Where others see chaos, we see opportunity.
For the first time ever, the UC Investments Annual Report can be brought to life using Augmented Reality.

Throughout the report, you’ll see a symbol indicating AR capabilities.

Here’s how to get set up:

1. Scan this QR code on an iOS device to download the ViewAR(t) app.

2. Launch the app on your phone. When prompted for a 4-digit PIN, input 2022 to unlock the app. Tap ‘AR Experience’.

3. Flatten the page as much as possible. Then, point your camera at the image and watch it come to life.
Where others see chaos, we see opportunity.

This fiscal year, 2021–2022, has been a wild ride. A continuing pandemic. Russia’s invasion of Ukraine. Supply chain snarls. Volatile energy prices. Record-breaking inflation. And then the Federal Reserve’s “anti-inflation tonic” in the form of rising interest rates, threatening to plunge the U.S. — and the globe — into recession.

None of this has thrown UC Investments off its game. That’s because we don’t invest for a year. We invest for a lifetime.

But just because we keep our eye on the horizon, it doesn’t mean we stand still. In times of uncertainty, we hustle more, work harder, and don’t take shortcuts. (But we always take the meeting. Because you never know where the next conversation will lead.)

So while the fiscal year-end numbers in this report reflect the global market turmoil, we’re excited to be moving boldly forward to create a better future for the University of California.
This past year tested the mettle of investors throughout the world. At UC Investments, we took the bumpy year in stride. We tuned out noise, gauged risk, and actively sought out opportunities that come from challenging times.

For the year’s first three quarters, we rode waves of market volatility — up a bit, down a bit — with our assets hovering near $168 billion. On March 31, 2022, that figure stood at $169 billion.

Then came Russia’s invasion of Ukraine, record-high inflation, disruptions in the energy markets, continuing supply snarls, and an insidiously adaptive coronavirus. Coupled with the Federal Reserve Board’s interest rate hikes, the equity and bond markets headed south, officially moving into bear territory. As of June 30, 2022, this meant negative returns across all asset classes, across the world. We closed the fiscal year at $152 billion.

These are, to put it mildly, interesting times. But the silver lining is that these times allow us to clearly see how our commitment to the UC Investments Way pays off. In a negative market, we were again able to add value to our commitment to the UC Investments Way pays off. In a negative market, we were again able to add value to our assets, we liquidated it — all $1.7 billion — and within a couple days handed those funds to our campuses to help the entire committee and the strong partnership with Regent Richard Sherman, chair of the Investments Committee, remains invaluable, as does the input of the board to rebalance our fixed income and increasing equities added $1.8 billion.

Much of this success is owed to the entire UC Investments team, which continues to outperform while working remotely for more than two years. Guidance from Regent Richard Sherman, chair of the Investments Committee, remains invaluable, as does the input of the entire committee and the strong partnership with President Drake.

One very tangible result of our solid partnership with the board came early in the year when public equities soared while 2-year bonds were paying out as much as 10-year Treasuries. We wanted to seize the moment. So we worked directly with the board to rebalance our allocations for our two biggest asset classes: public equities and fixed income. It wasn’t an easy decision, but bolstered by the trust between our office and the board, we made it together. These shifts saved us $750 million in fixed income and increasing equities added $1.8 billion.

Managing our Blue & Gold Pool was another highlight this year. I worked with my team to launch the pool in March 2019 to ensure the university had funds immediately available if the economy went through another crisis like 2008, without touching our endowment. Little did I know that just a year later, we’d face another crisis.

So in June 2020, instead of using the pool to buy assets, we liquidated it — all $1.7 billion — and within a couple days handed those funds to our campuses to help them through this very rough patch. The pool lay dormant for nine months, but in March 2021, we revved it back up, starting with $400 million. As of the close of the fiscal year, it stood at $2.2 billion.

This year also saw us double down on our conviction that fossil fuel investments won’t pay off in the longer-term and that alternative energy technologies will one day power our world grappling with climate change. In addition to our fossil-free pension, endowment, and working capital, as of June 30, all 24 funds offered by our UC Retirement Savings Program became fossil-free, too.

We’ve also been busy advancing diversity, equity, and inclusion on several fronts. While investing with diverse managers is certainly not new to us — we’ve already invested $18 billion, or 35%, of the $53 billion we actively manage — we eagerly undertook a challenge of meeting an additional 100 firms led by women and people of color. We beat our six-month goal by almost three months. Out of those 100 firms, we’ve already made initial investments in two and a few others are on our short-list for possible investment down the line.

Another new diversity initiative, the UC Investments Academy, takes on the challenge of a much-too-narrow pipeline of women and diverse investment professionals. Started this spring semester, the academy offers free professional training in all areas of the financial industry — the same courses used by Wall Street firms — as well as mentorship, industry speakers and internship opportunities. Our pilot program welcomed 170 students from two of our most diverse UC campuses, Merced and Irvine. The response from this initial cohort has been overwhelmingly positive, and we plan to scale the academy to some 10,000 students systemwide within five years.

This year, we also partnered with UCI Health to launch a $50 million fund to invest in healthcare innovation and digital health aimed at revolutionizing patient care and public health. This is the first such partnership between UC Investments and our UC healthcare enterprise.

On the horizon in the new fiscal year, 2022–2023, are expanded partnerships across the UC ecosystem, including scaling our investments in real estate and innovative tech in healthcare and beyond. And, of course, we’ll keep integrating diversity, equity and inclusion into all that we do — in keeping with the UC Investments Way that has served us well.

I’m excited by the opportunities that await us and for the chance to build on the knowledge gained since I arrived at this great university more than eight years ago.

Thank you.
When I became president of the University of California in August 2020, I had a strong vision for the work I wanted to do with the many resources of our great university.

Despite facing a series of monumental challenges in our state and our country over the past year—the ongoing and evolving pandemic, global warfare, economic upheavals—we have worked together to find a stronger, surer way forward for our students, our faculty and staff, and our university.

One of my key partners during this critical time has been UC’s Chief Investment Officer Jagdeep Singh Bachher. Throughout this rollercoaster of a year, Jagdeep and his team have done the slow, steady work of keeping our financial house in order, all while deepening relationships with our campuses and embarking on a groundbreaking effort to make diversity, equity and inclusion a central part of how—and with whom—we invest.

This commitment to diversity is important because we are our strongest as a nation and as a people when we allow ourselves to benefit from the contributions of people from a wide variety of backgrounds and perspectives. With a community as large as ours—500,000 strong—and as diverse as ours, we have the opportunity to be a role model of an inclusive community. That is why it is imperative that the university remains open, accessible and inclusive, and why we are focused on becoming a better, more inclusive institution.

