



Quarterly Performance Review

Retirement Funds

Third Quarter 2003

FUND PERFORMANCE

Total Return Funds

Equity Fund*: The Equity Fund recorded a return of 4.4% in the quarter, as equity markets maintained their positive momentum. The fund outperformed the Russell 3000 Index due to strong results in its foreign and private equity components. The markets are pricing in recent improvements in corporate profits, capital spending, and employment gains, so sustainability of the expansion will be watched closely in the coming months.

Bond Fund: The Bond Fund returned (0.3%) in the quarter, as stronger economic data caused yields to rise. The Bond Fund underperformed the Lehman Aggregate Index by 10 basis points as the fund's corporate bonds and mortgage securities trailed the index. Yields may rise further to reflect the improving global economy, but modest inflation and ongoing political tensions should temper the rise.

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 matched the return on 91-day U.S. Treasury Bills as short-term yields remain very low.

* University of California's Equity Strategy Revision

To implement the actions approved by The UC Regents at their November 13, 2002 meeting, in mid-December the University transferred all of its U.S. equity investments into the Russell 3000 Tobacco-free Index Fund under the management of State Street Global Advisors. Over the next several months, and in close consultation with the UC Regents' Investment Advisory Committee and its Committee on Investments, UC will hire additional external managers to complete the diversification of these holdings. The UC Board of Regents, through the Treasurer's office, will retain full control and authority over these investments and external managers.

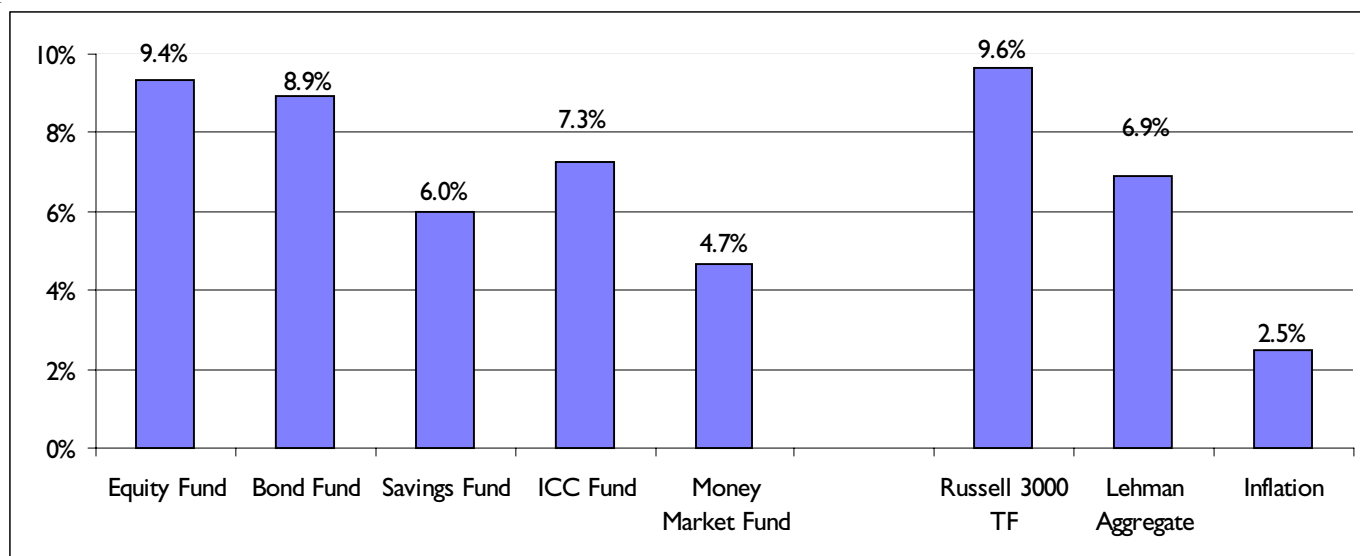
Net Total Returns and Yields¹:

