

## Office of the Chief Investment Officer

### TO MEMBERS OF THE COMMITTEE ON INVESTMENTS / INVESTMENT ADVISORY GROUP:

#### DISCUSSION ITEM

*For Meeting of September 9, 2015*

### UPDATE ON INVESTMENT PERFORMANCE FOR FISCAL YEAR 2014-15

#### EXECUTIVE SUMMARY

The Office of the Chief Investment Officer managed \$98.2 billion in assets as of June 30, 2015. The Entity assets are comprised of the Endowment (\$8.9 billion), Pension (\$55.0 billion), Working Capital (\$14.2 billion, consisting of \$7.4 billion in the Total Return Investment Pool and \$6.8 billion in the Short Term Investment Pool), and Retirement Savings Program (\$20.1 billion). Performance of the Endowment, Pension, and Working Capital portfolios as of June 30, 2015 is provided below and further details are included in the respective product attachments.

#### GENERAL ENDOWMENT PLAN INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2015

As of June 30, 2015, the Office of the Chief Investment Officer (CIO) managed \$8.9 billion in the General Endowment Pool (GEP), which increased approximately \$600 million from the prior year, a 7.2 percent gain, outperforming the benchmark by 3.7 percent.

<b>GEP Performance As of June 30, 2015</b>	<b>Market Value In Millions (\$)</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>20 Year</b>
<b>Endowment</b>	<b>\$ 8,928</b>	<b>7.2</b>	<b>12.4</b>	<b>11.3</b>	<b>7.4</b>	<b>9.0</b>
Policy Benchmark		3.5	9.9	8.9	6.5	8.3
<i>Excess Return</i>		<i>3.7</i>	<i>2.5</i>	<i>2.4</i>	<i>0.9</i>	<i>0.7</i>
<b>Equity</b>						
U.S.	1,142	8.3	18.3	17.8	8.0	8.5
Russell 3000 Tobacco Free Index		7.3	17.9	17.5	8.0	9.2
<i>Excess Return</i>		<i>1.0</i>	<i>0.4</i>	<i>0.3</i>	<i>0.0</i>	<i>(0.7)</i>
Non-U.S. Developed	843	(2.8)	12.2	9.7	5.9	-
MSCI World ex-U.S.		(5.3)	11.2	8.9	5.1	-
<i>Excess Return</i>		<i>2.5</i>	<i>1.0</i>	<i>0.8</i>	<i>0.8</i>	<i>-</i>
Emerging Markets	541	1.1	5.8	5.7	8.7	7.8
MSCI Emerging Market		(5.1)	3.7	3.7	8.1	6.1
<i>Excess Return</i>		<i>6.2</i>	<i>2.1</i>	<i>2.0</i>	<i>0.6</i>	<i>1.7</i>

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Opportunistic	1,106	11.6	-	-	-	-
MSCI All Country World Index		0.7	-	-	-	-
<i>Excess Return</i>		10.9	-	-	-	-
<b>Fixed Income</b>						
Core	327	1.7	2.7	3.8	4.3	6.8
Barclays U.S. Aggregate Bond Index		1.9	1.8	3.3	4.4	6.2
<i>Excess Return</i>		(0.2)	0.9	0.5	(0.1)	0.6
High Yield	218	0.1	7.3	9.0	-	-
Merrill Lynch High Yield Cash Pay		(0.5)	6.7	8.4	-	-
<i>Excess Return</i>		0.6	0.6	0.6	-	-
TIPS	202	(1.4)	(0.6)	3.5	4.4	-
Barclay U.S. TIPS		(1.7)	(0.8)	3.3	4.1	-
<i>Excess Return</i>		0.3	0.2	0.2	0.3	-
Emerging Markets	201	(1.8)	2.3	5.2	-	-
JP Morgan Emerging Markets Bond		0.5	4.2	6.2	-	-
<i>Excess Return</i>		(2.3)	(1.9)	(1.0)	-	-
<b>Other Investments</b>						
Private Equity	769	22.6	20.9	17.5	11.8	20.2
Private Equity Benchmark		22.6	20.9	17.5	11.8	12.4
<i>Excess Return</i>		0.0	0.0	0.0	0.0	7.8
Absolute Return	2,108	6.7	10.1	8.0	6.4	-
50% HRFX Absolute Return + 50% HRFX Market Directional		2.3	4.9	1.4	4.4	-
<i>Excess Return</i>		4.4	5.2	6.6	2.0	-
Real Estate -Private	717	17.7	14.1	15.6	4.1	-
NCREIF ODCE Index		12.9	11.7	14.3	3.8	-
<i>Excess Return</i>		4.8	2.4	1.3	0.3	-
Real Assets	201	(6.3)	2.9	3.1	-	-
S&P GSCI Reduced Energy + Real Assets		(12.3)	0.3	1.6	-	-
<i>Excess Return</i>		6.0	2.6	1.5	-	-
<b>Cash</b>						
US 2 Year Treasury Note Income Return	554	1.4	1.5	2.1	17.5	-
<i>Excess Return</i>		0.5	0.3	0.4	1.7	-
<i>Excess Return</i>		0.9	1.2	1.7	15.8	-

