. To the extent requested by the Fund Administrator, spending was allocated to fund holders in September (40%) and March (60%).
Santa Cruz	The UC Santa Cruz Foundation endowment expenditure rate approved May 2017 is 4.75% times a three-year moving average of December 31 market values. In the event the market value of an endowment is below the amount of the original gift adjusted by the Gross Domestic Product (GDP) price index at December 31, the endowment expenditure rate approved May 2017 is 2.75% of the December 31 market value, unless specific language of the endowment agreement allows otherwise. The endowment expenditure formula is reviewed annually and adjusted accordingly with respect to prudent concern for campus needs, donor expectations, and current market conditions.

Note: Updates provided by the campus Foundations are reflected above up to the time this report was produced.

Regents' GEP increased the spending policy to 4.75% of the 60-month moving average of the market value of a unit invested in the GEP from a range of 4.35%-4.75% of the 60-month moving average.

UC Berkeley decreased the spending policy to 4.0% of a 20-quarter moving average from 4.5% of a 12-quarter moving average. The allowable range for an alternative payout percentage decreased to 3.5% to 4.5% for fiscal year 2018 from 4.0% to 5.0% for fiscal year 2017. To enable smoothing of the actual payout amount, the 12-quarter moving average was continued for fiscal year 2018, and the 20-quarter moving average shall be used beginning in FY 2019.

UCLA decreased the spending policy to 4.30% of a 12-quarter rolling average for fiscal year 2018 from 4.50% of a 12-quarter rolling average in fiscal year 2017.

UC Santa Barbara decreased the spending policy to 4.25% of the 60-month unit market value in fiscal year 2018 from 4.5% in the previous fiscal year and the month which the spending was allocated to fund holders was changed to March from April.

## 3 Investment Profiles for Campus Foundations

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The following section contains a summary for each campus Foundation and GEP which includes:

- Investment Objectives
- Spending Policy
- Actual vs. Policy Target Allocations and Ranges
- Investment Performance
- Asset Allocation by Asset Class
- Rolling 1-Year Excess Return

## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)

### Regents' GEP Investment Objective

The overall investment goal of 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. GEP seeks to maintain liquidity needed to support spending in prolonged down markets to maximize the value of the endowment.

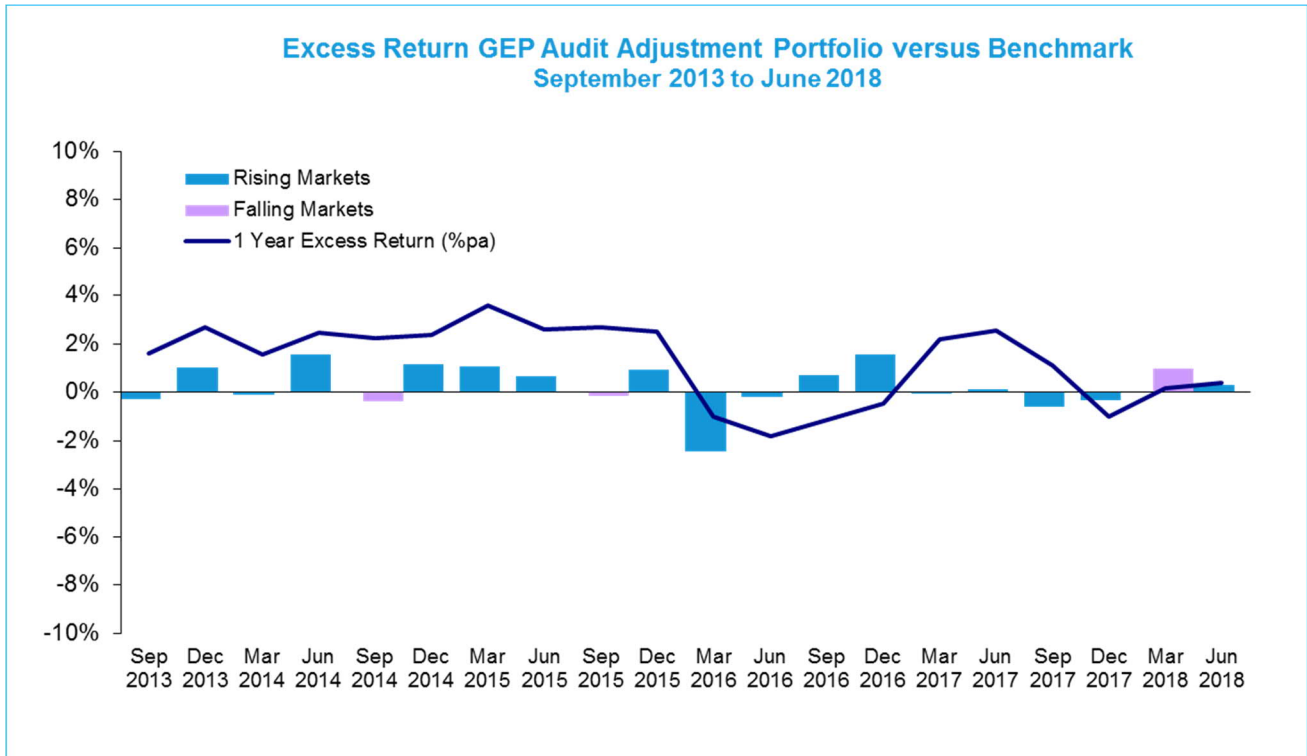
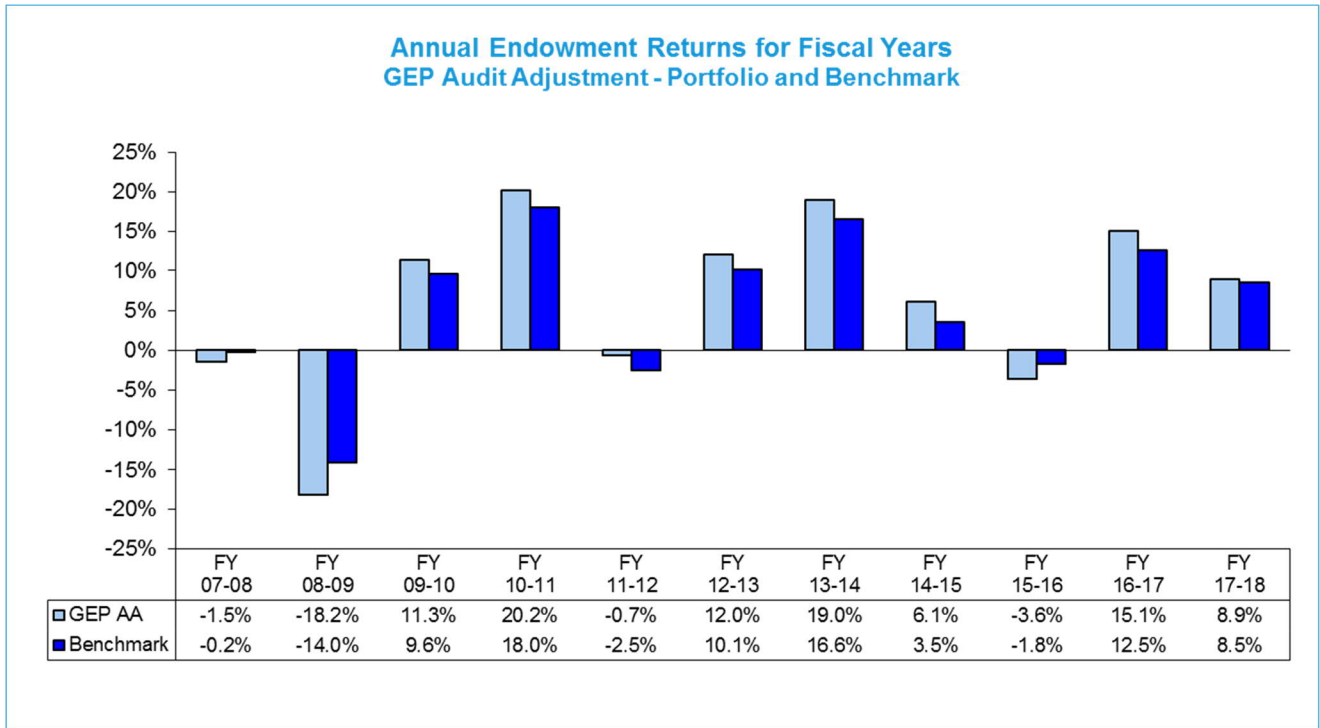
### Regents' GEP Spending Policy

The total return expenditure (spending) policy for eligible assets in the General Endowment Pool is 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

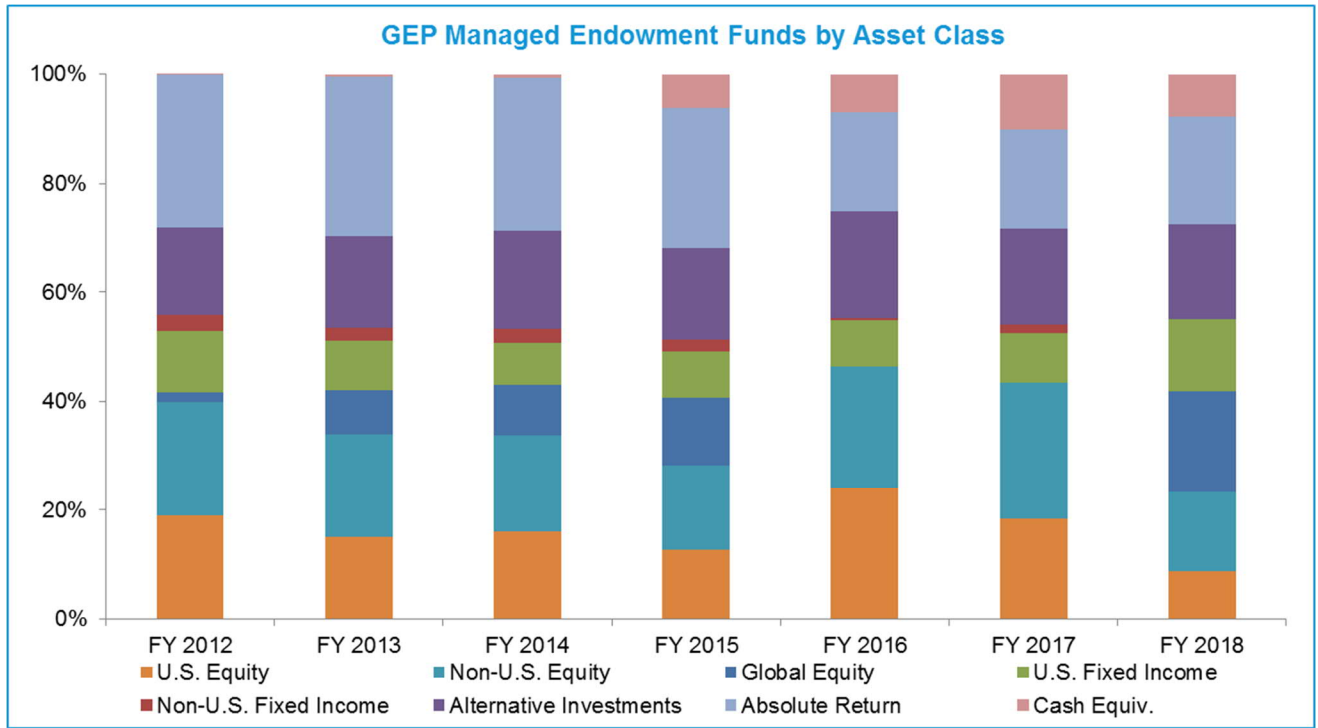
#### University of California Regents, General Endowment Pool Asset Allocation June 30, 2018

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$5,144	41.8%	41.0%	0.8%	31.0%	73.5%	Yes
Liquidity (Income)	\$2,590	21.1%	18.0%	3.1%	8.0%	28.0%	Yes
Absolute Return	\$2,418	19.7%	19.0%	0.7%	9.0%	29.0%	Yes
Private Equity	\$1,304	10.6%	14.0%	-3.4%	1.5%	24.0%	Yes
Real Assets	\$846	6.9%	8.0%	-1.1%	0.0%	13.0%	Yes
<b>Total Assets</b>	<b>\$12,302</b>	<b>100.0%</b>					

## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)



## UC REGENTS' GENERAL ENDOWMENT POOL (GEP)



## UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION

### Endowment Investment Objective

There are three intersecting goals for the UC Berkeley Foundation ("UCBF") endowment pool:

- 1) Support of UC Berkeley - Generate returns sufficient to meet UCBF's desired financial support to UC Berkeley over the long term, while maintaining real purchasing power, sufficient liquidity and acceptable volatility.
- 2) Market Rate Returns - Generate results after all relevant expenses that match or exceed the returns of a representative mix of investable assets, known as the Total Portfolio Benchmark, over rolling ten year periods.
- 3) Demonstrable Skill in Investment Selection - Demonstrate success in selecting investments, as measured by comparing performance after all relevant expenses versus the return and volatility measures of other investable options over rolling five year periods.

### Endowment Spending Policy

The Foundation's payout policy is 4.0% of a twenty-quarter (five year) moving average market value of the endowment pool. The Finance and Administration Committee, at its discretion, may recommend to the Executive Committee an alternative payout percentage, within a range of 3.5% to 4.5% for a specific payout year <sup>1</sup>.

<sup>1</sup> A twelve-quarter (three year) moving average market value was used for FY 17-18. The twenty-quarter (five year) moving average market value shall be used beginning in FY 18-19.

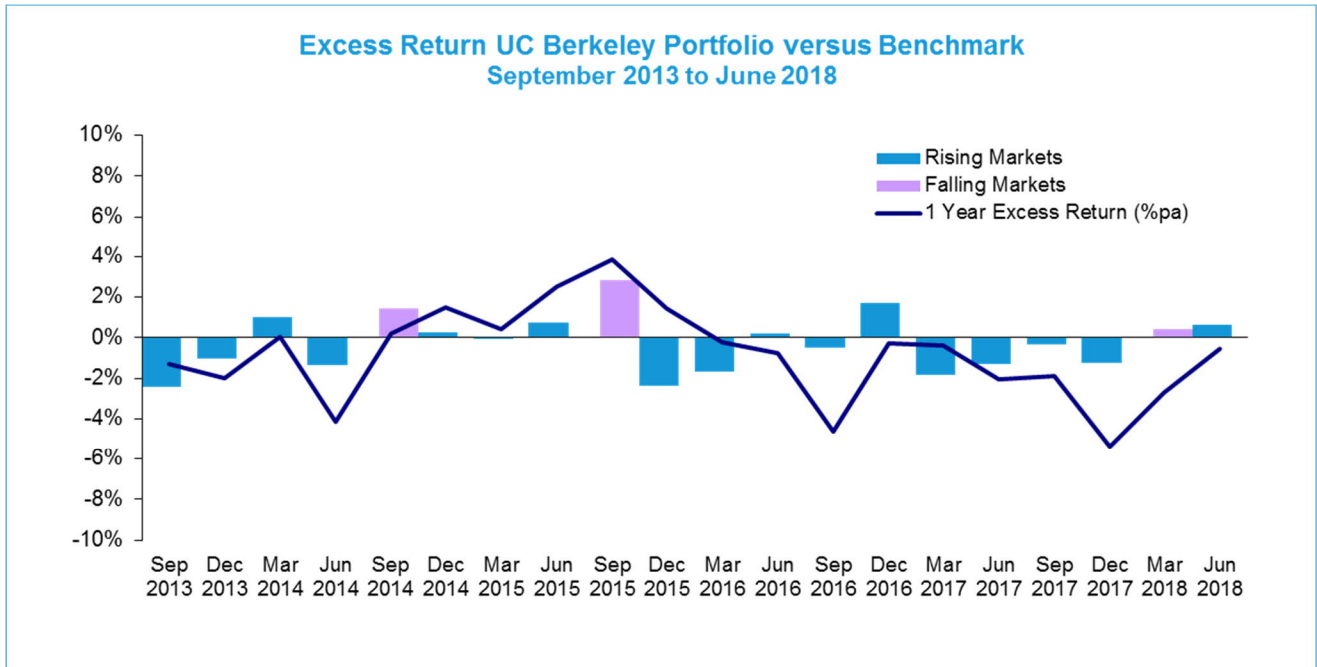
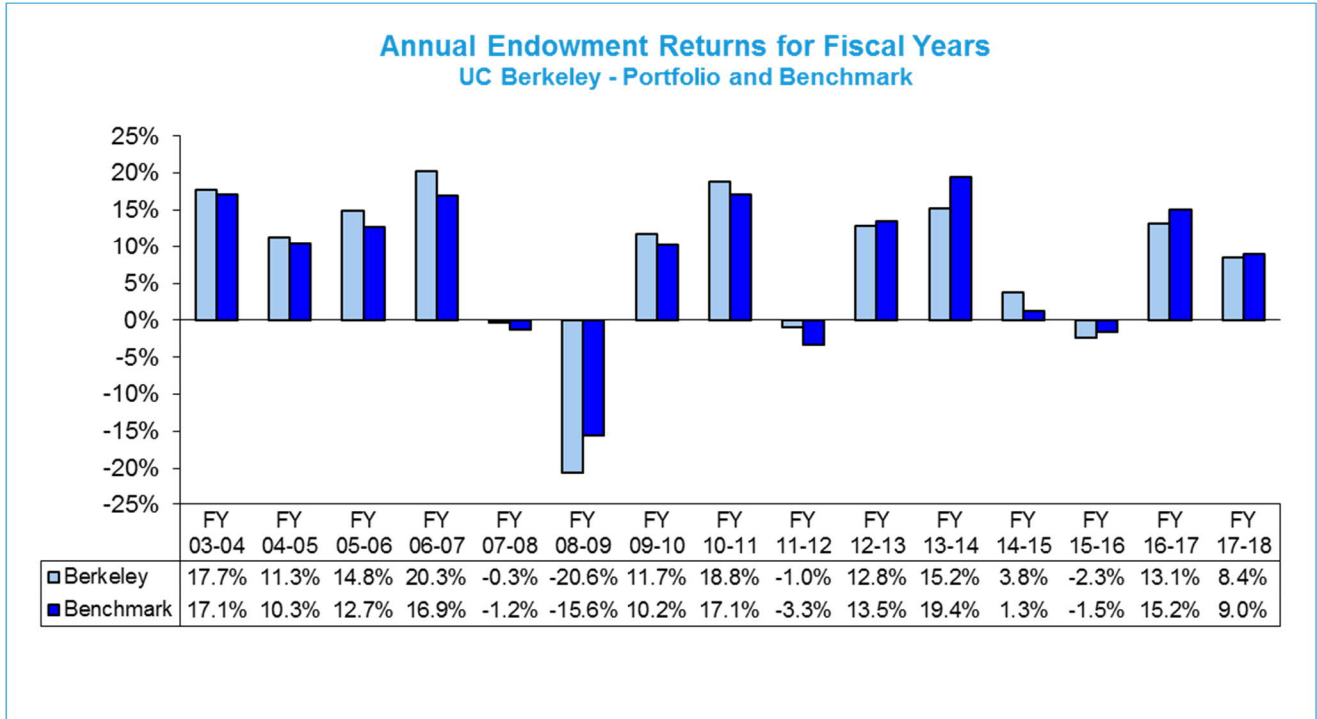
### University of California, Berkeley Foundation Portfolio Asset Allocation June 30, 2018