As part of that effort, we have deepened our relationship with the state government in Sacramento, and it is paying off. The state has increased its funding to the university, allowing us to bring more California students into the system and make good on our commitment to diversity, equity and inclusion. We also worked with Governor Gavin Newsom on the launch of the Cradle to Career data system, which will deliver critical information on education, financial aid and workforce outcomes to prepare students to reach their college and career goals. The university took another important step this year to expand affordability and accessibility by launching the UC Native American Opportunity Plan, which ensures that in-state tuition and student services fees are fully covered for California students who are enrolled in federally recognized Native American, American Indian and Alaska Native tribes.

As we work to bring in more students, we must ensure we have the physical infrastructure to support these growing numbers. I have been heavily involved in discussions with our board and legislative bodies to enable a better financial position for the university. I have worked closely with Jagdeep and the UC Investments team as they invest in real estate near our campuses to not only ensure educational facilities and affordable housing for students and staff, but to also provide solid returns to our bottom line.

Another important area we have made great strides in this year is addressing climate change. We recognize that climate change is the biggest threat to humanity today, and we have significant work ahead of us, but the climate leadership shown by our students, faculty and staff has been remarkable.

I am proud to report this year that we are on our way to achieving bold systemwide goals of transitioning to 100 percent clean electricity and becoming carbon neutral by 2025. I am particularly grateful to state and federal leaders for supporting our efforts: Governor Newsom’s proposed state budget includes a $185 million investment in UC’s climate resilience work to help Californians meet the challenges of climate change, including innovations to address wildfire, drought, extreme heat and other impacts. Collectively, we recognize the urgency of this endeavor, and we will continue to work together to address the effects of climate change on our communities and on the planet.

Every day, no matter what is happening in the world around us, I challenge each of us at the university to relentlessly push ourselves to be better at our core mission. We will get through this by being nimble, flexible and keeping our sights set firmly on the future.
Richard Sherman
UC Board of Regents,
Chair of the Investments Committee

Q&A
In the past year, the market has gone from bull to bear. In these turbulent times, can you talk about how we’re meeting the challenge by keeping our focus on the long-term?

Well, it takes a strong stomach to weather the volatility that the market gives, but you just have to stick with it and not panic. The credo of being long-term investors is to ride these times out, because no one is smart enough to be a perfect market timer.

That said, we are actively tweaking things to be opportunistic. The pullbacks we’ve had may create a bit of opportunity to increase exposure in certain areas that have gotten cheap. Not that we’re going to be aggressive one way or the other, but we’ll have some opportunities to put capital to work at better pricing, whether that’s in our private equity bucket or in public equity.

What has surprised you most in the markets in the past year? How has UC dealt with this?

The big surprise is that inflation is turning out not to be transitory, which is what almost everyone— including the Federal Reserve and Treasury—predicted. It’s obvious inflation is becoming more embedded, due in part to the trillions of dollars that went in to stimulate the economy during the pandemic. This created a massive amount of cash and liquidity that is chasing a reduced quantity of goods, etc. due to supply chain issues.

We now think it is going to take a number of years to see meaningful movement on the inflation rate, even with the Fed acting as aggressively as it has to raise rates. In fact, it’s been a bit of a surprise how swiftly and aggressively they’ve acted, and it’s obviously affected the equity markets as you reprice based on higher rates, lower multiples, higher cap rates, etc. But again, being long-term investors, we’re poised to ride out these cycles.

When you see clear sea changes developing and it’s not a temporary situation, then you can make your pivots. I think the big takeaway for us is we don’t have to always be the first to market. Apple didn’t invent the personal computer or the mobile phone. It saw where the market was going and created the best versions of those products.

One example of us following this strategy was several years ago when we moved away from investments in the fossil fuel space, a decision informed by our students and faculty who were rightly concerned about climate change. Our view was that from an investment standpoint, people were going to turn away from fossil fuel assets because they wanted to be part of the transition to clean energy, and so we knew our decision would be better from an investment standpoint. Though we could have made some pretty significant gains in the market this year if we were invested in fossil assets, we still believe we made the right move, for the long-term, in this area.

A big focus of the office this year has been the Diversity Drives Returns initiative. Can you talk about how this is opening us up to new opportunities?

For many years, I’ve been supportive of UC Investments’ work to ensure our external and internal managers reflect the diversity of the UC’s constituents and our state overall. Jagdeep and his team have done an excellent job this year with their Diversity Drives Returns initiative, meeting with more than 100 investment firms led by women and people of color. By expanding our pool, we will get exposed to new and different opportunities that were previously unknown to us.

This is important because so many of the great things that have happened in business have come from people who do things a different way. Bringing more people from diverse backgrounds into our tent can be the first to market. Apple didn’t invent the personal computer or the mobile phone. It saw where the market was going and created the best versions of those products.

With $152 billion, we have the power to flex our muscle where and when we can for the good of the university overall, whether that’s making a great co-investment deal in the private equity space or picking up a large real estate project where we can put money to work.

Also, I sit on the Innovation and Entrepreneurship Committee, and so I know that there are three to five inventions and patents coming out of the university every day. Jagdeep and I both remain committed to us being a financing source and a true partner to these individuals and teams as they work to commercialize these homegrown innovations.
Follow the instructions on page 1 to bring this image to life.

Ups. Downs. Highs. Lows. We stay the course.
Value added over 8 years

$5.2B

Fees saved over 8 years

$2.9B
Investing for the next 100 years

As of June 30, 2022

Endowment — 91 years
Pension — 63 years
Retirement Savings — 56 years
Short Term Investment Pool — 48 years
Total Return — 14 years
Blue & Gold — 3 years

North America (74%)
Europe (12%)
China (4%)
India (2%)
Rest of Asia (7%)
Rest of World (1%)

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY. OVERVIEW
Asset allocation drives returns

As of June 30, 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Value ($M)</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
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<tr>
<td>Fixed Income</td>
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<tr>
<td>Private Markets</td>
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<td></td>
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<td>Private Equity</td>
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<tr>
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<td>Real Estate</td>
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<tr>
<td>Real Assets</td>
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<tr>
<td>Cash</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$152,273M</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

This Year
June 30, 2022

1 Yr Ago
June 30, 2021

5 Yrs Ago
June 30, 2017

8 Yrs Ago
June 30, 2014

10 Yrs Ago
June 30, 2012

20 Yrs Ago
June 30, 2002
Our strong relationships with the Board of Regents allowed us to be nimble and shift our asset allocations to take advantage of market conditions.