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN  
INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2015**

The Office of the CIO managed \$55.0 billion for the University of California Retirement Plan as of June 30, 2015, an increase of \$2.9 billion from the prior year, a 4.5 percent gain, outperforming the benchmark by 2.3 percent.

UCRP Performance As of June 30, 2015	Market Value In Millions (\$)	1 Year	3 Year	5 Year	10 Year	20 Year
<b>Pension</b>	<b>\$ 55,041</b>	<b>4.5</b>	<b>11.0</b>	<b>11.0</b>	<b>6.3</b>	<b>8.4</b>
Policy Benchmark		2.2	9.8	9.9	5.7	7.9
<i>Excess Return</i>		2.3	1.2	1.1	0.6	0.5
<b>Equity</b>						
U.S.	12,029	7.5	18.0	17.6	7.9	8.6
Russell 3000 Tobacco Free Index		7.3	17.9	17.5	8.0	9.2
<i>Excess Return</i>		0.2	0.1	0.1	(0.1)	(0.6)

Non-U.S. Developed	7,908	(3.6)	11.9	9.5	5.6	-
MSCI World ex-U.S.		(5.3)	11.2	8.9	5.1	-
<i>Excess Return</i>		<i>1.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.5</i>	-
Emerging Markets	3,971	(0.1)	5.5	5.4	8.6	8.0
MSCI Emerging Market		(5.1)	3.7	3.7	8.1	6.1
<i>Excess Return</i>		<i>5.0</i>	<i>1.8</i>	<i>1.7</i>	<i>0.5</i>	<i>1.9</i>
Opportunistic	5,913	11.1	-	-	-	-
MSCI All Country World Index		0.7	-	-	-	-
<i>Excess Return</i>		<i>10.4</i>	-	-	-	-
<b>Fixed Income</b>						
Core	6,885	1.8	2.6	3.9	4.6	7.1
Barclays U.S. Aggregate Bond Index		1.9	1.8	3.3	4.4	6.2
<i>Excess Return</i>		<i>(0.1)</i>	<i>0.8</i>	<i>0.6</i>	<i>0.2</i>	<i>0.9</i>
High Yield	1,537	0.1	7.3	8.9	-	-
Merrill Lynch High Yield BB/B Cash Pay		(0.5)	6.7	8.4	-	-
<i>Excess Return</i>		<i>0.6</i>	<i>0.6</i>	<i>0.5</i>	-	-
TIPS	2,343	(1.4)	(0.5)	3.5	4.4	-
Barclay U.S. TIPS		(1.7)	(0.8)	3.3	4.1	-
<i>Excess Return</i>		<i>0.3</i>	<i>0.3</i>	<i>0.2</i>	<i>0.3</i>	-
Emerging Markets	1,277	(1.8)	2.3	5.0	-	-
JP Morgan Emerging Markets Bond		0.5	4.2	6.2	-	-
<i>Excess Return</i>		<i>(2.3)</i>	<i>(1.9)</i>	<i>(1.2)</i>	-	-
<b>Other Investments</b>						
Private Equity	2,883	12.9	15.3	14.5	10.7	19.2
Private Equity Benchmark		12.9	15.3	14.5	10.7	12.0
<i>Excess Return</i>		<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>7.2</i>
Absolute Return	3,401	6.7	10.1	8.0	-	-
50% HRFX Absolute Return + 50% HRFX Market Directional		2.3	4.9	1.4	-	-
<i>Excess Return</i>		<i>4.4</i>	<i>5.2</i>	<i>6.6</i>	-	-
Real Estate -Private	3,199	18.1	13.8	15.5	2.7	-
NCREIF ODCE Index		12.9	11.7	13.7	2.4	-
<i>Excess Return</i>		<i>5.2</i>	<i>2.1</i>	<i>1.8</i>	<i>0.3</i>	-
Real Assets	1,088	(6.6)	2.8	3.7	-	-
S&P GSCI Reduced Energy + Real Assets		(12.3)	0.3	1.7	-	-
<i>Excess Return</i>		<i>5.7</i>	<i>2.5</i>	<i>2.0</i>	-	-
<b>Cash</b>						
US 2 Year Treasury Note Income Return	2,587	1.6	2.7	3.6	-	-
<i>Excess Return</i>		<i>1.1</i>	<i>2.4</i>	<i>3.2</i>	-	-