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range	Policy Range Compliance (Actual Allocation)
Developed Equity	\$801	41.2%				
Emerging Markets	\$109	5.6%				
Private Equity	\$183	9.4%				
Real Assets	\$177	9.1%				
Opportunistic	\$90	4.6%				
Absolute Return	\$320	16.4%				
Fixed Income	\$265	13.6%				
<b>Total Assets</b>	<b>\$1,944</b>	<b>100.0%</b>				

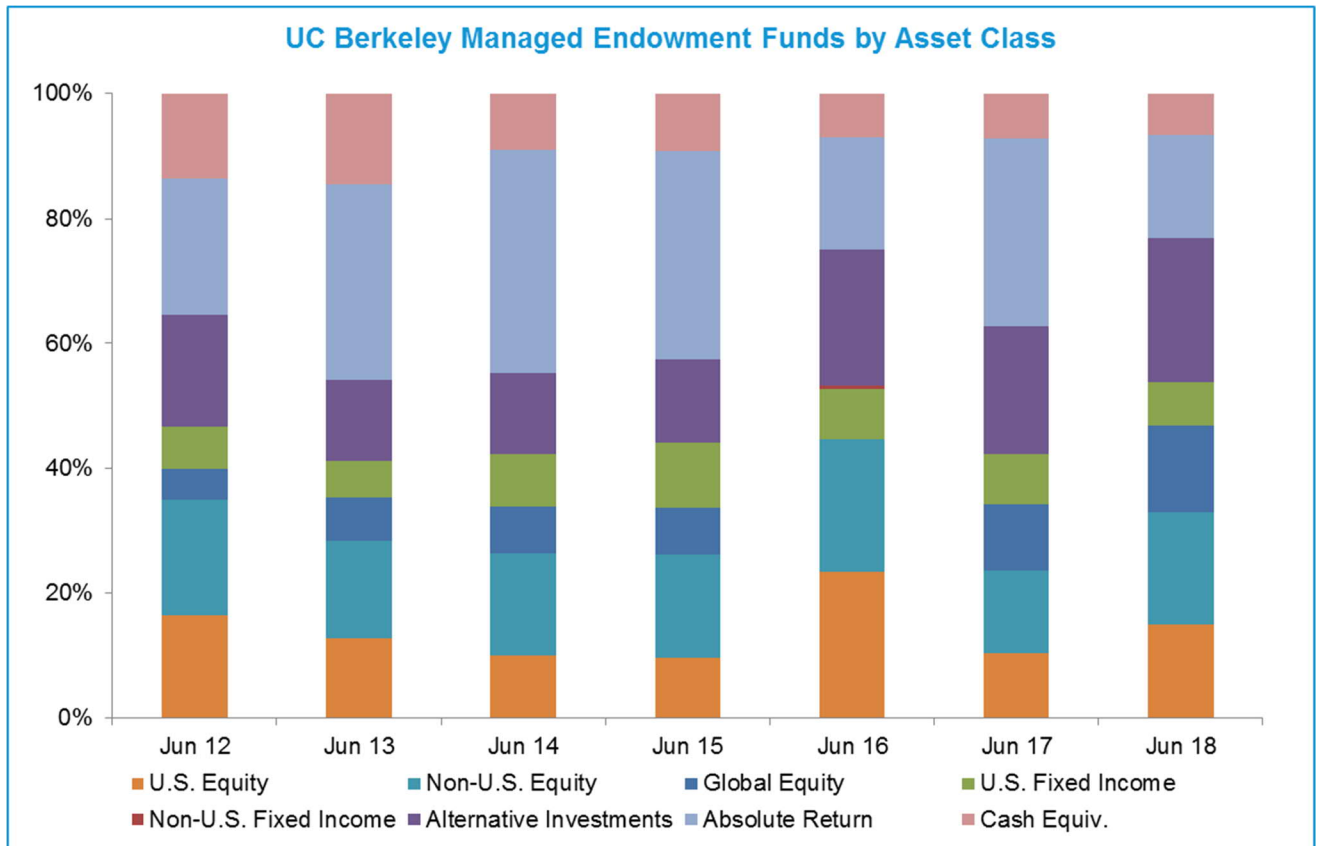
A new Asset Allocation recommendation is in process, which will be approved by the BEMCO Board and implemented over the coming fiscal year.



# UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION



## UNIVERSITY OF CALIFORNIA, BERKELEY FOUNDATION



## UC DAVIS FOUNDATION

### Endowment Investment Objective

The Fund seeks future long-term growth of investments, at an acceptable risk level, sufficient to offset reasonable spending plus normal inflation, thereby preserving the purchasing power of the Fund for future generations.

### Endowment Spending Policy

The primary objective of the UC Davis Foundation's endowment spending policy is to achieve a proper balance between present and future needs of endowed units at UC Davis. The approved spending rate for the September 2017 payout was 4.25% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31, 2017. The approved spending rate for the September 2018 payout is 4.50% of the average of the prior 60-month-end market values of each endowment fund, for the period ending March 31, 2018. Payouts are pro-rated for new endowments and may be reduced on endowments that are more than 5% underwater for the period ending March 31.

### University of California, Davis Foundation Portfolio

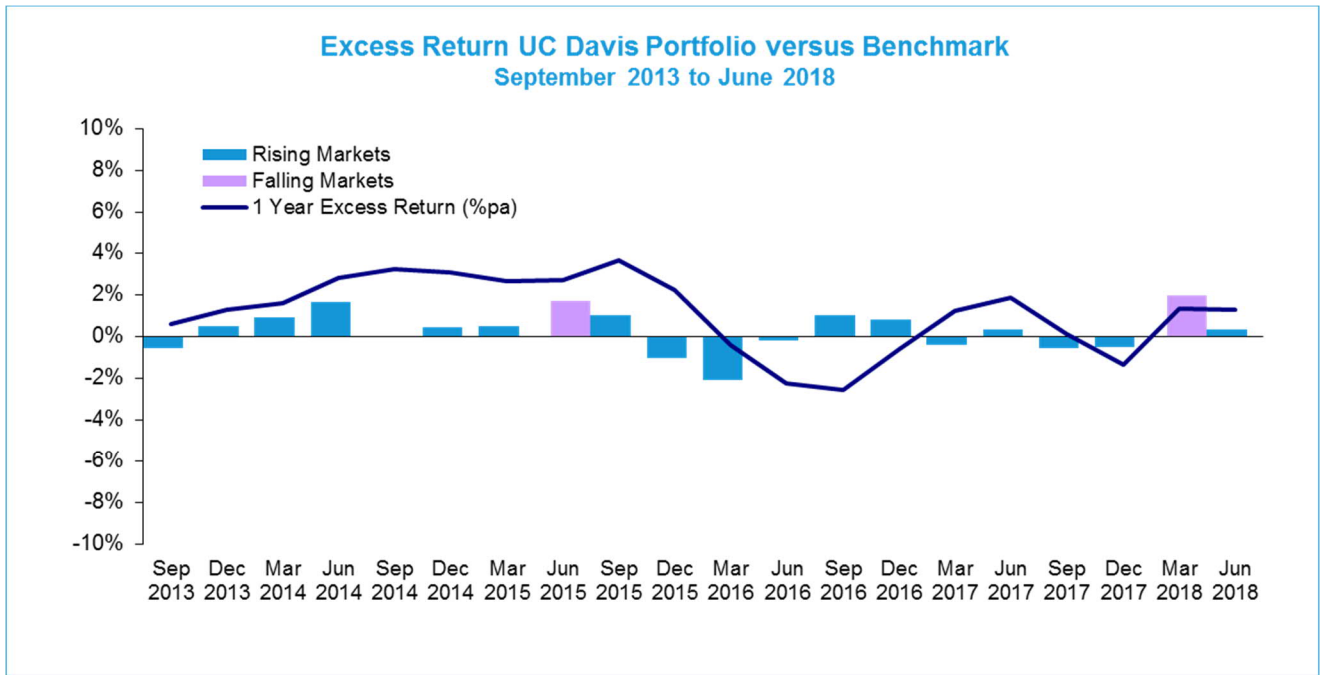
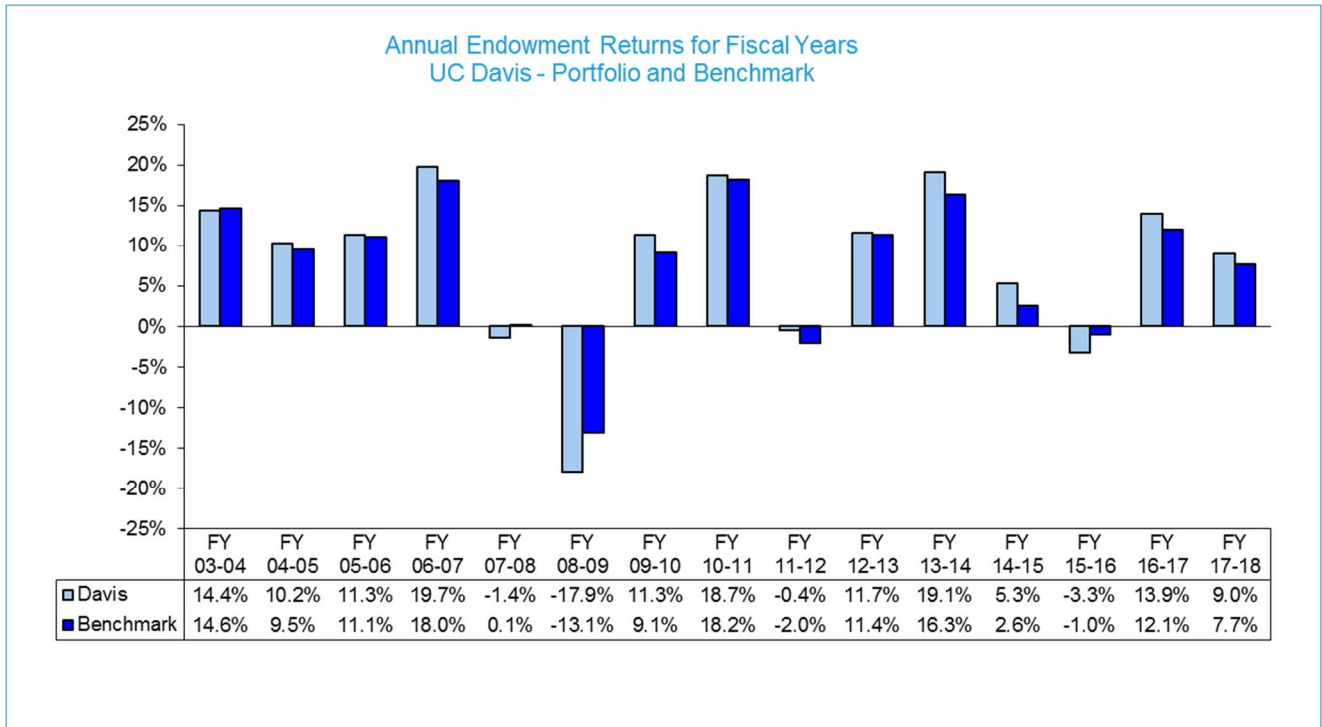
#### Asset Allocation

June 30, 2018

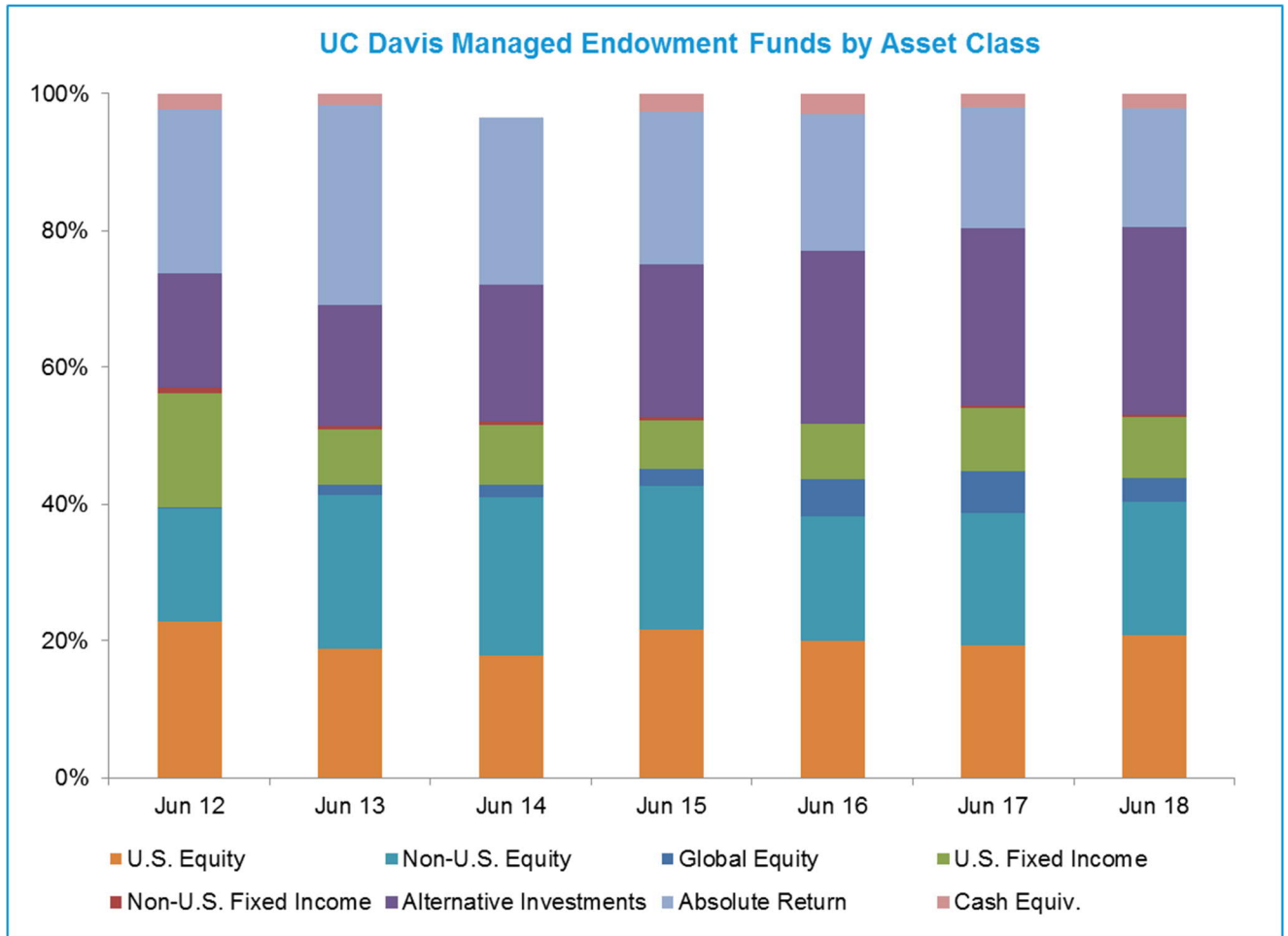
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Core Endowment	\$274	62.1%	63.0%	-0.9%	50.0%	76.0%	Yes
Multi-Asset	\$83	18.7%	19.0%	-0.3%	7.0%	31.0%	Yes
L/T US Eq Growth	\$40	8.9%	9.0%	-0.1%	3.0%	15.0%	Yes
L/T non-US Growth	\$38	8.5%	9.0%	-0.5%	3.0%	15.0%	Yes
Cash	\$8	1.8%	0.0%	1.8%			
<b>Total Assets</b>	<b>\$442</b>	<b>100.0%</b>	<b>100.0%</b>				

As of January 1, 2011, UCD implemented a new Investment Policy moving to a multi-asset class portfolio approach. Prior to January 1, 2011, UCD was invested 100% in GEP. The policy targets and ranges are reported on the level of the employed asset categories.

# UC DAVIS FOUNDATION



## UC DAVIS FOUNDATION



Note: UC Davis' actual asset allocation for the Liquidity Portfolio was -3.7% as of 6/30/14.

## UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION

### Endowment Investment Objective

The Irvine Foundation's investment objective for its endowment portfolio is to maximize long-term total return, with a total return objective (net of fees), measured over a full market cycle, of not less than the rate of inflation as measured by the CPI, plus 500 basis points. Ideally, total return should exceed market performance. The investment policy is 40% Global Equity, 20% Absolute Return, 15% Fixed Income, 15% Private Equity and Venture Capital, 10% Real Assets, 0% Opportunistic, and 0% Cash.

### Endowment Spending Policy

The endowment fund spending policy allows for allocation of income equivalent to 4.5% of the moving average market value of the endowment portfolio. This average market value is computed using the previous 36 months of portfolio activity. Income earned in excess of the spending rate may be reinvested in endowment principal. Income available for expenditure is calculated according to a predetermined formula.