9/30/03

<u>Total Return Funds</u>	<u>Market Value</u>	<u>Sept. Qtr. (%)</u>	<u>Fiscal YTD (%)</u>	<u>Calendar YTD (%)</u>	<u>Annualized Total Returns %</u>		
					<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
Equity Fund	\$2,518 million	4.4	4.4	16.2	(11.7)	3.2	9.4
<i>Russell 3000 TF</i>		3.5	3.5	16.6	(9.8)	1.9	9.6
Bond Fund	\$925 million	(0.3)	(0.3)	4.1	10.2	6.7	8.9
<i>Lehman Aggregate</i>		(0.2)	(0.2)	3.8	9.0	6.6	6.9
Multi-Asset Fund²	\$633 million	1.5	1.5	6.4	0.1	5.3	7.8
<i>Market Mix Index³</i>		1.2	1.2	6.2	0.6	4.0	7.3

<u>Interest Income Funds</u>	<u>Market Value</u>	<u>Sept. Qtr. (%)</u>	<u>Fiscal YTD (%)</u>	<u>Calendar YTD (%)</u>	<u>Annualized Yields %</u>		
					<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
Savings Fund	\$2,959 million	1.0	1.0	3.3	5.3	5.6	6.0
<i>2-Year U.S. Treasury Notes</i>		0.4	0.4	1.2	3.1	4.2	5.0
ICC Fund	\$534 million	1.4	1.4	4.5	6.6	6.8	7.3
<i>5-Year U.S. Treasury Notes</i>		0.7	0.7	2.2	4.1	4.7	5.5
Money Market Fund	\$154 million	0.3	0.3	0.9	3.0	4.0	4.7
<i>91 Day U.S. Treasury Bills</i>		0.3	0.3	0.9	2.9	3.8	4.5
<i>Inflation⁴</i>		0.7	0.7	2.3	2.1	2.5	2.5

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% 91-Day 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 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 managed by State Street Global Advisors. Over the next several months, external managers will be selected to employ a range of U.S. Equity strategies to complete The Regents' desire to further diversify and increase return opportunities for the Fund.

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 8 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 2.7 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 3.0 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 85 days.

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/>.

EQUITY FUND CHARACTERISTICS

September 30, 2003

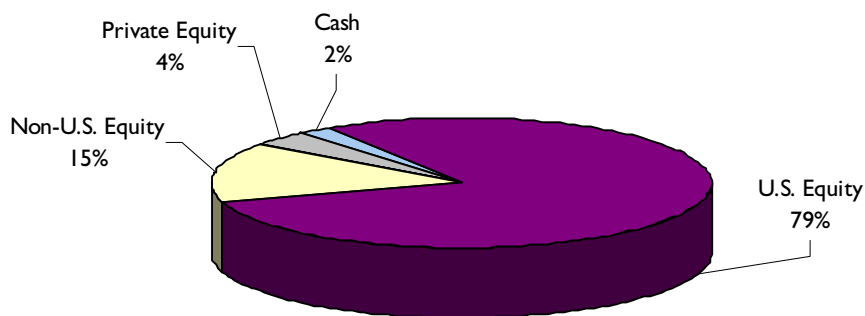
(\$ in millions)

