

The Regents of the University of California

COMMITTEE ON INVESTMENTS

January 14, 1999

The Committee on Investments met on the above date at UCSF-Laurel Heights, San Francisco.

Members present: Regents Atkinson, Bagley, Davies, Khachigian, Leach, Lee, Parsky, Pruess, and Sayles

In attendance: Regents Connerly, Espinoza, Johnson, Kozberg, Miura, Montoya, and Willmon, Regent-designate Vining, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Treasurer Small, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Hershman, and Hopper, Chancellors Berdahl, Bishop, Carnesale, Dynes, Greenwood, Orbach, Vanderhoef, and Yang, and Recording Secretary Nietfeld

The meeting convened at 1:10 p.m. with Committee Chair Parsky presiding.

1. **APPROVAL OF MINUTES**

The minutes of the meeting of November 19, 1998, having been distributed previously, were approved.

2. **REPORT ON UC ENDOWMENT ASSETS**

In accordance with the Schedule of Reports, the Treasurer presented the **Endowments Annual Report** for Fiscal Year 1998. This fiscal year-end report provides the Committee on Investments with information on the past year's and past ten years' investment returns for each of the campus foundations and for The Regents' General Endowment Pool.

Treasurer Small noted that the Endowments Annual Report summarizes information in five key areas: total assets, investment performance, investment management fees, gift fees and recurring charges, and spending policies. In addition, the report contains detailed information and a two-page profile for each foundation. Approximately 75 percent of all UC endowed and non-endowed assets are restricted by the donor as to purpose. Endowed assets are designated by the donor or by the University to be permanently invested, and only the endowed income may be spent. Non-endowed assets consist of income not yet spent, new gifts designated for current-year cash use, and trust or life income assets. As of June 30, 1998, The Regents' endowments totaled \$3.888 billion, while foundation endowments totaled \$1.064 billion. Total UC endowment assets as of June 30, 1998 totaled \$4.952 billion, up from \$4.021 billion in the previous fiscal year, which represents a 23.1 percent increase. Endowment funds continue to capitalize on the bull market trends to register an overall weighted average return of 19.5 percent. This return is influenced by The Regents' 20.5

percent return for the fiscal year. Treasurer Small noted that a new table in the report lists endowment funds by asset class allocation. With respect to management fees, the overall weighted average investment management fee for all foundation endowment assets was 0.3 percent. Next year's report will portray higher expenses on The Regents' endowments as the campuses will be allowed to recover the reasonable and actual cost related to processing Regents' endowments.

Regent Parsky referred to the variations in the performance of the foundations and asked the Treasurer whether this is a result of the asset mix or the actual investment performance. Treasurer Small responded that the Office of the Treasurer had not performed any extensive performance attribution analysis. She noted that the type of equities held by a foundation would influence investment performance for 1998. In response to a question from Regent Parsky regarding the Treasurer's relationship with the foundations whose assets are not invested by the Treasurer, Ms. Small reported that she writes to each foundation on an annual basis to remind them that the Office of the Treasurer is open to them, and she visits almost every foundation each year. Regent Parsky noted that a closer relationship between the Office of the Treasurer and the campus foundations would be in the best interest of the University.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

The meeting adjourned at 1:20 p.m.

Attest:

Secretary