### University of California, Irvine Foundation Portfolio

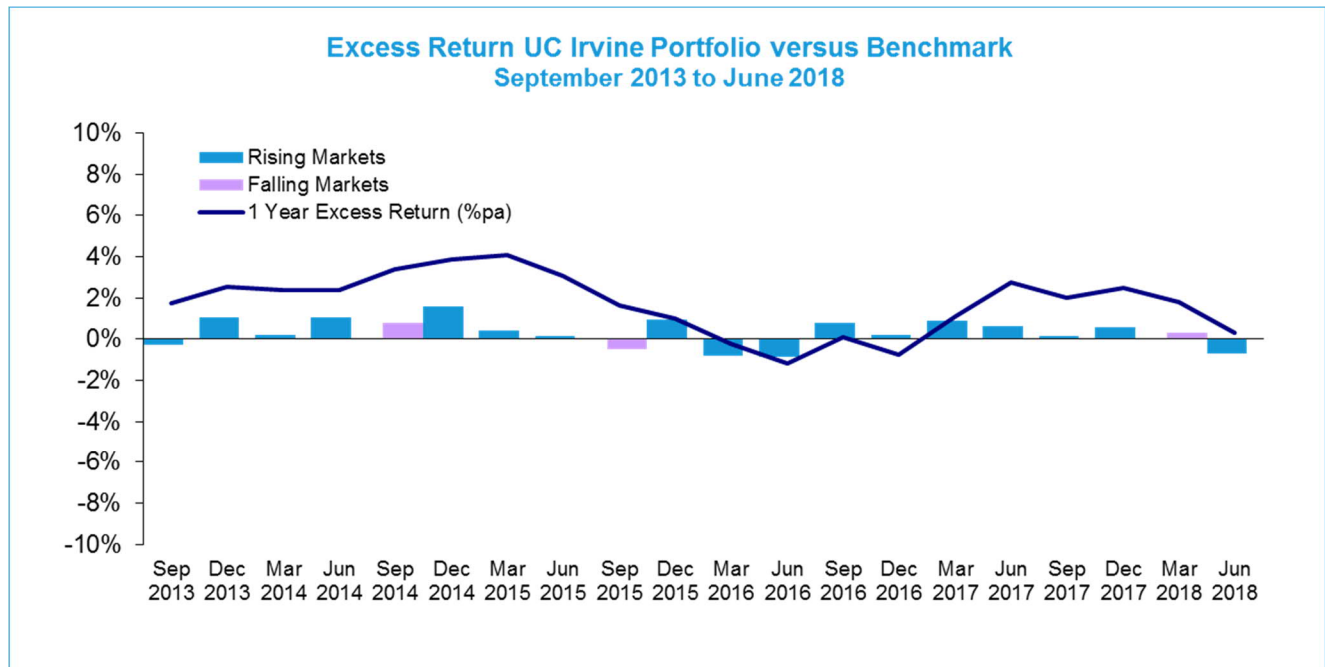
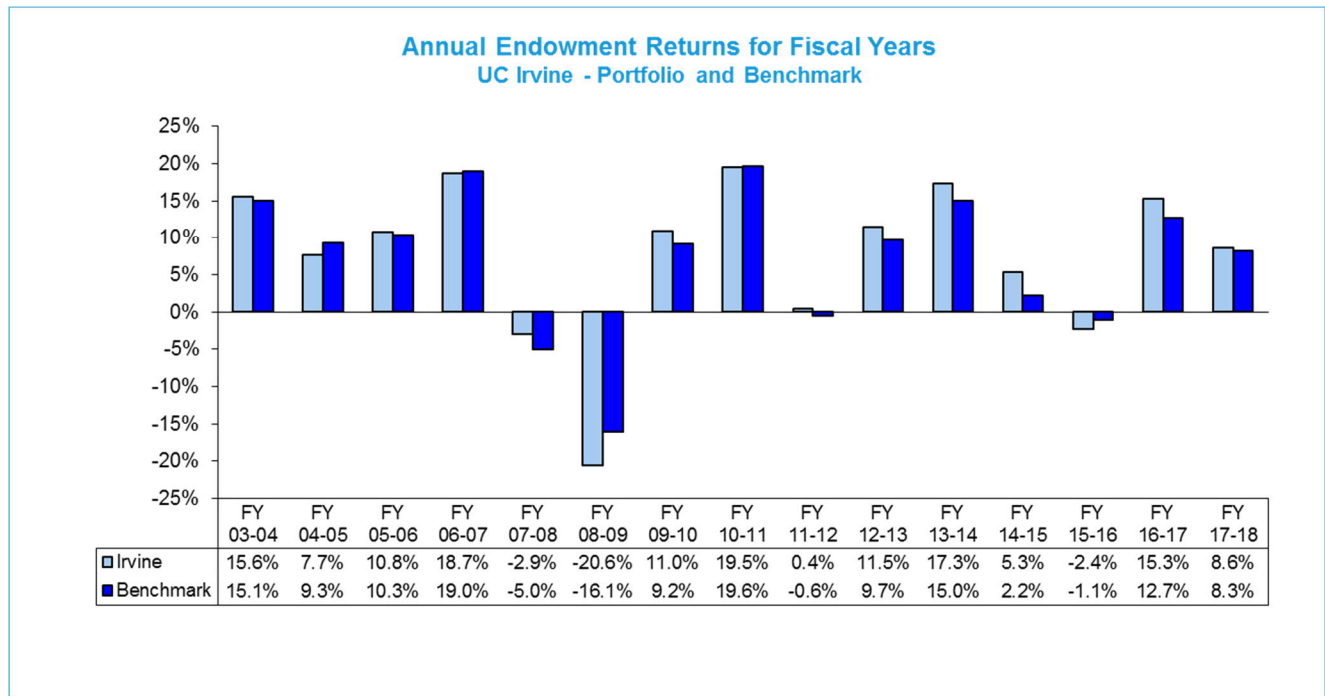
#### Asset Allocation

June 30, 2018

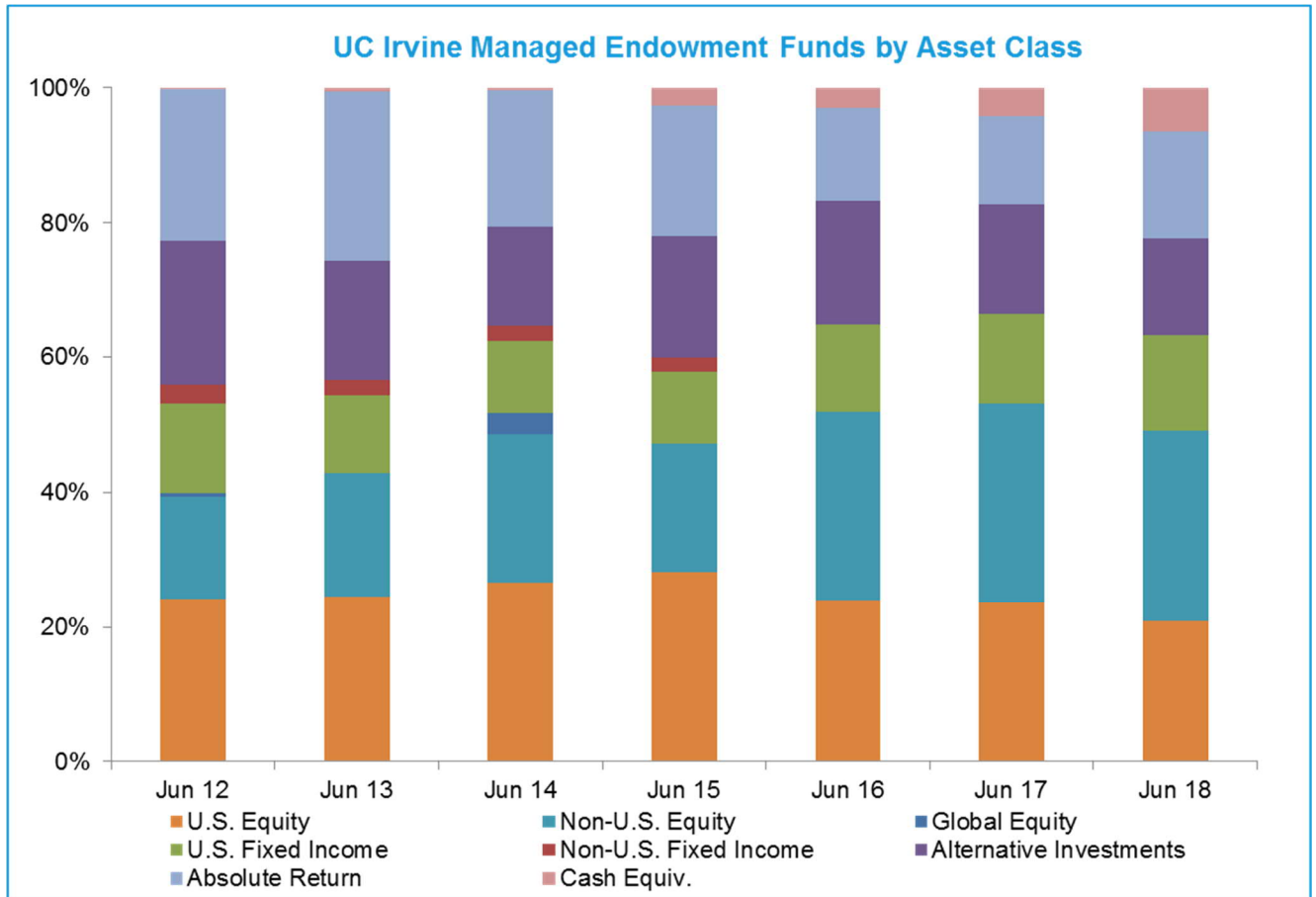
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$217	49.0%	40.0%	9.0%	35.0%	45.0%	4.0%
Liquidity (Income)	\$92	20.6%	15.0%	5.6%	10.0%	20.0%	0.6%
Absolute Return	\$70	15.8%	20.0%	-4.2%	15.0%	25.0%	Yes
Private Equities	\$35	7.9%	15.0%	-7.1%	10.0%	20.0%	-2.1%
Real Assets	\$30	6.7%	10.0%	-3.3%	5.0%	15.0%	Yes
<b>Total Assets</b>	<b>\$444</b>	<b>100.0%</b>					

UC Irvine underwent an asset allocation study and made changes to the portfolio during the 2015-2016 fiscal year. The overweight allocation to public equity will continue as the alternative program is built out. UC Irvine continues to evaluate additional alternatives investment opportunities. UC Irvine's policy has a target of 15% Liquidity (Income) with 0% cash and no definitive range. The overweight allocation to Liquidity (Income) includes a 6.5% allocation to cash which was due to investments in the GEP cash and STIP.

# UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION



## UNIVERSITY OF CALIFORNIA, IRVINE FOUNDATION





## THE UCLA FOUNDATION

### Endowment Investment Objective

The primary investment objective of the Foundation endowment is to earn an average annual real total return of at least 5% per year over the long term, net of cost. Attainment of this objective will enable the University to maintain the purchasing power of endowment assets in perpetuity and meet its current spending policy.

A secondary investment objective of the endowment is to outperform over the long term (defined as rolling five-year periods) a blended custom benchmark based on a current asset allocation policy of: 30% Russell 3000, 15% Citigroup 3 Month Treasury Bill Index X2, 10% Cambridge Associates LLC U.S. Private Equity Index, 20% MSCI All Country World Ex-US Index, 5% Citigroup 3 Month Treasury Bill Index (Cash), 5% Merrill Lynch High Yield Master II Index, 5% NCREIF Property Index, and 10% Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%.

### Endowment Spending Policy

In 2018, The UCLA Foundation endowment spending rate was 4.30% of a 12 quarter rolling average market value, calculated quarterly. The UCLA Foundation approved endowment spending policy for fiscal 2019 is 4.30% of a 12 quarter rolling average.

### University of California, Los Angeles Foundation Portfolio

#### Asset Allocation

June 30, 2018

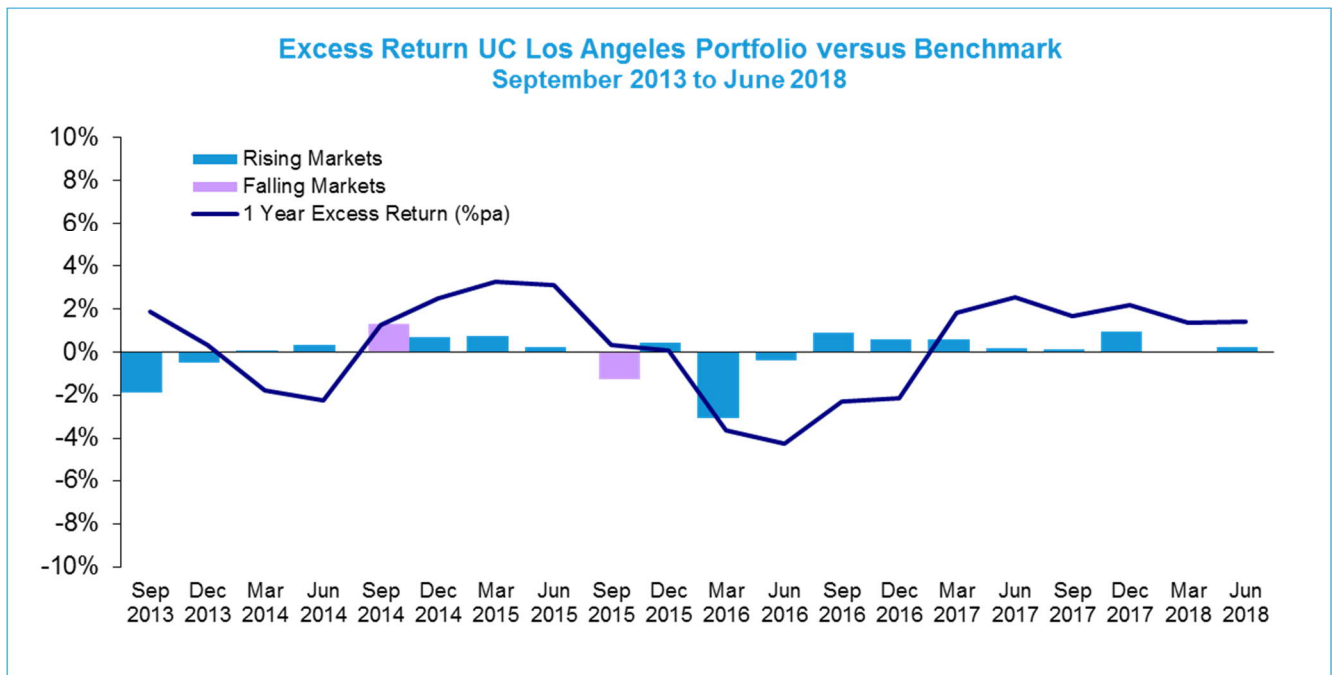
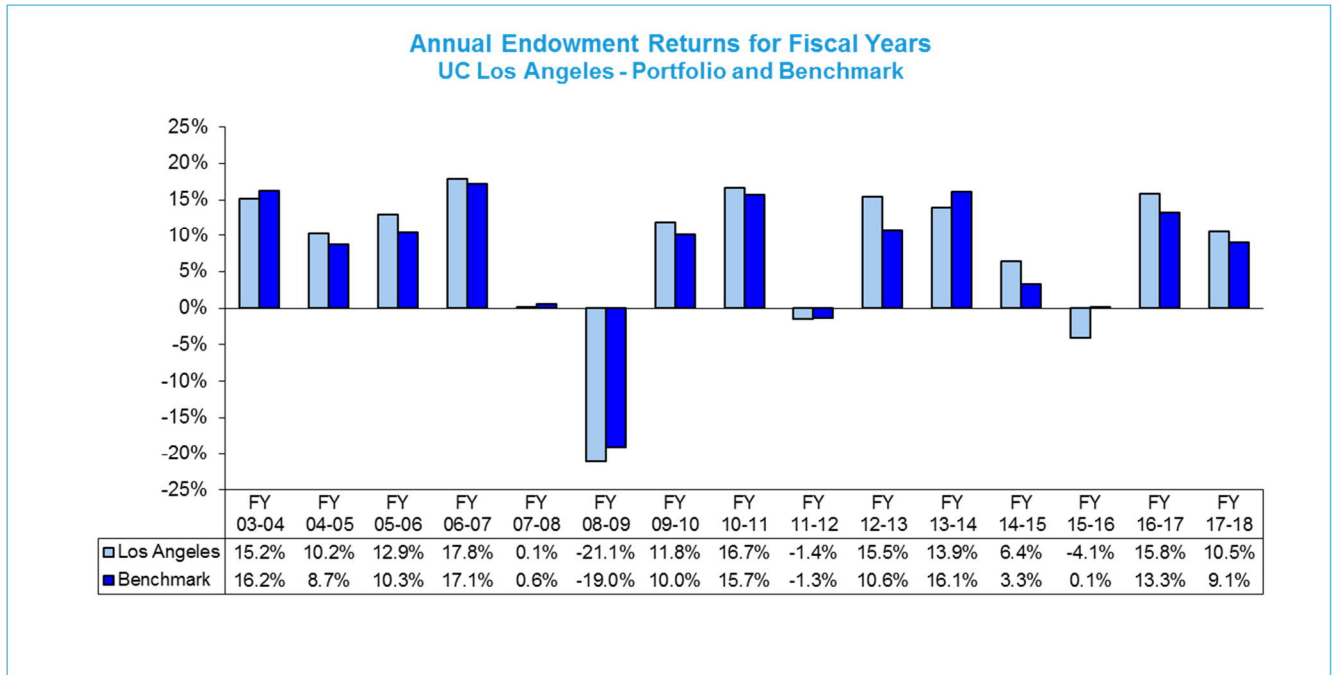
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Equity <sup>1</sup>	\$1,500.85	59.5%	50.0%	9.5%	30.0%	75.0%	Yes
Private Eq/Venture Cap	\$282.75	11.2%	10.0%	1.2%	0.0%	25.0%	Yes
Multi-Strategy	\$287.05	11.4%	15.0%	-3.6%	5.0%	20.0%	Yes
Credit	\$140.14	5.6%	5.0%	0.6%	0.0%	15.0%	Yes
Real Assets	\$223.23	8.8%	10.0%	-1.2%	0.0%	15.0%	Yes
Real Estate	\$77.80	3.1%	5.0%	-1.9%	0.0%	10.0%	Yes
Cash <sup>2</sup>	\$10.82	0.4%	5.0%	-4.6%	0.0%	10.0%	Yes
<b>Total Assets</b>	<b>\$2,523</b>	<b>100%</b>	<b>100%</b>				

As of January 1, 2013, UCLA implemented a new investment Policy using static weights. Prior to January 1, 2013, the UCLA Foundation Policy Benchmark reflects actual weights.

