



Quarterly Performance Review Retirement Funds

Third Quarter 2002

FUND PERFORMANCE

Total Return Funds

Equity Fund: The Equity Fund recorded a negative return of 17.4%, as world stock markets saw their weakest quarter since 1987. The fund outperformed its benchmark by 20 basis points, as private equity markets outperformed public equities by a wide margin, and emerging markets showed better relative returns. Having reached six-year lows, global equity markets are struggling to find a bottom. Remaining risks include impending military action against Iraq, rising government budget deficits, and a weakening economic outlook. Positives are that low interest rates are supporting housing activity, corporations are reducing debt, and equity valuations are now more reasonable.

Bond Fund: The Bond Fund produced strong absolute and relative returns, as investors sought the safety of fixed income securities. The fund outperformed its benchmark by 93 basis points, as all sectors beat their index counterparts. Although yields may have bottomed for now, fixed income markets should be supported by volatile equity markets, the rising potential for renewed Fed easing, and low inflation.

Multi-Asset Fund: See comments related to the component funds: Equity Fund, Bond Fund, Savings Fund and Money Market Fund.

Interest Income Funds

Savings Fund: The Savings Fund outperformed 2-year U.S. Treasury Notes by a wide margin in the quarter, due to its longer maturity and more attractive securities.

Insurance Company Contract (ICC) Fund: 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.

Money Market Fund: The Money Market Fund continued to outperform 3-month U.S. Treasury Bills as a result of the Fund's investment in select higher-yielding money market instruments.

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 Bencom web site at <http://www.ucop.edu/bencom/>.

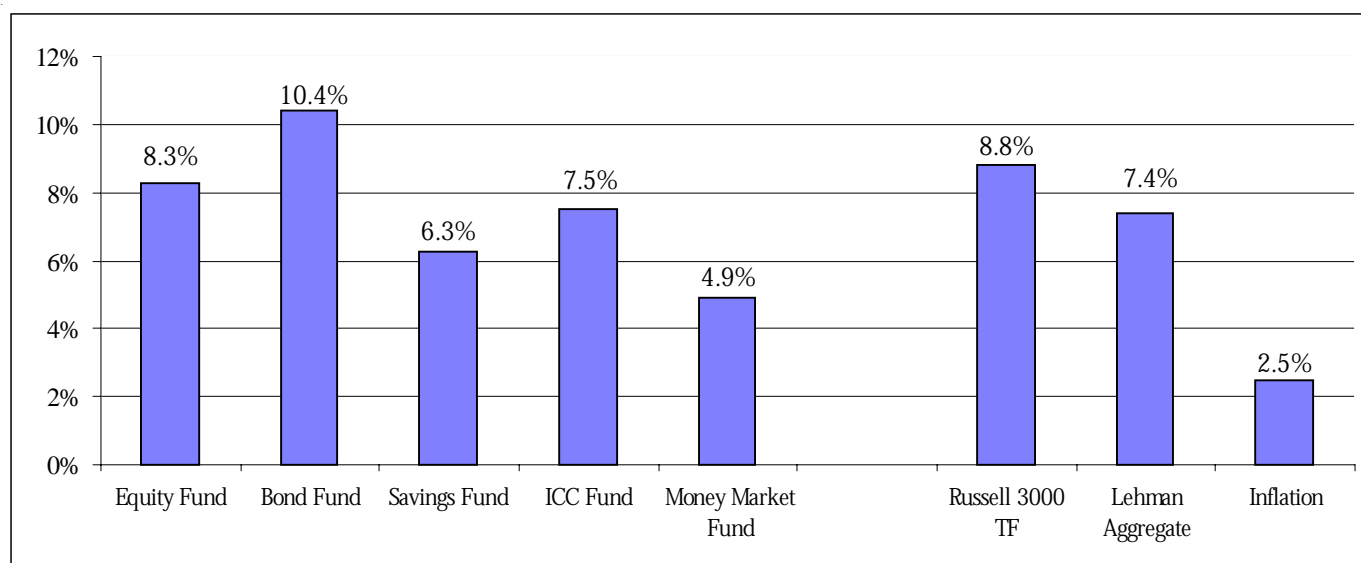
Net Total Returns and Yields¹:

9/30/02

<u>Total Return Funds</u>	Market Value	Sept. Qtr. (%)	Fiscal YTD (%)	Calendar YTD (%)	Annualized Total Returns %			
					3-Years	5-Years	10-Years	20-Years
Equity Fund	\$1,974 million	(17.4)	(17.4)	(29.5)	(10.7)	(1.4)	8.3	12.5
<i>Russell 3000 TF</i>		<i>(17.3)</i>	<i>(17.3)</i>	<i>(27.5)</i>	<i>(11.7)</i>	<i>(1.9)</i>	<i>8.8</i>	<i>12.7</i>
Bond Fund	\$846 million	5.5	5.5	9.8	10.7	8.2	10.4	12.7
<i>Lehman Aggregate</i>		<i>4.6</i>	<i>4.6</i>	<i>8.6</i>	<i>9.5</i>	<i>7.8</i>	<i>7.4</i>	<i>10.0</i>
Multi-Asset Fund²	\$557 million	(2.9)	(2.9)	(5.5)	1.8	4.5	8.0	NA
<i>Market Mix Index³</i>		<i>(4.2)</i>	<i>(4.2)</i>	<i>(6.4)</i>	<i>0.7</i>	<i>3.7</i>	<i>6.9</i>	<i>N/A</i>

<u>Interest Income Funds</u>	Market Value	Sept. Qtr. (%)	Fiscal YTD (%)	Calendar YTD (%)	Annualized Yields %			
					3-Years	5-Years	10-Years	20-Years
Savings Fund	\$2,696 million	5.1	5.1	5.3	5.7	5.9	6.3	8.0
<i>2-Year U.S. Treasury Notes</i>		<i>2.3</i>	<i>2.3</i>	<i>2.9</i>	<i>4.5</i>	<i>4.8</i>	<i>5.3</i>	<i>6.9</i>
ICC Fund	\$415 million	6.6	6.6	6.7	6.9	7.0	7.5	NA
<i>5-Year U.S. Treasury Notes</i>		<i>3.3</i>	<i>3.3</i>	<i>4.1</i>	<i>5.1</i>	<i>5.1</i>	<i>5.6</i>	<i>N/A</i>
Money Market Fund	\$145 million	1.9	1.9	2.0	4.6	4.9	4.9	NA
<i>3-Month U.S. Treasury Bills</i>		<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>4.0</i>	<i>4.4</i>	<i>4.5</i>	<i>NA</i>
<i>Inflation⁴</i>		<i>0.7</i>	<i>0.7</i>	<i>2.5</i>	<i>2.6</i>	<i>2.4</i>	<i>2.5</i>	<i>3.1</i>

10-Year Annualized Return Comparison



Notes:

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

(2) Contributions to the Multi-Asset Fund are invested: 40% Savings Fund, 30% Equity Fund, 20% Bond Fund and 10% Money Market Fund.

(3) Market Mix Index consists of 40% 2-Year U.S. Treasury Notes, 30% Russell 3000 TF, 20% Lehman Aggregate and 10% 3-Month U.S. Treasury Bills.

(4) Inflation as measured by the Consumer Price Index.

UC-Managed Defined Contribution Funds

Total Return Funds

Equity Fund: The Equity Fund is a diversified portfolio composed primarily of high-quality, large-cap, growth-oriented global companies driven by superior products, compelling growth strategies and solid management, along with modest exposure to private equity. The Equity Fund seeks to maximize long-term capital appreciation and has target allocations of 24% to a domestic index fund and 13% to a foreign index fund to further increase diversification and return opportunities.

Bond Fund: The Bond Fund is a diversified portfolio comprised primarily of high-quality, global 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 average weighted maturity of the Bond Fund at quarter-end was approximately 9 years. The fund's average maturity target is 8-10 years.

Multi-Asset Fund: The Multi-Asset Fund is a conservative balanced fund in which contributions are invested according to a fixed ratio: Savings Fund (40%), Equity Fund (30%), Bond Fund (20%) and Money Market Fund (10%). The Multi-Asset Fund is not rebalanced.

Interest Income Funds

Savings Fund: 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 average maturity of the Savings Fund is approximately 2.5 years.

ICC Fund: 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 average maturity of the ICC Fund is approximately 4 years.

Money Market Fund: The Money Market Fund seeks to maximize interest income, while protecting principal, through diversified investments in high-quality, short-term securities with maturities of 13 months or less. The average maturity of the Money Market Fund is approximately 68 days.

