

Office of the Chief Investment Officer

TO MEMBERS OF THE INVESTMENTS COMMITTEE:

DISCUSSION ITEM

For Meeting of May 11, 2021

**UPDATE ON UNIVERSITY OF CALIFORNIA INVESTMENT PRODUCTS –
RETIREMENT, ENDOWMENT, AND WORKING CAPITAL**

EXECUTIVE SUMMARY

The University of California’s investment portfolios grew to \$160.1 billion in assets under management as of March 31, 2021, gaining \$7.4 billion since the previous quarter, and \$41.1 billion from the prior year. Since 2014 this represents a 74 percent increase from \$92 billion.

CIO Bachher provides an update in this video presentation:

<https://ucop.swoogo.com/UCInvestments>

UC’s investment portfolio, containing both public and private assets, is spread across five unique financial products. As of March 31, 2021, the General Endowment Pool stood at \$17.9 billion, up \$1.3 billion from December 31, 2020 and \$4.9 billion from the prior year. The endowment’s fiscal year-to-date return rate (nine months) from June 30, 2020 to March 31, 2021 was 23.5 percent. The one-year return rate was 35.1 percent, the three-year return rate was 12.5 percent, the five-year rate was 12.2 percent, the ten-year rate was 9.2 percent, the 20-year rate was 7.4 percent, and the 25-year rate was 8.7 percent.

The UC pension stood at \$85.4 billion as of March 31, 2021, up \$3 billion from \$82.4 billion on December 31, 2020 and more than \$20 billion from the prior year. The pension’s fiscal year-to-date return rate (nine months) from June 30, 2020 to March 31, 2021 was 22.1 percent. The one-year return rate was 34 percent, the three-year return rate was 9.7 percent, the five-year rate was 10.5 percent, the ten-year rate was 8.3 percent, the 20-year rate was 6.7 percent, and the 25-year rate was 8.0 percent.

Working capital, the earmarked funds from individual campuses that UC Investments manages on their behalf, stood at a combined \$24.1 billion as of March 31, 2021—\$11.7 billion in the Short Term Investment Pool (STIP) and \$12.4 billion in the Total Return Investment Pool (TRIP)—an increase of \$9.3 billion from \$14.8 billion in the prior year. The Blue & Gold Endowment was relaunched on March 31, 2021.

The year-to-date fiscal rate of return for STIP was 0.5 percent and 16.7 percent for TRIP.

The UC Retirement Savings Program ended the calendar year at \$32.5 billion, an increase of \$1 billion from December 31, 2020 and \$8.9 billion from the prior year.

GENERAL ENDOWMENT PLAN REVIEW FOR PERIOD ENDING MARCH 31, 2021

As of March 31, 2021, UC Investments managed \$17.9 billion in the General Endowment Pool (GEP), which increased by \$3.9 billion since the end of June 30, 2020. The GEP returned 23.5 percent for the fiscal year to date (nine months), outperforming its benchmark by 0.8 percent.

GEP Performance as of March 31, 2021 is shown in the table below:

As of March 31, 2021	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns						
				1 Year	3 Year	5 Year	10 Year	20 Year	25 Year	
Endowment	\$ 17,889	6.5	23.5	35.1	12.5	12.2	9.2	7.4	8.7	
Policy Benchmark		4.0	22.7	38.0	10.5	10.5	7.6	6.9	8.0	
Value Added		2.5	0.8	(2.9)	2.0	1.7	1.6	0.5	0.7	
Public Equity	\$ 9,485	4.6	31.8	59.4	13.7	14.9	10.0	7.1	8.3	
Public Equity Policy Benchmark		4.7	31.5	57.7	12.0	13.5	9.2	7.6	9.0	
Value Added		(0.1)	0.3	1.7	1.7	1.4	0.8	(0.5)	(0.7)	
Fixed income	\$ 576	(1.4)	(0.7)	1.9	3.9	3.7	4.1	5.5	6.4	
Fixed Income Policy Benchmark		(0.6)	0.1	3.0	5.4	4.4	4.3	5.5	6.0	
Value Added		(0.8)	(0.8)	(1.1)	(1.5)	(0.7)	(0.2)	(0.0)	0.4	
Other Investments										
Private Equity	\$ 3,243	20.4	34.0	46.4	31.2	26.5	21.8	12.9	20.0	
Private Equity Policy Benchmark		7.0	35.7	66.2	19.2	19.1	18.3	11.6	13.1	
Value Added		13.4	(1.7)	(19.8)	12.0	7.4	3.5	1.3	6.9	
Absolute Return	\$ 2,554	4.6	18.7	26.2	8.3	7.1	5.7	-	-	
Absolute Return Policy Benchmark		1.9	15.2	23.8	5.4	4.6	1.4	-	-	
Value Added		2.7	3.5	2.4	2.9	2.5	4.3	-	-	
Real Estate	\$ 961	2.5	4.1	0.5	5.2	7.0	9.9	-	-	
Real Estate Policy Benchmark		1.9	1.5	2.3	4.6	5.7	9.1	-	-	
Value Added		0.6	2.6	(1.8)	0.6	1.3	0.8	-	-	
Real Assets	\$ 515	4.4	5.5	11.0	7.6	6.2	2.4	-	-	
Private Credit	\$ 324	4.0	11.4	-	-	-	-	-	-	
Private Credit Policy Benchmark		2.0	11.5	-	-	-	-	-	-	
Value Added		2.0	(0.1)	-	-	-	-	-	-	
Cash	\$ 228	0.1	0.6	-	-	-	-	-	-	
Cash Policy Benchmark		0.0	0.1	-	-	-	-	-	-	
Value Added		0.1	0.5	-	-	-	-	-	-	

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN REVIEW FOR PERIOD
ENDING MARCH 31, 2021

As of March 31, 2021, UC Investments managed \$85.4 billion for the University of California Retirement Plan (UCRP), which increased by \$15.3 billion since June 30, 2020. UCRP returned 22.1 percent for the fiscal year to date, outperforming its benchmark by 0.2 percent.

UCRP Performance as of March 31, 2021 is shown in the table below:

As of March 31, 2021	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns						
				1 Year	3 Year	5 Year	10 Year	20 Year	25 Year	
Pension	\$ 85,430	4.1	22.1	33.9	9.7	10.5	8.3	6.7	8.0	
Policy Benchmark		3.5	21.9	38.2	10.3	10.4	7.9	6.5	7.7	
Value Added		0.6	0.2	(4.3)	(0.6)	0.1	0.4	0.2	0.3	
Public Equity	\$ 53,916	4.6	32.5	59.3	12.8	14.5	10.1	6.8	8.1	
Public Equity Policy Benchmark		4.7	31.5	57.7	12.0	13.4	9.3	7.5	9.0	
Value Added		(0.1)	1.0	1.6	0.8	1.1	0.8	(0.7)	(0.9)	
Fixed Income	\$ 12,373	(1.1)	1.8	6.6	4.7	4.1	4.1	5.5	6.6	
Fixed Income Policy Benchmark		(0.7)	2.1	7.3	5.6	4.4	4.2	5.4	6.0	
Value Added		(0.4)	(0.3)	(0.7)	(0.9)	(0.3)	(0.1)	0.1	0.6	
Core	\$ 8,304	(0.8)	(0.2)	2.8	4.5	3.5	3.8	6.3	7.2	
Core Policy Benchmark		(0.6)	0.1	3.0	5.4	3.6	3.7	5.0	5.7	
Value Added		(0.2)	(0.3)	(0.2)	(0.9)	(0.1)	0.1	1.3	1.5	
High Yield	\$ 2,040	1.0	12.1	20.9	6.4	7.2	6.5	-	-	
Merrill Lynch High Yield Cash Pay Benchmark Fossil Free		0.8	11.9	22.6	6.3	7.8	6.2	-	-	
Value Added		0.2	0.2	(1.7)	0.1	(0.6)	0.3	-	-	
Emerging Market Debt	\$ 2,029	(4.6)	3.3	16.0	3.9	4.7	4.4	-	-	
JP Morgan Emerging Markets Bond Benchmark		(4.5)	3.3	16.0	4.0	5.0	5.3	-	-	
Value Added		(0.1)	0.0	0.0	(0.1)	(0.3)	(0.9)	-	-	
Other Investments										
Private Equity	\$ 5,892	15.1	26.0	32.0	18.2	16.3	14.9	9.3	16.9	
Private Equity Policy Benchmark		7.0	35.7	66.2	19.2	16.6	15.0	10.4	12.2	
Value Added		8.1	(9.7)	(34.2)	(1.0)	(0.3)	(0.1)	(1.1)	4.7	
Absolute Return	\$ 5,207	4.1	18.7	26.4	7.9	6.8	5.5	-	-	
Absolute Return Policy Benchmark		1.9	15.2	23.8	5.4	5.5	1.8	-	-	
Value Added		2.2	3.5	2.6	2.5	1.3	3.7	-	-	
Real Estate	\$ 4,262	0.3	(0.7)	(4.9)	2.9	4.8	9.2	-	-	
Real Estate Policy Benchmark		1.9	1.5	2.3	4.6	5.7	9.1	-	-	
Value Added		(1.6)	(2.2)	(7.2)	(1.7)	(0.9)	0.1	-	-	
Real Assets	\$ 2,921	4.5	6.1	7.7	6.2	6.2	2.7	-	-	
Private Credit	\$ 699	4.2	9.7	-	-	-	-	-	-	
Private Credit Policy Benchmark		2.0	11.5	-	-	-	-	-	-	
Value Added		2.2	(1.8)	-	-	-	-	-	-	
Cash	\$ 159	0.9	1.7	-	-	-	-	-	-	
Cash Policy Benchmark		0.0	0.1	-	-	-	-	-	-	
Value Added		0.9	1.6	-	-	-	-	-	-	

