

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN
INVESTMENT POLICY STATEMENT**

D. Rebalancing Policy

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the Fund. Accordingly, the Investment Committee authorizes the Chief Investment Officer to rebalance the Fund when necessary to ensure adherence to the Investment Policy.

The Chief Investment Officer will monitor the actual asset allocation at least monthly. The Committee directs the Chief Investment Officer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Chief Investment Officer may utilize derivative contracts (in accordance with Appendix 4) to rebalance the portfolio.

The Chief Investment Officer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the Plan. Results of rebalancing will be reported to the Committee at quarterly meetings.

Pending Approval

Additions shown by underscoring; deletions shown by strikethrough**UNIVERSITY OF CALIFORNIA
APPENDICES TO INVESTMENT POLICY STATEMENTS****APPENDIX 7O**Effective: ~~April 1, 2010~~ July 19, 2012Replaces version approved ~~March 1, 2009~~ April 1, 2010

**ABSOLUTE RETURN (AR) STRATEGIES
INVESTMENT GUIDELINES**

The purpose of portfolio guidelines is to clearly define performance objectives, state the investment approach, and to control risk. Portfolio guidelines should be subject to ongoing review. A change in the allocation to the strategy or the Investment Committee's risk tolerance can be among the reasons for a guideline review.

Performance Objective:

The objective of the absolute return strategy (AR) portfolio is to earn an annualized return that exceeds the Performance Benchmark (below). The AR portfolio should also provide diversification benefits to the overall portfolio by offering returns that ~~have low~~ exhibit moderate correlation to the performance of other asset classes. The portfolio shall be ~~roughly~~ composed of ~~one half low volatility, absolute return type strategies and one half higher volatility, market directional type strategies.~~

Portfolio Performance Benchmark

The performance benchmark is a weighted combination of 50% times the return of the HFRX-Absolute Return Strategies Index plus 50% times the return of the HFRX Market Directional Index

Portfolio Guidelines

1. Permissible investments include ~~funds~~ vehicles that invest primarily in Long/Short strategies (including U.S., dedicated Non-U.S., short bias, and global equities), Relative Value strategies (including equity market neutral, convertible bond arbitrage, relative value credit, and fixed income), Event Driven strategies (including distressed securities, special situations, ~~capital structure arbitrage, relative value credit, and risk arbitrage strategies~~), and Opportunistic strategies (including macro, CTA and portfolio hedge).
2. Investments may be made in ~~funds~~ vehicles that ~~manage~~ invest in single or multiple strategies.
3. ~~Fund of funds investments are permitted.~~ Investments may be made in a variety of vehicle structures, which may include: separate accounts, funds-of-one, comingled hedge funds, fund of hedge funds, and drawdown structures.

4. Policy ranges for the strategies are:

	<u>Range</u>
Long/Short Equity	30-60 <u>10-50</u> %
Event Driven	20-50 <u>10-50</u> %

SCHEDULE OF REPORTS TO THE REGENTS
[Pursuant to Bylaw 16.8(a)]
Amended ~~January~~ July 2012

	Month(s) Presented or Mailed to Regents
Annual Report on the Net Fee Income Received as Owner of a Limited Liability Company Managing a Department of Energy National Laboratory and Expenditures Made Therefrom (<i>mbm*</i>)	November
Annual Report on the Commission on the Future Recommendations	March
COMMITTEE ON GROUNDS AND BUILDINGS	
Annual Report on Sustainable Practices (<i>mbm*</i>)	January
Annual Report on Chancellor's Residence and Office Capital Projects (<i>mbm*</i>)	September
Annual Report on Major Capital Projects Implementation (<i>mbm*</i>)	October
Ten Year Consolidated State and Non-State Capital Financial Plan	November
COMMITTEE ON HEALTH SERVICES	
Biannual Activity and Financial Status Report on Hospitals and Clinics (<i>mbm*</i>)	March November
COMMITTEE ON INVESTMENTS	
Annual Endowment Investment Report (<i>mbm*</i>)	February
Annual Report of the Treasurer (<i>mbm*</i>)	November
COMMITTEE ON LONG RANGE PLANNING	
Annual University of California Accountability Report	July