EQUITY FUND CHARACTERISTICS

September 30, 2002

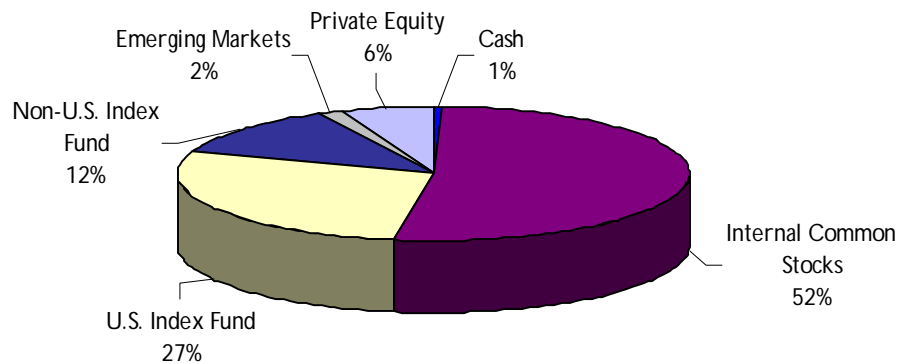
(\$ in millions)

Total Equity Fund Market Value = \$1,974 million

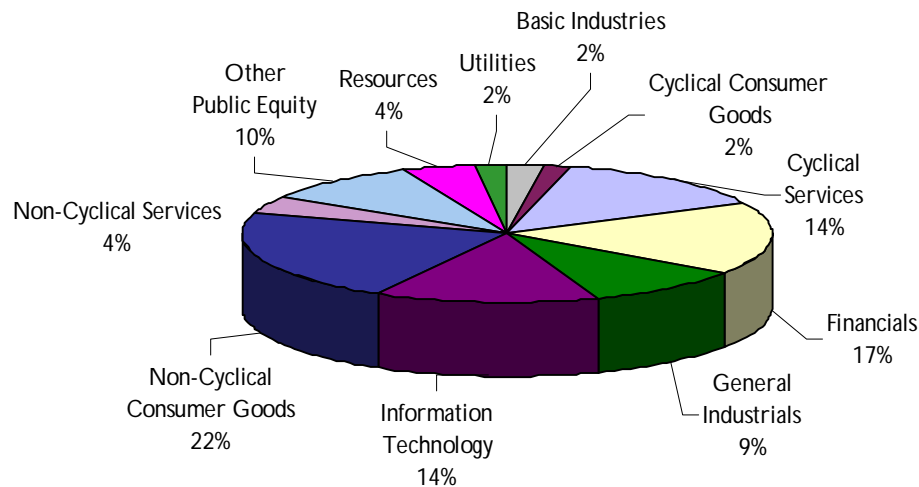
Top 10 Internal Common Stock Holdings:

1	General Electric	\$30.7	3.0%
2	Sysco	29.5	2.9%
3	American International Group	28.8	2.8%
4	Exxon Mobil	25.3	2.5%
5	Microsoft	22.2	2.2%
6	Pharmacia	20.6	2.0%
7	Citigroup	18.9	1.9%
8	Automatic Data Processing	18.8	1.8%
9	Wells Fargo & Co.	18.7	1.8%
10	Pepsico	<u>18.1</u>	<u>1.8%</u>
	Total Top Ten:	\$231.6	22.7%

Equity Fund Asset Mix



Internal Common Stock Sector Mix



BOND FUND CHARACTERISTICS

September 30, 2002

(\$ in millions)

Total Bond Fund Market Value = \$846 million

Maturity Schedule

(Average Maturity = 8.2 years, Average Duration* = 5.3 years)

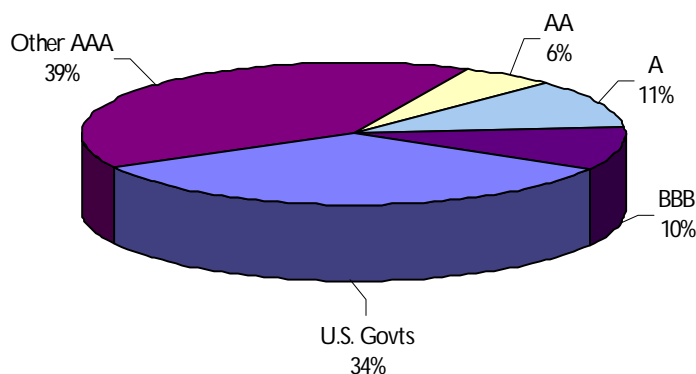
<u>Years</u>	<u>Market Value</u>	<u>% of Fund</u>
Less than 10 yrs.	\$469.6	57.7%
10-15 yrs.	70.7	8.7%
15-20 yrs.	20.6	2.5%
20-30 yrs.	<u>253.1</u>	<u>31.1%</u>
	\$814.07	100.0%