<table>
<thead>
<tr>
<th>Public Equity: Stocks</th>
<th>Fixed Income: Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Putting another 10% in stocks before post-pandemic run-up added</td>
<td>Shifting from long-term to short-term bonds saved</td>
</tr>
<tr>
<td>$1.8B</td>
<td>$750M</td>
</tr>
</tbody>
</table>
Follow the instructions on page 1 to bring this image to life.

Staying agile has its rewards.
We invest for the long-term.
Our results back the strategy.
Follow the instructions on page 1 to bring this image to life.

Deeper relationships.
Stronger partnerships.
Long-term results.
The Endowment

We have been investing the endowment for 91 years.

The endowment is $18 billion in assets, divided among 6,500+ funds.

It supports 294,664 UC students.

The 2022 payout to campuses is $533 million.

2021/2022 Fiscal Year

Net return: (7.6%)

Gross return: (5.4%)

30-year annualized net return: 9%

Since 2014, this amounts to $2.3 billion in value added (over the benchmark) with asset growth of $9.9 billion, $5.6 billion in deposits from campuses, and $761 million in fees saved.
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

OVERVIEW
The Pension

- We have been investing the pension for **63 years**.

- The pension stands at **$81 billion**.

- Supporting **251,059** members, **52.2%** of them active.

- Employer contribution: **15%**

- Employee contributions: **7% to 9%**

---

2021/2022 Fiscal Year

- Net return: **(10.8%)**

- Gross return: **(9.7%)**

- 30-year annualized net return: **8.3%**

- Funded ratio (actuarial): **84%**

- Discount Rate: **6.75%**

Since 2014, we added **$2.1 billion** in value (over the benchmark) and grew assets by **$28.9 billion** while saving **$2 billion** in fees.
Investing for the long-term
UC Pension 1992—2022

OVERVIEW
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.
The UC Retirement Savings Program

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

2021/2022 Fiscal Year

The Retirement Savings plan serves 320,000+ members, making it the second largest U.S. public defined contribution plan, behind the federal government.

The plan offers participants the best choices, at the lowest cost of any plan in the nation.

Total assets: $30 billion over three plans.

We make investing for retirement simple. Since 2014, we’ve streamlined investment choices from 75 to 14.

We are always innovating. We have launched a low-cost way to guarantee an uninterrupted income stream for participants 78 and older.

We made the investment fund line-up fossil free, with an industry leading management fee of 0.05%.

Since 2014, we’ve added $513 million in value (over the benchmark) for our participants, saved them $85 million in fees, and grown assets by $10.2 billion.
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

OVERVIEW
We have been investing working capital for 48 years.

Working capital is $20.8 billion: $9.1 billion in short term and $11.7 billion in total return.

Our 10 campuses and five medical centers rely on working capital to pay for the mission-critical projects and programs that make UC the gold standard of U.S. public universities.

2021/2022 Fiscal Year

Total Return

Net return: (11.3%)

Gross return: (11.2%)

10-year annualized net return: 5.3%

Short Term

Net return: 0.2%

Gross return: 0.2%

30-year annualized net return: 3.7%
Investing for the long-term
UC Total Return 2009—2022
UC Short Term 1992—2022

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.
OVERVIEW
Patience. Persistence. Progress.
The 10 Pillars
The UC Investments Way
We created the 10 pillars of what we call the UC Investments Way to guide our long-term investment strategy. Amid epic uncertainty and market turbulence due to the global pandemic, we relied on our pillars more than ever before.

The 10 pillars gave us the strength and confidence to respond thoughtfully — not react defensively — as we made investment decisions in this unusually chaotic time. The pillars are our office’s common language and our guiding light. We wouldn’t be where we are today without them.

Less is More
“...you have to work hard to get your thinking clean to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”
Steve Jobs
Fewer assets, higher quality, better performance. Experience has shown us the value of lean, high-performance teams working collaboratively to manage a concentrated, high-conviction portfolio. We’ve greatly reduced the number of external managers we use and the number of line items on our books. That makes it easier to understand what we own, especially in a crisis, and gives us fewer decisions to make. The result is a small, agile team laser-focused on areas where we can outperform the market.

In investing, what is comfortable is rarely profitable.”
Robert Arnott
With opportunity, there is always risk. We’ve instilled that truism into our team members, and now we think of ourselves as risk managers, not asset managers. To bridge perspectives among asset classes, we speak the same “risk language.” From our partners, we demand transparency into the assets we hold, which allows us to assess the risks we’re taking across all our portfolios. We don’t just measure risk, we manage it with a forward-looking approach. That’s why we understand that risk is dynamic, human and long-term.

“Wide diversification is only required when investors do not understand what they are doing.”
Warren Buffet
“...the person who goes farthest is generally the one who is willing to do and dare. The sure-thing boat never gets far from shore.”
Dale Carnegie
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“...the person who goes farthest is generally the one who is willing to do and dare. The sure-thing boat never gets far from shore.”
Dale Carnegie
We believe that building a culture of innovation means opening your mind and sometimes charting new paths toward performance. We think like entrepreneurs, celebrating the wins and learning from the flops. We’re developing a dedicated innovation team within our organization — a rarity in institutional investment — to incubate, validate and develop unique pools of capital that leverage our UC competitive advantages.

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

THE UC INVESTMENTS WAY
“An investment in knowledge pays the best interest.”
— Benjamin Franklin

We are always on the lookout for opportunities that others might not have noticed or simply passed by. That’s why it’s critical to build knowledge — through connections, collaborations and the occasional deep dive into research — that can give us an edge.

We’re fortunate to operate within one of the world’s most knowledge-rich university systems and we’re delighted to capitalize on that.

“Talent wins games, but teamwork and intelligence wins championships.”
— Michael Jordan

We’re a collaborative bunch. And we realize that to be successful, we must attract the highest-caliber people aligned with that culture of honesty, humility and respect. We put people first, not lone wolves. We prize diversity of thought and background and share the University of California’s core values. That makes it an honor and pleasure to work in service of the university’s long-term investment goals.

“If you don’t have a competitive advantage, don’t compete.”
— Jack Welch

We are integrated within one of the world’s premier public research universities. We manage its money, while its students, faculty, staff and alumni discover and create. This unparalleled innovation ecosystem is a steady source of high-quality investment opportunities we can mine, while its people — including world-class experts in every discipline and field — offer knowledge and insights that bolster our success.

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”
— Sam Walton

As long-term investors, we choose our partners with particular care. Without trust and transparency, a long-term relationship won’t work. Costs matter, of course. But if external managers won’t provide us with a detailed accounting of how they make their money from our money, we pull our capital and walk. Perfect alignment means win-win — in performance, collaboration, and goals — and the costs tend to take care of themselves. By demanding complete transparency, which gives us understanding of our risks, we avoid a misalignment of interests and relationships cut short.

