



Quarterly Performance Review Retirement Funds

Fourth Quarter 2004

For more information on retirement savings and investing, please refer to the following UC publications available from your local Benefits Representative: **Retirement Investment Funds (December)** and **Investing for Tomorrow's Retirement Today!** Additional information about UC-managed funds can also be found at the Treasurer's web site, <http://www.ucop.edu/treasurer/> or at the At Your Service web site at <http://www.atyourservice.ucop.edu/>.

TOTAL RETURN FUNDS - EQUITY FUND

December 31, 2004

Market Value = \$3,771 million

US EQUITY PORTFOLIO CHARACTERISTICS December 31, 2004			ASSET COMPOSITION		
SECTOR ALLOCATION % OF US Eq.		LARGEST U.S. EQUITY INDEX HOLDINGS		Total Fund	
Financials	20.67%	General Electric Co.	2.9%	U.S. Equity	82%
Information Technology	15.98%	Exxon Mobil Corp.	2.5%	Non-U.S. Equity	16%
Consumer Discretionary	13.55%	Citigroup Inc.	1.9%	Private Equity	2%
Healthcare	13.15%	Microsoft Corp.	1.9%	Cash	<u><1%</u>
Industrials	12.19%	Pfizer Inc.	1.6%		100%
Consumer Staples	7.32%	Bank America Corp.	1.5%		
Energy	6.66%	Johnson & Johnson	1.4%		
Utilities	3.83%	International Business Machines	1.3%		
Materials	3.54%	Intel Corp	1.1%		
Telecom Services	<u>3.11%</u>	American International Group Inc.	<u>1.1%</u>		
	100.00%		17.2%		

EQUITY FUND AT A GLANCE

<u>Total Returns¹ (%)</u>	<u>Qtr.</u>	<u>1 Yr.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>
Total Fund	11.34	13.89	(0.62)	11.16
Russell 3000 TF	9.97	11.85	(1.27)	11.95
Inflation ²	0.21	3.25	2.49	2.43

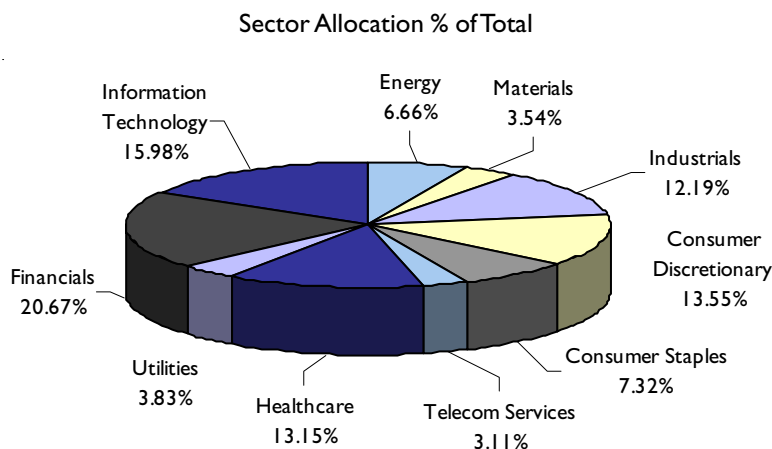
The Equity Fund seeks to maximize long-term capital appreciation with a moderate level of risk. In March 2000, The Regents approved the following asset allocation strategy for the Equity Fund:

	<u>POLICY</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>
U.S. Equity	80%	75%	85%
Non-U.S. Equity ³	15%	10%	20%
Private Equity	5%	3%	7%

The Equity Fund is a diversified portfolio of U.S. and foreign companies, along with a modest exposure to private equity partnerships engaged in Venture Capital and Buyout strategies. The U.S. Equity portion is currently invested in a Russell 3000 Tobacco-Free Index Fund and the Foreign Equity portion is primarily invested in a MSCI EAFE+Canada Tobacco-Free Index Fund, both managed by State Street Global Advisors.

The Equity Fund is appropriate for investors seeking long-term capital appreciation from a diversified equity portfolio. The Equity fund may not be appropriate for investors with short time horizons or those uncomfortable with fluctuations in market value.

