

**The Regents of the University of California
Alternative Investments as of March 31, 2003**

Since inception in 1979 through March 31, 2003, the Private Equity portfolio has consisted of \$2.1 billion in commitments to 94 partnerships. As of March 31, 2003, \$1.5 billion of these commitments have been called by the partnerships and \$2.9 billion of distributions have been received from the partnerships. Including the Current Net Asset Value of \$0.7 billion as of March 31, 2003, the Private Equity portfolio has produced \$2.1 billion in profits and a 2.4x multiple on contributed capital. The Private Equity portfolio has generated a total return of 26.5% for the 10-year period ended June 30, 2003.

Since the beginning of 2001, Cambridge Associates, LLC (“CA”) has been retained by The Regents of the University of California (“The Regents”) to advise on the Private Equity portfolio and to calculate the Net Internal Rate of Return (“IRR”) for each partnership held in the Private Equity portfolio. Prior to the engagement of CA, the Office of the Treasurer did not calculate IRRs for individual partnerships. The historical returns for all portfolios reported by the Regents and the Office of the Treasurer are based on the annualized Total Returns methodology. Total Return calculations are based on the changing value of a portfolio and any cash flows received during the specified time period.

The Private Equity portfolio was historically less than 2% of the total investment portfolio; therefore, The Regents evaluated the portfolio in its entirety and as part of the total equity portfolio. Moreover, Private Equity partnerships are 10 to 13 year investments, and the only relevant return measure is the amount returned at the end of the partnership compared to the capital invested. This has been the basis for investment decisions in the Private Equity asset class, and this long-term horizon has produced exceptional returns.

Private Equity partnerships are subject to a J-Curve Effect, meaning returns are often low or negative during the first several years. A –30% IRR or a 0.5x Investment Multiple might make for interesting headlines; however, it says little about the current performance of the partnership or the expected returns over the life of the investment. Most of the fully realized partnerships, which demonstrate strong returns on invested capital, previously demonstrated significantly negative IRRs. Low or negative returns in the early years of a partnership are inherent to the asset class, and the expected returns do not become readily apparent until the latter years of a partnership’s life.

On July 24, 2003, the Alameda County Superior Court ruled in the *Coalition of University Employees, et al. v. The Regents of the University of California* lawsuit. In this ruling, the Court has ordered The Regents to disclose fund-level internal rates of return under the California Public Records Act. To be consistent with the disclosure provided by other California-based institutional limited partners subject to the California Public Records Act, The Regents are disclosing detailed fund-level performance information for the most recent period available. This information should allow for more meaningful interpretation of fund performance than IRR information alone.

A number of General Partners have informed CA that performance information will no longer be provided to CA as a result of the Court’s ruling. Consequently, it is uncertain whether or not The Regents will be able to provide IRRs for all partnerships in the Private Equity portfolio in future periods.

The attached performance information is sorted by Type and Vintage Year. In reviewing the attached information, please consider the following:

Type

Consistent with historical reporting by sub-asset class, partnerships are categorized as Venture Capital, Leveraged Buyout (“LBO”), or Emerging Market.

Vintage Year

Represents the year each partnership commenced investment activities according to CA; note, this may be different than the year in which The Regents committed to invest in the partnership.

UC Commitment

Represents the total commitment made by The Regents to each partnership, adjusted for any subsequent reductions to partnership commitments by the General Partners.

Cash In

Represents the total portion of The Regents’ commitment that has been contributed to the partnership from inception through March 31, 2003.

Current NAV

Represents the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2003.

Cash Out

Represents the total distributions received by The Regents from inception through March 31, 2003.

Cash Out + Current NAV

Represents the sum of distributions received by The Regents from inception through March 31, 2003 and the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2003.

Investment Multiple

Represents each partnership’s total value as a multiple of invested capital; the multiple is calculated by dividing Cash Out + Current NAV by Cash In.

Net IRR

Represents the cash-on-cash return net of fees, expenses, and carried interest from inception through March 31, 2003 as well as the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2003.

Private Equity partnerships represent long-term commitments of typically 10 to 13 years. The majority of capital commitments are contributed to each partnership during the initial five- to six-year period when the General Partners are actively making new investments. Differences in the investment pace of each partnership have a significant impact on the Investment Multiple and Net IRR calculations. Since fees and expenses are paid on a regular schedule, partnerships with a relatively slower investment pace will tend to produce lower Investment Multiple and Net IRR figures. In addition, each General Partner uses different valuation policies to determine the net asset value of the partnership, as no industry standard currently exists. While each General Partner’s valuation policy is different, conservatism often results in early write-downs for underperforming investments. In addition, write-ups are typically limited to an independent valuation event such as a third party financing or an initial public offering. All of these issues contribute to the J-Curve Effect and limit the comparability of returns across partnerships.