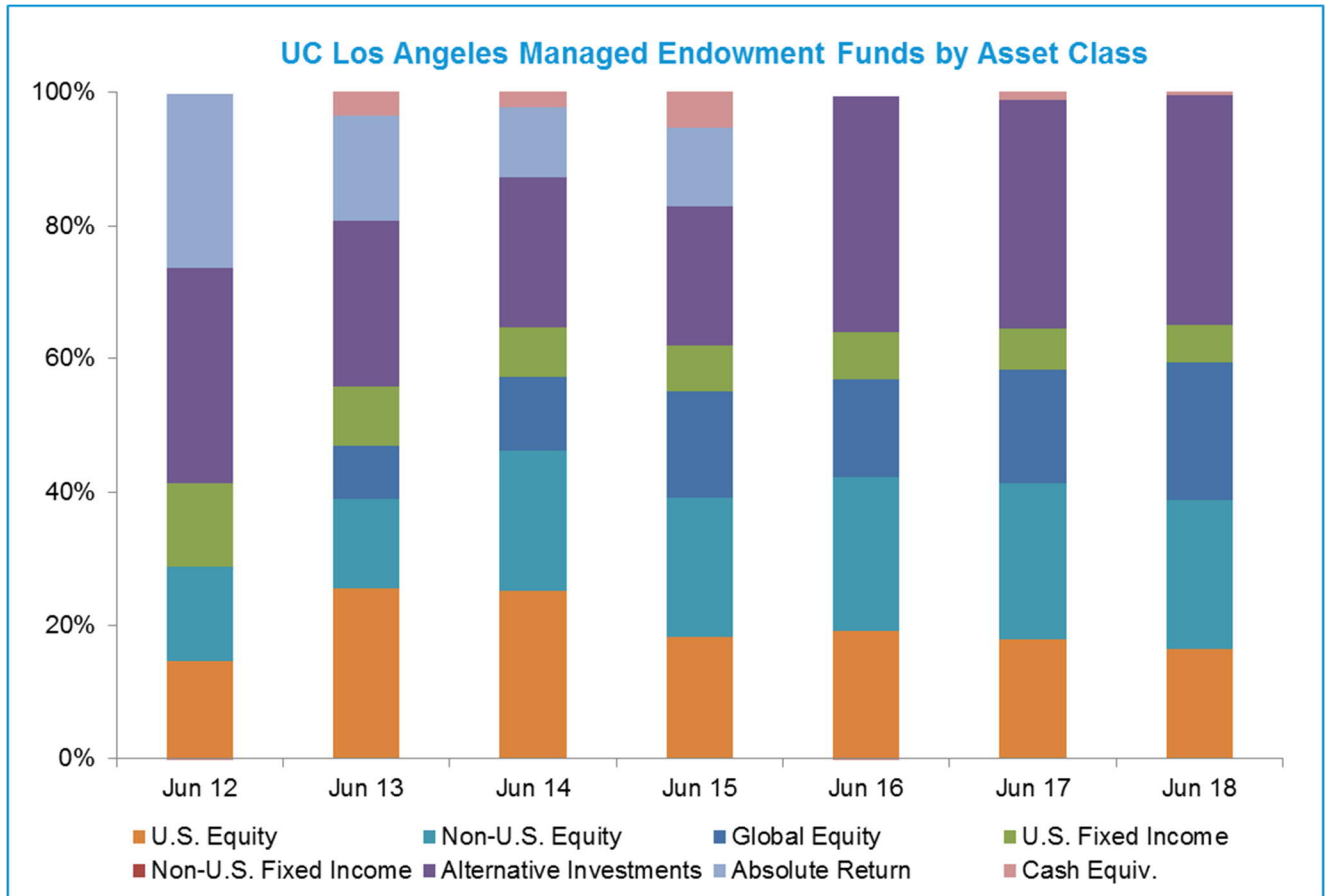
<sup>1</sup> The Equity Exposure is 59.5% after including the notional exposure of derivative positions and derivative related strategies.

<sup>2</sup> The Cash allocation is 0.4% when excluding collateral of derivative positions and derivative related strategies.

# THE UCLA FOUNDATION



## THE UCLA FOUNDATION



Note: UC Los Angeles' cash allocation at June 30, 2016 was -0.6% when excluding collateral for the derivative positions. UC Los Angeles' cash allocation at June 30, 2017 was 13.4% when including collateral for the derivative positions.

## UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION

### Endowment Investment Objective

UC Merced Foundation's investment objectives are: (1) provide investment earnings adequate to secure the benefits promised and the financial obligations created by the endowment, and (2) secure, preserve, and increase the inflation-adjusted value of the Fund.

### Endowment Spending Policy

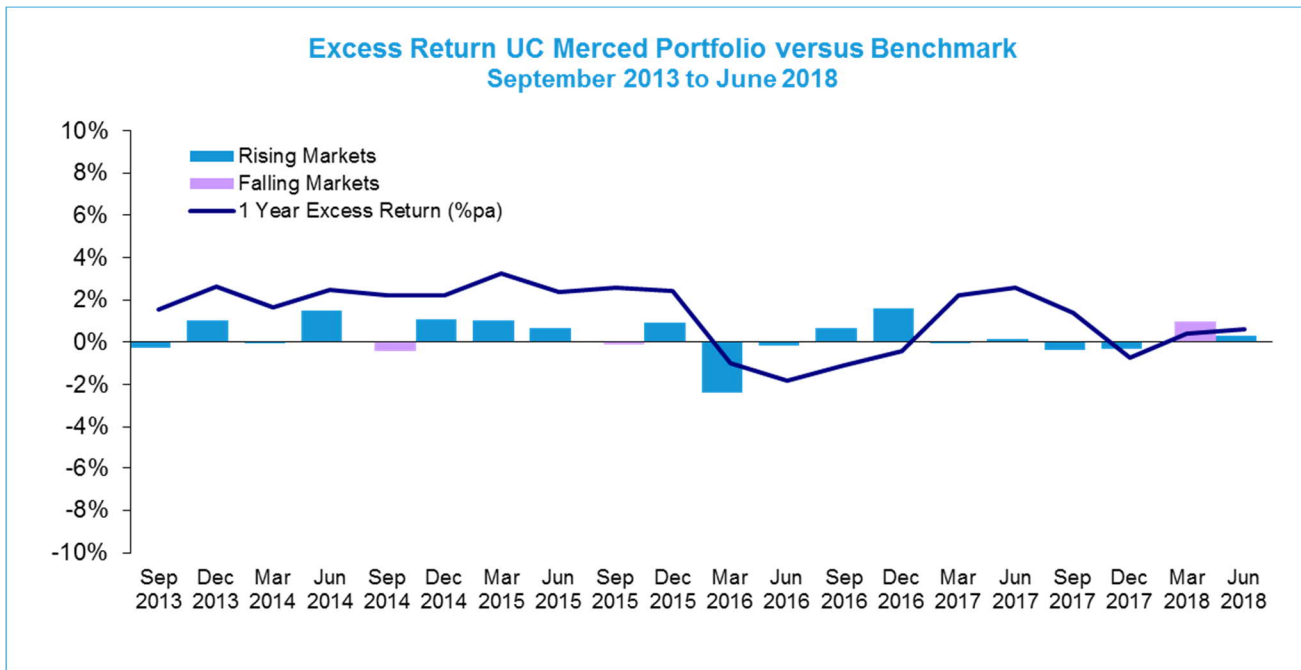
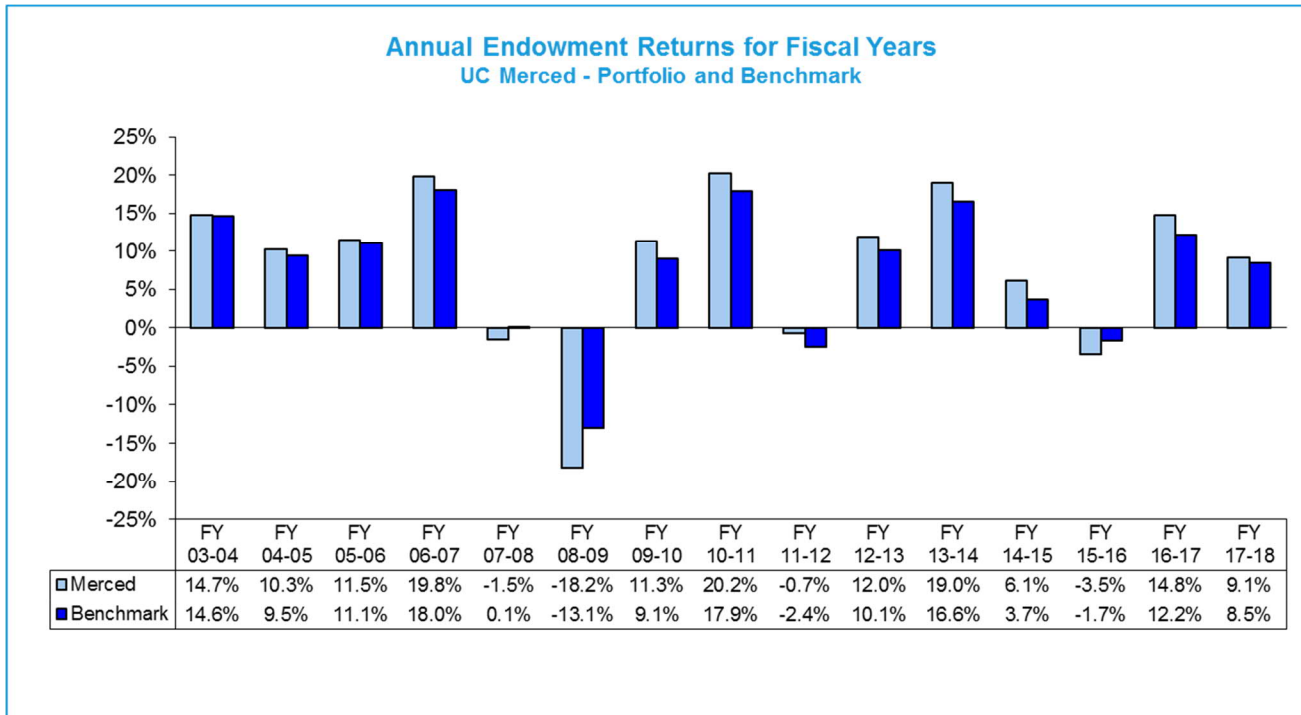
The spending policy of the UC Merced Foundation is to provide 100% of the endowment earnings up to a maximum spending payout rate of 4.75% of the 60-month average unit market value for the period ending December 31st.

### University of California, Merced Foundation Portfolio Asset Allocation June 30, 2018

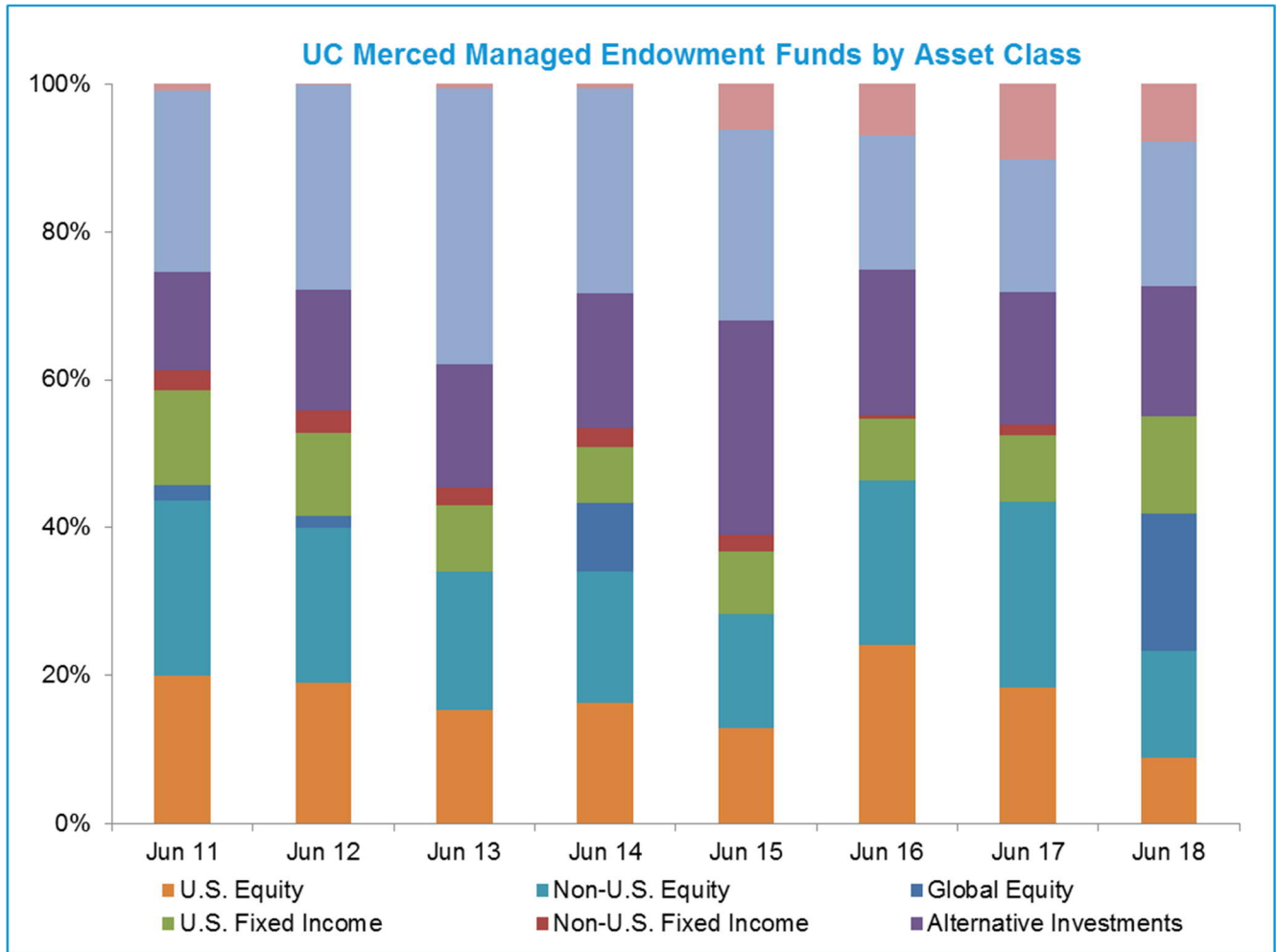
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$5	41.8%	41.0%	0.81%	31.0%	73.5%	Yes
Liquidity (Income)	\$2	21.1%	18.0%	3.06%	8.0%	28.0%	Yes
Absolute Return	\$2	19.7%	19.0%	0.66%	9.0%	29.0%	Yes
Private Equity	\$1	10.6%	14.0%	-3.40%	1.5%	24.0%	Yes
Real Assets	\$1	6.9%	8.0%	-1.12%	0.0%	13.0%	Yes
<b>Total Assets</b>	<b>\$12</b>	<b>100.0%</b>					

The UC Merced Foundation utilizes the GEP Policy Benchmark.

# UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION



## UNIVERSITY OF CALIFORNIA, MERCED FOUNDATION



## UC RIVERSIDE FOUNDATION

### Endowment Investment Objective

The investment objective of the endowment fund is to earn a multi-year average rate of return on its investments that meets or exceeds annual distributions (spending) plus inflation. To do this, the Foundation seeks to maximize the investment return within a level of risk deemed appropriate taking all these objectives into account. The spending objectives of the endowment fund are to pay out amounts that are relatively predictable and stable, sustainable in real terms (i.e., on an inflation-adjusted basis), and as large as possible. To meet these objectives, both the spending per unit and the unit market value after spending must grow over time at least as fast as the general rate of inflation.

### Endowment Spending Policy

The endowment spending policy applicable to FYE 2018 was to withdraw per unit 4% of the average unit market value of the endowment fund calculated using the closing unit market value on the last day of each of the 84 contiguous months the last of which ended on May 31, 2018.

#### University of California, Riverside Foundation Portfolio Asset Allocation June 30, 2018

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$130	77.4%	70.0%	7.4%	50.0%	90.0%	Yes
Public Fixed Income	\$17	10.0%	10.0%	0.0%	10.0%	50.0%	Yes
All Alternative Inv.	\$19	11.3%	20.0%	-8.7%	0.0%	25.0%	Yes
Liquidity Portfolio	\$2	1.4%	0.0%	1.4%	0.0%	0.0%	
<b>Total Assets</b>	<b>\$169</b>	<b>100%</b>	<b>100%</b>				

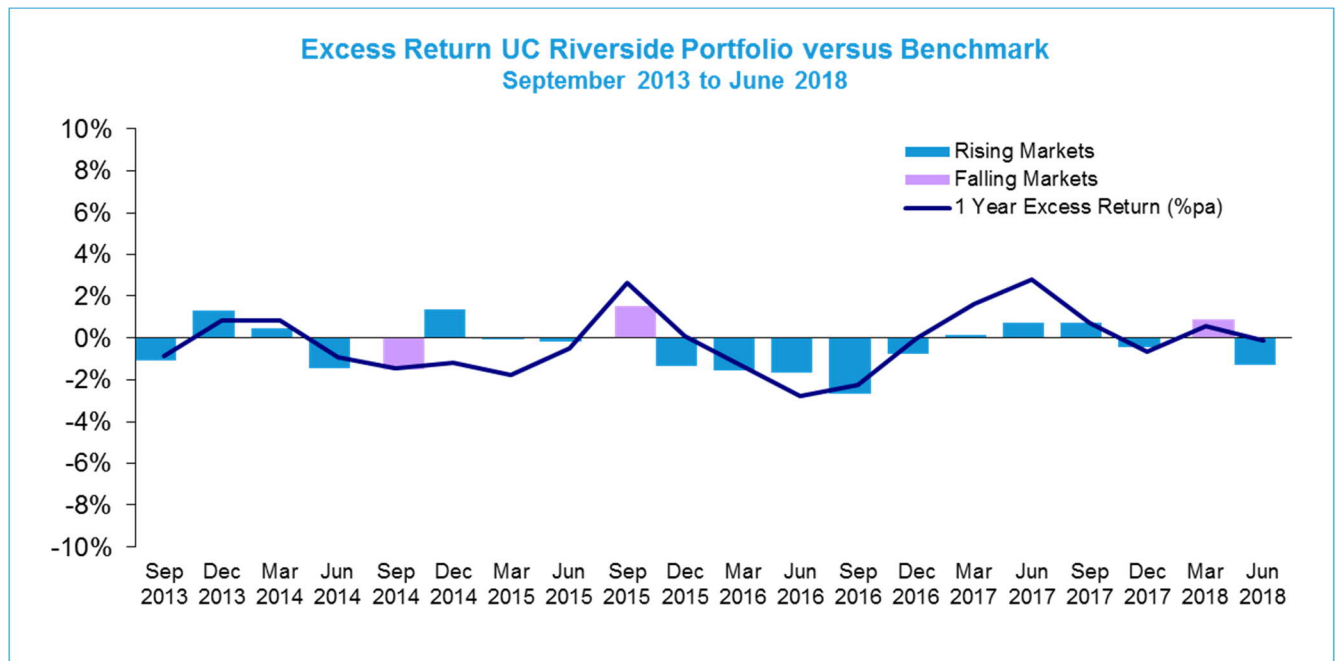
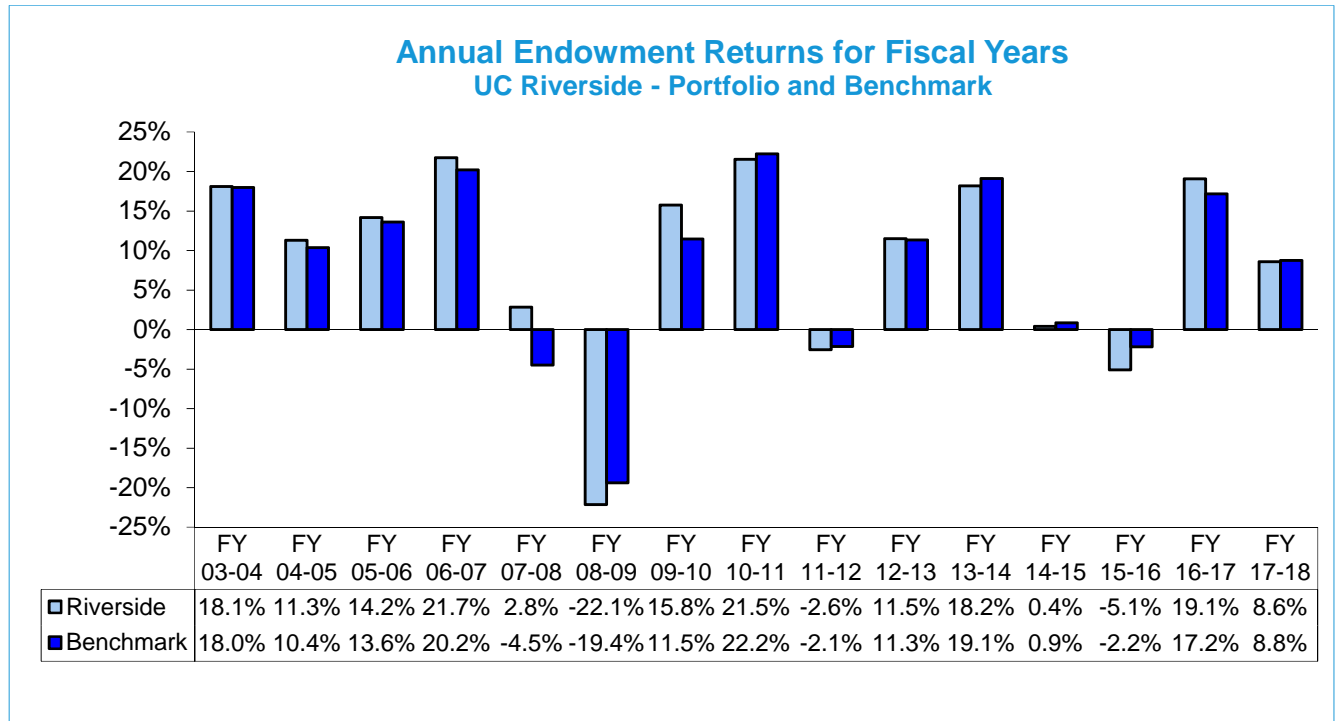
#### Notes:

The asset class benchmarks do not roll up into the policy benchmark.