Total Equity Fund Market Value = \$2,518 million

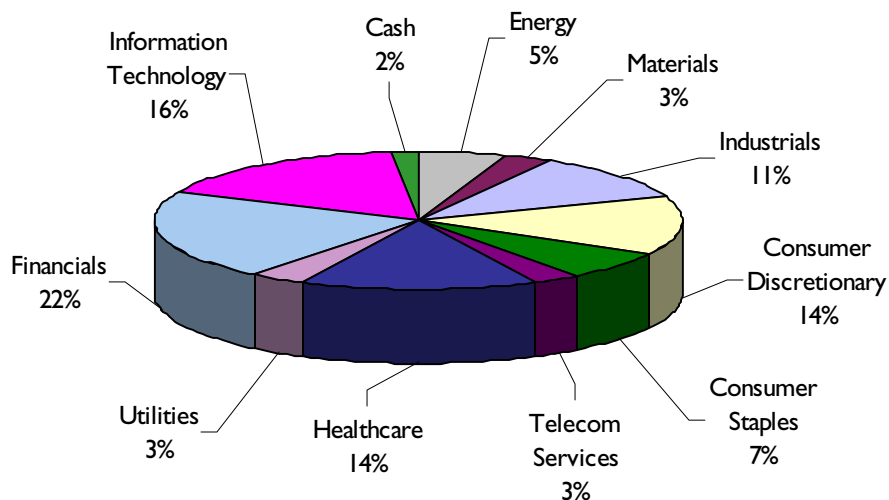
Top 10 U.S. Equity Index Holdings:

1	General Electric Co.	2.3%
2	Microsoft Corp.	1.9%
3	Exxon Mobil Corp.	1.9%
4	Pfizer Inc.	1.8%
5	Citigroup Inc.	1.8%
6	Intel Corp.	1.4%
7	Wal-Mart Stores Inc.	1.1%
8	Johnson & Johnson	1.1%
9	International Business Machines	1.1%
10	Cisco Systems Inc.	1.1%
Total Top Ten:		15.5%

Equity Fund Asset Mix



U.S. Equity Index Sector Mix



BOND FUND CHARACTERISTICS

September 30, 2003

(\$ in millions)

Total Bond Fund Market Value = \$925 million

Maturity Schedule

(Average Maturity = 8.1 years, Average Duration* = 4.5 years)

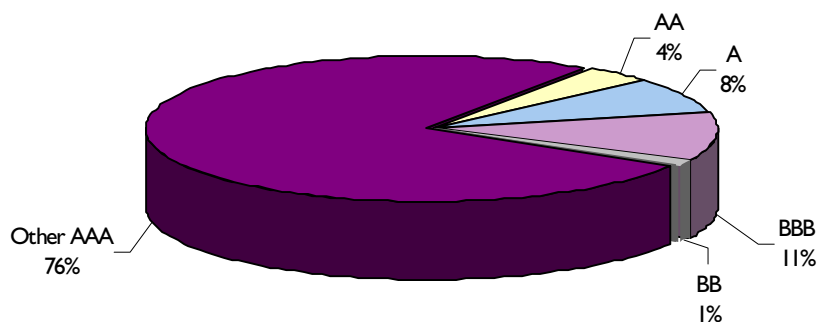
<u>Years</u>	<u>Market Value</u>	<u>% of Fund</u>
Less than 10 yrs.	\$511.5	55.4%
10-15 yrs.	129.4	14.0%
15-20 yrs.	25.3	2.7%
20-30 yrs.	<u>258.4</u>	<u>27.9%</u>
	\$924.6	100.0%

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

Quality Distribution

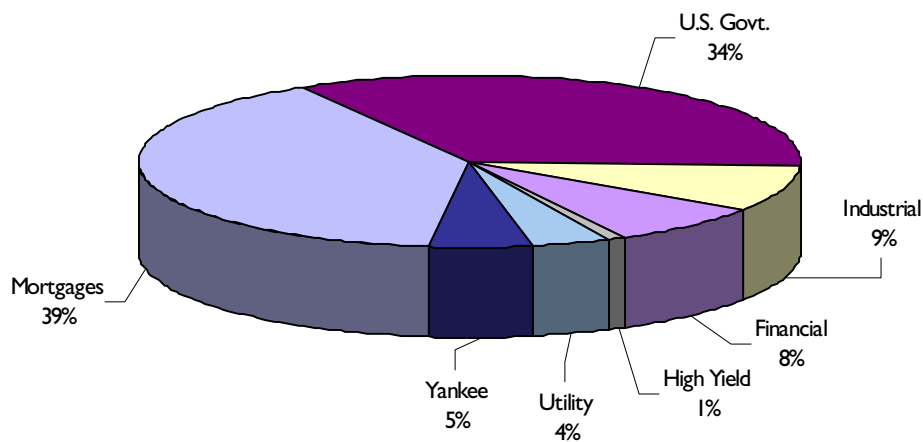
Average Quality = AA

(88% of portfolio rated A or better)