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“We should all be concerned about the future because we will have to spend the rest of our lives there.”
— Charles Franklin Kettering

We think of ourselves as an organization that invests for the next 100 years. We’re not in this to make a quick buck. Instead, we are always mindful of our fiduciary duty to help ensure the success of the University of California for generations to come. Our centennial orientation means our decision-making considers the long-term, fundamental challenges and risks facing society such as climate change, diversity, equity and inclusion and corporate governance.
The future is diverse.
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

LESS IS MORE
How we invest
We keep it simple because less is more. Simplicity means lower costs and more focus. That adds up to better returns. We reduced the number of key partnerships from 280 in 2014 to 50 today.
As our assets have grown, our active investments have declined. That’s meant higher returns, fewer external managers and far less money spent on fees.

In 2014, our portfolios had $30 billion in passive investments. Today, that number is $99 billion. Out of our total portfolio of $152 billion, we have $53 billion actively invested today, as compared to the $65 billion we actively invested in 2014 when our total portfolio stood at $95 billion. The bottom line: where we believe we can do better than the market, we actively invest. Otherwise, we earn returns while paying only minimal fees.
We do more for less
At UC Investments, we manage $6.9 billion per person. The industry standard is $1.1 billion. To do this work, our peers charge an average of 0.3%. That’s more than 10 times what our clients pay at 0.028%. In other words, instead of $456 million a year, our clients pay $42 million.

There are far fewer of us as well. We manage $152 billion. Most portfolios of that size have teams at least five times larger.
The pipeline for investment talent starts here.
What happened in the markets?

Public Equity Markets

Equity returns were negative in fiscal year 2021-22. The global index, the MSCI ACWI IMI, was down 17.9% and the S&P 500 was off by 12.3%. (Both indices are tobacco and fossil fuel free.) In the first half of the fiscal year, equities continued their strong multi-year run, supported by solid corporate earnings and ongoing monetary and fiscal stimulus. However, cracks started to appear in November with technology stocks in particular coming under pressure. Investor sentiment toward more speculative and/or unprofitable companies soured. Instead, investors turned to more cyclical companies (e.g., energy/financials) and those benefiting from the reopening of the economy post-COVID.

Early in 2022, it became clear that central banks were behind the curve and needed to tighten monetary policy to try to mitigate the strong inflationary pressures in the global economic system. With rapidly rising interest rates and geopolitical risks (e.g., Russia/Ukraine, U.S.-China tensions), stocks sold off significantly. The S&P 500 had its worst first half of the year since 1970. Chinese equities were the worst performer of the fiscal year, affected by COVID lockdowns and increased regulations (both domestically and U.S.-driven). U.S. equities outperformed other developed markets, while Indian equities held up best, down only modestly as its economy has continued to perform well.

Equity valuations have come down meaningfully, with the S&P 500 trading at a forward price/earnings ratio of 16x versus 21x a year ago. Although this is now more attractive and in line with longer-term historical averages, headwinds for equities will likely remain in the near future. Central bank policies and the ability of companies to navigate through a turbulent economy and geopolitical landscape will determine equity returns in the coming year.

How this played out at UC Investments

We invest in equities via passive index exposure and through active external managers. Our public equity exposure in the pension was held 71% in passive indexes and 29% was actively managed (via 19 active funds). As of June 30, 2022, our pension portfolio underperformed the ACWI benchmark by 0.9%. In the endowment, we underperformed the benchmark by 0.6% by holding 14% in passive and 46% in active (via 15 funds, all of them also in the pension).

We saw a very wide range of returns among our managers in the past year. Those with a value or cyclical bias tended to hold up well versus the benchmark, while those focused on growth (e.g., technology stocks in the U.S./Europe/Asia, biotech) struggled the most. In general, stock selection was difficult in the past year as markets often moved quickly, driven by geopolitical or inflation headlines rather than company-specific fundamentals. Our overweight to China was a detractor this fiscal year, although recent positive momentum there is encouraging. We benefited from our overweight to India and the U.S.

We made only limited changes in our portfolio this past year. We reduced the growth-style tilt in the endowment at the beginning of the fiscal year and added a U.S. small cap manager and a second dedicated India manager. As before, we are most excited about stock-picking opportunities outside the U.S. or in smaller companies or specific sectors.

Don’t underestimate the United States

US Equities (S&P 500)

Global Equities (MSCI ACWI IMI)

Source: Bloomberg
Global Equity Returns: 10 years

As of June 30, 2022

- S&P 500 Tobacco Free: 13%
- S&P 500 Fossil Fuel Free Tobacco Free: 13.5%
- GLOBAL EQUITIES MSCI ACWI IMI Tobacco Free: 8.8%
- GLOBAL EQUITIES MSCI ACWI IMI Fossil Fuel Free Tobacco Free: 9.3%
- MSCI EUROPE: 6.1%
- MSCI JAPAN: 6%
- MSCI EM: 3.4%
- MSCI CHINA: 5.7%
- MSCI INDIA: 8.2%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

WHAT HAPPENED IN THE MARKETS THIS YEAR
Soaring inflation and the Federal Reserve Board’s efforts to contain it dominated the fixed income markets as the 2021-22 fiscal year came to a close.

Through most of 2021, the Fed believed that rising prices for goods and services were transitory and, as such, maintained a very accommodative monetary policy characterized by near-zero interest rates and huge asset purchases. That shifted late in the fiscal year when the central bank began raising rates and reducing its bond holdings in an attempt to tamp down inflation. But inflation has persisted, as have expectations for more of the same.

The Federal Open Market Committee hiked its target policy rate 1.5% over the last three months of the fiscal year and is guiding policy to a peak rate of 3.8% by mid-2023. The monetary policy shift has tightened financial conditions with a stronger dollar, higher mortgage rates, wider credit spreads and lower equity prices. The housing market appears to have reacted quickly to the rate increases with a decline in both existing home sales and new construction. Outside of housing, the economy appears to have decent momentum despite tightening financial conditions.

Volatile markets are reflecting the effects of the extraordinary shift in monetary policy from zero rates and central bank balance sheet expansion to a rapid drawdown amid rate hikes not seen in decades. Borrowing money is becoming more expensive as rates climb. The 2-year U.S. Treasury yield recently broke above 3% for the first time since mid-2008. Credit spreads have widened — the broad U.S. investment grade corporate bond market now yields 4.5% vs. 2% at the start of the fiscal year. The U.S. high-yield market now yields 8.5% after beginning the year at 3.7%. Pricing of risky assets reflects some uncertainty about the fundamental outlook. With inflation its primary focus, the Fed is missing on its price stability mandate by a large measure. The Fed also projects rising unemployment in the coming years as the labor market softens from “unhealthy” levels.