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

Quality Distribution

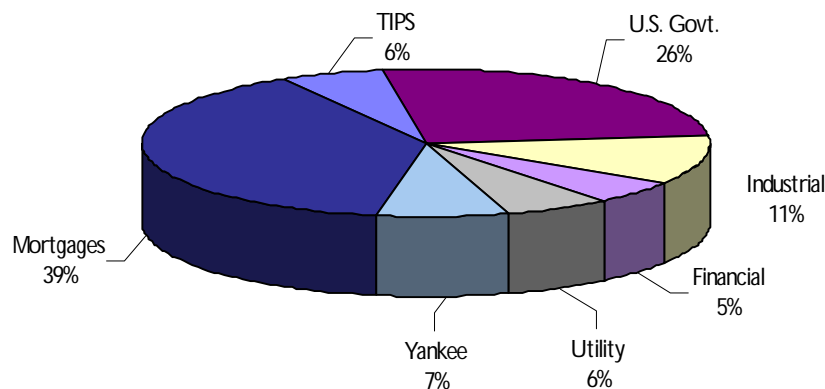
Average Quality = AA

(88% of portfolio rated A or better)



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

Fixed-Income Sector Mix



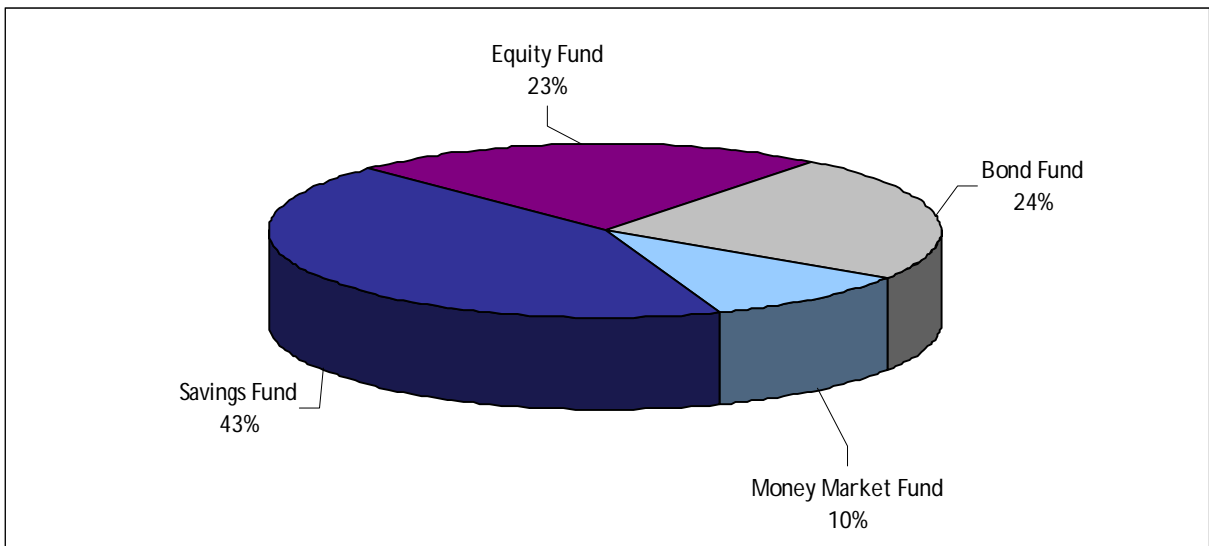
MULTI-ASSET FUND

September 30, 2002

Total Multi-Asset Fund Market Value = \$557 million

Contributions to the Multi-Asset Fund are invested 40% in the Savings Fund, 30% in the Equity Fund, 20% in the Bond Fund and 10% in the Money Market Fund. ***The Multi-Asset Fund is not rebalanced.*** At 9/30/02, the Multi-Asset Fund consisted of 43% in the Savings Fund, 23% in the Equity Fund, 24% in the Bond Fund and 10% in the Money Market Fund.