The strategic benchmark is an evolving benchmark following the IPS and reflects at 06/30/18: 80% MSCI ACWI Net; 10% Barclays Capital Agg; 10% HFRX Global Hedge Fund.

\* Balance of the commitments to private equity/venture capital funds was \$11,032,501 @ FYE18  
Capital calls associated with these commitments will be funded from public equity.

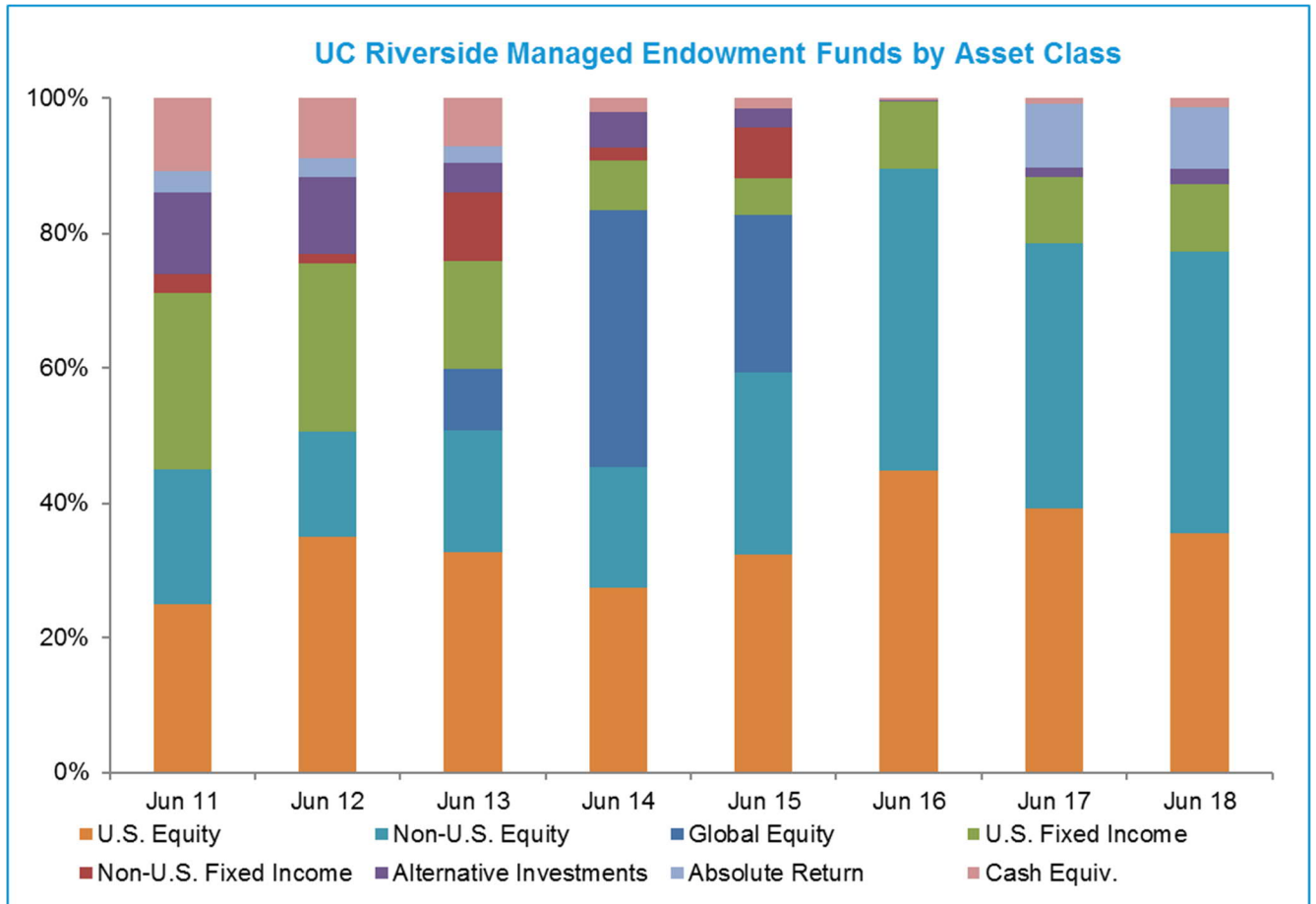
## UC RIVERSIDE FOUNDATION



The 2017 fiscal 1-year benchmark performance provided by UCR for the excess return exhibit shown above is different from the 2017 fiscal 1-year benchmark performance provided by the UCR's investment consultant due to re-statement of returns.



## UC RIVERSIDE FOUNDATION



## UC SAN DIEGO FOUNDATION

### Endowment Investment Objective

The UC San Diego Foundation's primary investment goal for its endowment is to maximize long-term total return, utilizing a diversified portfolio consistent with prudent levels of risk. Endowment portfolio performance is expected to preserve or enhance the real value of the endowment and the purchasing power of the spending. The portfolio return goal is to achieve an annualized total net return at least equivalent to, and preferably exceeding, the endowment spending rate plus inflation, over rolling five and ten year periods. The investment policy target asset allocation is 21% U.S. Equity, 17% Developed Non-U.S. Equity, 6% Emerging Market Equity, 13% Private Equity, 20% Diversifying Strategies, 11% Real Estate, and 12% Fixed Income.

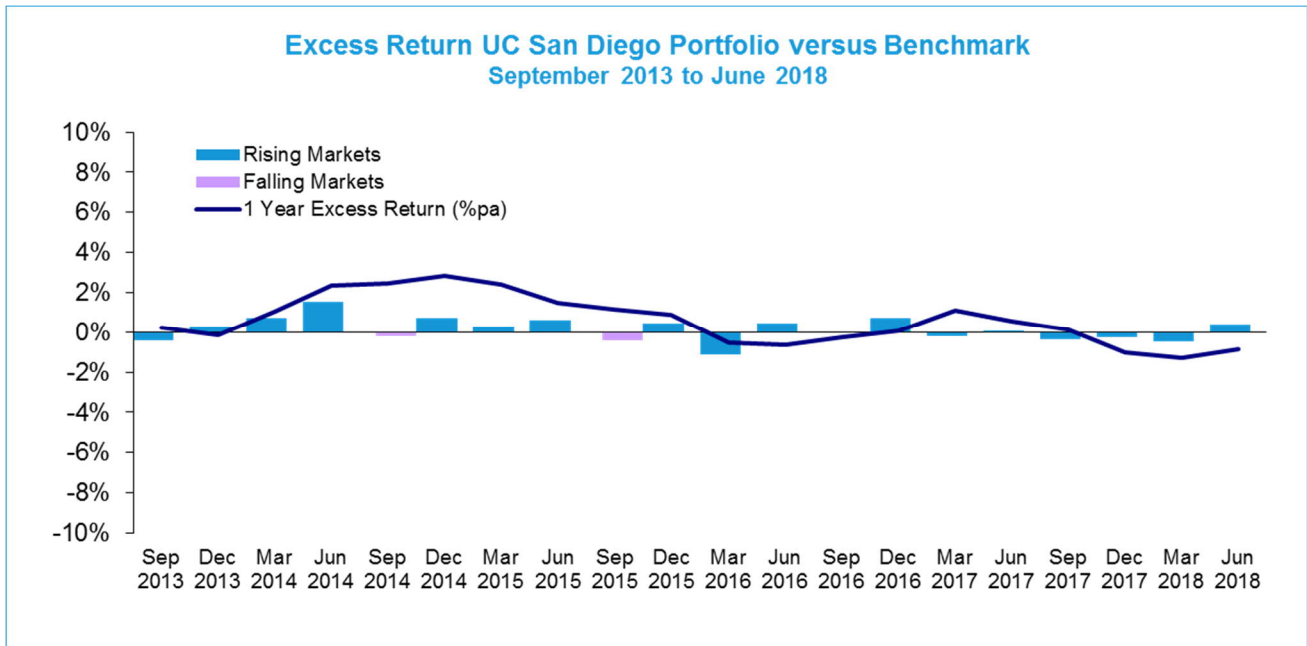
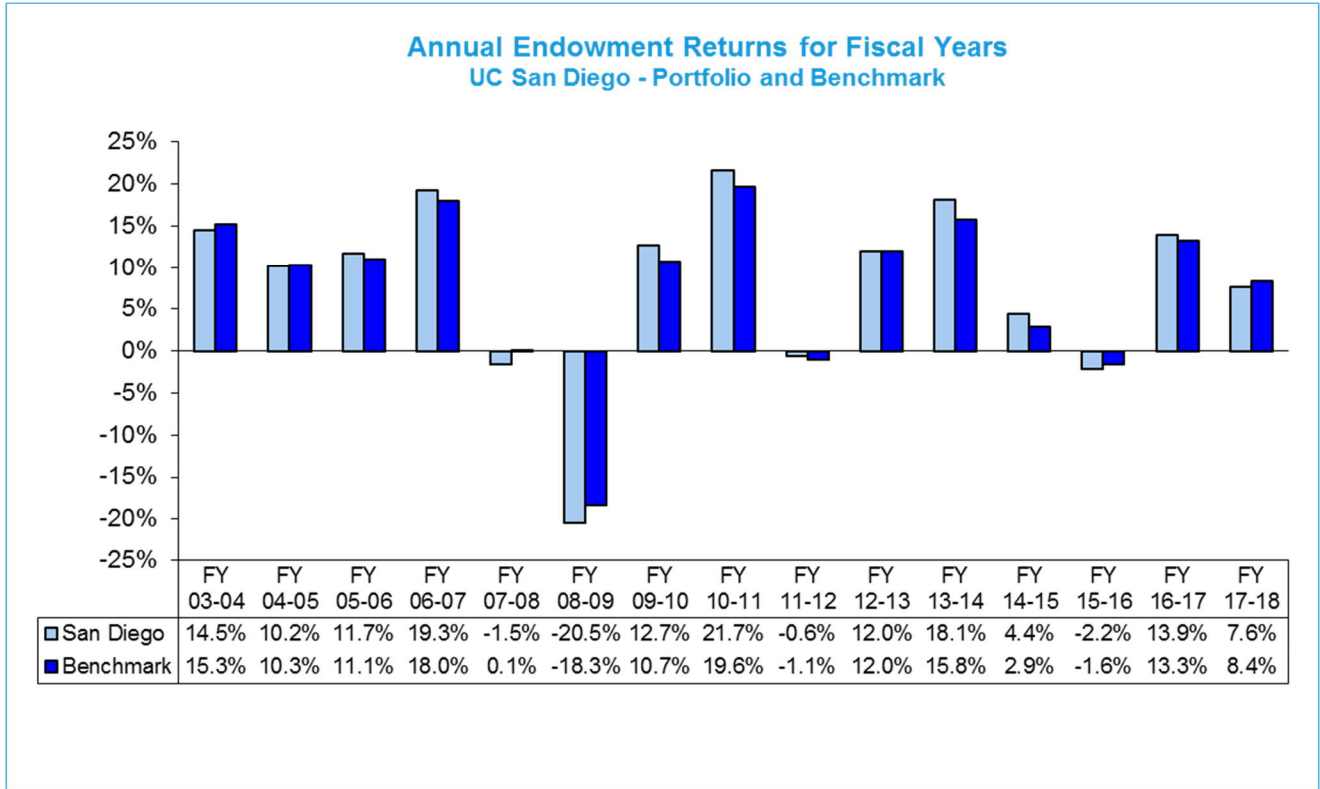
### Endowment Spending Policy

Endowment spending during fiscal year 2017-18 was calculated using a predetermined formula at an amount equal to 4.75% of the 60-month average unit market value of the endowment portfolio. Spending is allocated to fund holders monthly.

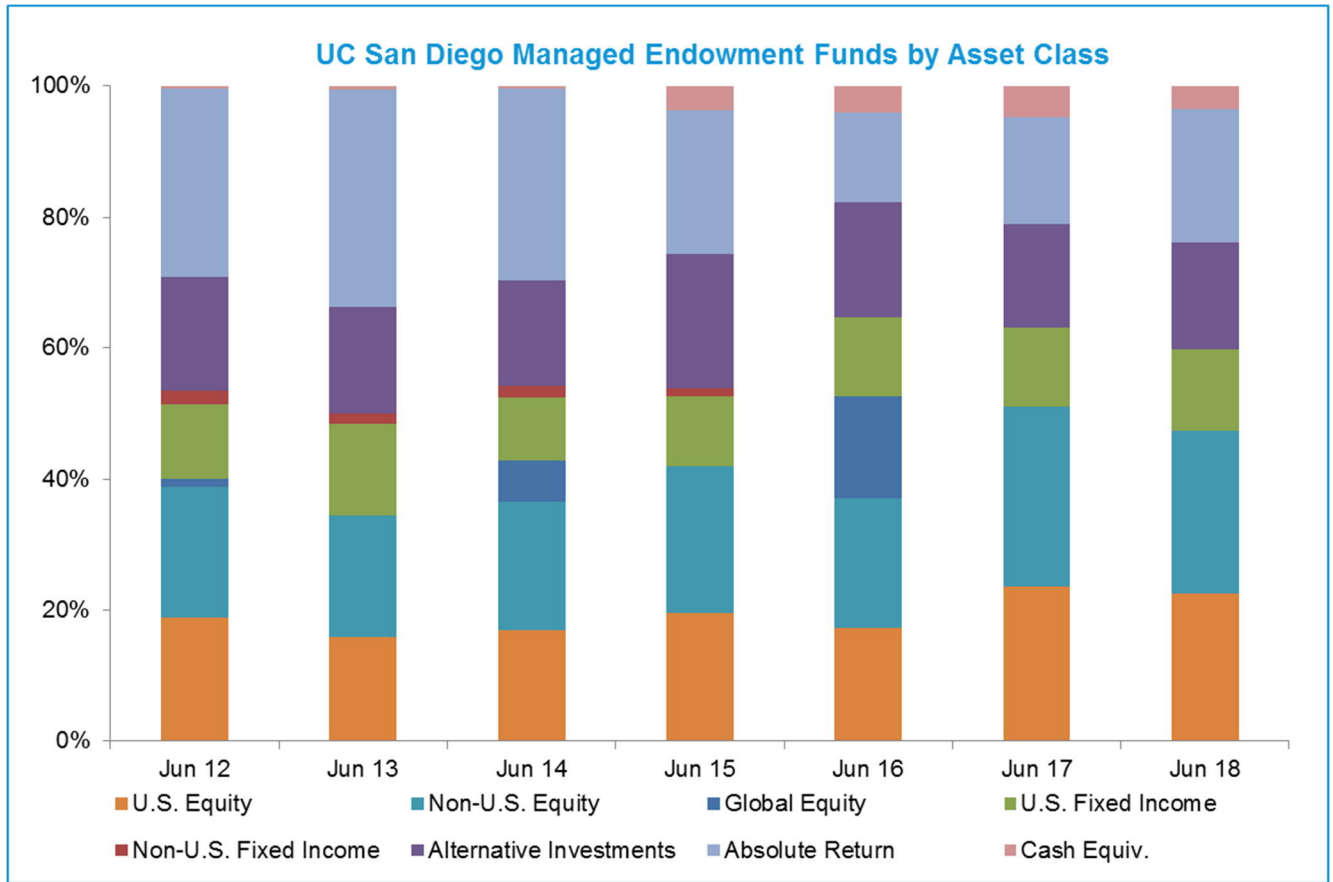
#### University of California, San Diego Foundation Portfolio Asset Allocation June 30, 2018

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$350	47.4%	44.0%	3.4%	40.0%	60.0%	Yes
Liquidity (Income)	\$118	16.0%	12.0%	4.0%	5.0%	20.0%	Yes
Absolute Return	\$149	20.1%	20.0%	0.1%	10.0%	30.0%	Yes
Private Equity	\$42	5.6%	13.0%	-7.4%	5.0%	15.0%	Yes
Real Assets	\$80	10.9%	11.0%	-0.1%	5.0%	15.0%	Yes
<b>Total Assets</b>	<b>\$738</b>	<b>100.0%</b>	<b>100.0%</b>				

# UC SAN DIEGO FOUNDATION



## UC SAN DIEGO FOUNDATION



## UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION

### Endowment Investment Objective

The San Francisco Foundation's primary investment objective for its endowment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future University activities. Over the long term, it is the goal of the Foundation that the total return on investment assets should equal the rate of inflation, plus the payout rate (which is used to support current activities), plus an amount reinvested to support future activities.