Markets reflect the increasing risk that tighter monetary policy will lead to recession or stagflation. U.S. real GDP growth in Q1 was -1.5%, dragged down by weak exports and slower inventory accumulation. Predicting and timing recessions is difficult as each downturn varies in size, length, and triggers. Fed Chair Jerome Powell has noted that achieving a soft landing with moderating GDP growth and slowing inflation is not straightforward. With a tight labor market and the economy dealing with the shocks of higher food and energy prices, recession risks are rising over the next few years.

**How this played out at UC Investments**

After moving most of our fixed income assets to a passive strategy in fiscal year 2020-21, we have maintained a lower allocation to the asset class, thus reducing our interest rate risk in anticipation of higher interest rates.

The result as of June 30, 2022, was a return of -5% for U.S. core fixed income. The decision to shorten the maturity of our core portfolio helped performance. Our core benchmark, the 1-5 year Government/Credit Index outperformed our prior benchmark, the U.S. Aggregate Index by 5%.

Fixed income assets, however, were not a haven this fiscal year. Higher yields and wider spreads led to negative returns across the asset class. Overall, fixed income returns in the pension stood at -8.4%.

Looking forward, we do believe fixed income assets will finally offer income; the yield of our core portfolio is 3.5%, U.S. high yield 8.5% and emerging market debt 8%. Although higher yields/lower bond prices are still a risk, current yields imply a greater likelihood of positive returns for the asset class in the upcoming fiscal year. At current spreads of ~5%, the average historical return of the U.S. high yield market is 11% in the following year, well above the 7.7% long-term average. We expect fixed income to provide stability, income and diversification benefits to our overall portfolio in the coming year.
When will inflation peak?
Endowment

Critical financial support for the programs and initiatives that make our public research university system the best in the world.

General Endowment Pool

Blue & Gold Pool

Highlights

As of June 30, 2022

Gross Return (5.4%)

Net Return (7.6%)

Assets $18.2B

Fiscal Year To Date

Beginning Market Value $19B

Market Gains ($1.7B)

Value Added $0.3B

Net Cash Flow $0.6B

Ending Market Value $18.2B

Performance

As of June 30, 2022

Annualized Net Return (%)

Endowment

Policy Benchmark

Value Added

Public Equity 7.8 (18.5)

Fixed Income 1.2 (4.2)

Private Markets

Private Equity 4.4 (1.2)

Absolute Return 1.5 (2.6)

Private Credit 0.8 4.6

Real Estate 1.2 32.2 14.7 12.1 12.2 12.2 5 6

Real Assets 0.6 10 9.9 8.3 3.7 4

Cash 0.7 0.6 1

Total 18.2 100

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.
Asset Allocation Over Time

June 30, 2022

- Public Equity: 43%
- Fixed Income: 23%
- Private Equity: 6%
- Other Investments: 4%
- Cash: 11%

$18.2B

1 Yr Ago

- Public Equity: 47%
- Fixed Income: 24%
- Private Equity: 7%
- Other Investments: 1%
- Cash: 2%

$19B

5 Years Ago

- Public Equity: 44%
- Fixed Income: 24%
- Private Equity: 11%
- Other Investments: 6%
- Cash: 22%

$10.7B

8 Years Ago

- Public Equity: 36%
- Fixed Income: 36%
- Private Equity: 10%
- Other Investments: 10%
- Cash: 10%

$8.3B

10 Yrs Ago

- Public Equity: 37%
- Fixed Income: 42%
- Private Equity: 9%
- Other Investments: 15%
- Cash: 6%

$6.5B

20 Yrs Ago

- Public Equity: 61%
- Fixed Income: 42%
- Private Equity: 37%
- Other Investments: 15%
- Cash: 9%

$4.1B

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

Assets Over 8 Years

June 30, 2014 June 30, 2022

$18.2B

$8.3B

+$9.9B

(↑119%)

Passive Investments
Increased by 28%
$5.6 Billion From New Clients
Since 2014

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995–2004</td>
<td>1.3</td>
<td>2.2</td>
</tr>
<tr>
<td>2004–2014</td>
<td>2.2</td>
<td>3.1</td>
</tr>
<tr>
<td>2014–2022</td>
<td>3.1</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Policy Benchmarks
June 30, 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Index/Composite</th>
<th>Target (%)</th>
<th>Minimum (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free – Net Dividends</td>
<td>40</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>8</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Russell 3000 Index + 3%</td>
<td>24</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>HFRI Fund of Funds Composite</td>
<td>10</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Private Credit</td>
<td>75% Credit Suisse Leveraged Loan Fossil Free Index / 25% Merrill Lynch U.S. High Yield BB-B Constrained Fossil Free Index + 1.5%</td>
<td>4</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Real Estate</td>
<td>NCREIF Fund Index – Open End Diversified Core Equity (ODCE) non lagged</td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Real Assets</td>
<td>Actual Real Assets Portfolio Returns</td>
<td>4</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Cash</td>
<td>Bank of America 3-Month US Treasury Bill Index</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Risk Volatility

<table>
<thead>
<tr>
<th>Date</th>
<th>Risk Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 30, 2020</td>
<td>26.6%</td>
</tr>
<tr>
<td>Sep 30, 2020</td>
<td>23.1%</td>
</tr>
<tr>
<td>Dec 31, 2020</td>
<td>21.9%</td>
</tr>
<tr>
<td>Mar 31, 2021</td>
<td>21.9%</td>
</tr>
<tr>
<td>Jun 30, 2021</td>
<td>17.9%</td>
</tr>
<tr>
<td>Jun 30, 2022</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

Risk Allocation
As of June 30, 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>86.6%</td>
</tr>
<tr>
<td>Residual</td>
<td>12.3%</td>
</tr>
<tr>
<td>Idiosyncratic</td>
<td>0.4%</td>
</tr>
<tr>
<td>Other</td>
<td>0.4%</td>
</tr>
<tr>
<td>Currency</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
Blue & Gold
An investment vehicle created in March 2019 that helps our campuses increase their revenues while reducing reliance on state funds.