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Fund Name	Type	Vintage Year	UC Commitment	Cash In	Current NAV	Cash Out	Cash Out + Current NAV	Investment Multiple ²	note	Net IRR ³	note
Dollars in Thousands											
VENTURE CAPITAL											
InterWest Partners I	Venture Capital	1979	\$3,000	(\$3,000)	\$0	\$6,681	\$6,681	2.23x		19.2%	
Alta Company	Venture Capital	1980	\$3,000	(\$3,000)	\$0	\$6,655	\$6,655	2.22x		13.8%	
Kleiner Perkins Caufield & Byers II	Venture Capital	1980	\$7,500	(\$7,500)	\$721	\$31,521	\$32,242	4.30x		50.6%	
Golder, Thoma Fund I	Venture Capital	1980	\$5,000	(\$5,000)	\$0	\$59,125	\$59,125	11.82x		31.0%	
Welsh, Carson, Anderson & Stowe II	Venture Capital	1980	\$4,000	(\$4,000)	\$0	\$8,670	\$8,670	2.17x		14.2%	
Sequoia Capital III	Venture Capital	1981	\$4,000	(\$4,000)	\$30	\$7,232	\$7,261	1.82x		11.3%	
Alta II, L.P.	Venture Capital	1981	\$3,000	(\$3,000)	\$0	\$5,300	\$5,300	1.77x		7.2%	
InterWest Partners II	Venture Capital	1982	\$4,000	(\$4,000)	\$0	\$6,974	\$6,974	1.74x		8.5%	
Technology Venture Investors - 2	Venture Capital	1982	\$4,000	(\$4,000)	\$0	\$6,744	\$6,744	1.69x		9.2%	
Kleiner Perkins Caufield & Byers III	Venture Capital	1982	\$7,832	(\$7,832)	\$0	\$13,596	\$13,596	1.74x		10.2%	
Welsh, Carson, Anderson & Stowe III	Venture Capital	1983	\$5,000	(\$5,000)	\$0	\$9,067	\$9,067	1.81x		8.4%	
Brentwood Associates IV	Venture Capital	1983	\$5,000	(\$5,000)	\$0	\$10,863	\$10,863	2.17x		10.9%	
Mayfield V	Venture Capital	1983	\$6,300	(\$6,300)	\$0	\$8,248	\$8,248	1.31x		4.6%	
Sequoia Capital IV	Venture Capital	1984	\$4,000	(\$4,000)	\$0	\$9,698	\$9,698	2.42x		18.7%	
Golder, Thoma, Cressey Fund II	Venture Capital	1984	\$3,000	(\$3,000)	\$0	\$10,920	\$10,920	3.64x		18.0%	
Technology Venture Investors - 3	Venture Capital	1984	\$8,000	(\$8,000)	\$0	\$13,333	\$13,333	1.67x		7.2%	
Kleiner Perkins Caufield & Byers II Annex Fund	Venture Capital	1984	\$1,500	(\$1,500)	\$41	\$2,975	\$3,016	2.01x		12.6%	
Institutional Venture Partners III	Venture Capital	1985	\$8,000	(\$8,000)	\$0	\$17,169	\$17,169	2.15x		13.9%	
InterWest Partners III	Venture Capital	1985	\$7,000	(\$7,000)	\$0	\$20,431	\$20,431	2.92x		20.0%	
Kleiner Perkins Caufield & Byers IV	Venture Capital	1986	\$10,000	(\$10,000)	\$0	\$18,342	\$18,342	1.83x		11.0%	
Sequoia Capital Growth Fund	Venture Capital	1987	\$10,000	(\$9,579)	\$473	\$38,536	\$39,010	4.07x		23.8%	