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

Fixed-Income Sector Mix



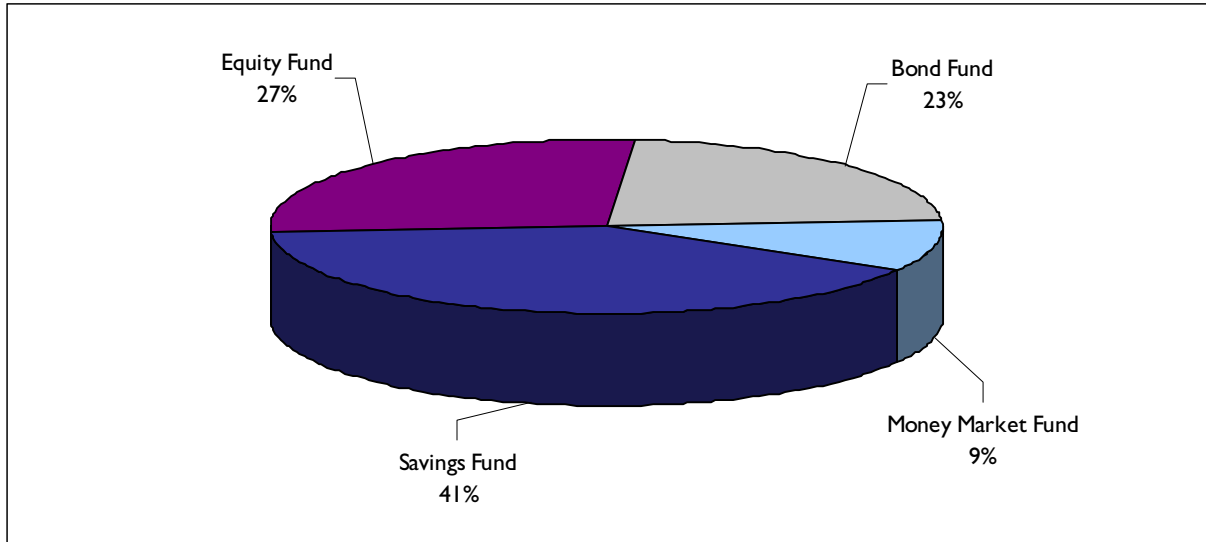
MULTI-ASSET FUND

September 30, 2003

Total Multi-Asset Fund Market Value = \$633 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 9/30/03, the Multi-Asset Fund consisted of 41% in the Savings Fund, 27% in the Equity Fund, 23% in the Bond Fund and 9% in the Money Market Fund.