**Highlights**

As of June 30, 2022

<table>
<thead>
<tr>
<th>Gross Return</th>
<th>(15.2%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Return</td>
<td>(15.2%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
</tr>
<tr>
<td>Market Gains</td>
</tr>
<tr>
<td>Value Added</td>
</tr>
<tr>
<td>Net Cash Flow</td>
</tr>
<tr>
<td>Ending Market Value</td>
</tr>
</tbody>
</table>

**Performance**

As of June 30, 2022

<table>
<thead>
<tr>
<th>Market Value in Millions ($)</th>
<th>Weight (%)</th>
<th>1 Yr (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue &amp; Gold Pool</td>
<td>2,244</td>
<td>100</td>
</tr>
<tr>
<td>Policy Benchmark Value Added</td>
<td>(15.2)</td>
<td>(15.4)</td>
</tr>
<tr>
<td>Public Equity</td>
<td>1,750</td>
<td>78</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>494</td>
<td>22</td>
</tr>
</tbody>
</table>

**Asset Allocation**

As of June 30, 2022

<table>
<thead>
<tr>
<th>Market Value in Millions ($)</th>
<th>Portfolio Weight (%)</th>
<th>Over/Underweight (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>1,750</td>
<td>78</td>
<td>(2)</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>494</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>2,244</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Policy Benchmarks**

June 30, 2022

<table>
<thead>
<tr>
<th>Market Value in Millions ($)</th>
<th>Target (%)</th>
<th>Minimum (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (ACWI)</td>
<td>80</td>
<td>60</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>
Assets As of June 30, 2022

UC Campuses Have Choices

Net Returns

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0M</td>
<td>2500</td>
<td>2000</td>
</tr>
<tr>
<td>1Q</td>
<td>1,275</td>
<td>1,714</td>
</tr>
<tr>
<td>2Q</td>
<td>1,714</td>
<td>2,033</td>
</tr>
<tr>
<td>3Q</td>
<td>953</td>
<td>1,609</td>
</tr>
<tr>
<td>4Q</td>
<td>400</td>
<td>2,244</td>
</tr>
</tbody>
</table>

$(10\%) 0.6\% 0.2\%
0\% 5.8\%*
(11.3\%) (15.2\%) (20\%) (15.2\%) 21.3\% 33.7\%

(20%) Short Term Total Return Blue & Gold Endowment

*3 month returns ending June 30, 2021

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

BLUE & GOLD
Pension
A plan that invests across a broad range of asset types to provide retirement income security for all our members.

Pension + Retirement Savings

**Highlights**
As of June 30, 2022

| Gross Return | (9.7%) |
| Net Return | (10.8%) |

Fiscal Year To Date

| Beginning Market Value | $91B |
| Market Gains | ($9.8B) |
| Value Added | $0B |
| Net Cash Flow | ($0.2B) |
| Ending Market Value | $81B |

**Performance**
As of June 30, 2022

| Gross Return | $81B |
| Net Return | (10.8%) |

Fiscal Year To Date

| Beginning Market Value | $91B |
| Market Gains | ($9.8B) |
| Value Added | $0B |
| Net Cash Flow | ($0.2B) |
| Ending Market Value | $81B |

**Net Returns**
As of June 30, 2022

- **Value Added**
- **Policy**

![Net Returns Chart]

**Asset Allocation**
As of June 30, 2022

| Public Equity | 45.2 | 55.8 | 2.8 | 53 |
| Fixed Income | 11.9 | 27.9 | (2.3) | 17 |
| Private Markets | 22.6 | 27.9 | (2.3) | 30 |
| Private Equity | 8.8 | 10.8 | (1.2) | 12 |
| Absolute Return | 8.8 | 3.5 | 0 | 3.5 |
| Private Credit | 2.4 | 0 | (0.6) | 3.5 |
| Real Estate | 5.2 | 6.4 | 7 | 7 |
| Real Assets | 3.3 | 4.1 | 0.4 | 4 |
| Cash | 1.3 | 1.6 | 1.6 | 0 |
| **Total** | 81 | 100 | 0 | 100 |
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

Asset Allocation Over Time

- **Public Equity**
- **Fixed Income**
- **Private Equity**
- **Other Investments**
- **Cash**

<table>
<thead>
<tr>
<th>Date</th>
<th>Total Assets</th>
<th>Public Equity</th>
<th>Fixed Income</th>
<th>Private Equity</th>
<th>Other Investments</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2022</td>
<td>$80.9B</td>
<td>15%</td>
<td>16%</td>
<td>22%</td>
<td>6%</td>
<td>56%</td>
</tr>
<tr>
<td>June 30, 2021</td>
<td>$91B</td>
<td>15%</td>
<td>11%</td>
<td>18%</td>
<td>1%</td>
<td>58%</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>$61.7B</td>
<td>11%</td>
<td>7%</td>
<td>22%</td>
<td>1%</td>
<td>56%</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>$52.1B</td>
<td>15%</td>
<td>7%</td>
<td>22%</td>
<td>1%</td>
<td>55%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$41.4B</td>
<td>15%</td>
<td>8%</td>
<td>24%</td>
<td>2%</td>
<td>53%</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>$34.3B</td>
<td>21%</td>
<td>37%</td>
<td>22%</td>
<td>0%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Pension Funded Ratio

- Pension is 84% funded on an actuarial basis in 2022.

Assets Over 8 Years

- **2002**
- **2012**
- **2014**
- **2022**

**Funded Ratio (Market Value)**

**Funded Ratio (Actuarial)**

- 0%
- 20%
- 40%
- 60%
- 80%
- 100%
- 120%
- 140%
- 160%
- 180%
- 200%

- 1983
- 1990
- 1997
- 2004
- 2011
- 2018

**PENSION**
### Passive Investments

Increased by 34%

![Graph showing percentage and values for Passive Investments from 2014 to 2022.](Graphic)

<table>
<thead>
<tr>
<th>Year</th>
<th>Active ($B)</th>
<th>Passive ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$52.1B</td>
<td>77%</td>
</tr>
<tr>
<td>2022</td>
<td>$81B</td>
<td>43%</td>
</tr>
</tbody>
</table>

### Policy Benchmarks

**June 30, 2022**

<table>
<thead>
<tr>
<th>Category</th>
<th>Benchmark</th>
<th>Policy (%</th>
<th>Minimum (%</th>
<th>Maximum (%</th>
<th>Mean (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Equity</strong></td>
<td>MSCI All Country World Index (ACWI) / Investable Market Index (IMI) Tobacco and Fossil Fuel Free – Net Dividends</td>
<td>53</td>
<td>43</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>13</td>
<td>10</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>High Yield</strong></td>
<td>Merrill Lynch High Yield Cash Pay Index Fossil Free</td>
<td>2.5</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Emerging Market Debt</strong></td>
<td>JPMorgan Emerging Markets Bond Index Global Diversified Fossil Free</td>
<td>1.5</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Private Equity</strong></td>
<td>Russell 3000 Index + 3%</td>
<td>12</td>
<td>7</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td><strong>Absolute Return</strong></td>
<td>HFRI Fund of Funds Composite</td>
<td>3.5</td>
<td>0</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td><strong>Private Credit</strong></td>
<td>75% Credit Suisse Leveraged Loan Fossil Free Index / 25% Merrill Lynch U.S. High Yield BB-B Constrained Fossil Free Index + 1.5%</td>
<td>3.5</td>
<td>0</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>NCREIF Fund Index – Open End Diversified Core Equity (ODCE) non lagged</td>
<td>7</td>
<td>2</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>Real Assets</strong></td>
<td>Actual Real Assets Portfolio Return</td>
<td>4</td>
<td>0</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>Bank of America 3-Month US Treasury Bill Index</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