Actual Fund Distribution as of 9/30/02



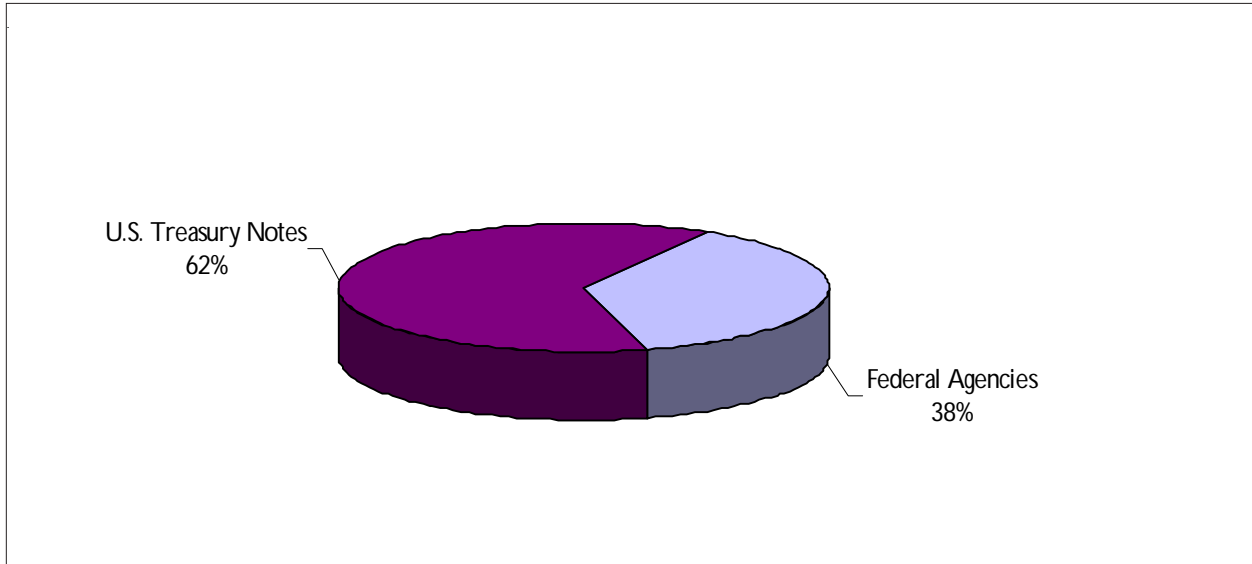
SAVINGS FUND

September 30, 2002

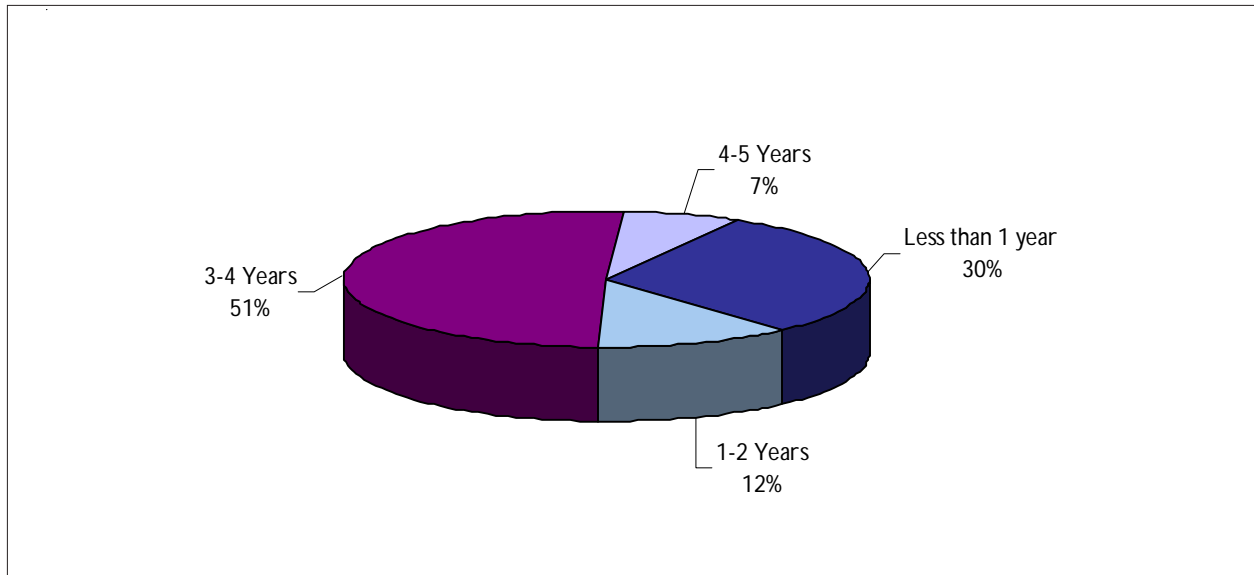
Total Savings Fund Market Value = \$2.7 billion