Actual Fund Distribution as of 9/30/03



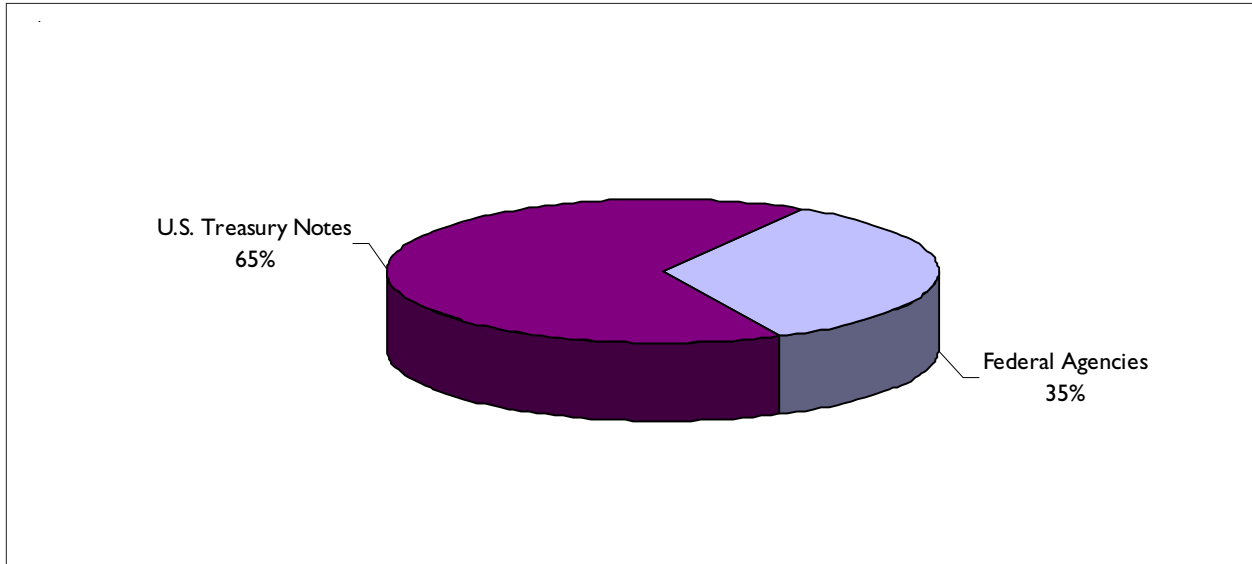
SAVINGS FUND

September 30, 2003

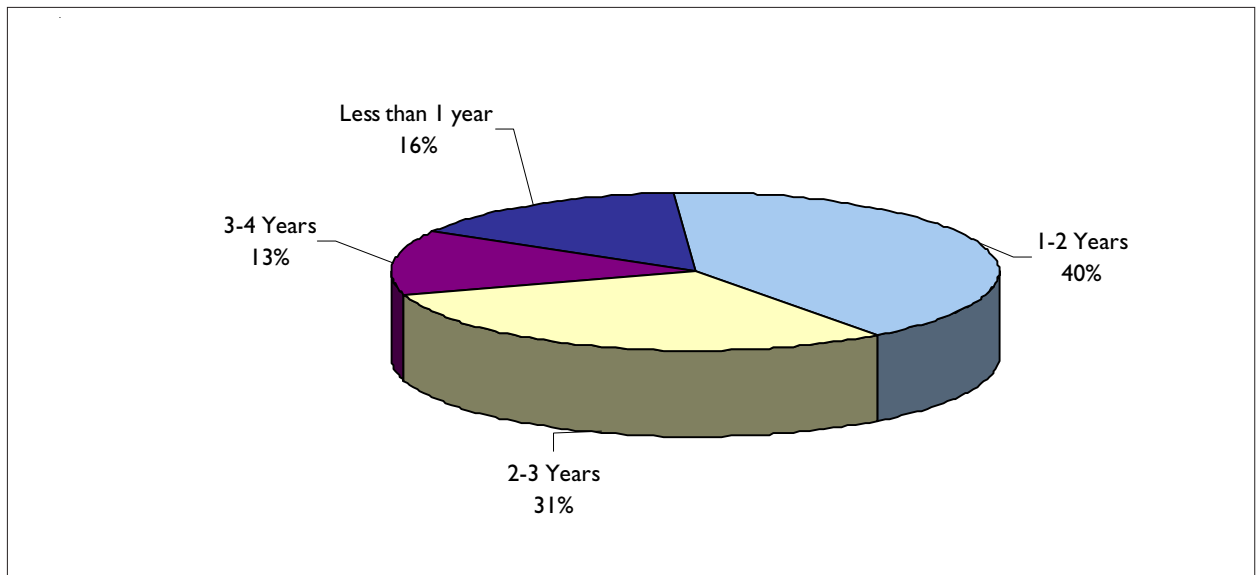
Total Savings Fund Market Value = \$2,959 billion