### Risk Volatility

<table>
<thead>
<tr>
<th>Date</th>
<th>Risk Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 30, 2020</td>
<td>24.7%</td>
</tr>
<tr>
<td>Sep 30, 2020</td>
<td>22.8%</td>
</tr>
<tr>
<td>Dec 31, 2020</td>
<td>20.9%</td>
</tr>
<tr>
<td>Mar 31, 2021</td>
<td>19.9%</td>
</tr>
<tr>
<td>Jun 30, 2021</td>
<td>16.9%</td>
</tr>
<tr>
<td>Jun 30, 2022</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

### Risk Allocation

As of June 30, 2022

<table>
<thead>
<tr>
<th>Factor</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>90.5%</td>
</tr>
<tr>
<td>Residual</td>
<td>8.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
</tr>
<tr>
<td>Currency</td>
<td>0.4%</td>
</tr>
<tr>
<td>Real Rates</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.**
## Highlights

As of June 30, 2022

| Retirement Savings Program serves 320,000+ members, making it the second largest U.S. public defined contribution plan behind the federal government. |

| Participants | 301,000  | 320,000  |
| Assets       | $19.8B   | $30B     |
| Default      | UC Savings Fund | UC Pathway |
| Target Date Assets | $3.1B | $12.3B |
| Investment Choices | 75 | 14 |
| Management Fee | 0.14% | 0.05% |
| Management Fee | $26M | $14M |

## Investment Choices

<table>
<thead>
<tr>
<th>Investment Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I</td>
</tr>
<tr>
<td>Target Date Fund</td>
</tr>
<tr>
<td>Tier II</td>
</tr>
<tr>
<td>13 Core Options</td>
</tr>
<tr>
<td>Tier III</td>
</tr>
<tr>
<td>Brokerage Window</td>
</tr>
<tr>
<td>Investment Management Fee</td>
</tr>
</tbody>
</table>

## Assets Over 8 Years

<table>
<thead>
<tr>
<th>Passive Investments Increased by 40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2014</td>
</tr>
<tr>
<td>June 30, 2022</td>
</tr>
<tr>
<td>$10.2B (+52%)</td>
</tr>
</tbody>
</table>

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

3 Plans
30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

3 Plans
30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

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30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

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30B

$12.3B
$15.7B
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$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

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30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

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30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

3 Plans
30B

$12.3B
$15.7B
$2B

$26M
$14M

0.14%
0.05%
### Performance Funds

**Target Date Funds**

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Value Added</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Pathway Income Fund</td>
<td>0.0%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>3.5%</td>
<td>3.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>UC Pathway Fund 2020</td>
<td>0.2%</td>
<td>4.5%</td>
<td>3.5%</td>
<td>4.6%</td>
<td>4.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>UC Pathway Fund 2025</td>
<td>0.2%</td>
<td>5.2%</td>
<td>4.6%</td>
<td>5.3%</td>
<td>4.7%</td>
<td>5.2%</td>
</tr>
<tr>
<td>UC Pathway Fund 2030</td>
<td>0.2%</td>
<td>5.4%</td>
<td>5.0%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>UC Pathway Fund 2035</td>
<td>0.2%</td>
<td>5.9%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>5.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>UC Pathway Fund 2040</td>
<td>0.1%</td>
<td>6.9%</td>
<td>5.9%</td>
<td>5.5%</td>
<td>6.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>UC Pathway Fund 2045</td>
<td>0.2%</td>
<td>6.2%</td>
<td>5.7%</td>
<td>5.7%</td>
<td>7.1%</td>
<td>7.1%</td>
</tr>
<tr>
<td>UC Pathway Fund 2050</td>
<td>0.2%</td>
<td>6.4%</td>
<td>5.9%</td>
<td>6.3%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>UC Pathway Fund 2055</td>
<td>0.2%</td>
<td>6.4%</td>
<td>5.9%</td>
<td>6.3%</td>
<td>7.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>UC Pathway Fund 2060</td>
<td>0.2%</td>
<td>6.4%</td>
<td>5.9%</td>
<td>6.3%</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>UC Pathway Fund 2065</td>
<td>0.2%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Performance Core Lineup

**Equities Core Lineup**

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Value Added</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large Equity</td>
<td>0.1%</td>
<td>4.2%</td>
<td>4.3%</td>
<td>4.5%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>US Small/Mid Cap Equity</td>
<td>0.2%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>5.8%</td>
<td>6.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Growth Large Equity</td>
<td>0.2%</td>
<td>5.6%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>6.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>World ex-US Equity</td>
<td>0.2%</td>
<td>5.8%</td>
<td>5.9%</td>
<td>6.3%</td>
<td>6.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>0.2%</td>
<td>6.2%</td>
<td>6.3%</td>
<td>6.6%</td>
<td>6.8%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.2%</td>
<td>6.6%</td>
<td>6.6%</td>
<td>6.7%</td>
<td>6.8%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

---

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.
## Performance
### Fixed Income Core Lineup

<table>
<thead>
<tr>
<th>Market</th>
<th>Value ($M)</th>
<th>1 Yr</th>
<th>2 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>8 Yr</th>
<th>10 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Preservation</td>
<td>3,781</td>
<td>0.6</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>UC Savings Fund</td>
<td>12.6</td>
<td>0.8</td>
<td>1.4</td>
<td>1.1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two-Year U.S. Treasury Notes Income Return</td>
<td>Value Added</td>
<td>(0.4)</td>
<td>0.2</td>
<td>(0.2)</td>
<td>0.1</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>145</td>
<td>2.2</td>
<td>3.6</td>
<td>3.1</td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>UC Short Term TIPS Fund</td>
<td>0.5</td>
<td>2.1</td>
<td>3.5</td>
<td>2.9</td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>Barclays 1-3 Year U.S. TIPS Index</td>
<td>Value Added</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>UC TIPS Fund</td>
<td>352</td>
<td>1.2</td>
<td>4.1</td>
<td>3.2</td>
<td>3.4</td>
<td>2.4</td>
<td>2</td>
</tr>
<tr>
<td>Barclays US TIPS Index</td>
<td>Value Added</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Diversified Fixed Income</td>
<td>1,183</td>
<td>3.9</td>
<td>(1)</td>
<td>(1)</td>
<td>0.9</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>UC Bond Fund</td>
<td>3.9</td>
<td>(10.9)</td>
<td>(0.9)</td>
<td>0.9</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Barclays Aggregate Fixed Income Benchmark</td>
<td>Value Added</td>
<td>0.2</td>
<td>(0.5)</td>
<td>0</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
</tr>
</tbody>
</table>
### Performance