Mayfield VI	Venture Capital	1987	\$15,000	(\$15,000)	\$0	\$58,374	\$58,374	3.89x		26.6%	
Institutional Venture Partners IV	Venture Capital	1988	\$12,000	(\$12,000)	\$2,135	\$17,309	\$19,444	1.62x		9.5%	
Alta IV, L.P.	Venture Capital	1988	\$5,000	(\$5,000)	\$0	\$15,546	\$15,546	3.11x		22.4%	
Technology Venture Investors - 4	Venture Capital	1988	\$12,000	(\$12,000)	\$1,205	\$38,060	\$39,265	3.27x		24.1%	
Kleiner Perkins Caufield & Byers V	Venture Capital	1989	\$15,000	(\$15,000)	\$0	\$60,176	\$60,176	4.01x		35.7%	
InterWest Partners IV	Venture Capital	1989	\$10,000	(\$10,000)	\$160	\$17,004	\$17,164	1.72x		11.2%	
Sequoia Capital V	Venture Capital	1989	\$6,000	(\$6,000)	\$421	\$31,391	\$31,812	5.30x		39.6%	
Merrill, Pickard, Anderson & Eyre V	Venture Capital	1989	\$10,000	(\$9,658)	\$345	\$52,892	\$53,236	5.51x		46.1%	
Institutional Venture Partners V	Venture Capital	1991	\$12,000	(\$12,000)	\$62	\$35,896	\$35,958	3.00x		28.0%	
Kleiner Perkins Caufield & Byers VI	Venture Capital	1992	\$15,000	(\$15,000)	\$677	\$49,266	\$49,943	3.33x		39.0%	
Mayfield VII	Venture Capital	1992	\$15,000	(\$15,000)	\$712	\$42,117	\$42,829	2.86x		24.9%	
Sequoia Capital VI	Venture Capital	1992	\$8,500	(\$8,500)	\$1,262	\$131,973	\$133,234	15.67x		110.4%	
InterWest Partners V	Venture Capital	1993	\$17,000	(\$17,000)	\$2,746	\$70,875	\$73,621	4.33x		61.6%	
Institutional Venture Partners VI	Venture Capital	1994	\$12,000	(\$12,000)	\$2,074	\$67,838	\$69,912	5.83x		64.7%	
Kleiner Perkins Caufield & Byers VII	Venture Capital	1994	\$20,000	(\$15,000)	\$4,674	\$482,985	\$487,658	32.51x		121.7%	
Mayfield VIII	Venture Capital	1995	\$12,000	(\$12,000)	\$4,455	\$34,085	\$38,540	3.21x		49.6%	
Sequoia Capital VII	Venture Capital	1995	\$13,000	(\$13,000)	\$16,308	\$196,750	\$213,058	16.39x		174.5%	
Institutional Venture Partners VII	Venture Capital	1996	\$18,000	(\$18,000)	\$13,747	\$106,194	\$119,941	6.66x		96.9%	
Kleiner Perkins Caufield & Byers VIII	Venture Capital	1996	\$20,000	(\$20,000)	\$10,074	\$329,915	\$339,989	17.00x		286.6%	
InterWest Partners VI	Venture Capital	1996	\$15,000	(\$15,000)	\$9,119	\$27,523	\$36,642	2.44x		49.5%	
Hummer Winblad Venture Partners III	Venture Capital	1997	\$10,000	(\$10,000)	\$1,348	\$6,040	\$7,388	0.74x		-15.3%	
Sequoia Capital VIII	Venture Capital	1998	\$16,000	(\$16,000)	\$7,019	\$33,530	\$40,549	2.53x		90.4%	