Weighted Average Maturity = 2.7 years

Sector Distribution



Maturity Distribution



INSURANCE COMPANY CONTRACT FUND

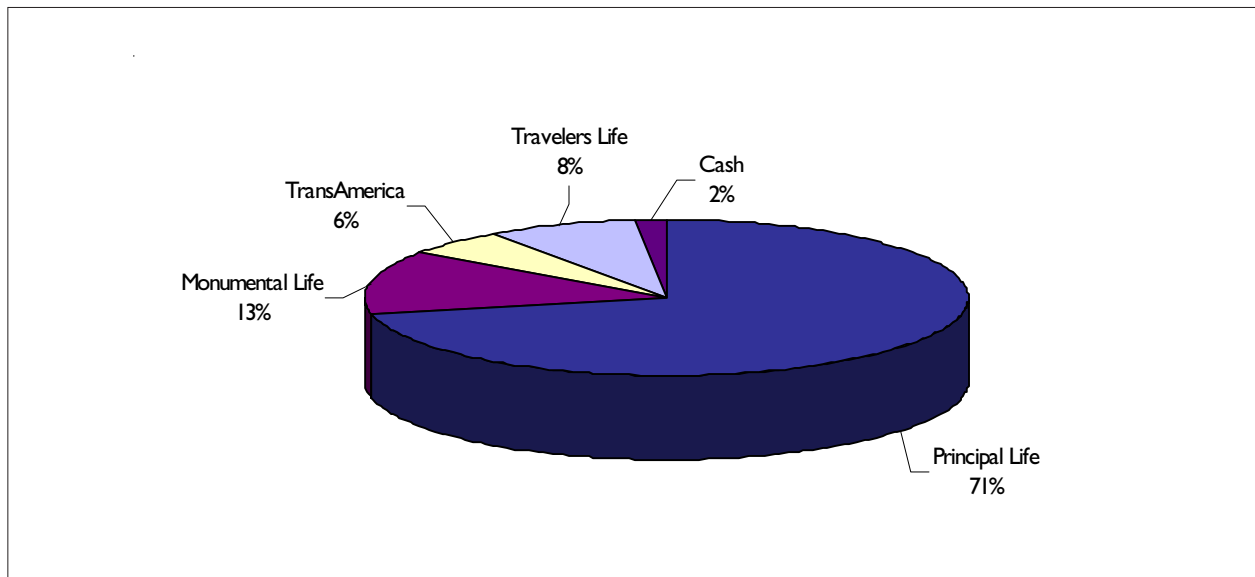
September 30, 2003

Total ICC Fund Market Value = \$534 million

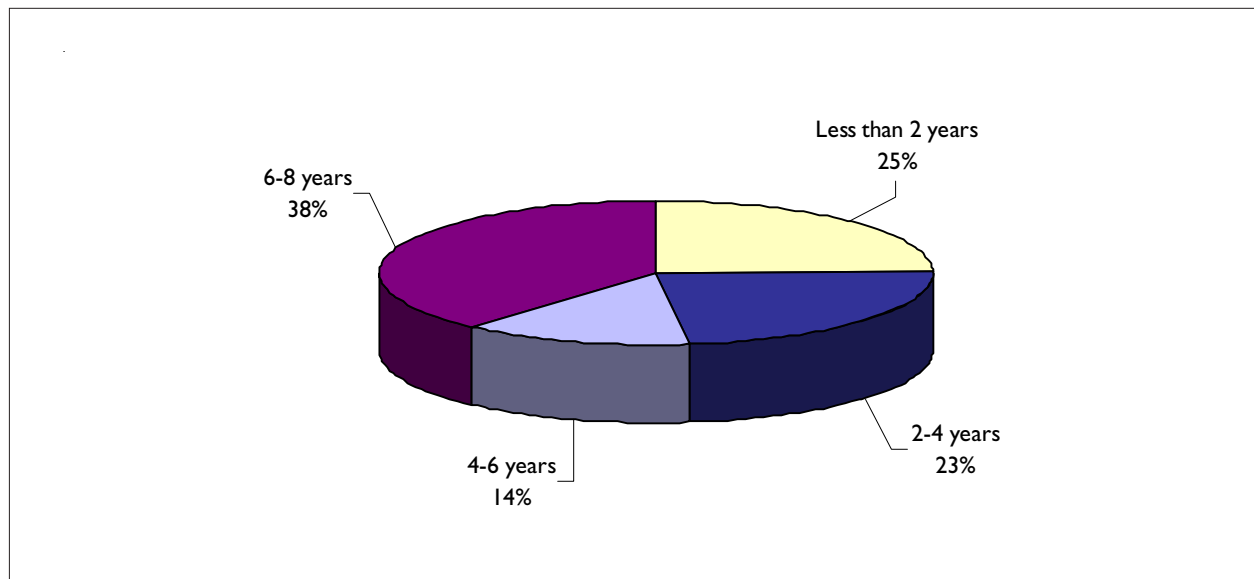
Weighted Average Maturity = 3.0 years

Expected Net Yield for Calendar 2003 = 5.95%

