

Effective: March 15, 2018

Replaces version effective August 1, 2013 and amended July 23, 2015

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**UNIVERSITY OF CALIFORNIA  
TOTAL RETURN INVESTMENT POOL (TRIP)  
INVESTMENT POLICY STATEMENT**

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## **POLICY SUMMARY/BACKGROUND**

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California Total Return Investment Pool (“TRIP”). The management of TRIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of TRIP and is responsible for establishing and approving changes to this IPS. The FCS Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of TRIP assets.

## **POLICY TEXT**

### **INVESTMENT OBJECTIVES**

#### **1. Overall Objective**

TRIP is an investment pool established by the Regents and is available to UC Campuses and certain other related entities. TRIP allows UC organizations to maximize return on their intermediate-term working capital, subject to risk tolerance and liquidity management practices established with the Office of the President and Campuses, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

## **2. Return Objective**

The Objective of TRIP is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget as defined in the Asset and Risk Allocation policy.

## **3. Risk Objective**

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve TRIP's overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored and tied to responsible parties; and risk should be taken consistent with TRIP's objectives and the expectations for return from the risk exposures.

TRIP seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with capital market conditions.

## **4. Sustainability Objective**

The Office of the Chief Investment Officer shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making.

The Office of the Chief Investment Officer uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The Office of the Chief Investment Officer manages TRIP consistent with these sustainability principles. The Framework can be found on the Office of the Chief Investment Officer website in the sustainability section.

## **MONITORING AND REPORTING**

The Office of the Chief Investment Officer (OCIO) is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee and Board of Regents on the following items.

1. Asset and Risk Allocation
2. Investment Performance and Attribution (against benchmarks identified in the **TRIP Asset and Risk Allocation Policy**)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that TRIP's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

## **DISCLOSURES**

The Chief Investment Officer provides investment-related information on TRIP to the Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

## **RESTRICTIONS**

The Regents have restricted that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

## **COMPLIANCE/DELEGATION**

The TRIP Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the Office of the Chief Investment Officer, Investments Subcommittee, Finance & Capital Strategies Committee, and approved by the Board of Regents.

## **NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

## **PROCEDURES AND RELATED DOCUMENTS**

[TRIP Asset and Risk Allocation Policy](#)

[Investment Implementation Manual](#)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.