Weighted Average Maturity = 2.5 years

Sector Distribution



Maturity Distribution



INSURANCE COMPANY CONTRACT FUND

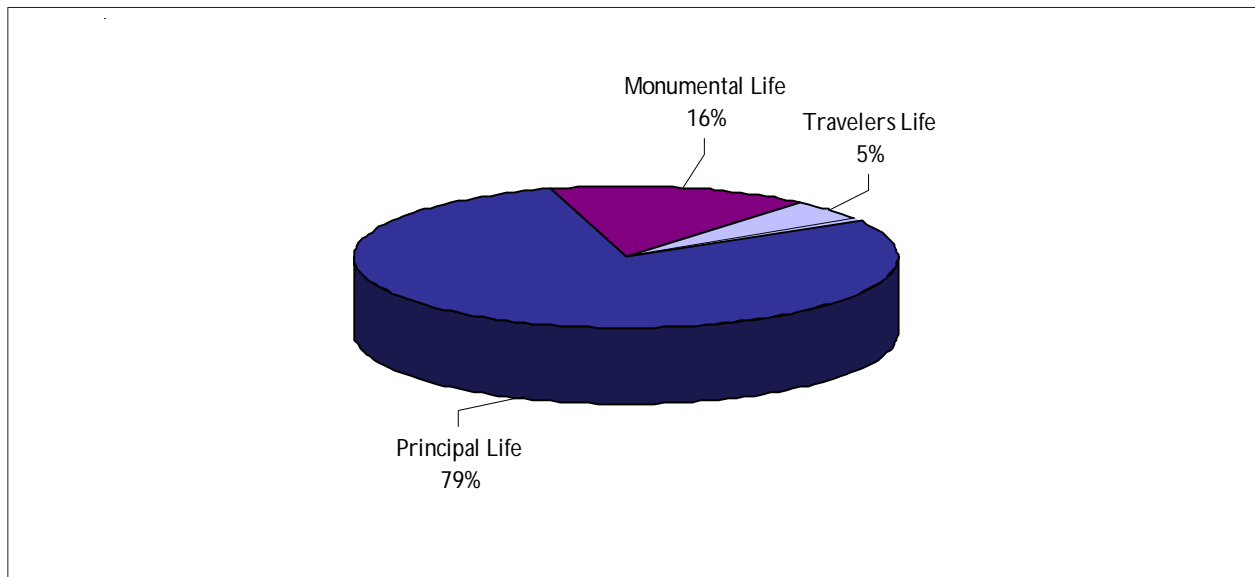
September 30, 2002

Total ICC Fund Market Value = \$415 million

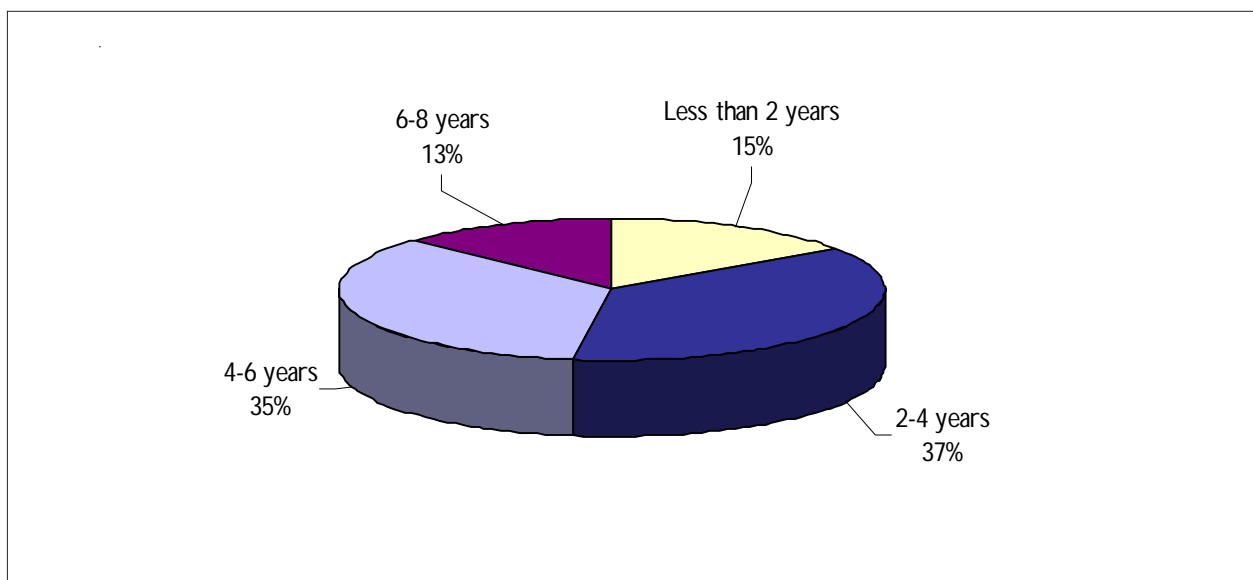
Weighted Average Maturity = 3.8 years

Expected Net Yield for Calendar 2002 = 6.73%

