



UC Bond Fund

Investment Objective: The Fund seeks to maximize interest income returns, while protecting principal, in order to provide a safe low-risk investment, with attractive and stable returns.

Quick Stats	1 Year Return (12/31/2007)	6.78%
	NAV (12/31/2007)	\$185.21
	Investment Category	Fixed Income
	Net Assets (\$M)	\$824
	Inception	July 1, 1978

The Bond Fund is part of the UC Retirement Savings Program's Core Funds, which include a full range of asset classes designed to help meet participant needs. Participants in the Program should consider their unique needs and goals, along with any savings held outside of the Program, when building an appropriately diversified asset allocation of funds.

Average Annual Total Returns

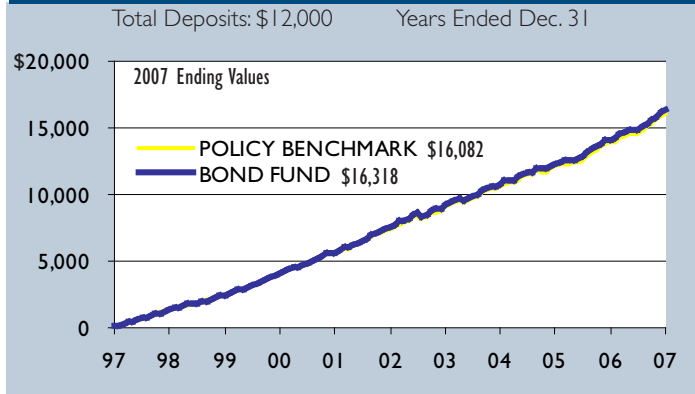
as of 12/31/2007

Returns (%)	1 Year	5 Years	10 Years
Bond Fund	6.78	4.55	5.99
Policy Benchmark	6.97	4.43	5.77
Taxable Bond Funds Median*	5.80	13.38	6.57
Lehman Aggregate	6.97	4.42	5.77
Lehman LT Gvt./Credit	6.60	5.80	6.95
Inflation (CPI Index)	4.08	3.03	2.68

For the 10-year period ending Dec. 31, 2007, the UC Bond Fund return is among the top 13% of all taxable bond funds in the Morningstar universe.

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

Ten-Year Performance of a \$100 Monthly Investment in the Bond Fund and the Policy Benchmark*



* Policy Benchmark is the Lehman Aggregate Index. Prior to June 2000 the Policy Benchmark was the Lehman Gov/Credit Index.

How We Invest

The Treasurer's Office manages the Bond Fund according to policies established by The Regents of the University of California.

The Fund utilizes extensive analysis of economic and political factors using a "top-down" approach and fundamental, "bottom-up" analysis for individual security selection. It maintains a diversified portfolio primarily of high-quality debt securities. The Fund seeks to be fully invested at all times, although a modest cash level may exist until invested.

The Bond Fund is managed by Managing Director Randy Wedding and Senior Portfolio Managers Linda Fried, David Schroeder, and Satish Swamy. They are assisted by Head of Credit Analysis Kim Evans and Junior Portfolio Manager Aaron Staines. Senior Portfolio Manager Alice Yee also lends her expertise in the short end of the yield curve.

Risks to You

Risks include interest rate risk, market risk, credit risk foreign security risk and prepayment risk. A decrease in interest rates usually causes an increase in value of bonds. An increase, or the expectation of an increase in interest rates generally causes a decrease in the value of bonds.

The Bond Fund may be appropriate for investors interested in a fixed income vehicle that seeks to maximize long-term investment returns through a diversified portfolio of intermediate-term debt securities. The Bond Fund may not be appropriate for investors with short time horizons or those uncomfortable with fluctuations in market value or a changing interest-rate environment.

For more information on risk, see the "Investment Risk Factor Guide," available online at www.netbenefits.com.

Fees and Expenses

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 recordkeeping 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.

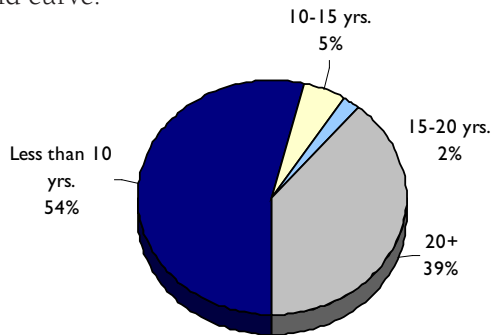


UC Bond Fund *continued*

Maturities

as of 12/31/2007

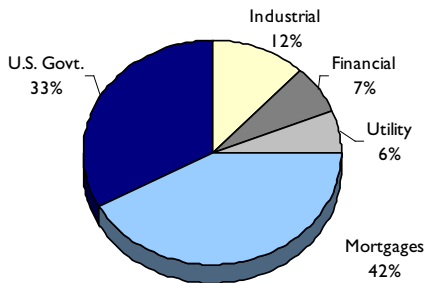
The maturity of bonds in the Fund can be an important determinant of its performance in different interest rate cycles. Although the average maturity of the Fund is currently similar to its benchmark, the Fund managers diversify maturities in order to mitigate risk and capture attractive spreads along the yield curve.



Sectors

as of 12/31/2007

The Fund's sector weightings (the types of individual securities) are shown below. The Fund's managers' decide on all the allocations to the broad sectors based on the macroeconomic outlook.



Asset Class Overview

as of 12/31/2007

Fixed-income investments include government securities, mortgage-backed securities, and corporate bonds. The portfolio managers allocate exposures to these broad sectors based on their relative return projections.

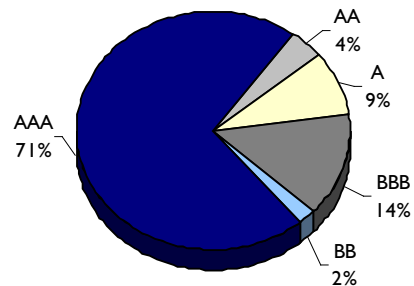
The average duration of the Fund is targeted not to vary from that of the Lehman Aggregate Index by more than +/- 20%. The portfolio maintains an average credit of A (or equivalent) or better. No more than 10% of the Fund may be invested in non-U.S.-dollar-denominated securities. No more than 10% of the Fund may be invested in below-investment grade securities.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money. The information contained herein regarding the UC Funds has been provided by the University of California Office of the Treasurer and is solely the responsibility of the University of California Office of the Treasurer.

Ratings

as of 12/31/2007

Credit ratings are an indication of a company's ability to repay its borrowings when due. Higher quality bonds generally offer lower yields than lower quality bonds. The yield offered on a bond relative to its quality rating is one important factor portfolio managers use in selecting securities for the Fund.



Month-End Values

most recent 12 months ending 12/31/2007

January 2007	173.49216
February 2007	176.17970
March 2007	176.24635
April 2007	177.31793
May 2007	176.11879
June 2007	175.42606
July 2007	176.69631
August 2007	178.66606
September 2007	180.21162
October 2007	181.76695
November 2007	184.60439
December 2007	185.21123

Year-by-Year Performance

Percentage (%) change in value