The Equity Fund returned 11.34% in the quarter, outperforming its benchmark by a considerable margin due to strong contributions from its private and foreign equity components.



1. Total returns are net of (after) expenses.

2. Inflation as measured by the Consumer Price Index.

3. Non-U.S. Equity comprised of 85% MSCI EAFE+Canada TF Index Fund and 15% emerging markets funds.

TOTAL RETURN FUNDS - BOND FUND

December 31, 2004

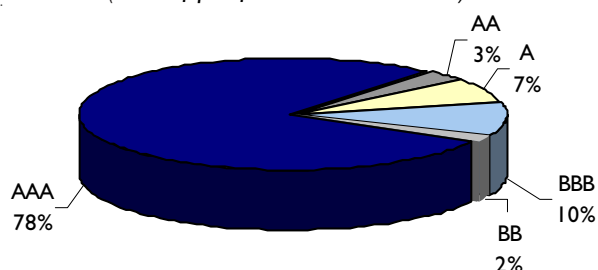
Market Value = \$1,013 million

PORTFOLIO CHARACTERISTICS			December 31, 2004		ASSET COMPOSITION
MATURITY SCHEDULE					
Less than 10 Years	47.7%	Weighted Average Credit Quality	AA		U.S. Fixed Income 96.0%
10-15 Years	17.8%	Weighted Average Maturity	8.35 Years		Cash 4.0%
15-20 Years	2.1%	Average Duration ¹	4.8 Years		
20-30 Years	<u>32.4%</u>	Benchmark - Lehman Aggregate			
	100.0%				

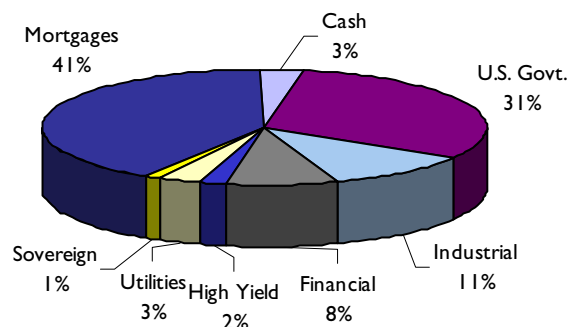
Quality Distribution²

Average Quality = AA

(86% of portfolio rated A or better)



Fixed Income Sector Mix



BOND FUND AT A GLANCE

Total Returns (%)	Qtr.	1 Yr.	5 Yrs.	10 Yrs.
Total Fund	1.14	4.41	8.79	10.78
Lehman Aggregate	0.95	4.34	8.24	8.61
Inflation ³	0.21	3.25	2.49	2.43

The Bond Fund is a diversified portfolio comprised primarily of high-quality, debt securities for which an attractive real return greater than inflation is achievable. The Bond Fund seeks to maximize real, long-term total return through a combination of interest income and price appreciation. The fund's average maturity target is 8-10 years.

The Bond Fund is 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.

The Bond Fund returned 1.14% in the quarter, outperforming the Lehman Aggregate Index, as all three major portfolio sectors - governments, credit and mortgages - outperformed their index counterparts..

1. Duration is a measure of the price volatility of fixed-income securities.

2. Investment Grade quality ratings are AAA, AA, A and BBB.

3. Inflation as measured by the Consumer Price Index.

TOTAL RETURN FUNDS - BALANCED GROWTH FUND

December 31, 2004

Market Value = \$838 million

PORTFOLIO CHARACTERISTICS December 31, 2004	CONTRIBUTION ALLOCATION	
MARKET VALUE (\$ in millions)		
Equity Fund	\$545	Equity Fund 65%
Bond Fund	\$251	Bond Fund 30%
TIPS Fund	\$42	TIPS Fund 5%
	\$838	100%
		<i>The Balanced Growth Fund is rebalanced monthly</i>

Note: Please refer to the Equity Fund, Bond Fund and TIPS Fund profiles for further information on the specific investment objectives and strategies associated with those funds.