Institutional Venture Partners VIII	Venture Capital	1998	\$30,000	(\$30,000)	\$15,862	\$15,286	\$31,148	1.04x		1.6%	
InterWest Partners VII	Venture Capital	1999	\$15,000	(\$13,350)	\$4,526	\$1,320	\$5,846	0.44x	NM	-28.9%	NM
Sequoia Capital Franchise Fund	Venture Capital	1999	\$22,000	(\$16,280)	\$5,633	\$5,966	\$11,598	0.71x	NM	-17.0%	NM
Kleiner Perkins Caufield & Byers IX-A	Venture Capital	1999	\$20,000	(\$17,000)	\$6,879	\$0	\$6,879	0.40x	NM	-23.3%	NM
Oxford Bioscience Partners III	Venture Capital	1999	\$20,000	(\$18,500)	\$11,840	\$0	\$11,840	0.64x	NM	-20.2%	NM
Sequoia Capital IX	Venture Capital	1999	\$18,000	(\$15,444)	\$3,908	\$9,327	\$13,236	0.86x	NM	-6.1%	NM
Redpoint Ventures I	Venture Capital	1999	\$30,000	(\$23,250)	\$8,021	\$0	\$8,021	0.34x	NM	-33.5%	NM
Versant Venture Capital I	Venture Capital	1999	\$20,000	(\$16,000)	\$14,199	\$0	\$14,199	0.89x	NM	-6.3%	NM
Venture Strategy Partners II	Venture Capital	1999	\$15,000	(\$8,775)	\$4,169	\$0	\$4,169	0.48x	NM	-37.5%	NM
Polaris Venture Partners III	Venture Capital	2000	\$20,000	(\$13,600)	\$7,606	\$403	\$8,009	0.59x	NM	-25.6%	NM
Perseus-Soros BioPharmaceutical Investors	Venture Capital	2000	\$10,000	(\$3,735)	\$3,162	\$0	\$3,162	0.85x	NM	-18.5%	NM
Sequoia Capital X	Venture Capital	2000	\$28,000	(\$17,500)	\$9,171	\$379	\$9,549	0.55x	NM	-31.0%	NM
Kleiner Perkins Caufield & Byers X-A	Venture Capital	2000	\$20,000	(\$9,500)	\$5,631	\$0	\$5,631	0.59x	NM	-17.5%	NM
Accel VIII	Venture Capital	2000	\$20,400	(\$8,070)	\$4,126	\$0	\$4,126	0.51x	NM	-26.8%	NM
Intersouth Partners V	Venture Capital	2000	\$20,000	(\$10,100)	\$6,248	\$0	\$6,248	0.62x	NM	-28.0%	NM
InterWest Partners VIII	Venture Capital	2000	\$50,000	(\$20,000)	\$11,873	\$2	\$11,875	0.59x	NM	-32.4%	NM
Redpoint Ventures II	Venture Capital	2000	\$30,000	(\$9,375)	\$4,985	\$0	\$4,985	0.53x	NM	-32.0%	NM
Oxford Bioscience Partners IV	Venture Capital	2001	\$25,000	(\$9,375)	\$8,263	\$0	\$8,263	0.88x	NM	-16.3%	NM
Versant Venture Capital II	Venture Capital	2001	\$30,000	(\$4,500)	\$3,626	\$0	\$3,626	0.81x	NM	-30.1%	NM
Warburg Pincus Private Equity VIII	Venture Capital	2001	\$50,000	(\$12,000)	\$11,310	\$1,340	\$12,649	1.05x	NM	7.5%	NM
Polaris Venture Partners IV	Venture Capital	2001	\$25,000	(\$750)	\$483	\$0	\$483	0.64x	NM	-50.6%	NM
Intersouth Partners VI	Venture Capital	2002	\$15,000	\$0	\$0	\$0	\$0	N/A	NM	N/A	NM
Lighthouse Capital Partners V	Venture Capital	2002	\$20,000	\$0	\$0	\$0	\$0	N/A	NM	N/A	NM