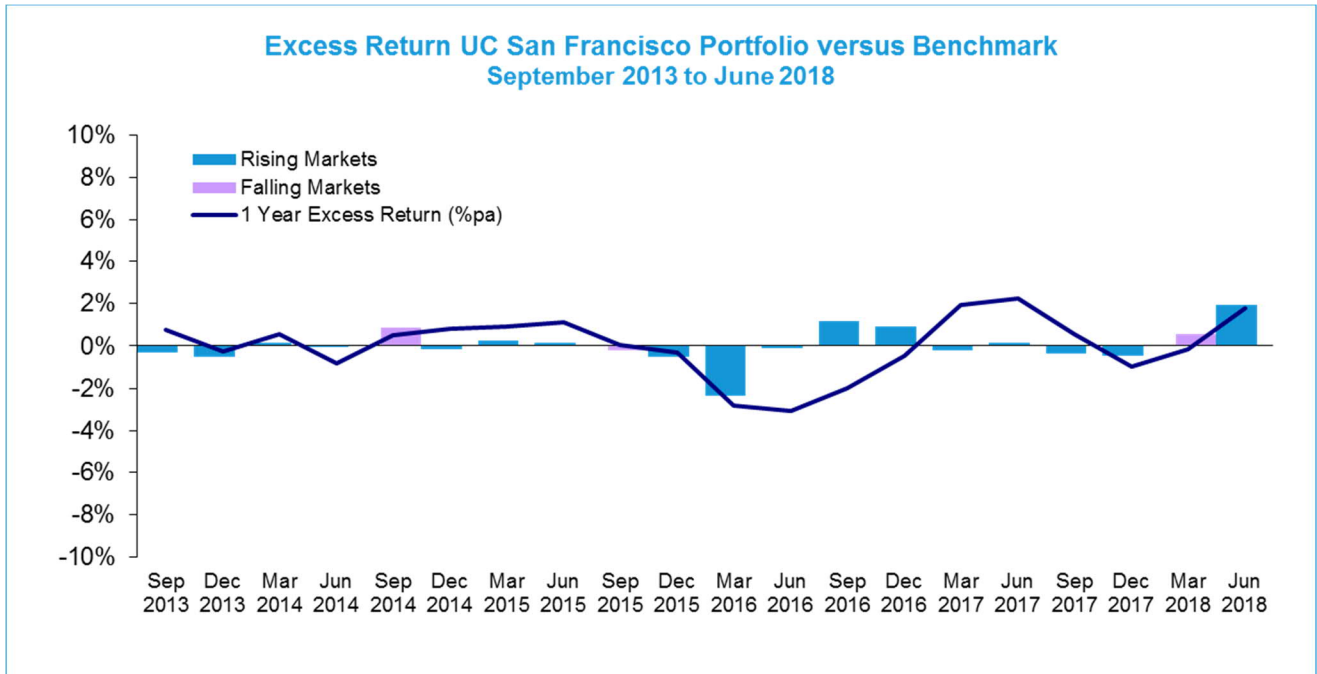
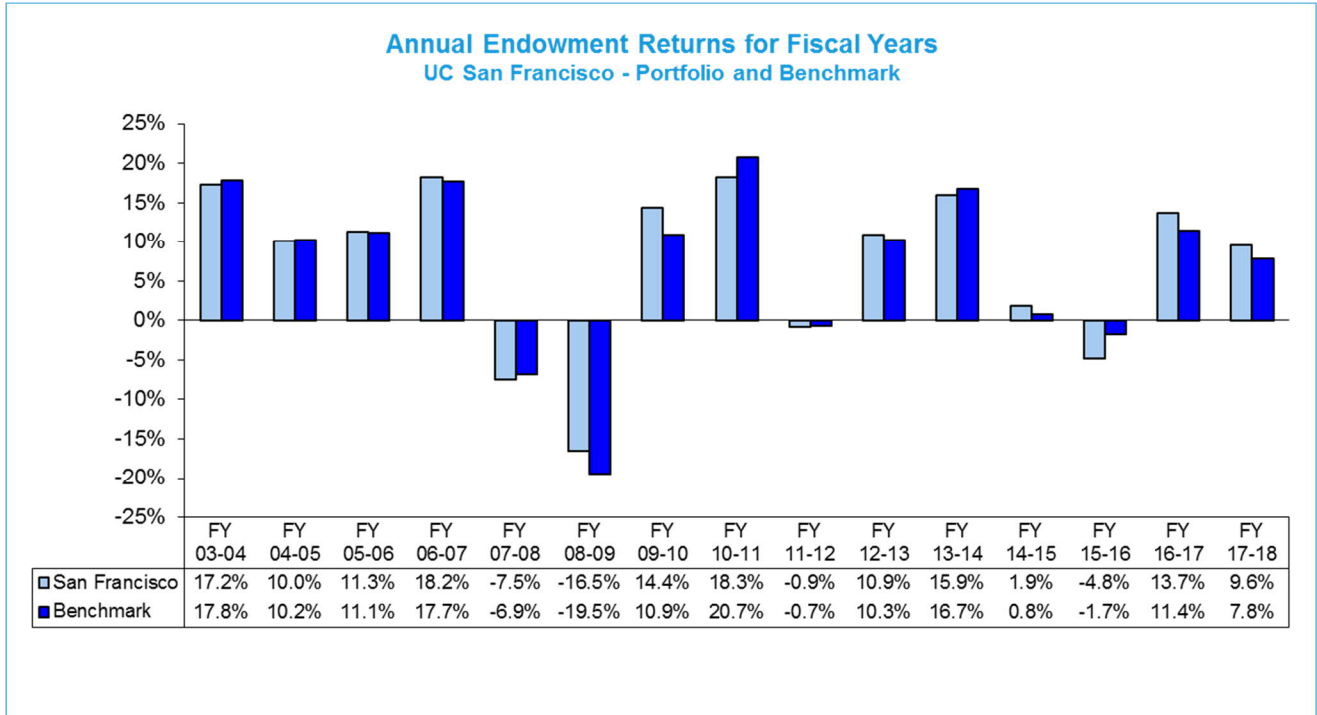
### Endowment Spending Policy

The Foundation payout policy guideline is to distribute 4.75% of the 36 month rolling average unitized market value of the Endowment Pool. The payout will not exceed 6% nor be less than 3.5% of the ending market value on the last day of the fiscal year for which it is being calculated. The payout will be reviewed annually, which may result in modification. In determining the annual payout, the Foundation will consider factors such as stability of fund flows to operations and preservation of endowment principal, in addition to the guideline formula.

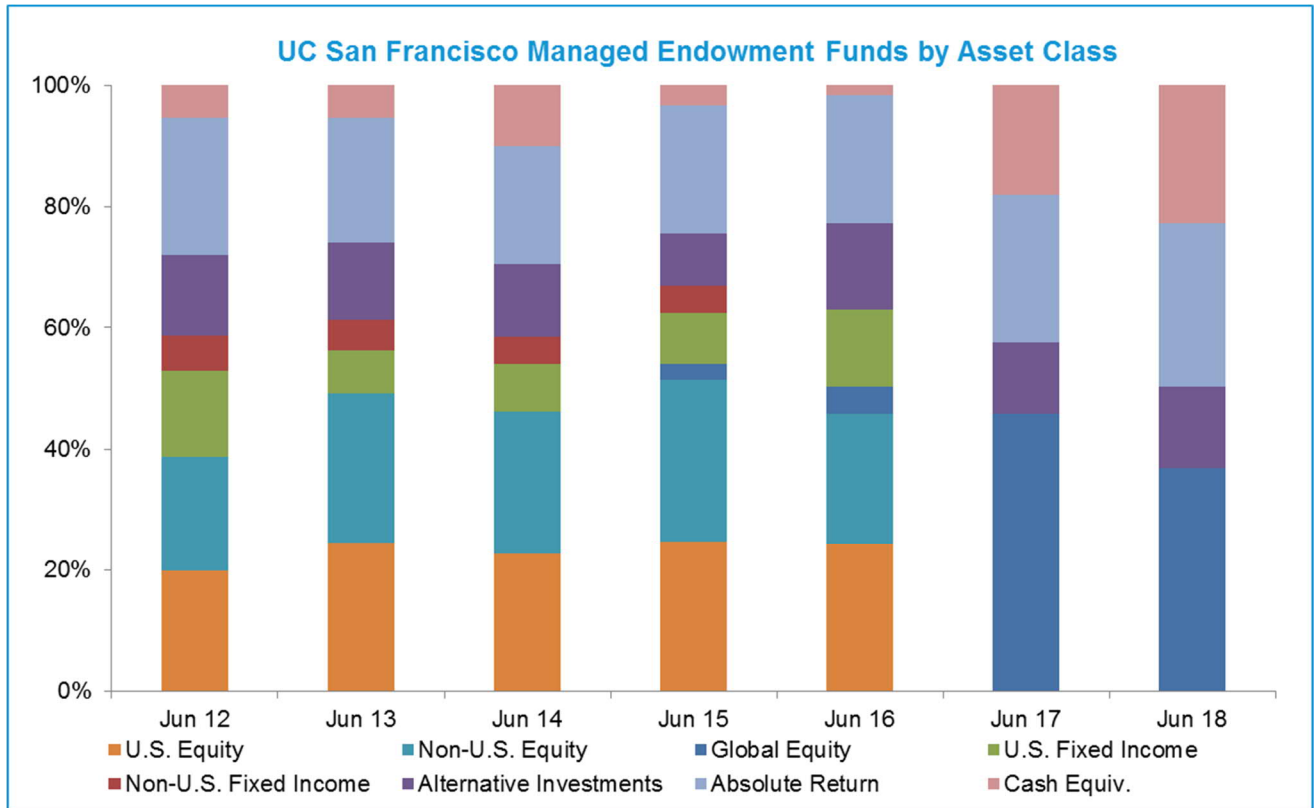
#### University of California, San Francisco Foundation Portfolio Asset Allocation June 30, 2018

	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$596	35.8%	37.5%	-2%	20.0%	60.0%	Yes
Public Fixed Income/Liquidity	\$365	21.9%	17.5%	4%	0.0%	25.0%	Yes
All Alternative Inv.	\$704	42.3%	45.0%	-3%	17.5%	82.5%	Yes
<b>Total Assets</b>	<b>\$1,665</b>	<b>100.0%</b>					

# UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION



## UNIVERSITY OF CALIFORNIA, SAN FRANCISCO FOUNDATION



Note: During fiscal year 2017, UC San Francisco combined U.S. Equity and Non-U.S. Equity into the Global Equity bucket as this is how they view their asset allocation.

## UC SANTA BARBARA FOUNDATION

### Endowment Investment Objective

A. The primary long-term financial objective for the Foundation's Long Term Investment Policy (LTIP) is to preserve the purchasing power of the LTIP's principal, while providing a relatively stable and growing source of funding for endowment and trust beneficiaries. The LTIP is held primarily in the Regent's GEP with minimal investments held with Goldman Sachs, Lexington and Farallon.

B. The primary long-term investment objective of the LTIP is to earn an average annual real (i.e., after adjusting for inflation) total return on a risk-adjusted basis that is at least equal to the LTIP's total spending rate, net of consultant and management fees, over long time periods (i.e., rolling ten-year periods). Over shorter time periods (i.e., rolling five-year periods), the LTIP will seek to meet or exceed an appropriate composite of market indices reflecting the LTIP's asset allocation policies. The LTIP is held primarily in the Regent's GEP with minimal investments held with Goldman Sachs, Lexington and Farallon.

### Endowment Spending Policy

Endowment spending during fiscal year 2017-2018 was calculated using a predetermined formula at an amount equal to 4.25% of the 60-month average unit market value of the endowment portfolio as of December 31, 2016. To the extent requested by the Fund Administrator, spending was allocated to fund holders in September (40%) and March (60%).

#### University of California, Santa Barbara Foundation Portfolio Asset Allocation June 30, 2018

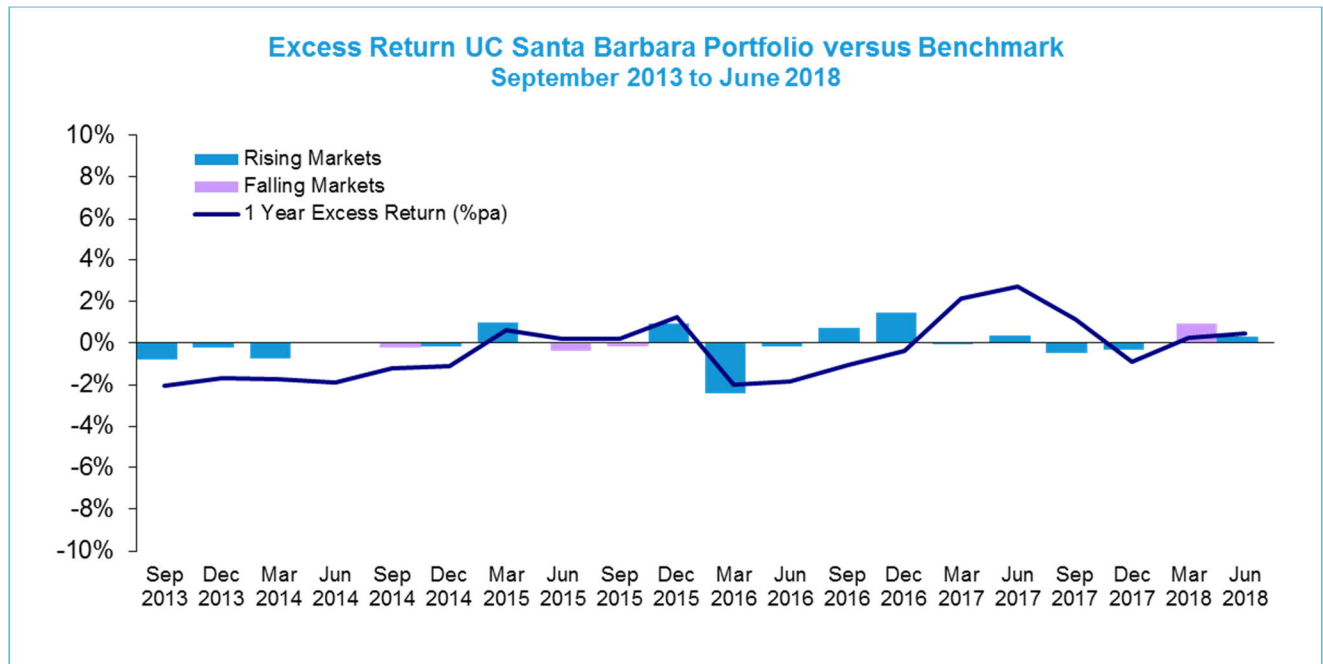
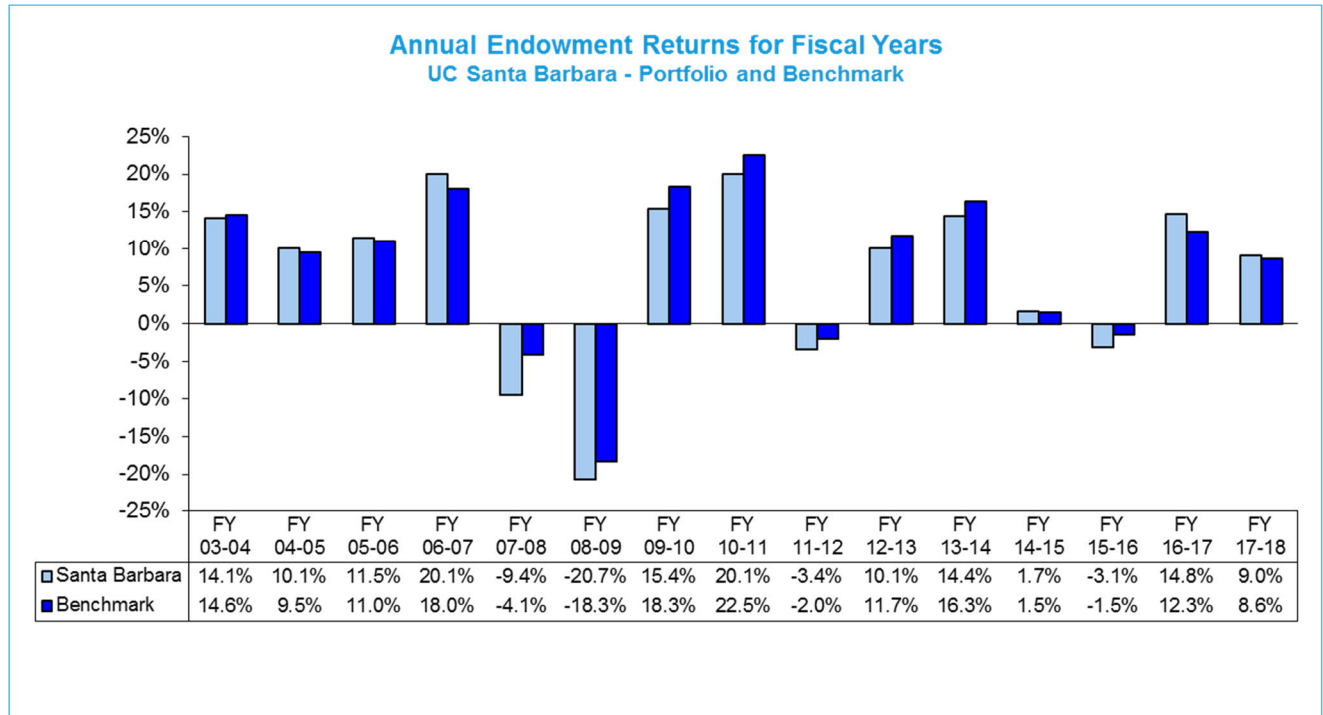
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$84	40.5%	41.0%	-0.55%	31.0%	73.5%	Yes
Liquidity (Income)	\$43	20.8%	18.0%	2.77%	8.0%	28.0%	Yes
Absolute Return	\$40	19.1%	19.0%	0.11%	9.0%	29.0%	Yes
Private Equity	\$27	13.0%	14.0%	-0.98%	1.5%	24.0%	Yes
Real Assets	\$14	6.7%	8.0%	-1.35%	0.0%	13.0%	Yes
<b>Total Assets</b>	<b>\$207</b>	<b>100.0%</b>					