BALANCED GROWTH FUND AT A GLANCE

<u>Total Returns (%)</u>	<u>Qtr.</u>	<u>1 Yr.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>
Total Fund	7.77	N/A	N/A	N/A
Policy Benchmark	7.19	N/A	N/A	N/A
Inflation ¹	0.21	3.25	2.49	2.43

The Balanced Growth Fund seeks to provide long-term growth and income through a balanced portfolio of equity and fixed income securities in which contributions are invested according to a fixed ratio: Equity Fund (65%), Bond Fund (30%) and TIPS Fund (5%). The Treasurer's Office manages the three component funds according to the investment objectives and strategies of those funds. The Balanced Growth Fund is rebalanced monthly.

The Balanced Growth Fund is appropriate for investors at all points in their careers who are seeking growth with moderate market risks. Investors with longer time horizons looking to maximize principal growth to fund retirement may want to use this fund.

The Balanced Growth Fund returned 7.77% in the quarter. Please refer to the Equity Fund, Bond Fund and TIPS Fund profiles for further information on the specific fund performance associated with those funds.

1. Inflation as measured by the Consumer Price Index.

TOTAL RETURN FUNDS - TIPS FUND

December 31, 2004

Market Value = \$80 million

PORTFOLIO CHARACTERISTICS December 31, 2004				ASSET COMPOSITION	
MATURITY SCHEDULE					
Less than 10 Years	72.9%	Weighted Average Credit Quality	AAA	TIPS	90%
10-20 Years	0.0%	Weighted Average Maturity	10.0 Years	Cash	10%
20 + Years	27.1%	Benchmark - Lehman U.S. TIPS Index			100%
	100.0%				

TIPS FUND AT A GLANCE

<u>Total Returns (%)</u>	<u>Qtr.</u>	<u>1 Yr.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>
Total Fund	2.31	N/A	N/A	N/A
LB TIPS	2.51	N/A	N/A	N/A
Inflation ¹	0.21	3.25	2.49	2.43

The TIPS Fund seeks to provide long-term total return and inflation protection consistent with an investment in U.S. Government inflation-indexed securities. Inflation-indexed securities are designed to protect future purchasing power. The principal is adjusted for changes in inflation and interest is paid on the inflation-adjusted principal.

The TIPS fund is appropriate for investors interested in a fixed-income vehicle that seeks to maximize long-term investment returns through a diversified portfolio of inflation-indexed securities. The TIPS 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.

The TIPS Fund had a return of 2.31% in the quarter.

1. Inflation as measured by the Consumer Price Index.

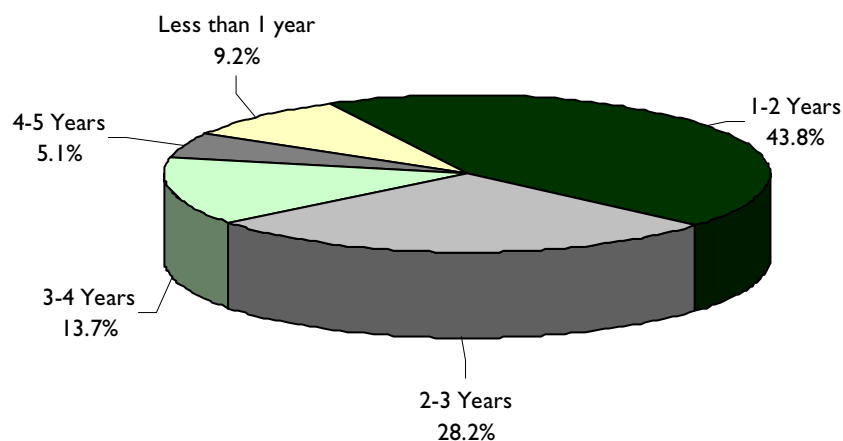
INTEREST INCOME FUNDS - SAVINGS FUND

December 31, 2004

Market Value = \$3.0 billion

PORTFOLIO CHARACTERISTICS			ASSET COMPOSITION	
December 31, 2004				
MATURITY SCHEDULE				
Less than 1 Year	9.2%	Weighted Average Credit Quality AAA Weighted Average Maturity 2.2 Years Benchmark - 2-Year U.S. Treasury Notes	U.S. Treasury Notes	71%
1-2 Years	43.8%		Federal Agencies	<u>29%</u>
2-3 Years	28.2%		100%	
3-4 Years	13.7%			
4-5 Years	<u>5.1%</u>			
	100.0%			

