

**UNIVERSITY OF CALIFORNIA
BLUE AND GOLD ENDOWMENT
INVESTMENT POLICY STATEMENT**

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Payout Policy
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this IPS. The FCS Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types, and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.

POLICY TEXT INVESTMENT OBJECTIVES

1. Overall Objective

BGE is an investment pool established by the Regents and is available to UC campuses and other related entities. The objective of BGE is to provide a low cost, liquid, diversified investment vehicle in which the various UC organizations can invest their long-term excess capital reserves to earn a higher return than would otherwise be expected from short-term cash management vehicles (such as TRIP and STIP). This objective is subject to risk and liquidity tolerances established with the Office of the President, Chief Financial Officer, and campuses. BGE seeks to achieve this objective by taking advantage of the economies of scale of investing a large liquid pool of assets. The pool intends to invest in the most liquid and transparent

investments available that provide appropriate market exposure, at the lowest possible expense, in order to provide the opportunity for immediate withdrawal of funds by an investor with minimum impact on other investors in the pool.

2. Return Objective

BGE seeks to maximize its return on investment, consistent with levels of investment risk as stated below that are prudent and reasonable given long-term capital market expectations and the overall objectives of BGE, including liquidity maximization and expense minimization. The performance of BGE will be measured relative to its objectives and policy benchmark found in the Asset and Risk Allocation Policy.

3. Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve BGE's overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored, and tied to responsible parties as identified in the Asset and Risk Allocation Policy; and risk should be taken consistent with the BGE's objectives and the expectations for return from the risk exposures. The BGE should have a low probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically four to eight years).

4. Payout Policy

BGE will have an annual payout rate that provides investors with a source of income that is perpetual, growing, and predictable.

The objective of the payout rate is to allow BGE to grow on a total return basis while "smoothing" the payout in order to mitigate disruptions in the budgets of end-investors throughout economic and market cycles.

The payout rate for eligible assets in BGE is #% [TBD].

5. Sustainability Objective

The Office of the Chief Investment Officer (OCIO) shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision-making. ESG factors are considered with the same weight as other material risk factors influencing investment decision-making.

The OCIO uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The OCIO manages BGE consistent with these sustainability principles. The Framework can be found on the OCIO website in the sustainability section.

MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee, and Board of Regents on the following items.

1. Asset and Risk Allocation
2. Investment Performance and Attribution (against benchmarks identified in the **BGE Asset and Risk Allocation Policy**)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that BGE's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

DISCLOSURES

The Chief Investment Officer provides investment-related information on BGE to the Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

RESTRICTIONS

The Regents require that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

COMPLIANCE/DELEGATION

The BGE Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

BGE Asset and Risk Allocation Policy [Pending discussion and approval by the Board]

Investment Implementation Manual*

*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Chief Investment Officer.