#### Notes:

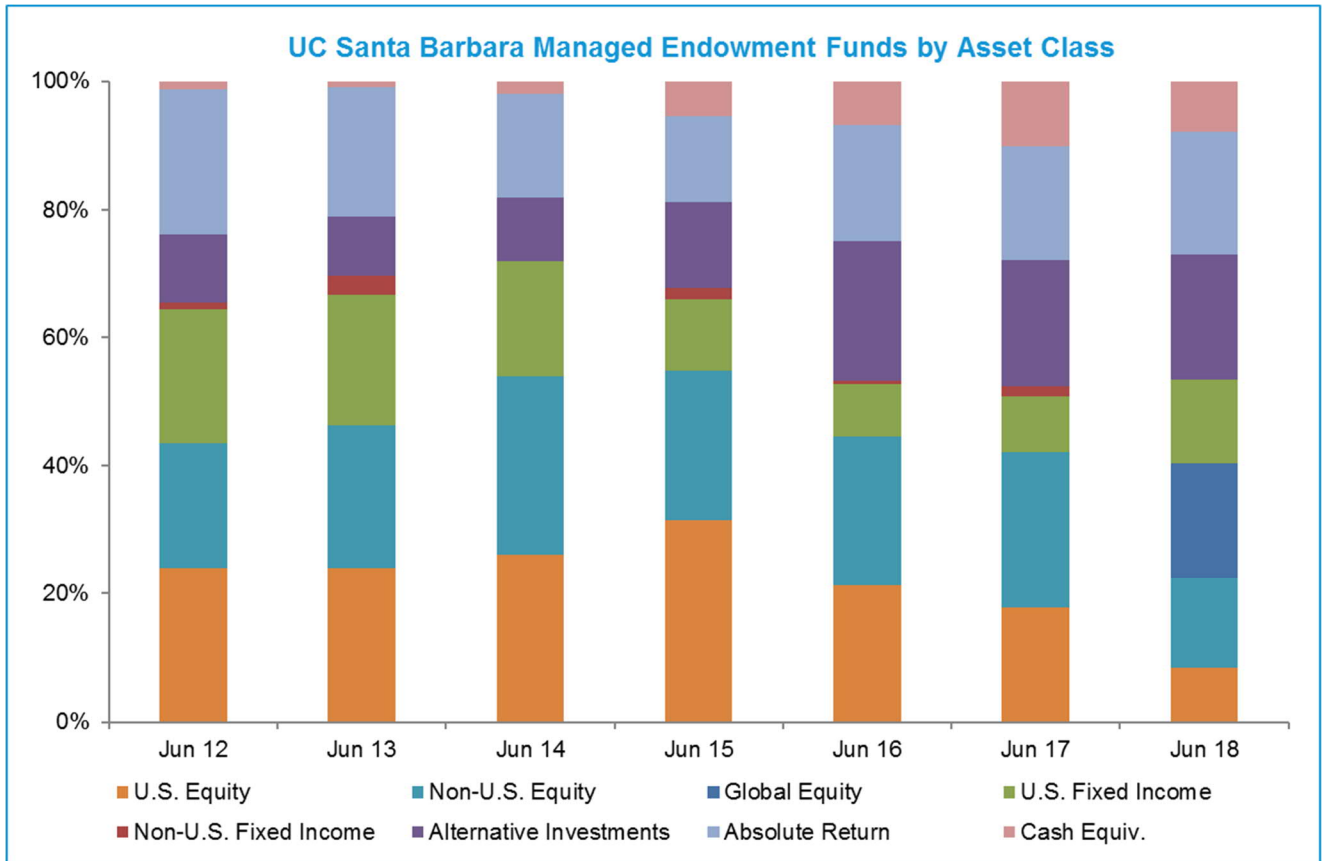
The out-sourced CIO function has been moved from Goldman Sachs to the Office of the CIO of the Regents effective 7/1/2015. The UC Santa Barbara Foundation utilizes the GEP Policy Benchmark.



## UC SANTA BARBARA FOUNDATION



## UC SANTA BARBARA FOUNDATION



## UC SANTA CRUZ FOUNDATION

### Endowment Investment Objective

The UC Santa Cruz Foundation's investment objective for its endowment portfolio is to maximize long-term total return with a prudent level of risk, to provide inflation protection through reinvestment of an appropriate level of realized and unrealized earnings, and to maximize the real rate of return over the long term. The investment policy matches that of the General Endowment Pool.

### Endowment Spending Policy

The UC Santa Cruz Foundation endowment expenditure rate approved May 2017 is 4.75% times a three-year moving average of December 31 market values. In the event the market value of an endowment is below the amount of the original gift adjusted by the Gross Domestic Product (GDP) price index at December 31, the endowment expenditure rate approved May 2017 is 2.75% of the December 31 market value, unless specific language of the endowment agreement allows otherwise. The endowment expenditure formula is reviewed annually and adjusted accordingly with respect to prudent concern for campus needs, donor expectations, and current market conditions.

### University of California, Santa Cruz Foundation Portfolio

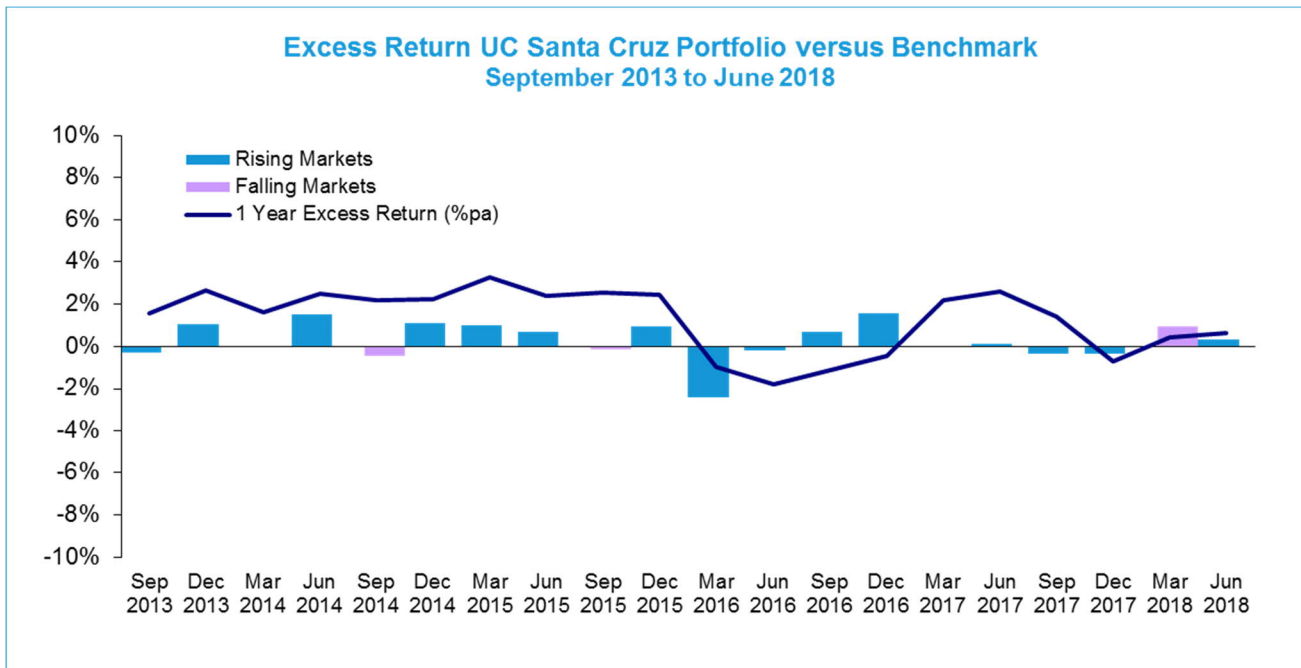
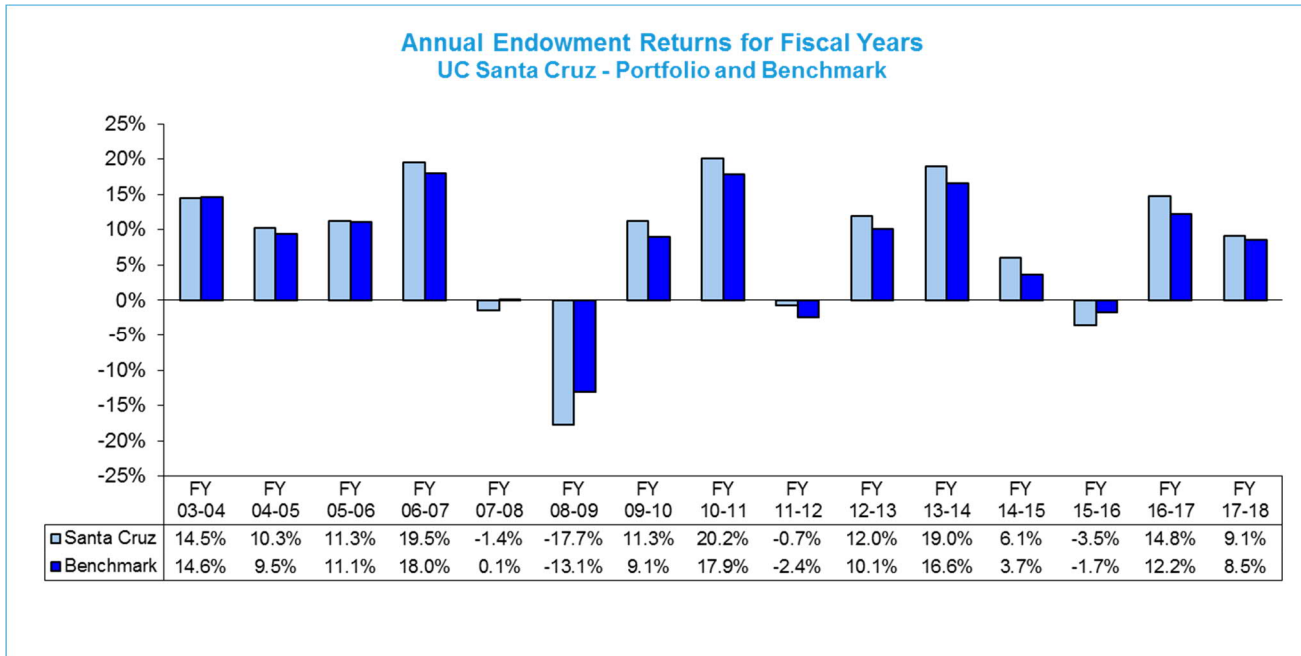
#### Asset Allocation

June 30, 2018

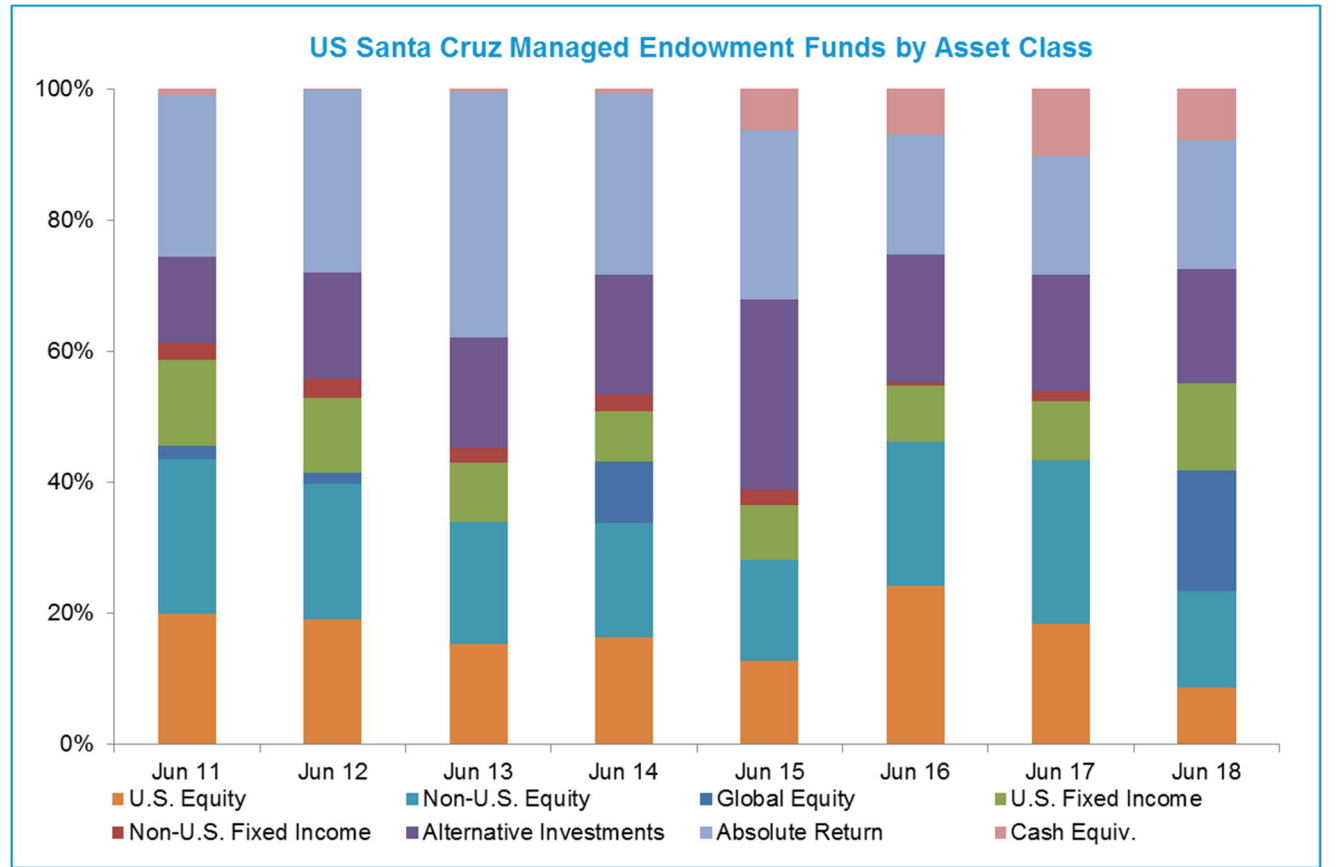
	Assets (\$M)	Actual Allocation	Target Policy Allocation	Variance from Target Policy Allocation	Policy Range		Policy Range Compliance (Actual Allocation)
Public Equity	\$44	41.8%	41.0%	0.81%	31.0%	73.5%	Yes
Liquidity (Income)	\$22	21.1%	18.0%	3.06%	8.0%	28.0%	Yes
Absolute Return	\$21	19.7%	19.0%	0.66%	9.0%	29.0%	Yes
Private Equity	\$11	10.6%	14.0%	-3.40%	1.5%	24.0%	Yes
Real Assets	\$7	6.9%	8.0%	-1.12%	0.0%	13.0%	Yes
<b>Total Assets</b>	<b>\$104</b>	<b>100.0%</b>					

The UC Santa Cruz Foundation utilizes the GEP Policy Benchmark.

## UC SANTA CRUZ FOUNDATION



## UC SANTA CRUZ FOUNDATION



## 4 Appendix

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## 4.1 Historical Foundation Investment Performance

### Historical Fiscal Year Foundation Investment Performance

#### Annual Total Returns - Foundations

Year	Berkeley	Davis	Los			Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Audit Adjustment
			Irvine	Angeles	Merced						
2018	8.4%	9.0%	8.6%	10.5%	9.1%	8.6%	7.6%	9.6%	9.0%	9.1%	8.9%
2017	13.1%	13.9%	15.3%	15.8%	14.8%	19.1%	13.9%	13.7%	14.8%	14.8%	15.1%
2016	-2.4%	-3.3%	-2.4%	-4.1%	-3.5%	-5.1%	-2.2%	-4.8%	-3.1%	-3.5%	-3.6%
2015	3.8%	5.3%	5.3%	6.4%	6.1%	0.4%	4.4%	1.9%	1.7%	6.1%	6.1%
2014	15.2%	19.1%	17.3%	13.9%	19.0%	18.2%	18.1%	15.9%	14.4%	19.0%	19.0%
2013	12.8%	11.7%	11.5%	15.5%	12.0%	11.5%	12.0%	10.9%	10.1%	12.0%	12.0%
2012	-1.0%	-0.4%	0.4%	-1.4%	-0.7%	-2.6%	-0.6%	-0.9%	-3.4%	-0.7%	-0.7%
2011	18.8%	18.7%	19.5%	16.7%	20.2%	21.5%	21.7%	18.3%	20.1%	20.2%	20.2%
2010	11.7%	11.3%	11.0%	11.8%	11.3%	15.8%	12.7%	14.4%	15.4%	11.3%	11.3%
2009	-20.6%	-17.9%	-20.6%	-21.1%	-18.2%	-22.1%	-20.4%	-16.5%	-20.7%	-17.7%	-18.2%
2008	-0.3%	-1.4%	-2.9%	0.1%	-1.5%	2.9%	-1.6%	-7.5%	-9.4%	-1.4%	-1.5%
2007	20.3%	19.7%	18.7%	17.8%	19.8%	21.7%	19.3%	18.2%	20.1%	19.5%	
2006	14.8%	11.3%	10.8%	12.9%	11.5%	14.2%	11.7%	11.3%	11.5%	11.3%	
2005	11.3%	10.2%	7.7%	10.2%	10.3%	11.3%	10.2%	10.0%	10.1%	10.3%	
2004	17.7%	14.4%	15.6%	15.2%	14.7%	18.1%	14.5%	17.2%	14.1%	14.5%	

#### Average Annualized Total Returns - Foundations

Year	Berkeley	Davis	Los			Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Audit Adjustment
			Irvine	Angeles	Merced						
2018	8.4%	9.0%	8.6%	10.5%	9.1%	8.6%	7.6%	9.6%	9.0%	9.1%	8.9%
('17-'18)	10.7%	11.4%	11.9%	13.1%	11.9%	13.7%	10.7%	11.6%	11.8%	11.9%	11.9%
('16-'18)	6.2%	6.3%	6.9%	7.1%	6.5%	7.1%	6.2%	5.9%	6.6%	6.5%	6.5%
('15-'18)	5.6%	6.0%	6.5%	6.9%	6.4%	5.4%	5.8%	4.9%	5.4%	6.4%	6.4%
('14-'18)	7.5%	8.5%	8.6%	8.3%	8.8%	7.8%	8.1%	7.0%	7.1%	8.8%	8.8%
('13-'18)	8.3%	9.0%	9.1%	9.4%	9.3%	8.4%	8.8%	7.6%	7.6%	9.3%	9.3%
('12-'18)	6.9%	7.6%	7.8%	7.8%	7.9%	6.8%	7.4%	6.4%	6.0%	7.9%	7.9%
('11-'18)	8.4%	9.0%	9.2%	8.9%	9.3%	8.5%	9.1%	7.8%	7.6%	9.3%	9.3%
('10-'18)	8.7%	9.2%	9.4%	9.2%	9.5%	9.3%	9.5%	8.5%	8.5%	9.5%	9.5%
('09-'18)	5.4%	6.1%	5.9%	5.7%	6.4%	5.7%	6.0%	5.7%	5.1%	6.5%	6.4%
('08-'18)	4.8%	5.4%	5.1%	5.2%	5.7%	5.4%	5.3%	4.4%	3.7%	5.7%	
('07-'18)	6.0%	6.6%	6.2%	6.2%	6.8%	6.7%	6.4%	5.5%	5.0%	6.8%	
('06-'18)	6.7%	6.9%	6.5%	6.7%	7.1%	7.2%	6.8%	5.9%	5.5%	7.1%	
('05-'18)	7.0%	7.2%	6.6%	6.9%	7.3%	7.5%	7.0%	6.2%	5.8%	7.4%	
('04-'18)	7.7%	7.6%	7.2%	7.5%	7.8%	8.2%	7.5%	6.9%	6.3%	7.8%	