WORKING CAPITAL REVIEW FOR PERIOD ENDING MARCH 31, 2021

As of March 31, 2021, UC Investments managed \$12.4 billion in the Total Return Investment Pool (TRIP), which increased by \$5 billion since June 30, 2020. TRIP returned 16.7 percent for the fiscal year to date, outperforming the benchmark by 1.6 percent. The Short Term Investment Pool (STIP) held \$11.7 billion, an increase of \$1.2 billion since June 30, 2020. STIP gained 0.5 percent for the fiscal year to date, outperforming its benchmark by 0.5 percent.

Working Capital Performance as of March 31, 2021 is shown in the table below:

As of March 31, 2021	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns			
				1 Year	3 Year	5 Year	10 Year
Total Return	\$ 12,383	2.2	16.7	23.2	8.2	7.6	7.0
Policy Benchmark		2.0	15.1	25.6	8.9	7.7	6.9
Value Added		0.2	1.6	(2.4)	(0.7)	(0.1)	0.1
Public Equity	\$ 6,829	4.6	31.4	36.1	7.6	10.6	9.9
Public Equity Policy Benchmark		4.7	31.5	57.7	12.0	13.3	9.1
Value Added		(0.1)	(0.1)	(21.6)	(4.4)	(2.7)	0.8
Fixed Income	\$ 5,375	(0.7)	0.1	2.7	4.8	3.8	4.6
Fixed Income Policy Benchmark		(0.6)	0.1	3.0	5.4	3.6	3.7
Value Added		(0.1)	0.0	(0.3)	(0.6)	0.2	0.9
Cash	\$ 179	0.0	0.6	0.8	1.8	1.6	1.7

As of March 31, 2021	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns					
				1 Year	3 Year	5 Year	10 Year	20 Year	25 Year
Short Term	\$ 11,683	0.0	0.5	0.8	2.0	1.8	1.8	2.8	3.5
Policy Benchmark		0.0	0.0	0.1	1.4	1.2	0.8	1.7	2.5
Value Added		0.0	0.5	0.7	0.6	0.6	1.0	1.1	1.0

Attachments:

1. **Endowment**
2. **Pension**
3. **Retirement Savings**
4. **Working Capital**