Insurance Company Distribution*



Maturity Distribution



Notes:

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

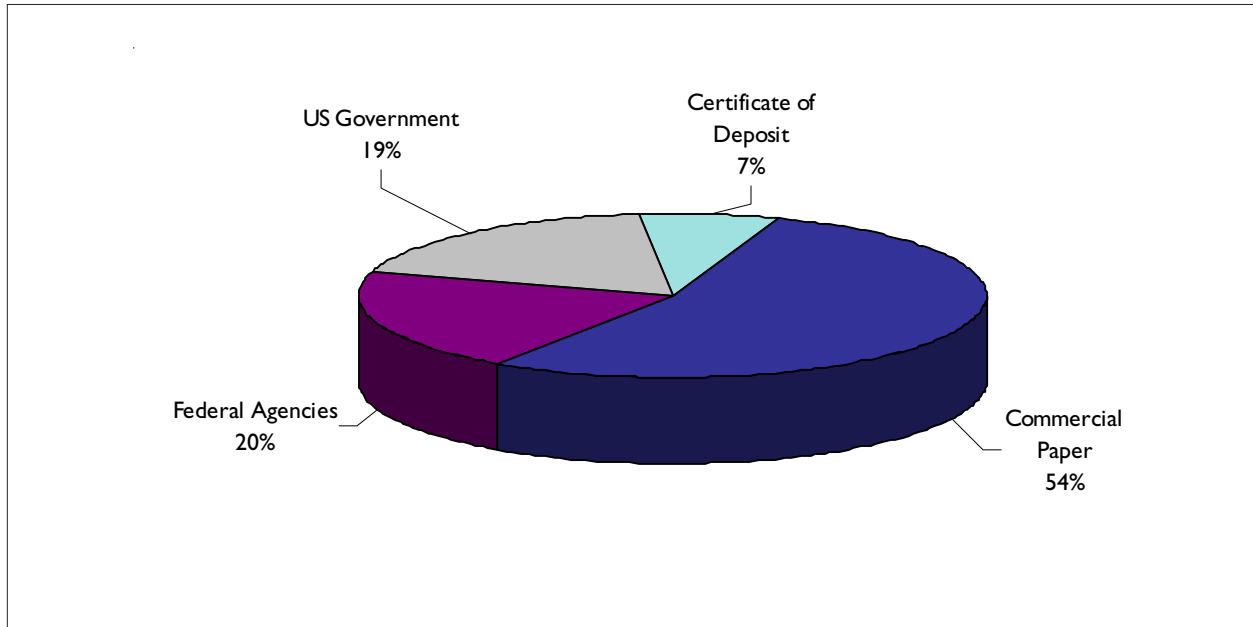
MONEY MARKET FUND

September 30, 2003

Total Money Market Fund Market Value = \$154 million

Weighted Average Maturity = 85 days

Sector Distribution



Maturity Distribution