<table>
<thead>
<tr>
<th></th>
<th>Market Value in Billions ($)</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>8 Yr</th>
<th>10 Yr</th>
<th>13 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Return</td>
<td>11.7</td>
<td>(11.3)</td>
<td>3.1</td>
<td>4</td>
<td>3.8</td>
<td>5.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Investment Pool</td>
<td>(11.5)</td>
<td>0.2</td>
<td>3.7</td>
<td>4.3</td>
<td>3.8</td>
<td>5.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Value Added</td>
<td>(0.6)</td>
<td>(0.3)</td>
<td>0</td>
<td>0.1</td>
<td>0.1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Public Equity</td>
<td>5.6</td>
<td>(12.6)</td>
<td>1</td>
<td>4.1</td>
<td>4.5</td>
<td>8</td>
<td>8.9</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6.1</td>
<td>(4.9)</td>
<td>0.5</td>
<td>2</td>
<td>2.3</td>
<td>2.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Cash</td>
<td>0</td>
<td>0.2</td>
<td>0.9</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

### Asset Allocation

<table>
<thead>
<tr>
<th></th>
<th>Portfolio Weight (%)</th>
<th>Over/Underweight (%)</th>
<th>Policy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>56.6</td>
<td>(2.6)</td>
<td>50</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6.1</td>
<td>2.5</td>
<td>50</td>
</tr>
<tr>
<td>Private Markets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>0</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

Asset Allocation Over Time

- Public Equity
- Fixed Income
- Other Investments
- Cash

June 30, 2022
53% $11.7B
47% $13B

1 Yr Ago
June 30, 2021
1% $10B
50% $13B

5 Yrs Ago
June 30, 2017
14% $8.9B
37% $7.6B

8 Yrs Ago
June 30, 2014
20% $8.9B
30% $7.6B

10 Yrs Ago
June 30, 2012
48% $4.3B
35% $1.5B

13 Yrs Ago
June 30, 2009
69% $4.3B
75% $1.5B

Assets Over 8 Years

$11.7B
$7.6B
+$4.1B
(↑54%)

June 30, 2014
June 30, 2022

Passive Investments
Increased by 72%
### Policy Benchmarks

**June 30, 2022**

<table>
<thead>
<tr>
<th>Category</th>
<th>Benchmark Description</th>
<th>Policy (%)</th>
<th>Minimum (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuels Free – Net Dividends</td>
<td>50</td>
<td>35</td>
<td>55</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays 1-5 Year US Government/Credit Index</td>
<td>50</td>
<td>35</td>
<td>55</td>
</tr>
<tr>
<td>Private Assets</td>
<td>Total TRIP Portfolio Benchmark</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

### Risk Volatility

- **June 30, 2020**: 18.8%
- **Sep 30, 2020**: 14.1%
- **Dec 31, 2020**: 14.1%
- **Mar 31, 2021**: 12.4%
- **Jun 30, 2021**: 9.5%
- **Jun 30, 2022**: 5.7%

### Risk Allocation

**As of June 30, 2022**

- **Economic Growth**: 87.6%
- **Residual**: 6.1%
- **Real Rates**: 2.9%
- **Inflation**: 1.8%
- **Other**: 1.6%
### Highlights

**Gross Return**: 0.2%

**Assets**: $9.1B

**Net Return**: 0.2%

Fiscal Year To Date

<table>
<thead>
<tr>
<th>Beginning Market Value</th>
<th>$9.6B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Gains</td>
<td>$0</td>
</tr>
<tr>
<td>Value Added</td>
<td>$0</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>($0.5B)</td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$9.1B</td>
</tr>
</tbody>
</table>

### Performance

**Annualized Net Return (%)**

<table>
<thead>
<tr>
<th>Period</th>
<th>1 yr</th>
<th>3 yr</th>
<th>5 yr</th>
<th>8 yr</th>
<th>10 yr</th>
<th>15 yr</th>
<th>20 yr</th>
<th>25 yr</th>
<th>30 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term</td>
<td>0.2%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>2.2%</td>
<td>2.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Policy</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### Asset Allocation

<table>
<thead>
<tr>
<th>Period</th>
<th>1 yr</th>
<th>3 yr</th>
<th>5 yr</th>
<th>8 yr</th>
<th>10 yr</th>
<th>15 yr</th>
<th>20 yr</th>
<th>25 yr</th>
<th>30 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governments</td>
<td>4.5</td>
<td>49</td>
<td>0.11</td>
<td>AA+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>4.6</td>
<td>51</td>
<td>0.09</td>
<td>A+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9.1</td>
<td>100</td>
<td>0.10</td>
<td>AA-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.

SHORT TERM INVESTMENT POOL
Assets Over 8 Years

- June 30, 2014: $7.1B
- June 30, 2022: $9.1B

$2B (+28%)

Portfolio Duration

- 2021:
  - 0% to 3 Mo: 91%
  - 3 Mo to 1Y: 75%
  - 1-2 Yrs: 25%

- 2022:
  - 0% to 3 Mo: 9%
  - 3 Mo to 1Y: 0%
  - 1-2 Yrs: 0%

Policy Benchmarks

June 30, 2022

- Short Term:
  - Target (%): 50/50 Weighted Average of the Yield on a Constant Maturity One-Year US Treasury Note and US 30 Day Treasury Bills

Where Others See Chaos, We See Opportunity.
Follow the instructions on page 1 to bring this image to life.

STAYING THE COURSE
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Staying the course. Charting the future.
A month after our fiscal year ended, the markets rebounded, helping us — for the moment — gain back some ground we’d lost during the rocky times of early summer.

This gave us time to reflect on what we’ve collectively gone through the past few years. We’ve had social, economic and political upheavals like we haven’t seen in our lifetimes. And as for what lies ahead? No one knows. (And if they say they do, run.)

What we do know is that we’re proud of our team at UC Investments. We’re honored to be entrusted with the money that supports our university and our greater community. And we’re committed to staying the course, guided by The UC Investments Way no matter what happens in the markets, on the geopolitical landscape or within our own university ecosystem.

We are moving boldly forward. And we can’t wait to see what’s next.
WHERE OTHERS SEE CHAOS, WE SEE OPPORTUNITY.