Insurance Company Distribution*



Maturity Distribution



Notes:

*All insurance companies are rated A+ by A.M. Best.

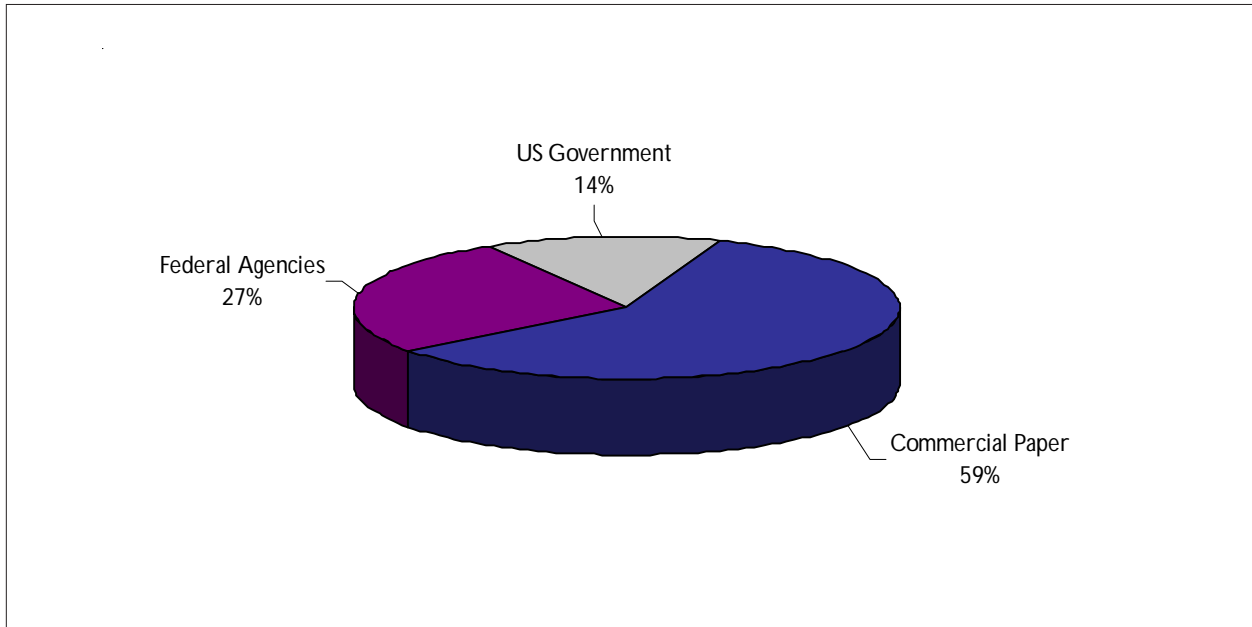
MONEY MARKET FUND

September 30, 2002

Total Money Market Fund Market Value = \$145 million

Weighted Average Maturity = 68 days

Sector Distribution



Maturity Distribution