Maturity Schedule



SAVINGS FUND AT A GLANCE

<u>Income Returns (%)</u>	<u>Qtr.</u>	<u>1 Yr.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>
Total Fund	0.91	3.91	5.03	5.64
2-Year U.S. Treasury Notes	0.66	2.24	3.38	4.60
Inflation ¹	0.21	3.25	2.49	2.43

The Savings Fund seeks to maximize interest income, while protecting principal, by investing 100% in government, government-guaranteed and government agency securities of up to five years in maturity.

The Savings Fund is appropriate for investors seeking a stable investment with greater interest income than that normally offered by a money market fund. The Savings Fund is appropriate for investors with shorter-term investment horizons and those near to or in retirement, as well as those highly averse to risk. The Savings Fund may not be appropriate for investors with longer time horizons looking for principal growth to fund retirement.

The Savings Fund returned 0.91% in the quarter due to its longer maturity and more attractive securities.

¹ Inflation as measured by the Consumer Price Index.

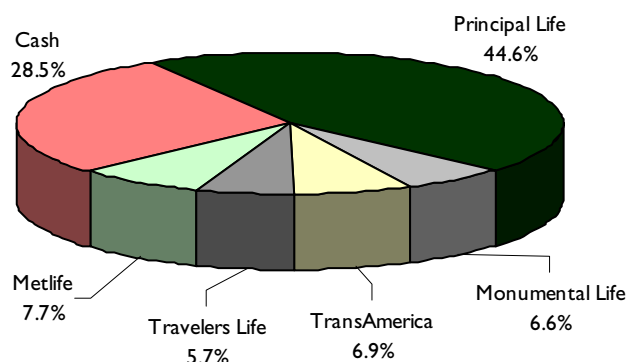
INTEREST INCOME FUNDS - INSURANCE COMPANY CONTRACT (ICC) FUND

December 31, 2004

Market Value = \$652 million

PORTFOLIO CHARACTERISTICS		December 31, 2004		COMPANY DISTRIBUTION	
MATURITY SCHEDULE					
Less than 2 Years	21.0%	Weighted Average Credit Quality	A+	Principal Life	44.6%
2-4 Years	52.3%	Weighted Average Maturity	2.39 Years	Monumental Life	6.6%
4-6 Years	26.7%	Expected Net Yield for Calendar 2004	5.2%	Transamerica Life	6.9%
6 +Years	0.0%	Benchmark - 5-Year U.S.Treasury Notes		Travelers Life	5.7%
	100.0%			Metlife	7.7%
				Cash	28.5%
					100.0%

Insurance Company Distribution¹



ICC FUND AT A GLANCE

Income Returns (%)	Qtr.	1 Yr.	5 Yrs.	10 Yrs.
Total Fund	1.28	5.21	6.35	6.93
5-Year U.S. Treasury Notes	0.87	3.44	4.26	5.14
Inflation ²	0.21	3.25	2.49	2.43

The Insurance Company Contract (ICC) Fund seeks to maximize interest income, while protecting principal, through investments in contracts offered by select, highly rated, financially sound insurance companies. Insurance companies guarantee a fixed annual rate of interest for a specified period and the repayment of principal at the end of that time period.

The ICC Fund is appropriate for investors seeking an interest-income producing investment with greater interest income than normally offered by a standard savings or money market fund. The ICC Fund is appropriate for investors with shorter-term investment horizons and those near to or in retirement, as well as those highly averse to risk. The ICC Fund may not be appropriate for investors with longer time horizons looking for principal growth to fund retirement.

The ICC Fund's performance is driven by the terms of contracts negotiated with participating high-quality insurance companies. The Fund has maintained an attractive yield, which represents the blended rate of all contracts in the Fund. The ICC Fund returned 1.3% in the quarter.

1. All insurance companies are rated A+ or better by A.M. Best.

2. Inflation as measured by the Consumer Price Index.