Source: Cambridge Associates LLC

¹ All cash flow information is through 3/31/03 and net asset values are from fund statements as of 3/31/03.

² As determined by Cambridge Associates, funds with NM (not meaningful) are too young to have produced meaningful returns. Funds with N/A (not applicable) have not yet commenced operations.

³ Net IRR (internal rate of return) includes the cash-on-cash return net of fees, expenses, and carried interest as well as the net asset value of University of California Regents' interest in the partnership as determined by the General Partners. Differences in the valuation policies employed by General Partners (for which no industry standard currently exists) and differences in the investment pace of each partnership materially affect the IRR calculations. As such, IRRs should not be used to measure a fund's performance until all investments have been fully realized. In addition, a comparison of IRRs across funds would fail to account for these inherent differences.

^{NM} For funds formed in a vintage year of 1999 or later, the Investment Multiple and Net IRR are not yet meaningful as these funds are still in the process of making new investments and the performance of new and existing investments will not be determined for several years to come.

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Alternative Investments as of March 31, 2003¹

Fund Name	Type	Vintage Year	UC Commitment	Cash In	Current NAV	Cash Out	Cash Out + Current NAV	Investment Multiple ²	Net IRR ^{2,3}	note	note
LEVERAGED BUYOUTS											
Dollars in Thousands											
Brentwood Associates Buyout Fund III	LBO	1981	\$3,000	(\$3,000)	\$0	\$2,943	\$2,943	0.98x	-0.2%		
Welsh, Carson, Anderson & Stowe IV	LBO	1985	\$10,000	(\$10,000)	\$0	\$26,619	\$26,619	2.66x	13.7%		
Alta Subordinated Debt Partners	LBO	1986	\$4,000	(\$4,000)	\$0	\$7,507	\$7,507	1.88x	8.8%		
WCAS Capital Partners	LBO	1987	\$10,000	(\$10,000)	\$0	\$26,171	\$26,171	2.62x	18.0%		
Golder, Thoma, Cressey Fund III	LBO	1987	\$15,000	(\$15,000)	\$4,676	\$59,942	\$64,618	4.31x	30.6%		
Alta Subordinated Debt Partners II	LBO	1988	\$7,000	(\$7,000)	\$0	\$14,834	\$14,834	2.12x	12.2%		
Welsh, Carson, Anderson & Stowe V	LBO	1989	\$20,000	(\$20,000)	\$0	\$70,085	\$70,085	3.50x	33.2%		
WCAS Capital Partners II	LBO	1990	\$20,000	(\$20,000)	\$5,283	\$25,745	\$31,028	1.55x	11.1%		
Alta Subordinated Debt Partners III	LBO	1993	\$10,000	(\$10,000)	\$3,199	\$30,978	\$34,177	3.42x	29.6%		
Golder, Thoma, Cressey, Rauner Fund IV	LBO	1993	\$25,000	(\$25,000)	\$646	\$50,947	\$51,593	2.06x	25.6%		
Welsh, Carson, Anderson & Stowe VI	LBO	1993	\$50,000	(\$50,000)	\$17,024	\$69,418	\$86,442	1.73x	12.6%		
Welsh, Carson, Anderson & Stowe VII	LBO	1995	\$100,000	(\$100,000)	\$56,204	\$115,375	\$171,579	1.72x	15.1%		
The SKM Equity Fund II	LBO	1996	\$60,000	(\$50,451)	\$31,639	\$2,208	\$33,848	0.67x	-9.1%		
Golder, Thoma, Cressey, Rauner Fund V	LBO	1997	\$40,000	(\$40,000)	\$29,296	\$25,946	\$55,242	1.38x	8.3%		
WCAS Capital Partners III	LBO	1997	\$200,000	(\$170,000)	\$176,907	\$73,596	\$250,503	1.47x	14.2%		
Ripplewood Partners II	LBO	1999	\$20,000	(\$2,014)	\$1,313	\$3	\$1,315	0.65x	NM	-43.4%	NM
Madison Dearborn Capital Partners IV	LBO	2000	\$50,000	(\$5,258)	\$5,744	\$0	\$5,744	1.09x	NM	104.8%	NM
Blackstone Capital Partners IV	LBO	2002	\$50,000	(\$3,603)	\$3,325	\$0	\$3,325	0.92x	NM	-47.8%	NM
Inverness Partners II	LBO	2002	\$15,000	(\$1,323)	\$1,091	\$0	\$1,091	0.82x	NM	NM	NM
Lake Capital Partners	LBO	2002	\$20,000	(\$804)	\$84	\$0	\$84	0.10x	NM	NM	NM
Lindsay, Goldberg, & Bessemer	LBO	2002	\$20,000	(\$1,519)	\$1,065	\$1	\$1,067	0.70x	NM	-72.9%	NM
EMERGING MARKETS											
Dollars in Thousands											
Investment Company of China	Emerging Market	1992	\$12,040	(\$11,161)	\$2,456	\$4,908	\$7,363	0.66x	-5.3%		
China Vest IV	Emerging Market	1993	\$20,000	(\$20,000)	\$9,803	\$6,131	\$15,934	0.80x	-3.6%		
AIG Asian Infrastructure Fund	Emerging Market	1994	\$75,000	(\$69,736)	\$13,421	\$30,029	\$43,450	0.62x	-10.2%		
AIG-GE Capital Latin American Infrastructure Fund	Emerging Market	1996	\$115,000	(\$96,403)	\$59,234	\$9,365	\$68,600	0.71x	-9.7%		
AIG Indian Sectoral Equity Fund	Emerging Market	1996	\$15,000	(\$12,781)	\$9,115	\$2,053	\$11,167	0.87x	-19.0%		
Latin America Capital Partners II	Emerging Market	1996	\$50,000	(\$45,858)	\$18,938	\$679	\$19,617	0.43x	-19.0%		
AIG Asian Infrastructure Fund II	Emerging Market	1997	\$100,000	(\$55,170)	\$33,867	\$17,116	\$50,984	0.92x	-2.5%		

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