## WORKING CAPITAL INVESTMENT PERFORMANCE UPDATES FOR PERIODS ENDING JUNE 30, 2015

The Office of the CIO managed \$7.4 billion in the Total Return Investment Pool (TRIP), which decreased \$0.2 billion, primarily from cash outflows of about \$500 million during the year. TRIP gained 2.6 percent, outperforming its benchmark by 1.4 percent as of June 30, 2015. The Short Term Investment Pool (STIP) held \$6.8 billion as of June 30, 2015, gaining 1.4 percent and outperforming its benchmark by 1.0 percent.

Working Capital Performance as of June 30, 2015 is shown in the table below:

As of June 30, 2015	Market Value In Millions (\$)	1 Year	3 Year	5 Year	10 Year	20 Year
<b>Total-Return</b>	<b>\$ 7,425</b>	<b>2.6</b>	<b>8.4</b>	<b>8.6</b>	-	-
Policy Benchmark		1.2	7.7	8.1	-	-
Value Added		1.4	0.7	0.5	-	-
<b>Equity</b>						
U.S.	965	7.2	17.7	17.8	-	-
Russell 3000 Tobacco Free Index		7.3	17.9	17.7	-	-
Excess Return		(0.1)	(0.2)	0.1	-	-
Non-U.S. Developed	533	(4.9)	12.7	8.3	-	-
MSCI World ex-U.S.		(5.3)	12.5	8.2	-	-
Excess Return		0.4	0.2	0.1	-	-
Emerging Markets	505	(5.4)	-	-	-	-
MSCI Emerging Market		(5.1)	-	-	-	-
Excess Return		(0.3)	-	-	-	-
Opportunistic	857	11.6	-	-	-	-
MSCI All Country World Index		0.7	-	-	-	-
Excess Return		10.9	-	-	-	-
Real Estate – Public	170	4.7	8.6	-	-	-
FTSE EPRA NAREIT Global Index		1.0	9.1	-	-	-
Excess Return		3.7	(0.5)	-	-	-
<b>Fixed Income</b>						
Core	2,288	1.4	3.0	5.0	-	-
Barclays U.S. Aggregate Bond Index		1.1	2.7	4.5	-	-
Excess Return		0.3	0.3	0.5	-	-
High Yield	373	1.4	6.2	8.2	-	-
Merrill Lynch High Yield Cash Pay		0.6	6.7	8.4	-	-
Excess Return		0.8	(0.5)	(0.2)	-	-
Emerging Markets	382	0.4	-	-	-	-
JP Morgan Emerging Markets Bond		0.5	4.2	6.2	-	-
Excess Return		(0.1)	-	-	-	-
<b>Other Investments</b>						
Absolute Return	753	0.0	-	-	-	-
50% HRFX Absolute Return + 50% HRFX Market		2.3	-	-	-	-
Directional		(2.3)	-	-	-	-
Excess Return		(2.3)	-	-	-	-
<b>Cash</b>	600	1.5	-	-	-	-
US 2 Year Treasury Note Income Return		0.5	-	-	-	-
Excess Return		1.0	-	-	-	-
<b>Short-Term Performance</b>						
As of June 30, 2015	Market Value In Millions (\$)	1 Year	3 Year	5 Year	10 Year	20 Year
<b>Short-Term - Cash</b>	<b>\$ 6,793</b>	<b>1.4</b>	<b>1.7</b>	<b>2.0</b>	<b>3.0</b>	<b>4.2</b>
Policy Benchmark		0.4	0.3	0.3	1.6	3.1
Excess Return		1.0	1.4	1.7	1.4	1.1

**ATTACHMENTS:**

The following Reports on Investment Performance for the periods ending June 30, 2015 are submitted for discussion.

[Attachment 1: Summary Slides](#)

[Attachment 2: Endowment Investment Performance](#)

[Attachment 3: Pension Investment Performance](#)

[Attachment 4: Retirement Savings Program Investment Performance](#)

[Attachment 5: Working Capital Investment Performance](#)