#### Cumulative Total Returns - Foundations

# Year	Berkeley	Davis	Los			Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	GEP Audit Adjustment
			Irvine	Angeles	Merced						
2018	8.4%	9.0%	8.6%	10.5%	9.1%	8.6%	7.6%	9.6%	9.0%	9.1%	8.9%
('17-'18)	22.6%	24.2%	25.2%	28.0%	25.3%	29.3%	22.6%	24.6%	25.1%	25.3%	25.3%
('16-'18)	19.8%	20.1%	22.2%	22.7%	20.9%	22.7%	19.9%	18.6%	21.2%	20.9%	20.8%
('15-'18)	24.3%	26.4%	28.7%	30.6%	28.3%	23.2%	25.1%	20.9%	23.2%	28.3%	28.2%
('14-'18)	43.3%	50.5%	51.0%	48.7%	52.7%	45.6%	47.8%	40.1%	41.0%	52.7%	52.6%
('13-'18)	61.6%	68.1%	68.4%	71.7%	71.0%	62.3%	65.6%	55.3%	55.2%	71.0%	70.9%
('12-'18)	60.0%	67.4%	69.0%	69.3%	69.8%	58.2%	64.6%	54.0%	50.0%	69.8%	69.7%
('11-'18)	90.1%	98.6%	101.9%	97.6%	104.1%	92.2%	100.3%	82.1%	80.1%	104.1%	104.0%
('10-'18)	112.5%	121.1%	124.0%	120.9%	127.1%	122.5%	125.7%	108.3%	107.9%	127.1%	127.1%
('09-'18)	68.6%	81.5%	77.8%	74.4%	85.8%	73.3%	79.6%	74.0%	64.7%	86.9%	85.8%
('08-'18)	68.1%	79.0%	72.6%	74.5%	83.1%	78.2%	76.8%	61.0%	49.2%	84.3%	
('07-'18)	102.2%	114.3%	104.9%	105.6%	119.3%	117.0%	110.8%	90.4%	79.1%	120.3%	
('06-'18)	132.2%	138.6%	127.1%	132.1%	144.6%	147.7%	135.5%	111.9%	99.7%	145.1%	
('05-'18)	158.4%	163.0%	144.4%	155.8%	169.8%	175.7%	159.5%	133.2%	119.9%	170.4%	
('04-'18)	204.2%	200.9%	182.6%	194.7%	209.4%	225.6%	197.1%	173.3%	150.9%	209.6%	

Returns shown above prior to 2006 were provided by the individual Foundations.

Returns for 2006 and later were provided by State Street Bank, except in extraordinary circumstances.

## 4.2 Historical Benchmark and Active Performance

### Historical Fiscal Year Benchmark and Active Performance

#### Annual Total Returns - Benchmarks

Year	Berkeley	Davis	Irvine	Los Angeles			Riverside	San Diego		Santa Barbara	Santa Cruz	GEP Audit Adjustment
				Angeles	Merced	San Francisco						
2018	9.0%	7.7%	8.3%	9.1%	8.5%	8.8%	8.4%	7.8%	8.6%	8.5%	8.5%	
2017	15.2%	12.1%	12.7%	13.3%	12.2%	17.2%	13.3%	11.4%	12.3%	12.2%	12.5%	
2016	-1.5%	-1.0%	-1.1%	0.1%	-1.7%	-2.2%	-1.6%	-1.7%	-1.5%	-1.7%	-1.8%	
2015	1.3%	2.6%	2.2%	3.3%	3.7%	0.9%	2.9%	0.8%	1.5%	3.7%	3.5%	
2014	19.4%	16.3%	15.0%	16.1%	16.6%	19.1%	15.8%	16.7%	16.3%	16.6%	16.6%	
2013	13.5%	11.4%	9.7%	10.6%	10.1%	11.3%	12.0%	10.3%	11.7%	10.1%	10.1%	
2012	-3.3%	-2.0%	-0.6%	-1.3%	-2.4%	-2.1%	-1.1%	-0.7%	-2.0%	-2.4%	-2.5%	
2011	17.1%	18.2%	19.6%	15.7%	17.9%	22.2%	19.6%	20.7%	22.5%	17.9%	18.0%	
2010	10.2%	9.1%	9.2%	10.0%	9.1%	11.5%	10.7%	10.9%	18.3%	9.1%	9.6%	
2009	-15.6%	-13.1%	-16.1%	-19.0%	-13.1%	-19.4%	-18.3%	-19.5%	-18.3%	-13.1%	-14.0%	
2008	-1.2%	0.1%	-5.0%	-0.8%	0.1%	-4.5%	0.1%	-6.9%	-4.1%	0.1%	-0.2%	
2007	16.9%	18.0%	19.0%	17.7%	18.0%	20.2%	18.0%	17.7%	18.0%	18.0%	18.0%	
2006	12.7%	11.1%	10.3%	10.4%	11.1%	13.6%	11.1%	11.1%	11.0%	11.0%	11.0%	
2005	10.3%	9.5%	9.3%	8.7%	9.5%	10.4%	10.3%	10.2%	9.5%	9.5%	9.5%	
2004	17.1%	14.6%	15.1%	16.2%	14.6%	18.0%	15.2%	17.8%	14.6%	14.6%	14.6%	

#### Annual Active Returns (Foundation minus Benchmark)<sup>1</sup>

Year	Berkeley	Davis	Irvine	Los Angeles			Riverside	San Diego		Santa Barbara	Santa Cruz	GEP Audit Adjustment
				Angeles	Merced	San Francisco						
2018	-0.6%	1.3%	0.3%	1.4%	0.6%	-0.2%	-0.8%	1.8%	0.4%	0.6%	0.4%	
2017	-2.0%	1.9%	2.6%	2.5%	2.6%	1.9%	0.6%	2.3%	2.5%	2.6%	2.6%	
2016	-0.8%	-2.3%	-1.3%	-4.2%	-1.8%	-2.9%	-0.6%	-3.1%	-1.6%	-1.8%	-1.8%	
2015	2.5%	2.7%	3.1%	3.1%	2.4%	-0.5%	1.5%	1.1%	0.2%	2.4%	2.6%	
2014	-4.2%	2.8%	2.4%	-2.2%	2.5%	-0.9%	2.4%	-0.8%	-1.9%	2.5%	2.5%	
2013	-0.7%	0.3%	1.8%	4.8%	1.8%	0.1%	0.0%	0.6%	-1.7%	1.8%	1.9%	
2012	2.3%	1.6%	0.9%	-0.1%	1.8%	-0.4%	0.5%	-0.1%	-1.4%	1.8%	1.8%	
2011	1.8%	0.5%	-0.1%	1.0%	2.3%	-0.7%	2.0%	-2.4%	-2.5%	2.3%	2.2%	
2010	1.6%	2.3%	1.8%	1.8%	2.3%	4.3%	2.0%	3.5%	-2.9%	2.3%	1.8%	
2009	-5.1%	-4.9%	-4.6%	-2.0%	-5.1%	-2.8%	-2.1%	3.0%	-2.4%	-4.7%	-4.2%	
2008	0.9%	-1.4%	2.0%	0.8%	-1.5%	7.3%	-1.6%	-0.6%	-5.4%	-1.4%	-1.4%	
2007	3.4%	1.7%	-0.3%	0.1%	1.7%	1.5%	1.2%	0.5%	2.0%	1.5%	1.5%	
2006	2.2%	0.3%	0.5%	2.5%	0.5%	0.5%	0.6%	0.2%	0.5%	0.2%	0.2%	
2005	1.0%	0.8%	-1.6%	1.5%	0.9%	0.9%	-0.1%	-0.1%	0.6%	0.8%	0.8%	
2004	0.6%	-0.2%	0.5%	-1.0%		0.1%	-0.7%	-0.6%	-0.5%	-0.1%	-0.1%	

#### Average Annualized Active Returns (Foundation minus Benchmark)<sup>2</sup>

# Year	Berkeley	Davis	Irvine	Los Angeles			Riverside	San Diego		Santa Barbara	Santa Cruz	GEP Audit Adjustment
			Angeles	Merced	San Francisco							
2018	-0.6%	1.3%	0.3%	1.4%	0.6%	-0.2%	-0.8%	1.8%	0.4%	0.6%	0.4%	
('17-'18)	-1.3%	1.6%	1.4%	1.9%	1.6%	0.8%	-0.1%	2.0%	1.4%	1.6%	1.5%	
('16-'18)	-1.1%	0.2%	0.5%	-0.3%	0.4%	-0.6%	-0.3%	0.2%	0.3%	0.4%	0.3%	
('15-'18)	-0.2%	0.8%	1.1%	0.6%	0.9%	-0.5%	0.2%	0.4%	0.3%	0.9%	0.9%	
('14-'18)	-0.9%	1.2%	1.4%	0.0%	1.2%	-0.6%	0.6%	0.2%	-0.1%	1.2%	1.2%	
('13-'18)	-0.9%	1.0%	1.4%	0.8%	1.3%	-0.5%	0.5%	0.3%	-0.4%	1.3%	1.3%	
('12-'18)	-0.4%	1.1%	1.4%	0.7%	1.4%	-0.5%	0.5%	0.2%	-0.5%	1.4%	1.4%	
('11-'18)	-0.1%	1.0%	1.2%	0.7%	1.5%	-0.5%	0.6%	-0.1%	-0.7%	1.5%	1.5%	
('10-'18)	0.0%	1.2%	1.3%	0.8%	1.5%	0.0%	0.8%	0.3%	-1.0%	1.5%	1.5%	
('09-'18)	-0.6%	0.4%	0.5%	0.5%	0.7%	-0.4%	0.4%	0.6%	-1.2%	0.8%	0.8%	
('08-'18)	-0.5%	0.2%	0.7%	0.5%	0.5%	0.4%	0.2%	0.5%	-1.6%	0.6%	0.6%	
('07-'18)	-0.2%	0.4%	0.6%	0.5%	0.6%	0.5%	0.3%	0.5%	-1.3%	0.6%	0.6%	
('06-'18)	0.0%	0.3%	0.6%	0.6%	0.6%	0.5%	0.3%	0.5%	-1.2%	0.6%	0.6%	
('05-'18)	0.1%	0.4%	0.4%	0.7%	0.6%	0.5%	0.3%	0.4%	-1.1%	0.6%	0.6%	
('04-'18)	0.1%	0.3%	0.4%	0.6%	0.6%	0.5%	0.2%	0.4%	-1.0%	0.6%	0.6%	

Returns shown above prior to 2006 were provided by the individual Foundations.

Returns for 2006 and later were provided by State Street Bank, except in extraordinary circumstances.

1) Arithmetic difference

2) Annualized geometric difference



## 4.3 Investment Policy Benchmark

Campus	Asset Class	Benchmark Component	Percentage
UC Berkeley	Global Equity	MSCI ACWI with USA Gross (Net)	82.5%
	Fixed Income	Barclays Treasury	17.5%
UC Davis	GEM ***	GEM Policy Index	63.0%
	GEP *	GEP Benchmark	19.0%
	U.S. Equity	Russell 3000 TF Index	9.0%
	Non-U.S. Equity Developed	MSCI EAFE TF + Canada (Net)	9.0%
UC Irvine	U.S. Equity	Russell 3000	20.0%
	Non U.S. Equity	MSCI AC World ex U.S. (Gross)	20.0%
	US Fixed Income	Barclays Aggregate	15.0%
	Private Equity	UCIF-Private Equities (Russell 3000 + 3%)	15.0%
	Hedge Funds	HFRI Fund of Funds Index	20.0%
	Real Estate	UCIF Real Assets	10.0%
UC Los Angeles	U.S. Equity	Russell 3000	30.0%
	Non-U.S. and Global Equity	MSCI AC World ex U.S. (Net)	20.0%
	Credit	BofA ML U.S. High Yield Master II Index	5.0%
	Multi-Strategy	Citigroup 3-Month T-Bill X 2	15.0%
	Private Equity	Cambridge U.S. Private Equity Index	10.0%
	Real Assets	CPI-All Urban + 6%	10.0%
	Real Estate	NCREIF Property Index	5.0%
	Cash & Equivalents	Citigroup 3-Month T-Bill	5.0%
	GEP *	GEP Benchmark	100.0%
UC Riverside	Global Equity	MSCI AC World	80.0%
	Fixed Income	Barclays Aggregate	10.0%
	Hedge Funds	HFRI Global Hedge Fund	10.0%
UC San Diego	U.S. Equities	Russell 3000	21.0%
	Developed Non-U.S. Equities	MSCI EAFE Index	17.0%
	Emerging Markets Equities	MSCI Emerging Markets Index	6.0%
	Fixed Income	BC US Aggregate Bond Index	12.0%
	Private Equity	Cambridge PE Lagged Index	13.0%
	Diversifying Strategies	HFRI Fund of Funds Index	20.0%
	Real Estate	NCREIF ODCE Index	11.0%
UC San Francisco	Global Equity	MSCI AC World	37.0%
	Fixed Income / Cash	US 1-3 Year Treasuries	21.0%
	Private Equity	CA PE Vintage	11.0%
	Hedge Funds	HFRI Fund Weighted Composite	31.0%
UC Santa Barbara	GEP *	GEP Benchmark	100.0%
UC Santa Cruz	GEP *	GEP Benchmark	100.0%
* GEP	Global Equity	MSCI All Country World Index Net-IMI- Tobacco Free	41.0%
	Liquidity (Income)	Barclays U.S. Aggregate Bond Index	18.0%
	Private Equity	Russell 3000 Index + 150 Basis Points	14.0%
	Absolute Return	HFRI Fund of Funds Composite	19.0%
	Real Assets	Blended Real Assets Benchmark (2.3% of components weighted by their actual weights within the total real assets portfolio and 5.7% of NCREIF Funds Index – Open End Diversified Core Equity (ODCE), lagged 3 months)	8.0%

\*\*\* GEM Policy Index is comprised of 42% MSCI AC World Index, 26% CSFB / Tremont Hedge Fund Index, 22% Real Assets Policy Index (70% NCREIF Property Index QTR LAG, 15% MSCI US REIT Index, 15% Bloomberg Commodity Index TR), and 10% Barclays Treasury Index.  
 Note: Policy benchmark composition shown for each campus is as of the current fiscal year-end and may have been different in prior periods.

## 4.4 Glossary

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### CURRENT ASSETS

Assets for use in the near term to support the overall operations of the Foundation, where the donor may, or may not, have restricted their use. These assets typically include cash, accounts receivable, notes receivable, deferred charges, amounts due, prepaid expenses, etc.

In accordance with the Support Group Policy, endowed gifts or restricted assets must be transferred to the University to be spent in accordance with the donors' terms. However, the existing policy does not specify the timing and/or frequency of transfers. Consequently, the timing/frequency decision varies among the Foundations.

### ENDOWMENT ASSETS

True endowments, established by donor-restricted gifts to provide a permanent source of income, and Funds Functioning as Endowments (FFE), established by donor-restricted gifts to provide income but principal may also be expended.

### GENERAL ENDOWMENT POOL (GEP)

Established in 1933, and unitized in 1958, GEP is The Regents' primary investment vehicle for endowed gift funds. GEP is comprised of over 5,875 individual endowments that support the University's mission. GEP is a balanced portfolio of equities, fixed-income securities, and alternative investments in which all endowment funds participate, unless payout needs require otherwise.

### SHORT TERM INVESTMENT POOL (STIP)

The 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.

### TRUSTS/LIFE ANNUITIES

Assets donated by individuals or organizations, with the institution agreeing to pay a specific level of income to the donor, or designated beneficiary, for his or her lifetime. Subsequent to the beneficiary's death, the institution gains complete ownership of the donated assets. The donor may or may not have restricted the assets'

## 4.5 Foundations Reporting Background

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### BACKGROUND

The history of reporting total University and Foundation endowments dates back to October 1978 when The Regents' Committee on Educational Policy adopted a policy for University Support Groups. In subsequent years, The Regents charged the Office of the Chief Investment Officer (CIO) (formerly called the Office of the Treasurer) with obtaining pertinent information regarding the UC Foundations' investments and presenting an annual report to The Regents. The annual report includes the investment philosophy, policies and performance of each Foundation's endowment assets, as well as the performance of The Regents' endowment assets. In compliance with The Regents' Policy 6201 Investment Policy for the University of California Campus Foundations, this report is created by an investment consulting firm which reports any issues found to The Regents.

As of fiscal year 2016, State Street is no longer the book of record for the campus Foundations. Starting in 2016 (for reporting as of the fiscal year ended June 30, 2016), information used to create this report is collected and reviewed by the investment consultant, with the campus Foundations providing a review of the report before it is finalized.

## 4.6 Data Sources and Responsibilities

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This report was prepared by Mercer Investments, LLC. (Mercer). Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party. Information was provided by each individual campus Foundation and the OCIO.

### DATA SOURCES AND RESPONSIBILITIES

The OCIO hired the investment consultant, Mercer Investment Consulting, to create this report. Mercer collected all information directly from each campus Foundation and the OCIO (for GEP and the campus Foundations which are 100% invested in GEP). The data and reports provided by the campus Foundations originate from a variety of third party sources including each campus Foundation, the foundations' investment consultants, and auditors. Information in this report for periods between 2006 and 2015 was provided by State Street Bank as the University's former official "book of record". Foundation performance results in this document prior to 2006 were provided by each foundation and was neither audited nor calculated by the OCIO or State Street Bank.

For the purpose of reporting investment performance, each foundation received the same exhibit formats and guidance, and any inconsistencies in definition and reporting are noted in the charts, tables and discussion. The Investor Metrics – All Endowments & Foundations Net data cannot be reproduced or redistributed without the express written consent of Mercer.

### PERFORMANCE COMPARISONS

The Investor Metrics all endowments and foundations peer group ("E&F Peer Group") is comprised of over 600 observations from a substantial endowment and foundation client base which includes information submitted by industry-leading consulting and trust/custody organizations as compiled by Investor Metrics. The E&F Peer Group returns are adjusted by Mercer to deduct an estimate of average investment manager fees for E&Fs, and are therefore net of fees.

Benchmark: For details regarding each individual foundation's benchmark, see Section 4.3

## Important notices

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Returns for periods greater than one year are annualized. Returns are calculated gross of investment management fees, unless noted as net of fees.